

University of Global Village (UGV), Barishal
Department of Business Administration

Course Title: Principles and Practices of Banking

Course Code: RFIB: 0412-515	Credits: 03
Semester End Examination (SEE) hours: 03	CIE Marks: 90 SEE Marks: 60

❖ **Course Learning Outcomes (CLOs):** Upon completing this course, students should be able to

CLO1	Demonstrate a comprehensive understanding of the structure, functions, and roles of banking institutions in the economy, including the central bank's role in monetary policy.
CLO2	Analyze the key principles and practices of banking operations, including credit management, deposit mobilization, and risk management techniques.
CLO3	Evaluate the legal and regulatory framework governing banking operations, including compliance requirements, anti-money laundering (AML) laws, and consumer protection standards.
CLO4	Assess the impact of technological advancements, digital banking innovations, and financial inclusion initiatives on the evolution of modern banking practices.

❖ **Course plan specifying Topics, Teaching time and CLOs**

SL. No.	Topic	Hours	CLOs
1	An Overview of Banking System	5	CLO1 CLO2
2	Basics about Bank	5	CLO2 CLO3
3	Structure of Banking System	4	CLO3 CLO4
4	Banking Categories	3	CLO2 CLO3
5	Commercial Banking	4	CLO3 CLO4
6	Electronic Banking	3	CLO2

			CLO3
7	Central Banking	3	CLO4 CLO1
8	Monetary Policy		
9	Credit Management Policy	4	CLO1 CLO3
10	Banking Regulations and Compliance	4	CLO1 CLO4

**Course plan specifying content, CLOs, Teaching Learning and Assessment Strategy
Mapped with CLOs: (TLS= Teaching Learning Strategy, AS= Assessment Strategy)**

Week	Course Content	TLS	AS	CLOs
1	An Overview of Banking System What Is Bank, what is Nonbank banks, Historical Background of Banking, <i>Beginning of Banks</i> , the first Bank, Adam smith and modern banking, Beginning of modern banking, History of Banking in Bangladesh.	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) 	CLO1 CLO2
2	An Overview of Banking System The Financial Service Competitors of Banks, Credit Unions and Other Thrift Institution, Security Brokers and Dealers, The Services Banks Offer the Public, More Recent Services Offered by Banks, Trends Affecting Banks and Other Financial Service Firms Today.	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) 	CLO1 CLO2
3	Basics about Bank Characteristics of Bank, Objectives of Bank, Principles of a Modern Bank, Importance of a Bank in a Country, Bank Management, Alternative Banking System in 21st Century, Problems of Banking in Bangladesh,	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) ▪ Class Test 	CLO1 CLO2
4	Structure of Banking System Classification on the basis of functions, Private Commercial Banks, Conventional Commercial Banks, Islamic Shariah based Commercial Banks, Foreign Commercial Banks, Unit Banking.	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) ▪ Class Test 	CLO1 CLO2
5	Structure of Banking System	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Exercise 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) 	CLO1

	Advantages of Unit Banking, Disadvantages of Unit Banking, Branch Banking, Reasons for Growth of Branching, Advantages of Branch Banking, Disadvantages of Branch Banking, Group Banking.	<ul style="list-style-type: none"> ▪ Assignment 		
6	<p>Banking Categories</p> <p>Chain Banking, Investment Banking, Merchant Banking, Offshore Banking, Agent Banking, Green Banking, Green Banking, World Bank, Non-Bank Financial Institution,</p>	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) 	<p>CLO1</p> <p>CLO2</p>
7	<p>Commercial Banking</p> <p>Commercial bank, Objectives of commercial bank, services typically offered by a commercial bank, Contributions of commercial bank, liquidity and profitability, loan and advances of commercial bank. Credit creation with example.</p>	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) 	<p>CLO1</p> <p>CLO2</p>
8	<p>Electronic Banking</p> <p>Electronic Banking, Features of automated teller machine, advantages of automated teller machine, Bank financial statements, key items on bank financial statement.</p>	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) ▪ Class Test 	<p>CLO2</p>
9	<p>Central Banking</p> <p>Central Banking, Definition of Central Bank, Objectives of Central Bank, Functions of Central Bank, Development Functions, Other Functions, Repo (Repurchase Option) Rate, London Interbank Offered Rate (LIBOR).</p>	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) ▪ Class Test ▪ 	<p>CLO2</p>
10	<p>Monetary Policy</p> <p>MONETARY POLICY, Monetary policy tools, Open Market Operations, Reserve Requirement, Discount Rate, Differentiate Between CRR and SLR, Note Issue by Central Bank.</p>	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) ▪ Class Test 	<p>CLO2</p>
11	<p>Various forms of money</p> <p>Various forms of money, Commodity and Fiat Monies, Features of Money, Central Bank is the Lender of the Last Resort, Central bank is the banker of all banks, Central bank is the banker of government.</p>	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) ▪ Class Test ▪ 	<p>CLO2</p>

12	<p>Various forms of money</p> <p>Clearing House, Clearing House, Distinguish between Central Bank and Commercial Bank, Some Central Banks in the World, Central Bank of Bangladesh.</p>	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) ▪ Class Test 	CLO2
13	<p>Credit Management Policy</p> <p>What is Bank Lending Policy? Objectives of Lending Policy, Principles/Indicators of Sound Lending Policy, Credit Analysis, Steps/ Process of Credit Analysis, 5c's, CAMELS Rating System</p>	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) 	CLO1
14	<p>Credit Management Policy</p> <p>Bank loan, Indicators of Problem Loans, Quantitative Indicators, Qualitative Indicators, How Does a Bank Handle a Problem loan ?</p>	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) 	CLO1
15	<p>Credit Management Policy</p> <p>Steps in Loan Operations/Loan Procedure Followed by Banks, Loan Pricing, Risk Issues in Bank, Risk vs Uncertainty, Types of Risk Faced by Banks, Liquidity Risk, Foreign Exchange Risk.</p>	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) ▪ Class Test 	CLO1 CLO2 CLO3
16	<p>Banking Regulations and Compliance</p> <p>Legal Framework for Banking Operations (Bank Company Act, 1991; Bangladesh Bank Orders), Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) Policies,</p>	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) ▪ Class Test ▪ 	CLO1 CLO2 CLO3
17	<p>Banking Regulations and Compliance</p> <p>Basel Accords and Risk Management Practices, Compliance with Islamic Banking Principles (for Islamic Banks), Role of the Financial Institutions Division</p>	<ul style="list-style-type: none"> ▪ Lecture ▪ Discussion ▪ Exercise ▪ Assignment 	<ul style="list-style-type: none"> ▪ Question & Answer (Oral) ▪ Class Test 	CLO1 CLO2

Assessment and Evaluation

1) **Assessment Strategy:** Group Discussion, Class tests, Case Study, Term Paper, Presentation.

2) **Marks distribution:**

a) **Continuous Assessment:**

- Class attendance is mandatory. Absent of 70% classes; disqualify the student for final examination only authority recommendation will be accepted with highly reasonable causes.
- Late submission of assignments is not allowed. Late submission of assignments will be only taken with highly reasonable causes and 20% mark will be deducted.
- To pass this course student will have to appear mid-term and final examination.

b) **Summative:**

❖ **CIE- Continuous Internal Evaluation (90 Marks)**

Bloom's Category Marks (out of 90)	Test (45)	Assign ments (15)	Quiz (15)	External Participation in Curricular/ Co- curricular activities (15)
Remember	10			Bloom's affective domain: (Attitude or Will) Attendance: 15 Copy or Attempt to copy: -10 Late Assignment: -10
Understand	05	05	05	
Apply	10		05	
Analyze	05	05		
Evaluate	10	05	05	
Create	05			

❖ **SEE- Semester End Examination (60 Marks)**

Bloom's Category	Test
Remember	10
Understand	10
Apply	10
Analyze	10
Evaluate	10
Create	10

3. Make-up Procedures: Dates for exams will be strictly followed. No makeup exam (Normal case), for exceptional case university rules and regulation should be followed

Recommended Books:

1. Principles and Practices of Banking by Macmillan, 2nd Edition
2. **An Introduction to Banking: Principles by M. Chowdhury**

WELCOME





WEEK-01

SLIDES: 1-10



An Overview of Banking System

Chapter-1

What Is Bank ?

- ✓ The word Bank come from the Latin Word “Banco”.
- ✓ The term banking is defined as “accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise and withdraw able by cheque, draft, and order or otherwise”.
- ✓ A financial institution which collects idle money temporarily from the public and lends to other people as per need
- ✓ Bank is such an institution which creates money by money only.”---
--**W. Hock**
- ✓ Bank is such a financial institution which collects money in current, savings or fixed deposit account; collects cheques as deposits and pays money from the depositors account through cheques.



What is Nonbank banks....???

- Depository institutions offering checking accounts or commercial loans but not both.
- **Examples:**
 - Insurance Companies
 - Mutual Funds etc



Historical Background of Banking



Beginning of Banks

- ❑ The idea of banks began as long ago as 1,800 BC in Babylon. In those days moneylenders made loans to people. In Greece and Rome banks made loans and accepted deposits. They also changed money. (In the Bible Jesus famously drove the money changers out of the temple in Jerusalem).
- ❑ However with the collapse of the Roman Empire trade slumped and banks temporarily vanished. However banking began to revive again in the 12th and 13th centuries in the Italian towns of Florence and Genoa.

The First Bank

The Romans, great builders and administrators in their own right, took banking out of the temples and formalized it within distinct buildings. During this time moneylenders still profited, as loan sharks do today, but most legitimate commerce, and almost all governmental spending, involved the use of an institutional bank.



Adam Smith & Modern Banking



Banking was already well established in the British Empire when Adam Smith came along in 1776 with his "invisible hand" theory. Empowered by his views of a self-regulated economy, moneylenders and bankers managed to limit the state's involvement in the banking sector and the economy as a whole.

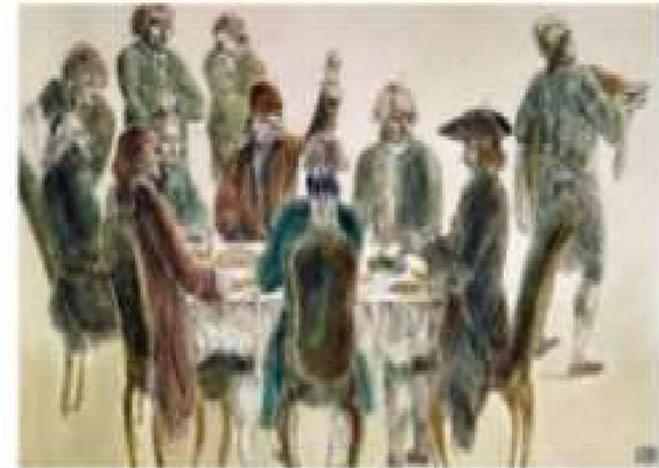
This free market capitalism and competitive banking found fertile ground in the New World, where the United States of America was getting ready to emerge.

Beginning of Modern Banking

In the beginning, Smith's ideas did not benefit the American banking industry. The average life for an American bank was five years, after which most bank notes from the defaulted banks became worthless.

These state-chartered banks could, after all, only issue bank notes against gold and silver coins they had in reserve.

A bank robbery meant a lot more before, than it does now, in the age of deposit insurance and the Federal Deposit Insurance Corporation - FDIC. Compounding these risks was the cyclical cash crunch in America.

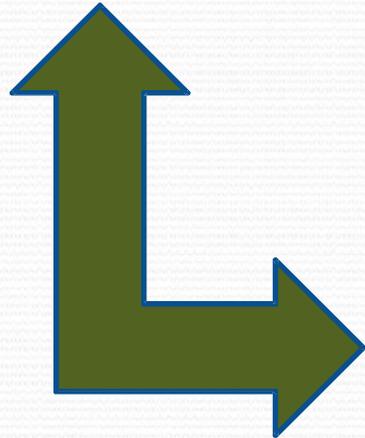
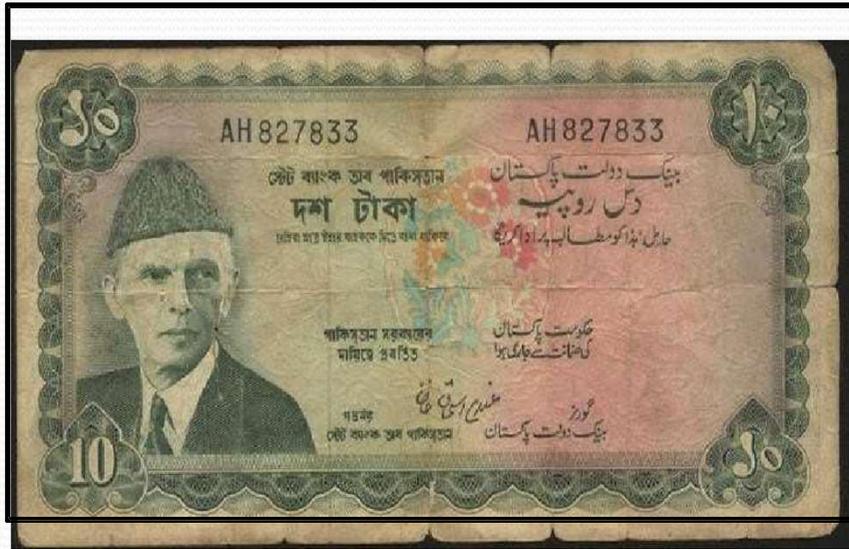




WEEK-02

SLIDES: 11-20

History of Banking in Bangladesh



- 
- ✓ The first modern bank in Bengal was Bank of Hindustan, established in 1770 in Calcutta.
 - ✓ The first modern bank headquartered in Dhaka was Dacca Bank, established in 1846. It did a very limited business and did not issue banknotes. It was purchased by Bank of Bengal in 1862.
 - ✓ After the Liberation War and the eventual independence of Bangladesh, the Government of Bangladesh reorganized the Dhaka branch of the State Bank of Pakistan as the central
 - ✓ bank of the country, naming it Bangladesh Bank. This reorganization was done pursuant to Bangladesh Bank Order, 1972, and the Bangladesh Bank came into existence retroactively from 16 December 1971.
 - ✓ Nationalized Commercial Banks (NCBs) were established in Bangladesh in 1972 through amalgamation of twelve commercial banks that were operating in pre-independent Bangladesh allowing the poor access to fund, reducing capital flight to foreign countries, and increasing domestic investment were some of the basic objective of this nationalization.





The Financial Service Competitors of Banks

- **Mutual Funds**

- ✓ An investment vehicle made up of a pool of money collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and other assets.

- ✓ Allocate the fund's investments and attempt to produce capital gains and/or income for the fund investors

- **Real Estate Developers and Mortgage companies**

- ✓ Supplying building and construction expertise and construction financing to their customers



- **Credit Unions and Other Thrift Institution**

- ✓ A financial cooperative created for and by its members who are its depositors, borrowers, and shareholders.

- ✓ Credit unions offer many banking services, such as

- Consumer and Commercial loans (usually at lower than market interest rates)
- Time deposits (usually at higher than market interest rates)
- Credit cards, and Guaranties

- **Insurance companies and Pension plans**

- ✓ Providing customer with long time savings plans

- ✓ Providing risk protection



- **Security Brokers and Dealers**

- Providing investment and savings planning
- Executing security purchase and sales
- Providing credit cards to their customers

- **Finance Companies**

- An institution engaged in such specialized for financing as purchasing accounts receivable, extending credit to retailers and manufacturers, granting loan with goods as security.



The Services Banks Offer the Public

- **Traditional Services Offered By Banks:**

- ✓ Carrying Out Currency Exchange
- ✓ Discounting Commercial Notes and Making
- ✓ Business Loans
- ✓ Offering Savings Deposits
- ✓ Safekeeping of Valuables
- ✓ Supporting Government Activities with Credit
- ✓ Offering Checking Accounts
- ✓ Offering Trust Services



More Recent Services Offered by Banks

- ✓ **Granting Consumer Loans**
- ✓ **Providing Financial Advice**
- ✓ **Managing Cash**
 - ✓ Managing Customers cash account to achieve a higher rate of return and ensure timely funds availability
- ✓ **Offering Equipment Leasing**
 - ✓ Bank buys equipment and rents it to its customers
- ✓ **Making Venture Capital Loan**
 - ✓ Provides start-up costs of new companies
- ✓ **Selling Insurance Policies**
- ✓ **Selling Retirement Plans**
 - ✓ Pension programs that aid individuals to save money for retirement.



Trends Affecting Banks and Other Financial Service Firms Today(Key Trends Reshaping Banking Today)

- ✓ Service Proliferation
- ✓ Rising Competition
- ✓ Increased of Risk Failure
- ✓ Technological Change and Automation
- ✓ Consolidation and Geographic Expansion
- ✓ E-Banking and E-Commerce
- ✓ Globalization

WEEK-03

SLIDES: 21-30

CHAPTER: 02
BASICS ABOUT BANK



Characteristics of Bank

- Identification
- Business in Banking
- Individual/Firm/Company
- Commercial in Nature
- Various Branches
- Dealing in money
- Payment and Withdrawal
- Dealing with Documents
- Acceptance Deposits
- Dealing with Credit



Objectives of Bank

- Collecting savings and idle money
- Lending money to the deficit unit
- To create propensity of savings among the people
- To build up capital in the country through savings
- To motivate people for investing money
- Creation of money
- Accelerate investment activities
- To issue and control notes and currency as a central bank
- To assist government for trade, business and socio-economic development



Principles of a Modern Bank

- Principles of Safety
- Principles of Reliability
- Principles of Solvency
- Principles of Secrecy
- Principles of Liquidity
- Principles of Services
- Principles of Profitability
- Principles of Investment
- Principles of Goodwill



Importance of a Bank in a Country

- Encourage savings
- Transfer savings into investment
- Money transfer
- Discounting Commercial Notes
- Implementation of Monetary Policy
- Remittance of money
- Promotion of trade and industry
- Agricultural and Regional Development
- Employment Opportunities



Bank Management

- Is the process of **planning, organizing, staffing, coordinating, motivating and controlling** the all of the resources to proper utilize the banking business to achieve the organizational goals.



Alternative Banking System in 21st Century

- ❖ Online Banking
- ❖ Tele Banking
- ❖ Agent Banking
- ❖ ATM (Automatic Teller Machine)
- ❖ EFT (Electronic Fund Transfer)
- ❖ ATM Card
- ❖ Debit Card
- ❖ Credit Card
- ❖ POS Terminal (Point of Sales)
- ❖ EDI (Electronic Data Interchange)



Problems of Banking in Bangladesh

- High Non-Performing Loan
- Not making enough return
- Consumer expectations
- Increasing competition from technology
- Regulatory Pressure
- Political Pressures
- Bureaucratization

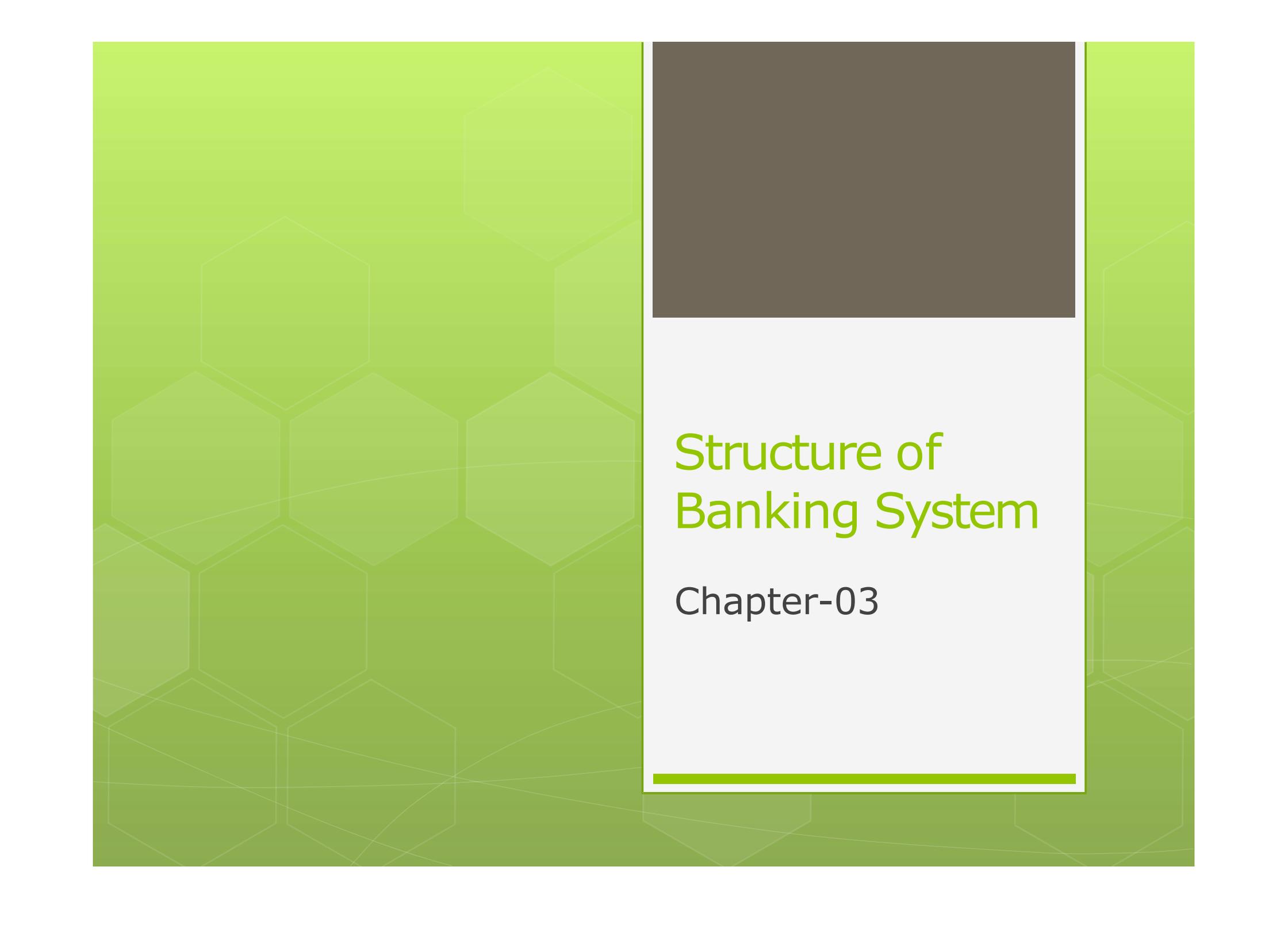
Thank you





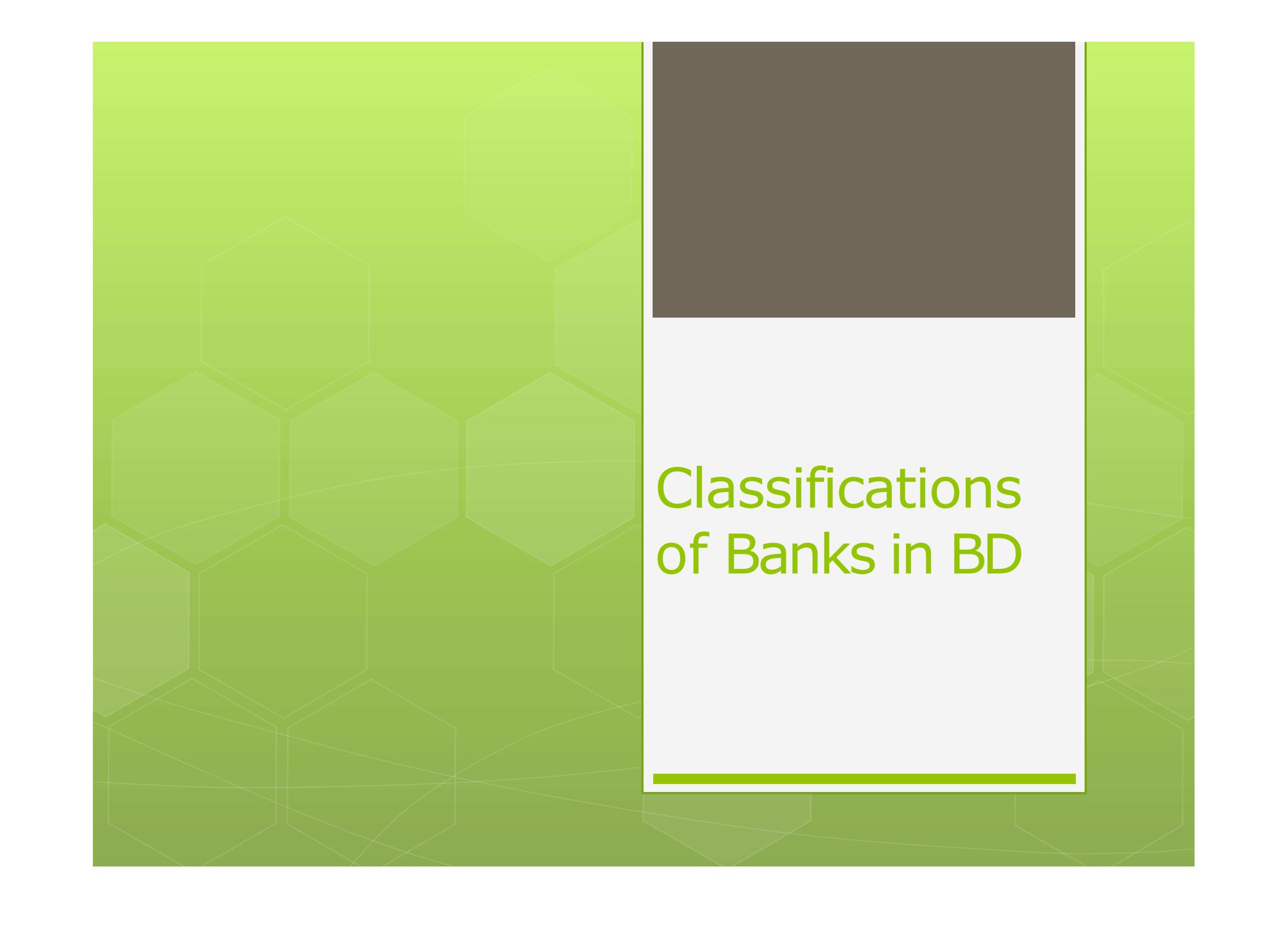
WEEK-04

SLIDES: 31-40



Structure of Banking System

Chapter-03



Classifications of Banks in BD

Classification on the basis of functions

- ✓ Central bank
- ✓ Scheduled Banks
 - ✓ State Owned Commercial Banks
 - ✓ Specialized Banks
 - ✓ Private Commercial Banks
 - ✓ Foreign Commercial Banks
- ✓ Non-Scheduled Banks

1. Central bank

Bangladesh Bank

2. Scheduled Banks

Scheduled Banks are licensed under the Bank Company Act, 1991 (Amended up to 2013).

2.1 State Owned Commercial Banks

- ✓ Agrani Bank Limited
- ✓ Janata Bank Limited
- ✓ Rupali Bank Limited
- ✓ Sonali Bank Limited

2.2 Specialized Banks

1. Bangladesh Krishi Bank
2. BASIC Bank
3. Rajshahi Krishi Unnayan Bank (RAKUB)
4. Bangladesh Development Bank Limited

2.3 Private Commercial Banks

- **Conventional Commercial Banks**

- ✓ AB Bank Limited
- ✓ Bangladesh Commerce Bank Limited
- ✓ Bank Asia Limited
- ✓ BRAC Bank Limited
- ✓ City Bank Limited
- ✓ Dhaka Bank Limited
- ✓ Dutch-Bangla Bank Limited
- ✓ Eastern Bank Limited

- ✓ IFIC Bank Limited
- ✓ Jamuna Bank Limited
- ✓ Meghna Bank Limited
- ✓ Mercantile Bank Limited
- ✓ Midland Bank
- ✓ Modhumoti Bank Limited
- ✓ Mutual Trust Bank Limited
- ✓ National Bank Limited
- ✓ National Credit & Commerce Bank Limited
- ✓ NRB Bank Limited
- ✓ NRB Commercial Bank Limited

Conventional Commercial Banks (Contd...)

- ✓ NRB Global Bank Limited
- ✓ One Bank Limited
- ✓ Premier Bank Limited
- ✓ Prime Bank Limited
- ✓ Pubali Bank Limited
- ✓ South Bangla Agriculture & Commerce Bank Limited
- ✓ Southeast Bank Limited
- ✓ Standard Bank Limited
- ✓ The Farmers Bank Limited
- ✓ Trust Bank Limited
- ✓ United Commercial Bank Limited
- ✓ Uttara Bank Limited
- ✓ Shimanto Bank Ltd

Islamic Shariah based Commercial Banks

- ✓ Al-Arafah Islami Bank Limited
- ✓ EXIM Bank Limited
- ✓ First Security Islami Bank Limited
- ✓ ICB Islamic Bank Limited
- ✓ Islami Bank Bangladesh Limited
- ✓ Shahjalal Islami Bank Limited
- ✓ Social Islami Bank Limited
- ✓ Union Bank Limited

2.4 Foreign Commercial Banks

- ✓ Bank Al-Falah Limited
- ✓ Citibank N.A
- ✓ Commercial Bank of Ceylon PLC
- ✓ Habib Bank Limited
- ✓ National Bank of Pakistan
- ✓ Standard Chartered Bank
- ✓ State Bank of India
- ✓ Woori Bank
- ✓ HSBC Bank

3. Non-Scheduled Banks

Non-Scheduled Banks are licensed only for specific functions and objectives, and do not offer the same range of services as scheduled banks.

- ✓ Ansar VDP Unnayan Bank
- ✓ Karmashangosthan Bank
- ✓ Grameen Bank
- ✓ Jubilee Bank
- ✓ Probashi Kollyan Bank
- ✓ Palli Sanchay Bank

WEEK-05

SLIDES: 41-49

Unit Banking

- ✓ Banks that sell their services through one full-service office.
- ✓ Offer All Services From One Office
- ✓ One of the Oldest Kinds of Banks
- ✓ New Banks are Generally Unit Banks Until Can Grow and Attract More Resources
- ✓ Common in US Banking today
- ✓ In Bangladesh Banking sector, there are no Unit Banks.

Advantages of Unit Banking

- Local Development
- Promotes regional balances
- Easy management
- Quick decision
- Operational freedom
- Personal contact
- Efficient working
- Low overhead cost
- Local funds for local people
- Prevention of Monopoly

Disadvantages of Unit Banking

- Non-diversified services
- Lack of fund mobility
- Failure to spread risks
- Limited resources
- No economies of large operations

Branch Banking

- ✓ Banks that sell their services through multiple offices.
- ✓ Senior Management at the Home Office
- ✓ Each Branch has its Own Management Team with Limited Decision Making Ability
- ✓ Some Functions are Highly Centralized, While Others are Decentralized

Reasons for Growth of Branching

- 1) Exodus of Population to Suburban Communities
- 2) Increased Bank Failures in Recent Years
- 3) Business Growth

Advantages of Branch Banking

- ✓ Economies of Large Scale operations
- ✓ Economy of Cash Reserves
- ✓ Proper use of capital
- ✓ Economy of Costs
- ✓ Risks-spreading Economy
- ✓ Easy and cheaper transfer of funds
- ✓ Greater Safety and Liquidity
- ✓ Balanced economical growth
- ✓ Convenient for the Central Bank's Supervision
- ✓ Provision for Training the Personnel

Disadvantages of Branch Banking

- ✓ Danger of Mismanagement
- ✓ Delays in Decision-making
- ✓ Lack of Personal Contact
- ✓ High operating and maintenance expenses
- ✓ Concentration of Monopoly Power in the hands of few banker
- ✓ Lack of initiative
- ✓ Regional imbalances

Group Banking

- Group banking is a group of banks are brought under on centralized management and this centralized management experts control over all the units.
- Group Banking is a particular bank, offering products and services to a group of people.

WEEK-06

SLIDES:50-62

CHAPTER- 04

BANKING CATEGORIES

Chain Banking

- Chain Banking is a group of banks (minimum is three) held together by a group of individuals for effective banking activities.

Investment Banking

- Investment banks are organizations which assist business corporation and government bodies to raise funds for long-term capital requirements through the sale of shares, stocks and bonds.

Merchant Banking

- A Merchant bank is a bank that deals mainly with investment, and foreign trade, rather than with the public.
- It typically services smaller clients

Offshore Banking

- ✓ Offshore banking is the practice of offering financial services in locations that have attractive tax advantages to non-residents.

Agent Banking



Agent Banking

- Agent Banking means providing limited scale banking and financial services to the underserved population through engaged agents under a valid agency agreement, rather than a teller/ cashier.
- It is the owner of an outlet who conducts banking transactions on behalf of a bank.
- Globally these retailers are being increasingly utilized as important distribution channels for financial inclusion.
- Bangladesh Bank has also decided to promote this complimentary channel to reach to the poor segment of the society as well as existing bank customer with a range of financial services specially to geographically dispersed locations.

Green Banking



Green Banking

- Green banking is defined as the operation of banking activities while giving special attention to social, ecological and environmental factors with the aim of the conservation of nature and natural resources.
- Green banking means promoting environmental friendly practices and reducing your carbon footprints from your banking activities. Green banking aims at improving the operations and technology along with making the clients habits environment friendly in the banking business

World Bank

- The world bank is an international organization dedicated to providing financing, advice and research to developing nations to aid their economic advancement.
- Helps emerging countries to reduce poverty
- Its five organizations are the:

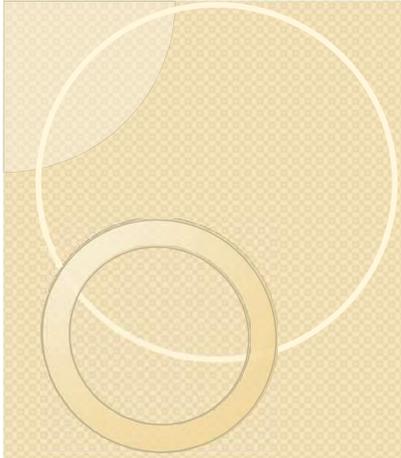
- ✓ International Bank for Reconstruction and Development (IBRD),
- ✓ the International Development Association (IDA),
- ✓ the International Finance Corporation (IFC),
- ✓ the Multilateral Investment Guarantee Agency (MIGA) and
- ✓ the International Centre for Settlement of Investment Disputes (ICSID).
- The first two are sometimes collectively referred to as the World Bank.

Non-Bank Financial Institution

- A Non-Bank financial institution (NBFI) is a financial institution that does not have a full banking license or is not supervised by a national or international banking agency.
- Regulated under Financial Institution Act, 1993
- Provide financial services such as investment, risk pooling, contractual savings etc.

- Lanka-Bangla Finance Ltd
- Uttara Finance and Investment Ltd
- Union Bank Ltd
- Phonix Leasing Ltd
- BHFC
- ICB, etc.





Chapter-05

Commercial Banking



WEEK-07

SLIDES: 63-76

Commercial Banking

Chapter-05

Commercial Bank

- ◉ Bank is such a financial institution which collects money in current, savings or fixed deposit account; collects cheques as deposits and pays money from the depositors account through cheques.
- ◉ A Commercial bank accept deposits from customers and in turn makes loans.
- ◉ Many banks offer ancillary financial services to make additional profit; for example, most banks also rent safe deposit boxes in their branches

Objectives of Commercial Bank

- Profit Earning
- Savings Collection
- Safe Custody of Money
- Capital formation
- Creating the Exchange of Medium
- Various Services Providing
- Money Supply to mass people through loans and investment
- Creating Loan
- Maintaining safety
- Economic development of a country

Services Typically Offered by a Commercial Bank

- ◉ Accepting Deposit
- ◉ Advancing Loan and Investment
- ◉ Cheque Payment
- ◉ Discounting Bill of Exchange
- ◉ Foreign Currency Exchange
- ◉ Remittance
- ◉ Credit and Debit Card
- ◉ ATM Services
- ◉ Online Banking
- ◉ Mobile Banking
- ◉ Consultancy
- ◉ Locker facility
- ◉ Collect Utility Bill

Contribution of Commercial Bank

- Capital Formation
- Encouraging Savings
- Investment in new enterprise
- Implementation of monetary policy
- Promotion of trade and Industry
- Development of Agriculture
- Export Promotion
- Implementation of modern technology
- Development of SME Business

Liquidity and Profitability

Profitability

Liquidity

y

- Liquidity means capacity for being exchanged for money immediately and without loss- R.S. Sayers
- Measures the economic success of the bank irrespective to cash flow in the firm
- Is measured by ROA and ROE

Loan and Advances of Commercial Bank

- Cash Credit
- Bank Overdraft
- Discounting Bill
- Bank Loan
 - ✓ Individual Loan
 - ✓ Industry Loan
 - ✓ Loan For Farmers
 - ✓ Term Loan
 - ✓ Bridge Financing : Temporary financing for a individual or business until permanent financing is obtained

Credit Creation Of Commercial Bank



- Credit Creation is a situation in which banks make more loans to consumers and business, with the result that the amount of money in circulation increases.
- When a commercial bank extends loans it is not directly paid to the borrower, but is only credited to his or her account and a cheque book is given. Thus a bank creates a derivative deposit.
- 🌐 “Deposits create loans and loans create deposits”- M.N. Mishra

Example

- Suppose that the Cash Reserve Ratio (CRR) maintained by the bank is 20%. Now, Mr. A deposits Tk. 10,000 with Dhaka Bank. The bank need not keep the entire cash in reserve to meet its day to day demand for cash.
 - After keeping a 20% (Tk 2000) in hand , bank provide as a credit Tk 8,000 to Mr. B by opening a credit account by his name.
 - By keeping 20% (Tk 1600) of this in hand bank again advances Tk 6,400 to Mr. C
 - This process continues until the initial primary deposit of Tk 10,000 with Dhaka Bank lead the creation of total deposits of Tk. 50,000 (Derivative Deposit 40,000).
- ➡ Credit Multiplier = $(1 / \text{CRR}) = (1 / 20\%) = 5$ times



WEEK-08

SLIDES: 76- 84

Chapter-06

ELECTRONIC BANKING

Electronic Banking (E-Banking)

- E- Banking is the use of electronic methods to deliver traditional banking services using any kind of payment media.
- ATM
- Internet Banking
- Mobile-Banking
- Credit Card
- Debit Card
- Smart Card
- EFT

Features of ATM (Automated Teller Machine)

- Fast Cash
- Normal Cash Withdrawal
- Balance inquiry
- Mini Statement
- Pin change
- Cash Deposit
- Transfer Transaction

Advantages of ATM

- ◉ 24/ 7
- ◉ Privacy in Banking Transaction
- ◉ Beneficial for Travellers
- ◉ Reduces Workload of Bank's staff
- ◉ Service without any error

The Financial Statements of a Commercial Bank

Bank Financial Statements

- ⊕ **Report of Condition – Balance Sheet**
 - ✓ The Balance Sheet of a Bank Showing its Assets, Liabilities and Net Worth at a given point in time
- **Report of Income – Income Statement**
 - ✓ The Income Statement of a Bank showing its net earnings/net profit.

Key Items on Bank Financial Statement

1) The Balance Sheet :

Assets	Liabilities and Equity
Cash (Primary reserves)	Deposits (Demand, Savings, Time, NOW, Money Market)
Liquid security holdings (Secondary reserves)	Non deposit borrowings
Investment securities	Equity Capital (Stock, Surplus, Retained Earnings, Capital reserves)
Loans: Consumer Commercial Agriculture Miscellaneous loans and leases	
Miscellaneous assets (Buildings, equipment, etc)	



stuartstock.com + (310)700991

Chapter-07

Central Banking



Week-09

slides: 85- 94

Central Bank

Chapter-07



Definition of Central Bank

- A national bank that provides financial and banking services for its country's government and commercial banking system, as well as implementing the government's monetary policy and issuing currency.
- Central Bank is the lender of the last resort



Objectives of Central Bank

- Price Stability
- Maintain Interest Rate
- Growth and Employment
- Exchange Rate Stability
- Financial Stability

Functions of Central Bank

Traditional Functions:

- ✓ Issue of Notes and Coins
- ✓ Banker of Government
- ✓ Banker of the Banks
- ✓ Lender of the Last Resort
- ✓ Credit Control
- ✓ Clearing House
- ✓ Reservoir of Foreign Currency

Purposeful Functions

- ✓ Influencing Financial Market
- ✓ Stabilize Exchange Rate
- ✓ Stabilize Price Level
- ✓ Stabilize Business Activities



Development Functions

- Developing Financial Institution
- Development of Agriculture Sector
- Development of Industry Sector

Other Functions

- Adviser and Representative of Government
- Economic Research
- Collection and publication of Data



- **Bank Rate :**

is the rate at which central bank provides loan to the commercial bank.

- **Interest Rate:**

is the cost of borrowing money.

- **Prime Rate:**

is the lowest rate of interest charged by commercial banks on loans to their best customers.



Repo (Repurchase Option) Rate

- Is a source of short-term borrowing, in which the banks sell securities to the central bank , in return for credit.
- Generally lend commercial banks against government securities (act as a collateral)
- Use this tool to control money supply



London Interbank Offered Rate(LIBOR)

- Is the base lending rate banks charge each other in the London wholesale money market.
- BBA (British Bankers Association)

WEEK-10

SLIDES: 95-106

CHAPTER- 08

MONETARY POLICY



Monetary Policy

- ❑ Policy to control money supply.
- ❑ Central banks have three main monetary policy tools:
 - ❑ Open market operations
 - ❑ Discount rate and
 - ❑ Reserve requirement



Monetary Policy Tools

Open Market Operations

are when central banks buy or sell securities. These are bought from or sold to the country's private banks

Buying Securities :

When the central bank buys securities, it adds cash to the banks' reserves. That gives them more money to lend.

A central bank buys securities when it wants **expansionary monetary policy**.

Selling Securities:

When the central bank sells the securities, it places them on the banks' balance sheets and reduces its cash holdings. The bank now has less to lend.

It sells them when it executes **contractionary monetary policy**.

Reserve Requirement

- ✓ The reserve requirement refers to the money banks must keep on hand overnight. They can either keep the reserve in their vaults or at the central bank.

Lowering the Reserve Ratio :

- ☒ A low reserve requirement allows banks to lend more of their deposits. It's expansionary because it creates credit.

Raising the Reserve Ratio :

- ☒ A high reserve requirement is contractionary. It gives banks less money to loan.

Discount Rate

☐ The discount rate is the third tool. It's the rate that central banks charge its members to borrow.

Lowering the Discount Rate:

☐ A low **Discount Rate** allows banks to lend more of their deposits. It's expansionary because it creates credit.

Raising the Discount Rate :

☐ A high **Discount Rate** is contractionary. It gives banks less money to loan.

Differentiate Between CRR and SLR

Topics	Cash Reserve Ratio (CRR)	Statutory Liquidity Ratio (SLR)
Meaning	CRR is the percentage of money, which a bank has to keep with central bank in the form of cash	The bank has to keep a certain percentage of their net income and demand liabilities in the form of liquid assets as specified by central bank.
Maintain	CRR is maintained by central bank.	Bank it self. Central Bank does not maintain SLR.
Form	It is maintained in the form of cash.	It is to be maintained in the form of gold, cash and government approved securities.
Effect	It controls excess money flow in the economy.	It helps in meeting out the unexpected demand of any depositor by selling the bonds.



Note Issue by Central Bank

- The central bank has given the monopoly power of note issue.
- **Bank Notes:**
Tk. 10, 20, 50, 100, 200, 500, 1000
- **Government Notes:**
Tk. 1, 2, 5

Issued Banknotes

- The Bangladesh Bank has so far issued notes in the denominations of Tk.5, Tk.10, Tk.20, Tk.50, Tk.100, Tk.200, Tk.500 and Tk. 1000 in this series



Issued coins



New issued Banknote





Week-11

slides: 107- 111



Various Form of Money

Commodity and Fiat Monies

❓ **Commodity Monies:**

❓ Items used as money that also have intrinsic value in some other use.

❓ Such as Gold could be used directly to buy things, but it also had other uses, ranging from jewelry to dental fillings.

❓ **Fiat or Token, Money:**

❓ Items designated as money that are intrinsically worthless

❓ For example : 10,50,500,1000 Tk is basically zero; what other uses are there for a small piece of paper

Features of Money

- **Medium of exchange or Means of Payment :**
 - ✓ What sellers generally accept and buyers generally use to pay for goods and services.
- **Store of Value :**
 - ☒ An asset that can be used to transport purchasing power from one time period to another.
 - ☒ You may keep some of your earnings in the form of money until the time you want to spend it.
- **Unit of Account :**
 - ☒ A standard unit that provides a consistent way of quoting prices.
 - ☒ A text book is quoted as costing \$90, not 150 bananas or 5 DVDs.



- **Central Bank is the Lender of the Last Resort :**

- ☐ Lends money to commercial banks

- **Central bank is the banker of all banks**

- **Central bank is the banker of government**



Week-12

slides: 112- 119

Clearing House

- Clearing house is a place where mutual claims and accounts are settled, as between banks.
- Clearing is the process by which an individual cheque / instrument is exchanged between collecting and paying bank within the same region through Central Bank mechanism.
- In Bangladesh there are Ten(10) Bangladesh Bank regional Branch and thirty three (33) Sonali Bank Branch (on behalf of BB) perform this function.

Clearing House]

Manual Clearing House

Bangladesh Automated Clearing House (BACH)

Cheque/DD/PO

BACPS

BEFTN

Distinguish between Central Bank and Commercial Bank

S.L	Central Bank	Commercial Bank
1	Central Bank is established under Government ownership.	Commercial Bank is established under both govt. and private Ownership.
2	Central bank is conducted exclusively under Government control.	Commercial Bank is conducted under central bank's control.
3	Central Bank organizes, controls and administers currency market.	Commercial Banks are the members of the currency market.
4	Note issue is the primary function of central bank.	Commercial Bank cannot issue notes.

5	In case of any crisis, central bank Last resort lends commercial bank as a last resort.	Commercial Bank gets assistance from central bank in case of need.
6	Central Bank controls foreign exchange.	Commercial bank helps central bank in controlling foreign exchange.
7	Central Bank acts as a clearing house for settlement of inter-bank transactions.	Commercial banks are the members of the clearing house. They settle transactions through clearing house.
8	Central Bank represents the country or state	Commercial Bank represents the Customers.

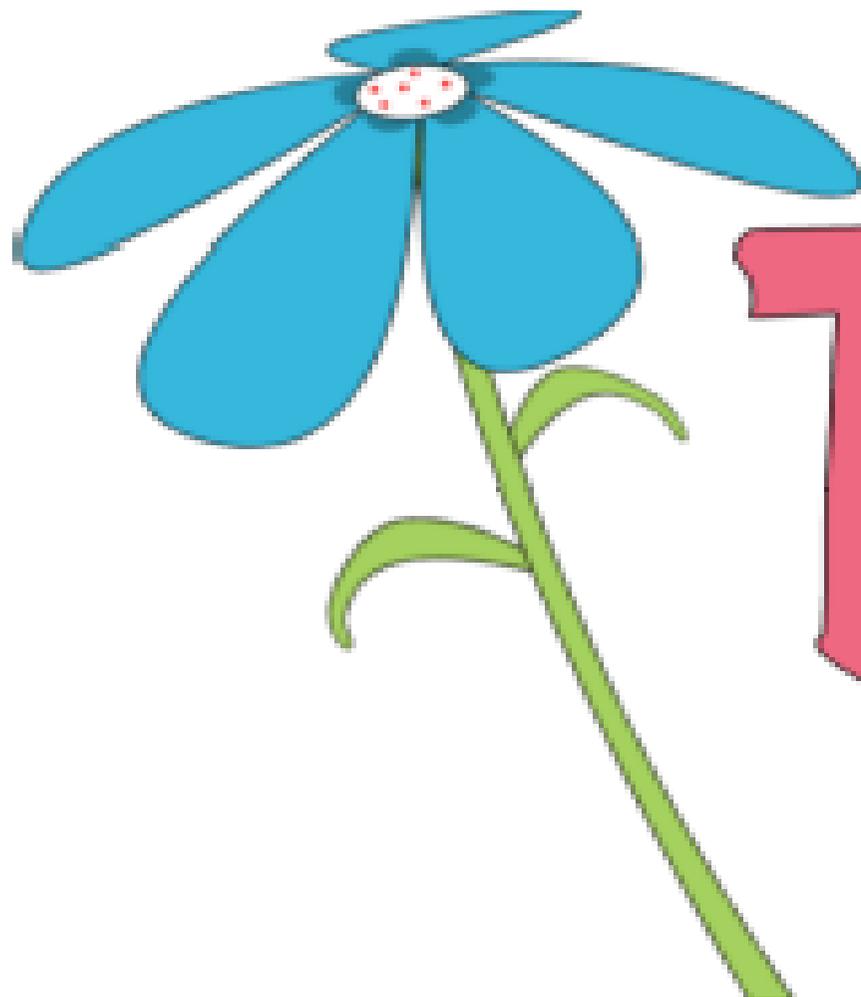
Some Central Banks in the World

- ❑ Federal Reserve System
- ❑ Reserve Bank of Australia
- ❑ Bank of England
- ❑ People's Bank of China
- ❑ Deutsche Bundesbank
- ❖ Reserve Bank of India
- ❑ Bank of Japan
- ❑ State Bank of Pakistan
- ❖ South African Reserve Bank
- ❑ Central Bank of the United Arab Emirates

Central Bank Of Bangladesh



- ✓ **Bangladesh Bank**
- ✓ **Headquarters:**
Dhaka, Bangladesh
- ✓ **Established:**
16 December 1971
- ✓ **Governor :**
Fazle Kabir (11th)
- ✓ **Currency :**
Taka
- ✓ **Reserves:**
US\$33 billion



Thank
you



Week-13

slides: 120-128

CREDIT MANAGEMENT POLICY

Chapter-9

What is Bank Lending Policy ?

- Bank Lending policy is a set of guidelines and criteria developed by a bank, which help the loan officer in every steps of the loan process to execute his/her duty efficiently and properly.
 - ✓ Board of Directors has ultimate power and responsibility to prepare credit policy
 - ✓ Both Written and Unwritten credit policies are practice in different banks.
 - ✓ Loan policy can be rigid and flexible

Objectives of Lending Policy

- Purpose of the loan
- Safety
- Liquidity
- Profitability
- Security
- Diversification of Risks
- Assured Repayment
- Social Benefits
- Decreasing Bad Loan

Principles/Indicators of Sound Lending Policy



- Policy of Safety
- Policy of Liquidity
- Policy of Purpose
- Policy of Profitability
- Policy of Security
- Policy of Diversity
- Policy of National Interest

Credit Analysis



- Credit analysis means analysis of the eligibility for getting loan in the light of applications.

Steps/ Process of Credit Analysis

- 1) Collecting loan information of the applicant
- 2) Collecting business information for which loan is sought
- 3) Collecting the primary risk related information
- 4) Assembling all credit information together
- 5) Analyzing sensitive risky credit information
- 6) Analyzing refined & very essential risk information
- 7) Making decision on the basis of loan analysis
- 8) Design the appropriate loan structure according to the positive decision

5 C's

- Credit worthiness reflects a borrower's ability to pay back a debt.
- 5 C's are popularly used in many countries for measuring the Credit Worthiness of Borrowers (credit analysis) around the world. This method is introduced by Jack R Crigger. 5 C's are :
 - ✓ Character
 - ✓ Capacity
 - ✓ Capital
 - ✓ Collateral
 - ✓ Condition

CAMELS Rating System

- CAMELS rating is the rating system wherein the bank examines, evaluates an overall performance of the banks and determine their strengths and weaknesses.
- The CAMELS rating system is an international bank rating system where bank supervisory authorities rate institutions according to six factors:
 - C= Capital Adequacy
 - A= Assets Quality
 - M= Quality of Management
 - E= Earnings
 - L= Liquidity
 - S= Sensitivity to Market Risk
- In this rating system, the banks on a scale from 1 to 5, where 1 is the best and showing the least risk and 5 is the worst and the most risk.



Week-14

slides: 129-135

Bank loan

- Bank loans can be divided into two categories , such as :
 - ✓ Good/ Ideal loan
 - ✓ Problem loan/ Distressed/ Non-Performing Loan
- The loans which can not easily be recovered from borrowers are called problem loan.
- The recovery of loan is unquestionable is known as **good or ideal loan.**

Indicators of Problem Loans



- The symptoms of problem loans can be classified in the following way:
 - 1) Quantitative Indicators
 - 2) Qualitative Indicators

Quantitative Indicators

- ✓ Preparation of irregular and delayed financial statements
- ✓ Refusal of large insurance claim
- ✓ Imbalanced expansion & modernization in improper time
- ✓ Creating hindrances to the main source of income
- ✓ Diminishing deposit balance
- ✓ Excessive increase in inventory
- ✓ Inability to pay the debt of the creditors other than the bank

- 
- ✓ Non-repayment of the loan installments as and when fell due
 - ✓ Repeated requests for refixing the loan repayment dates
 - ✓ Entering into big loan contracts frequently with institutions and persons other than the existing bank
 - ✓ Continuous decline in the market price of the shares of the borrowing company
 - ✓ Frequent Liquid crisis
 - ✓ Decrease in the volume of sales

Qualitative Indicators



- ✓ Sudden death or accident of chief executive of the business
- ✓ Avoiding communication with the lending bank
- ✓ Not welcome the loan inspectors in their office
- ✓ Frequent departure of key executives of the borrowing organization for better opportunities
- ✓ The borrowing organization is not operating smoothly due to some conflicts among the executives and among the board members
- ✓ Adverse business situation resulting from conflict between the borrower's country and supplier's country

- 
- ✓ Continuing strike or labor unrest
 - ✓ Bitter relationship between borrower and lending bank
 - ✓ Deteriorating relationship with the raw materials suppliers
 - ✓ Occurrence of theft , fraud, robbery, or hijacking in the organization of the borrowers.
 - ✓ Conflict among the heirs of the owners of the borrowing organization
 - ✓ Lack of depth in managerial decision making

How Does a Bank Handle a Problem loan ?



- Create policies and procedures for dealing
- Identify Who pays or not
- Identify Who Won't Pay
- Develop a relationship with the client
- Prompt and effective follow-up
- Arrangement of new loan
- Advice for inventory control



Week-15

slides: 137-143

Steps in Loan Operations/ Loan Procedure Followed by Banks

- Generally, loan operations are executed by the 9 steps:
 - 1) Receiving loan application
 - 2) Collecting loan information
 - 3) Credit analysis
 - 4) Final decision about the loan
 - 5) Loan documentation
 - 6) Loan agreement
 - 7) Recording loan transactions
 - 8) Review and monitoring of loan agreement execution
 - 9) Collection of loan

Loan Pricing

- Determining the interest rate for granting loan to creditors

Types of Bank Account

- ✓ Current Account
- ✓ Savings Account
- ✓ Fixed deposit Account
- ✓ Special Savings Account
- ❖ Demand Deposit = Current Account + Savings Account



Risk Issues in Bank

Risk vs Uncertainty

Risk

- Risk can be defined as the chance that some unfavorable events will occur

Uncertainty

- Uncertainty implies a condition where the future events are not known

Types of Risk Faced by Banks

- **Market Risk :**
arises due to fluctuations in market price of marketable securities
- **Credit Risk :**
is the risk of loss which arises if customers cannot meet their payment obligations
- **Interest Rate Risk:**
arises due to fluctuation in the interest rate
- **Technology Risk:**
is the potential for losses due to technology failures
- **Operational Risk:**
arises due to the failure of day to day activities, system or people



- **Liquidity Risk:**

arises due to the inability of bank to meet its obligations and it refers to a situation when any asset may not be realized in cash

- **Foreign Exchange Risk:**

is the risk of possible occurrence of adverse effects on the bank's financial result and capital on account of change in foreign exchange rates



Week-16

slides: 144-151

Chapter-10

Banking Regulations and Compliance in Bangladesh

Banking Regulations and Compliance in Bangladesh

- A Deep Dive into Legal Framework and Best Practices
- [Visual Suggestion: Image of Bangladesh Bank or a compliance checklist]

Introduction to Banking Regulations in Bangladesh

- Definition of Banking Regulations
- Importance of Compliance in Banking
- Role of Bangladesh Bank as the regulatory authority

- [Visual Suggestion: Diagram of regulatory bodies in the financial system]

Key Legal Framework for Banking Operations

- Bank Company Act, 1991: Overview and key provisions
- Bangladesh Bank Orders: Authority and governance
- Other relevant laws (Negotiable Instruments Act, Money Laundering Prevention Act)
- [Visual Suggestion: Timeline or infographic summarizing these laws]

Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) Policies

- Importance of AML/CFT in the banking sector
- Key requirements under AML/CFT laws
- Penalties for non-compliance

- [Visual Suggestion: Flowchart of AML/CFT processes in banks]

Basel Accords and Risk Management Practices

- Overview of Basel I, II, III
- Implementation in Bangladeshi banks
- Focus on capital adequacy, liquidity, and risk management
- [Visual Suggestion: Chart comparing Basel requirements and compliance levels]

Compliance with Islamic Banking Principles

- Shariah-compliant banking principles
- Regulatory framework for Islamic banks
- Role of Shariah Boards in compliance

- [Visual Suggestion: Diagram showing conventional vs Islamic banking regulations]



Week-17

slides: 152-159

Role of the Financial Institutions Division

- Overview of the Financial Institutions Division
- Key responsibilities: policy formulation, supervision, and coordination
- Interaction with other regulatory bodies
- [Visual Suggestion: Organizational structure of financial regulation in Bangladesh]

Enforcement of Compliance and Reporting

- Routine inspections and audits by Bangladesh Bank
- Reporting requirements for financial institutions
- Tools and systems for compliance monitoring

- [Visual Suggestion: Dashboard or table showing compliance reporting framework]

Challenges in Banking Compliance in Bangladesh

- Common compliance issues faced by banks
- Lack of awareness and training
- Balancing innovation and regulation
- [Visual Suggestion: Problem-solution matrix or infographic]

Case Studies and Examples

- Examples of successful compliance practices
- Lessons from compliance failures (e.g., fines, penalties)
- Impact on the banking sector

- [Visual Suggestion: Case study timeline or graph showing trends]

Future Directions in Banking Compliance

- Digital compliance tools and regtech solutions
- Increasing focus on ESG (Environmental, Social, and Governance) compliance
- Recommendations for improving compliance culture
- [Visual Suggestion: Futuristic graphic showing trends in compliance]

Conclusion

- Recap of key points
- Importance of a robust compliance framework
- Call to action: Strengthen compliance for a stable banking sector
- [Visual Suggestion: Compliance checklist with a tick mark]

Q&A

- Open floor for questions
- Thank you message
- [Visual Suggestion: Background image of a handshake or compliance symbol]