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Banking history in Nepal: In the context of Nepal, it is very difficult to trace the correct chorological history of the Banking systems in Nepal because there are no sufficient historical records and data about Banking in Nepal.

Nepal bank Ltd. is the first modern bank of Nepal. It is taken as the milestone of modern banking of the country. Nepal bank marks the beginning of a new era in the history of the modern banking in Nepal. This was established in 1937 A.

D. Nepal Bank has been inaugurated by King Tribhuvan Bir Bikram Shah Dev on 30th Kartik 1994 B.

S. Nepal bank was established as a semi government bank with the authorized capital of Rs. 10 million and the paid -up capital of Rs.

892 thousand. Until mid-1940s, only metallic coins were used as medium of exchange. So the Nepal Government (His Majesty Government on that time) felt the need of separate institution or body to issue national currencies and promote financial organization in the country. Nepal Bank Ltd. remained the only financial institution of the country until the foundation of Nepal Rastra Bank is 1956 A.

D. Due to the absence of the central bank, Nepal Bank has to play the role of central bank and operate the function of central bank. Hence, the Nepal Rastra Bank Act 1955 was formulated, which was approved by Nepal Government accordingly, the Nepal Rastra Bank was established in 1956 A. D. as the central bank of Nepal.

Nepal Rastra Bank makes various guidelines for the banking sector of the country. A sound banking system is important for smooth development of banking system. It can play a key role in the economy.

It gathers savings from all over the country and provides liquidity for industry and trade. In 1957 A. D.

Industrial Development Bank was established to promote the industrialization in Nepal, which was later converted into Nepal Industrial Development Corporation (NIDC) in 1959 A. D. Rastriya Banijya Bank was established in 1965 A. D. as the second commercial bank of Nepal.

The financial shapes for these two commercial banks have a tremendous impact on the economy. That is the reason why these banks still exist in spite of their bad position.

As the agriculture is the basic occupation of major Nepalese, the development of this sector plays in the prime role in the economy. So, separate Agricultural Development Bank was established in 1968 A. D. This is the first institution in agricultural financing.

For more than two decades, no more banks have been established in the country. After declaring free economy and privatization policy, the government of Nepal encouraged the foreign banks for joint venture in Nepal. Today, the banking sector is more liberalized and modernized and systematic managed.

There are various types of bank working in modern banking system in Nepal. It includes central, development, commercial, financial, co-operative and Micro Credit (Grameen) banks. Technology is changing day by day.

And changed technology affects the traditional method of the service of bank. Banking software, ATM, E-banking, Mobile Banking, Debit Card, Credit Card, Prepaid Card etc. services are available in banking system in Nepal. It helps both customer and banks to operate and conduct activities more efficiently and effectively.

For the development of banking system in Nepal, NRB refresh and change in financial sector policies, regulations and institutional developments in 1980 A.

D. Government emphasized the role of the private sector for the investment in the financial sector. These policies opened the doors for foreigners to enter into banking sector in Nepal under joint venture. Some foreign ventures are also established in Nepal such as Nepal Bangladesh Bank, Standard Chartered Bank, Nepal Arab Bank, State Bank of India, ICICI Bank, Everest Bank, Himalayan Bank, Bank of Kathmandu, Nepal Indo-Suez Bank and Nepal Sri Lanka Merchant Bank etc.

The NRB will classify the institutions into “ A” “ B” “ C” “ D” groups on the basis of the minimum paid-up capital and provide the suitable license to the bank or financial institution. Group ‘ A’ is for commercial bank, ‘ B’ for the development bank, ‘ C’ for the financial institution and ‘ D’ for the Micro Finance Development Banks.

Generally banks in Nepal are opened 9 am to 3 pm Sunday to Thursday and 9 am to 1 am on Friday. But nowadays most of banks in Kathmandu are opened throughout the week.

There are 32 commercial banks, 79 development banks, 79 financial companies, 18 micro credit (Grameen) development banks and 16 saving and credit co-operation(licensed by Nepal Rastra Bank) are established so far in Nepal. The bank with the largest network in Nepal is The Nepal Bank Ltd. These commercial banks and financial institutions have played significant roles in creating banking habit among the people, widening area and business communities and the government in various ways.