

FAR WESTERN UNIVERSITY

Faculty of Management

Course Title: **Banking and Insurance**

Course Code: **MGT 365**

Nature of course: Theory

Semester: Sixth

Level: BBA

Total Marks: 100

Pass Marks: 45

Time per period: 1 hr.

Total periods: 45

Credit hours: 3

1. Course Description

This course has two parts. First part deals with banking and second part is all about insurance. It covers an overview of banks and their services, the impact of government policy and regulation on banking, the organization and structure of banks and their industry, measuring and evaluating bank performance, special issues in Nepalese banking, introduction to insurance, types of insurance, fundamental principles of insurance, insurance intermediaries, concept and importance of insurance intermediaries in life and non-life insurance industry; insurance industry in Nepal.

2. General Objectives

1. To enable the students to understand various concepts and principles of banking as well as insurance.
2. To make Students able to relate the concepts and principles in real life situation.
3. To acquaint the students to understand the operating system of banks.
4. To understand the Government Policy and Regulation on Banking and insurance in Nepal.
5. To make students understand the Structure of banking.
6. To make learners understand the techniques of performance evaluation of banks.
7. To acquaint the students with principles and types of Insurance.
8. To provide the knowledge of insurance intermediaries.
9. To make students understand in detail the life insurance policies.
10. To acquaint students to understand the recent trend in banking and insurance.

Specific objective	Contents
<ul style="list-style-type: none">• Understand of meaning and nature of bank• Understand the historical background of Bank• To give introduction of commercial bank and banking system in Nepal• Understand services and	Unit 1: Introductions to Banking (8) 1.1 Meaning & nature of bank 1.2 History of banking in the world and banking system of Nepal 1.3 Types of banks 1.4 Major services offered by commercial banks 1.5 Types of deposits offered and loan made by Nepalese commercial banks.

<p>facilities offered by bank</p> <ul style="list-style-type: none"> • Explain central bank and NRB as central bank • Develop skill to understand the impact of government policies on performance of banks. • Understand the deposit collection and loan disbursement techniques of Nepalese commercial banks. 	<p>1.6 Non-deposit investment product in banking 1.7 Lending procedure of Nepalese commercial banks 1.8 Trends affecting banks 1.9 Major laws in banking in Nepal with special focus on BAFIA Act 2006 1.10 Impact of government policy and regulations 1.11 Central banking system: Nepal Rastra Bank; objectives, functions, duties and powers, organizational structures of NRB</p>
<ul style="list-style-type: none"> • Elaborate different types of banking • Explain the measures of banking efficiency • Explain the impact of organization type and size on bank performance 	<p>Unit 2: The organization and structure of banks and Their Industry (4) 2.1. The array of organizational structures in banking; 2.1.1 Unit banking 2.1.2 Branch banking 2.1.3 Bank holding company organization 2.2 Banking efficiency 2.3 Foreign Bank Penetration of Domestic Markets 2.4. Factors affecting banks and their management decisions</p>
<ul style="list-style-type: none"> • Understand the bank's balance sheet and income statement. • Make students able to prepare and analyze banks financial statements. • Understand to calculate different ratios and interpret their result for Performance evaluation. 	<p>Unit 3 Financial statements of bank & measuring performance (7) 3.1 The balance sheet or report of condition 3.2 Income statement or report of income 3.3 Evaluating a bank's performance using different ratios. 3.4 Impact of bank size on performance 3.5 Size, locations and regulatory bias in analyzing in bank performance</p>
<ul style="list-style-type: none"> • Understand the role of corporate governance in banking system. • Understand the present status and procedure of merger and acquisition in Nepalese banking sector. • Explain credit risk and measure taken by Nepalese banks to manage it. • Understand how money laundering takes place through banking system. 	<p>Unit 4: Special Issues in Nepalese Banking (3) 4.1 Corporate governance, 4.2. Mergers and acquisitions in banking, 4.3. Credit risk management, 4.4. Money laundering through banking system</p>
<ul style="list-style-type: none"> • Understand of international banking and services provided by these banks. • Explain the challenges and futures for international banking. 	<p>Unit 5: Internatinal Banking (3) 5.1 Types of international banking 5.2 Services Supplied by Bank in international Markets 5.3 Challenges and Futures for International Banks in Foreign Markets</p>

<ul style="list-style-type: none"> • Understand the basic concept of risk and methods of handling it. • List the basic terms related to risk. • Explain the meaning, features and types of insurance. • Understand the historical background and present status of insurance business in Nepal. 	<p>Unit 6: Risk and Insurance (3)</p> <p>6.1 Risk in our society: Meaning, Chances of loss, Peril and Hazard, Types of pure risk</p> <p>6.2 Burden of risk on Society</p> <p>6.3 Methods of Handling Risk</p> <p>6.4 Insurance: Meaning, Features of insurance, Comparison between Insurance and Gambling and Insurance and Hedging</p> <p>6.5. Benefits of insurance</p>
<ul style="list-style-type: none"> • Introduce meaning, nature and risk coverage by different types of insurance • Explain in detail life insurance, its types, benefits from life insurance and contractual provisions. • Understand different types of social insurance. 	<p>Unit 7: Types of Insurance (6)</p> <p>7.1. General insurance: Fire Insurance, Marine, Motor, Aviation, Engineering, Contractor's all risk insurance, Workers compensation.</p> <p>7.2. Life insurance: Types of life insurance, Characteristics of life insurance, Contractual provisions: dividend options, non-forfeiture options, settlement options; Additional life insurance benefits.</p> <p>7.3. Social insurance: Meaning of social insurance, formal and informal insurance; Self insurance and retention; Old-aged, survivors and disability insurance; Types of benefits; Medicare; Unemployment insurance; Health insurance; Reinsurance.</p>
<ul style="list-style-type: none"> • Understanding of basic principles of insurance • Know the legal characteristics of insurance contract and its basic parts and other insurance provisions. 	<p>Unit 8: Fundamental principles of insurance (4)</p> <p>8.1 Principle of indemnity</p> <p>8.2 Principle of insurable interest</p> <p>8.3 Principle of subrogation</p> <p>8.4 Principle of utmost good faith</p> <p>8.5 Principle of proximate cause</p> <p>8.6 Principle of contribution</p> <p>8.7 Principle of mitigation</p> <p>8.8 Requirement of an insurance contract</p> <p>8.9 Legal characteristics of insurance contracts</p> <p>8.10 Basic parts of insurance contract and other insurance provisions.</p>
<ul style="list-style-type: none"> • Understand the intermediaries of insurance • Understand the claim settlement process in life and non-life insurance • Understand the role of agents and surveyors in claim settlement and legal provision for them in Nepal. 	<p>Unit 9: Insurance Intermediaries (4)</p> <p>9.1. Concept and importance of insurance intermediaries in life and non-life insurance industry</p> <p>9.2. Underwriting;</p> <p>9.3. Claim settlement</p> <p>9.4. Life insurance agent: scope, role and authority; 9.5. Non-life insurance agent: scope, role and authority</p> <p>9.6. Surveyors: scope, role and authority</p> <p>9.7. Broker: scope, role and authority;</p> <p>9.8. Bancassurance: issues and practices;</p> <p>9.9. Legal provision for agents and surveyors in Nepal;</p> <p>9.10. Scope, role and code of conducts of Third Party Administrator</p>

<ul style="list-style-type: none"> • Understand the historical background of insurance industry in Nepal • Understand in brief the legal provisions of insurance business in Nepal. • Explain the problems of insurance industry in Nepal. 	<p>Unit 10: Insurance Industry in Nepal (3) 10.1.Evolution of insurance industry in Nepal 10.2.Insurance policy of Government of Nepal 10.3.Legal provisions of insurance industry in Nepal 10.4.Insurance pool of Nepal 10.5.Issues and challenges of insurance industry in Nepal.</p>
---	---

Basic Books:

1. Rose, Peter S and Hudgins Sylvia C, Bank Management and Financial services, McGraw Hill, New Delhi
2. Rejda, George E, Principles of Risk Management and insurance, New Delhi: Pearson Education.

References

1. Harrington, S. E., Niehaus, G. R. & Niehaus, G., *Risk Management and Insurance*. New Delhi: Tata McGraw Hill.
2. Koch, W. T., & MacDonald, S. S., *Bank Management*, New Delhi: Cengage Learning.
3. Rejda, G. E., *Principles of Risk management and Insurance*. New Delhi: Pearson Education.
4. Pal, K., Bodla, B.S. & Garg, M.C., *Insurance management: Principles and Practices*. Delhi: Deep & Deep Publication.
5. Koirala, P., *Essentials of Commercial Bank Management*, Kathmandu: Ekta Books.
6. Insurance Act, 1992.
7. Annual Reports of Nepal Rstra Bank, Commercial Banks, Beema Samittee and Insurance companies of Nepal.
8. Banks and Financial Institutions Act 2006.
9. Directives, guidelines, policies issued by Nepal Rastra Bank and Insurance Board, Nepal.