DAFFODIL INSTITUTE OF IT (DIIT)
Bachelor of Business Administration (BBA)
First Year Second Semester
THEORY AND PRACTICE OF BANKING
Chapter- 1
Overview of Banks & their Organizational Structure

1. **Overview of Banks & their Organizational Structure:** Introduction, How our economy runs? Financial system: Primitive financial system, Modern financial system, Do you know bank? Definition of bank, A brief history of bank in Bangladesh, Banking system: Branch banking, Unit banking, Chain banking, Group banking, Retail banking, Wholesale banking, Universal banking, Investment banking, Banking system in Bangladesh, Bank Vs non-bank financial institutions, Are traditional banks abolishing, Alternative Banking System in the 21st Century, Recent Banking Trends, Banking problems and prospects in case of Bangladesh, Banks and Economic development.

1. What do mean by bank?

Bank: Bank is an intermediary institution that makes relationship between the owner of surplus savings and investor of deficit capital.

Bank is financial institution that collects society's surplus cash and gives a part of that as loan to investors for earning profit.

According to John Herry, "Bank is an economic institution whose main aim is to earn profit through exchange of money and credit instruments."

According to Cairncross, "A bank is financial intermediary, a dealer in loans and debts."

Finally a bank is a financial institution which deals with deposits and advances and other related services. It receives money from those who want to save in the form of deposits and it lends money to those who need it.

2. What is banking?

Banking: Banking is the business activity of a bank. Simply, any activity carried out by a bank for business purposes is called banking.

According to R. P. Kent, "Banking is the business of a banker, the keeping or management of a bank."

Banking means accepting savings, lending money, paying for cheques, providing mortgage facilities, providing safety locker, providing over draft facilities, issuing letter of credit, act as money changer, issuing traveler cheques are some of the activities carried out by modern banks in the banking industry.

3. Distinguish between Bank and Banking.

The difference between bank and banking are given below:

Factors	Bank	Banking
Nature	Bank is a financial intermediary institution.	Banking is a combination of all banking activities.
Organizational structure	Bank may be sole-proprietorship, partnership or any other form of organization.	Banking has no organ-gram.
Functions	Bank performs the banking functions.	Collections of deposits, granting loans etc. are the function of banking.
Liability	Banker is liable for the bank's activities.	Bank is liable for banking activities.
Success	Success of bank depends on the efficiency of the banker.	Success of banking depends on the size and form of the bank.
Relationship	Bank makes relationship with customers.	Banking makes relationship with the bank.
Dependency	Bank depends on banker.	Banking depends on bank.
Entity	As a financial institution, it has separate entity.	Banking has no separate entity. It is based on the entity of bank.

4. Financial system: Primitive financial system, Modern financial system.

Financial system: A financial system (within the scope of finance) is a system that allows the exchange of funds between lenders, investors, and borrowers. Financial systems operate at national, global, and firm-specific levels. They consist of complex, closely related services, markets, and institutions intended to provide an efficient and regular linkage between investors and depositors.

Primitive financial system: Money, credit, and finance are used as medium of exchange in financial systems. They serve as a medium of known value for which goods and services can be exchanged as an alternative to bartering.

Modern financial system: A modern financial system may include banks (public sector or private sector), financial markets, financial instruments, and financial services. Financial systems allow funds to be allocated, invested, or moved between economic sectors. They enable individuals and companies to share the associated risks.

5. Define the term: Garnishee order, Barter system.

Garnishee order: A garnishee order involves a court-ordered garnishment of a debtor's wages or property in order to collect a debt. Unpaid wages, bank accounts and some personal property are the usual items garnished.

A **Garnishee Order** is a type of enforcement action for a debt (the Judgment Debt) which a person or company (the Judgment Debtor) owes to you as a result of a Judgment being granted in your favor.

According to our NSW Dispute Lawyers, a Garnishee Order can take the form of a payment from the Judgment Debtor's wages or salary, bank account or from a third party.

Barter system: Barter is a system of exchange where goods or services are directly exchanged for other goods or services without using a medium of exchange, such as money or coins or gold.

Barter is the act of trading goods or services between two or more parties without the use of money. Bartering can benefit individuals, companies and countries that see a mutual benefit in exchanging goods and services rather than cash. It also enables those who are lacking hard currency to obtain goods and services.

6. Brief history of Bank in Bangladesh:

After the independence, banking industry in Bangladesh started its journey with 6 nationalized commercialized banks, 3 State owned specialized banks and 9 Foreign Banks. In the 1980's banking industry achieved significant expansion with the entrance of private banks. Now, banks in Bangladesh are primarily of two types:

- Scheduled Banks: The banks which get license to operate under Bank Company Act, 1991 (Amended up to 2013) are termed as Scheduled Banks.
- Non-Scheduled Banks: The banks which are established for special and definite objective and operate under the acts that are enacted for meeting up those objectives, are termed as Non-Scheduled Banks. These banks cannot perform all functions of scheduled banks.

There are **58 scheduled banks** in Bangladesh who operate under full control and supervision of Bangladesh Bank which is empowered to do so through Bangladesh Bank Order, 1972 and Bank Company Act, 1991. Scheduled Banks are classified into following types:

- **State Owned Commercial Banks (SOCBs):** There are **6 SOCBs** which are fully or majorly owned by the Government of Bangladesh.
    1. Sonali Bank Limited
    2. Janata Bank Limited
    3. Agrani Bank Limited
    4. Rupali Bank Limited
    5. BASIC Bank Limited
    6. Bangladesh Development Bank Limited

- **Specialized Banks (SDBs): 3 specialized banks** are now operating which were established for specific objectives like agricultural or industrial development. These banks are also fully or majorly owned by the Government of Bangladesh
    1. Bangladesh Krishi Bank
    2. Rajshahi Krishi Unnayan Bank
    3. Probashi Kallyan Bank

- **Private Commercial Banks (PCBs):** There are **42 private commercial banks** which are majorly owned by the private entities. PCBs can be categorized into two groups:
- **Conventional PCBs: 34 conventional PCBs** are now operating in the industry. They perform the banking functions in conventional fashion i.e interest based operations.

1. AB Bank Limited
2. Bangladesh Commerce Bank Limited
3. Bank Asia Limited
4. BRAC Bank Limited
5. City Bank Limited
6. Community Bank Bangladesh Limited
7. Dhaka Bank Limited
8. Dutch-Bangla Bank Limited
9. Eastern Bank Limited
10. IFIC Bank Limited
11. Jamuna Bank Limited
12. Meghna Bank Limited
13. Mercantile Bank Limited
14. Midland Bank Limited
15. Modhumoti Bank Limited
16. Mutual Trust Bank Limited
17. National Bank Limited
18. National Credit & Commerce Bank Limited
19. NRB Bank Limited
20. NRB Commercial Bank Ltd
21. NRB Global Bank Ltd
22. One Bank Limited
23. Padma Bank Limited
24. Premier Bank Limited
25. Prime Bank Limited
26. Pubali Bank Limited
27. Standard Bank Limited
28. Shimanto Bank Ltd
29. Southeast Bank Limited
30. South Bangla Agriculture and Commerce Bank Limited
31. Trust Bank Limited
32. United Commercial Bank Ltd

33. Uttara Bank Limited
34. Bengal Commercial Bank Ltd

- **IslamiShariah based PCBs:** There are **8 IslamiShariah based PCBs** in Bangladesh and they execute banking activities according to IslamiShariah based principles i.e. Profit-Loss Sharing (PLS) mode.

    1. Al-ArafahIslami Bank Limited
    2. EXIM Bank Limited
    3. First Security Islami Bank Limited
    4. ICB Islamic Bank Limited
    5. Islami Bank Bangladesh Limited
    6. ShahjalalIslami Bank Limited
    7. Social Islami Bank Limited
    8. Union Bank Ltd

- **Foreign Commercial Banks (FCBs):** 9 **FCBs** are operating in Bangladesh as the branches of the banks which are incorporated in abroad.
    1. Bank Al-Falah Limited (Pakistan)
    2. Citibank N.A (United States of America)
    3. Commercial Bank of Ceylon PLC (Sri Lanka)
    4. Habib Bank Limited (Pakistan)
    5. HSBC (Hong Kong)
    6. National Bank of Pakistan (Pakistan)
    7. Standard Chartered Bank (United Kingdom)
    8. State Bank of India (India)
    9. Woori Bank (South Korea)

- **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. There are now **5 non-scheduled banks** in Bangladesh which are:
    1. Ansar VDP Unnayan Bank,
    2. Karmashangosthan Bank,
    3. Grameen Bank,
    4. Jubilee Bank,
    5. PalliSanchay Bank.

- **Non-bank financial institutions:**Non-bank financial institutions (NBFIs), simply known as financial institutions (FIs), are those types of financial institutions which are regulated under Financial Institution Act, 1993 and controlled by Bangladesh Bank. Now, 34 FIs are operating in Bangladesh while the maiden one was established in 1981. Out of the total, 2 is fully government owned, 1 is the subsidiary of a state-owned commercial bank (SOCB), 15 were initiated by private domestic initiative and 15 were initiated by joint venture initiative.
    1. Agrani SME Financing Company Limited
    2. Bangladesh Finance and Investment Company Limited

3. Bangladesh Industrial Finance Company Limited (BIFC)
4. Bangladesh Infrastructure Finance Fund Limited (BIFFL)
5. Bay Leasing & Investment Limited
6. CVC Finance Limited
7. Delta Brac Housing Finance Corporation Ltd. (DBH)
8. Fareast Finance & Investment Limited
9. FAS Finance & Investment Limited
10. First Finance Limited
11. GSP Finance Company (Bangladesh) Limited (GSPB)
12. Hajj Finance Company Limited
13. IDLC Finance Limited
14. Industrial and Infrastructure Development Finance Company Limited (IIDFC)
15. Infrastructure Development Company Limited (IDCOL)
16. International Leasing and Financial Services Limited
17. IPDC Finance Limited
18. Islamic Finance and Investment Limited
19. LankaBangla Finance Limited
20. Lankan Alliance Finance Limited
21. Meridian Finance and Investment Ltd.
22. MIDAS Financing Limited. (MFL)
23. National Finance Ltd
24. National Housing Finance and Investments Limited
25. People's Leasing and Financial Services Ltd
26. Phoenix Finance and Investments Limited
27. Premier Leasing & Finance Limited
28. Prime Finance & Investment Ltd
29. Reliance Finance Limited
30. Saudi-Bangladesh Industrial and Agricultural Investment Company Limited (SABINCO)
31. The UAE-Bangladesh Investment Co. Ltd
32. Union Capital Limited
33. United Finance Limited
34. Uttara Finance and Investments Limited

- **Specialized financial institutions (semi-formal sector)**

1. Bangladesh House Building Finance Corporation (BHBFC)
2. Palli Karma Sahayak Foundation (PKSF)

- **Mobile banking:** Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct financial transactions remotely using a mobile device such as a mobile phone or tablet. Advantages to mobile banking include the ability to bank anywhere and at any time.

1. Dutch Bangla Bank Ltd. Bangladesh- DBBL Mobile Banking (Rocket)

2. Brac Bank Ltd. Bangladesh- bKash
3. United Commercial Bank Ltd. Bangladesh- UCash
4. Mercantile Bank Ltd. Bangladesh- My Cash
5. One Bank Ltd. Bangladesh- OK Mobile Banking
6. Bangladesh Post Office Ltd.- Nagad
7. Trust Bank Ltd. Bangladesh- T-cash
8. Islami Bank- M-cash
9. Rupali bank- Sure Cash

- **Bill Pay Service Provided by Mobile Phone Operator**
  1. Banglalink Digital Communications Ltd.)- Mobile Cash
  2. (Grameenphone)- MobiCash (BillPay)
  3. (Robi)- mPay
  4. (Robi)- Ortho
  5. (CityCell)- CityCell Moneybag

7. Banking system in Bangladesh

Bangladesh is a developing country with an impoverished banking system, particularly in terms of the services and customer care provided by the government run banks.

After the independence, banking industry in Bangladesh started its journey with 6 nationalized commercialized banks, 3 State owned specialized banks and 9 Foreign Banks. In the 1980's banking industry achieved significant expansion with the entrance of private banks. Now, banks in Bangladesh are primarily of two types:

- Scheduled Banks: The banks which get license to operate under Bank Company Act, 1991 (Amended up to 2013) are termed as Scheduled Banks.
- Non-Scheduled Banks: The banks which are established for special and definite objective and operate under the acts that are enacted for meeting up those objectives, are termed as Non-Scheduled Banks. These banks cannot perform all functions of 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. There are now **5 non-scheduled banks.**

There are **59 scheduled banks** in Bangladesh who operate under full control and supervision of Bangladesh Bank which is empowered to do so through Bangladesh Bank Order, 1972 and Bank Company Act, 1991. Scheduled Banks are classified into following types:

1. State Owned Commercial Banks (SOCBs): There are **6 SOCBs** which are fully or majorly owned by the Government of Bangladesh.
2. Specialized Banks (SDBs): **3 specialized banks** are now operating which were established for specific objectives like agricultural or industrial development. These banks are also fully or majorly owned by the Government of Bangladesh

3. Private Commercial Banks (PCBs): There are **42 private commercial banks** which are majorly owned by the private entities. PCBs can be categorized into two groups:
4. Conventional PCBs: **34 conventional PCBs** are now operating in the industry. They perform the banking functions in conventional fashion i.e interest based operations.
5. IslamiShariah based PCBs: There are **8 IslamiShariah based PCBs** in Bangladesh and they execute banking activities according to IslamiShariah based principles i.e. Profit-Loss Sharing (PLS) mode.

- Foreign Commercial Banks (FCBs): The bank which is incorporated in abroad doing business in Bangladesh by establishing there branch is called foreign commercial bank. Now 9 **FCBs** are operating in Bangladesh.
- **Non-bank financial institutions:**Non-bank financial institutions (NBFIs), simply known as financial institutions (FIs), are those types of financial institutions which are regulated under Financial Institution Act, 1993 and controlled by Bangladesh Bank. Now, 34 FIs are operating in Bangladesh while the maiden one was established in 1981

- **Mobile banking:** Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct financial transactions remotely using a mobile device such as a mobile phone or tablet. Advantages to mobile banking include the ability to bank anywhere and at any time.

    1. Dutch Bangla Bank Ltd. Bangladesh- DBBL Mobile Banking (Rocket)
    2. Brac Bank Ltd. Bangladesh- bKash
    3. United Commercial Bank Ltd. Bangladesh- UCash
    4. Mercantile Bank Ltd. Bangladesh- My Cash
    5. One Bank Ltd. Bangladesh- OK Mobile Banking
    6. Bangladesh Post Office Ltd.- Nagad
    7. Trust Bank Ltd. Bangladesh- T-cash
    8. Islami Bank- M-cash
    9. Rupali bank- Sure Cash

- Bill Pay Service Provided by Mobile Phone Operator

    6. Banglalink Digital Communications Ltd.)- Mobile Cash
    7. (Grameenphone)- MobiCash (BillPay)
    8. (Robi)- mPay
    9. (Robi)- Ortho
    10. (CityCell)- CityCell Moneybag

8. Define scheduled bank and non-scheduled bank.

Scheduled Bank: The banks which are enlisted or included in the scheme of the central bank are called schedule bank. The banks which get license to operate under Bank Company Act, 1991 (Amended in 2003) are termed as Scheduled Banks.

According to Bangladesh Bank order 1972,"A schedule bank means a bank for the time being included in the list of the bank maintain by central bank under sub-clause." All commercial banks in Bangladesh are schedule bank like, DBBL, AIBL, and EXIM etc.

Non-Scheduled Bank: Non-scheduled banks are banks which are not included in the scheduled or scheme of the central bank. These banks established for special and definite objective and operate under the acts that are enacted for meeting up those objectives. These banks cannot perform all functions of scheduled banks.Grameen Bank is example a non-scheduled bank.

9. Differentiate between scheduled and non-scheduled bank.

The difference between scheduled and non-scheduled bank are given below:

Key Points	Scheduled Bank	Non-Scheduled Bank
Enlisted	Scheduled Banks are enlisted in the scheme of central bank.	Non-Scheduled Banks are not enlisted in the scheme of central bank.
Control	Scheduled Banks are fully controlled by central bank of a country.	These banks are not under the direction of central bank of the country.
Paid up capital	These banks must have at least four hundred crore take paid up capital.	There are no specific limits for non-scheduled banks.
Deposit	These banks shell have to deposit 18% to the central bank.	There are no bindings for such banks.
Acceptance of privileges	These banks get the privileges of clearing facility and a discounting bill to the Bangladesh Bank.	These banks do not get such facility.
Submission of statement	These banks must submit statement of weekly activities to Bangladesh Bank.	These banks need not to submit the statement to Bangladesh Bank.
Rate of interest	Rate of interest of these banks is comparatively low.	Rate of interest is comparatively high.
Public confidence	These banks can earn the public confidence by their activities.	They do not create any confidence of public.

10. Describe the banking system.

A **banking system** is a group or network of institutions that provide financial services for us. These institutions are responsible for operating a payment system, providing loans, taking deposits, and helping with investments.

a. **Brunch banking:** The banking system in which the banks are appeared in different countries and cities in one central bank is called brunch banking, Example, Sonali bank, Rupali bank etc.

b. **Unit banking:** The banking system in which the bank has only a central office and has no brunches is called unit banking. In Bangladesh there is no unit bank.

c. **Chain banking:** This banking system is established in systematically in chain system. There is no chain banking system in Bangladesh but now a day in USA this banking system is developed.

d. **Group banking:** The banking system in which a bank purchases the ownership servable small banks which are in some business and has the managing power to manage and operate the small bank is called group banking.

e. **Retail banking:**Retail banking also known as Consumer Banking is the provision of services by a bank to individual consumers, rather than to companies, corporations or other banks. Services offered include savings and transactional accounts, mortgages, personal loans, debit cards, and credit cards, traveler’s cheques, home equity loans, certificates of deposit/term deposit. The term is generally used to distinguish these banking services from investment banking, commercial banking or wholesale banking. It may also be used to refer to a division or department of a bank dealing with retail customers.

f. **Wholesale banking:**Wholesale banking is the provision of services by banks to larger customers or organizations such as mortgage brokers, large corporate clients, mid-sized companies, real estate developers and investors, international trade finance businesses, institutional customers (such as pension funds and government entities/agencies), and services offered to other banks or other financial institutions.

   Wholesale finance refers to financial services conducted between financial services companies and institutions such as banks, insurers, fund managers, and stockbrokers.

g. **Universal banking:**A universal bank participates in many kinds of banking activities and is both a commercial bank and an investment bank as well as providing other financial services such as insurance. These are also called full-service financial firms, although there can also be full-service investment banks which provide wealth and asset management, trading, underwriting, researching as well as financial advisory.

h. **Investment banking:**An investment bank is a financial services company or corporate division that engages in advisory-based financial transactions on behalf of individuals, corporations, and governments. Traditionally associated with corporate finance, such a bank might assist in raising financial capital by underwriting or acting as the client's agent in the issuance of securities.

i. **Saving banking:** These types of bank influence lower class or lower earning people, this bank can help lower people to increase their income. Example, Bangladesh postal saving bank.

j. **Merchant banking**: These banks exist for a long time. They promote investing in organizations that reap huge benefits for a long time rather than brand new organizations.

k. **Mixed banking:** The banking which performs the function of specialized bank and commercial bank is called mixed banking Example, BDBL.

11. Classified the modern banking system on the basis of organizational structure and functions.

The modern banking system can be classified into following types:

A. On the basis of organizational structure

1. **Brunch banking:** The banking system in which the banks are appeared in different countries and cities in one central bank is called brunch banking, Example, Sonali bank, Rupali bank etc.

2. **Unit banking:** The banking system in which the bank has only a central office and has no brunches is called unit banking. In Bangladesh there is no unit bank.

3. **Chain banking:** This banking system is established in systematically in chain system. There is no chain banking system in Bangladesh but now a day in USA this banking system is developed.

4. **Group banking:** The banking system in which a bank purchases the ownership servable small banks which are in some business and has the managing power to manage and operate the small bank is called group banking.

B. On the basis of functions

1. **Saving bank:** These types of bank influence lower class or lower earning people, this bank can help lower people to increase their income. Example, Bangladesh postal saving bank.

2. **Investment Banks**: These banks are pertinent to large organization’s investment ventures across the industry. They provide advice in the investments and promote corporate transactions.

3. **Merchant Banks**: These banks exist for a long time. They promote investing in organizations that reap huge benefits for a long time rather than brand new organizations.

4. **Mixed banking:** The banking which performs the function of specialized bank and commercial bank is called mixed banking Example, BDBL.

12. Financial system of Bangladesh

The financial system of Bangladesh is comprised of three broad fragmented sectors:

- **Formal Sector:** The sectors have been categorized in accordance with their degree of regulation. The **formal sector** includes all regulated institutions like *Banks*, *Non-Bank Financial Institutions (FIs)*, *Insurance Companies*, *Capital Market Intermediaries* like Brokerage Houses, Merchant Banks etc.; *Micro Finance Institutions (MFIs)*.
- **Semi-Formal Sector:** The **semi-formal sector** includes those institutions which are regulated otherwise but do not fall under the jurisdiction of Central Bank, Insurance Authority, Securities and Exchange Commission or any other enacted financial regulator. This sector is mainly represented by *Specialized Financial Institutions* like House Building Finance Corporation (HBFC), Palli Karma Sahayak Foundation (PKSF), Samabay Bank, Grameen Bank etc., *Non-Governmental Organizations (NGOs* and *discrete government programs*).
- **Informal Sector:** The **informal sector** includes private intermediaries which are completely unregulated.

13. The components of a financial system

- <u>**Financial institutions:**</u> Financial provide financial services for members and clients. It is also termed as financial intermediaries because they act as middlemen between the savers and borrowers.

  1. **Banks:**Banks are financial intermediaries that lend money to borrowers to generate revenue. They are typically regulated heavily, as they provide market stability and consumer protection. Banks include:
     - Public banks
     - Commercial banks
     - Central banks
     - Cooperative banks
     - State-managed cooperative banks
     - State-managed land development banks
  2. **Non-bank financial institutions:**Non-bank financial institutions facilitate financial services like investment, risk pooling, and market brokering. They generally do not have full banking licenses or are not supervised by a bank regulation agency. Non-bank financial institutions include:
     1. Finance and loan companies
     2. Insurance companies
     3. Mutual funds
     4. Commodity traders

❖ **Financial markets:** Financial are markets in which securities, commodities, and fungible items are traded at prices representing supply and demand. The term "market" typically means the institution of aggregate exchanges of possible buyers and sellers of such items.

1. **Primary markets:** The primary market (or initial market) generally refers to new issues of stocks, bonds, or other financial instruments. The primary market is divided in two segment, the money market and the capital market.
2. **Secondary markets:** The secondary market refers to transactions in financial instruments that were previously issued.

❖ **Financial instruments:** Financial are tradable financial assets of any kind. They include money, evidence of ownership interest in an entity, and contracts.

1. **Cash instruments:**A cash instrument's value is determined directly by markets. They may include securities, loans, and deposits.
2. **Derivative instruments:** A derivative instrument is a contract that derives its value from one or more underlying entities (including an asset, index, or interest rate).

❖ **Financial services:**Financial are offered by a large number of businesses that encompass the finance industry. These include credit unions, banks, credit card companies,insurancecompanies,stockbrokerages, and investment funds.

14. Distinguish between bank and non-bank financial institutions

Bank: Bank is financial institution that collects society's surplus cash and gives a part of that as loan to investors for earning profit. It is an intermediary institution that makes relationship between the owner of surplus savings and investor of deficit capital. Example, Sonali Bank and Dutch Bangla Bank etc.

Non-bank financial institutions: Non-bank financial institutions (NBFIs), simply known as financial institutions (FIs), are those types of financial institutions which are regulated under Financial Institution Act, 1993 and controlled by Bangladesh Bank. Example, Agrani SME Financing Company Limitedand Bangladesh Finance and Investment Company Limited etc.

The major difference between banks and FIs are as follows:

- FIs cannot issue cheques, pay-orders or demand drafts.
- FIs cannot receive demand deposits,
- FIs cannot be involved in foreign exchange financing,
- FIs can conduct their business operations with diversified financing modes like syndicated financing, bridge financing, lease financing, securitization instruments, private placement of equity etc.

15. What are the services provided by modern bank? / Or. Alternative Banking System in the 21st Century.

There are different types of services provided by modern bank. These services are given below:

- **Online Banking:** Online banking, also known as internet banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website.Online banking allows a user to execute financial transactions via the internet. An online bank offers customers just about every service traditionally available through a local branch, including deposits, which is done online or through the mail, and online bill payment.

- **Mobile banking:** Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct financial transactions remotely using a mobile device such as a mobile phone or tablet. Advantages to mobile banking include the ability to bank anywhere and at any time.

- **Venture Capital (VC):** Venture Capital is financial capital provided to early-stage, high-potential, high risk, growth startup companies. The venture capital fund makes money by owning equity in the companies it invests in, which usually have a novel technology or business model in high technology industries, such as biotechnology, IT, software, etc.

- **ATM:** An ATM is also known as cash point. The banks nowadays provide ATM facilities. The customers can withdraw money easily and quickly 24 hours a day.

- **Telebanking:** Telebanking is a throwback to the days when people would call into a central number at their bank/financial institution in order to get balance, check status and other account-related information. Most financial organizations offer telebanking services today; however, the public representation is known as telephone-based customer service or just customer service.

- **Credit** cards: Credit cards allow a person to buy goods and services up to a certain limit without immediate payment. The amount is paid to the shops, hotel, etc. by the commercial banks. 8. Locker Service: - Under this service, lockers are provided to the public in various sizes on payment of fixed rent. Customers can deposit their valuables, documents, jewelry, securities, etc. in these lockers.

- **Underwriting:** This facility is provided to the joint stock companies and to the government. The banks guarantee the purchase of certain proportion of shares, if not sold in the market.

- **Virtual banking:** Providing the banking services through extensive use of information technology without direct recourse to the bank by the customer is called virtual banking.

16. What are the existing problems of banking business in Bangladesh?

- **Low quality of asset:** The main assets of any bank which they use as their uses or investments are: Reserve, Cash item in process of collection, Deposits at other banks, Securities and most importantly Loans. But in our banking sector there are several problems related to the low quality of assets which banks are using day by day. During our study we have found two major problems related to the quality issue about the assets of our banking sectors. From the further part of our discussion we will try to focus on those particular problems.
- **Lack of good governance, accountability and transparency:**he banking industry of our country has continuously made considerable progress but despite this situation the foreign countries are consider our banking system or banking industry activities as questionable. This occurs because recent news about bank directors and chairmen's involvement in political parties. Also there has been a possibility to unhand bank's important deals with using the bank's goodwill which will question the factor that is our banking industry and its' operations are independent & reliable.
- **Inadequacy of effective risk management system:** The risk management system is a combination of some terms which includes: asset quality, capital adequacy, non-performing loan, expenditure income ratio, return on Asset (ROA), & return on Equity (ROE). If we first talk about the capital adequacy we must have to say that this is a cushion for a bank that prevents bank failure. Capital adequacy is measured by the capital to Risk Weighted Asset. The regulation from the central bank is a commercial bank has to maintain 10% of risk weighted asset (RWA) or tk. 200 whichever is higher as the banks minimum required capital.

17. What are the ways to removing existing problem in banking business in Bangladesh?
Possible Strategies to Overcome Banking Sector Problems

- **Attract and retain clients Banks and financial services**: Firms have to stand out in the crowd by offering customers something extra. "The bottom line is there is nothing that can differentiate one bank from another, other than making a connection with customers," says Joe Sullivan, Chief Executive Officer of Market Insights. Sullivan's company helps financial institutions with business strategy, planning and marketing. "Make an emotional connection with the consumer and let them know you understand their financial needs. Then come at them with solution-based thinking, not product pushing. Sullivan says, the financial services providers that help customers take ownership of their finances and teach them to become better money managers will have larger client bases.

- **Knowing customer in a rapidly changing world:** Financial services providers must be aware that their customers are changing, too. According to Sullivan, Consumers are savvier and more aware of their finances than they were five years ago. The best providers engage customers and learn how their needs are evolving. If a bank or a business has not viewed at its market or its customers to learn "what is going on with them in the last year, you don't know your customers." Sullivan said.

- ❖ **Promote confidence in the economy:** The economic crisis that began in 2008 is still very fresh in customers' minds. Large financial firms collapsed and the government bailed out troubled banks. The stock market lost value and in much of the country the housing market eroded.

- ❖ **Using technology that customers expect:** Technology has changed the expectations consumers and small businesses have of their bank. Clients use information on the Internet to compare financial service institutions. Companies must react to changes in technology to keep reaching customers in the most effective ways.

- ❖ **Watching goodwill or reputation:** The financial services world is like high school in some ways: goodwill can be difficult to control or change. At the moment, consumers are not forgiving many of the companies that were front and center during the economic crisis.

18. Discuss the role of private commercial bank to the development of the economy of Bangladesh.

Role of Commercial Banks in the Economic Development of a Country: Commercial banks play an important and active role in the economic development of a country. If the banking system in a country is effective, efficient and disciplined it brings about a rapid growth in the various sectors of the economy.

The following is the significance of commercial banks in the economic development of a country.

a. **Banks promote capital formation:** Commercial banks accept deposits from individuals and businesses, these deposits are then made available to the businesses which make use of them for productive purposes in the country. The banks are, therefore, not only the store houses of the country's wealth, but also provide financial resources necessary for economic development.
b. **Investment in new enterprises:** Businessmen normally hesitate to invest their money in risky enterprises. The commercial banks generally provide short and medium term loans to entrepreneurs to invest in new enterprises and adopt new methods of production. The provision of timely credit increases the productive capacity of the economy.
c. **Promotion of trade and industry:** With the growth of commercial banking, there is vast expansion in trade and industry. The use of bank draft, check, bill of exchange, credit cards and letters of credit etc. has revolutionized both national and international trade.
d. **Development of agriculture:** The commercial banks particularly in developing countries are now providing credit for development of agriculture and small scale industries in rural areas. The provision of credit to agriculture sector has greatly helped in raising agriculture productivity and income of the farmers.

e. **Balanced development of different regions:** The commercial banks play an important role in achieving balanced development in different regions of the country. They help in transferring surplus capital from developed regions to the less developed regions. The traders, industrialist etc of less developed regions is able to get adequate capital for meeting their business needs. This in turn increases investment, trade and production in the economy.
f. **Influencing economic activity:** The banks can also influence the economic activity of the country through its influence on a. Availability of credit b. The rate of interest If the commercial banks are able to increase the amount of money in circulation through credit creation or by lowering the rate of interest, it directly affects economic development. A low rate of interest can encourage investment. The credit creation activity can raise aggregate demand which leads to more production in the economy.
g. **Implementation of Monetary policy:** The central bank of the country controls and regulates volume of credit through the active cooperation of the banking system in the country. Helps in bringing price stability and promotes economic growth within the shortest possible period of time.
h. **Monetization of the economy:** The commercial banks by opening branches in the rural and backward areas are reducing the exchange of goods through barter. The use of money has greatly increased the volume of production of goods. The non-monetized sector (barter economy) is now being converted into monetized sector with the help of commercial banks.
i. **Export promotion cells:** In order to increase the exports of the country, the commercial banks have established export promotion cells. They provide information about general trade and economic conditions both inside and outside the country to its customers. The banks are therefore, making positive contribution in the process of economic development.

The commercial banks are now not confined to local banking. They are fast changing into global banking i.e., understanding the global customer, using latest information technology, competing in the open market with high technology system, changing from domestic banking to investment banking etc. The commercial bank is now considered the nerve system of all economic development in the country.