



Cooperative Education Report

Principles and Practices of Foreign Exchange Management Department, Nepal Rastra Bank: An Overview

Written by:

Ms. Bibha Tandukar

Student ID: 5708040093

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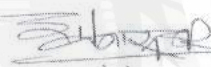
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Written by: Bibha Tandukar (5708040093)
Department: Finance and Banking
Academic Supervisor: Dr. Pichit Eamsopana

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Oral Presentation Committees



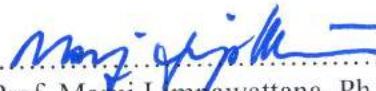
(Dr. Pichit Eamsopana)
Academic Advisor



(Mr. Ashok Sunuwar)
Assistant Director- FOREX Mgmt. Dept., NRB
Job Supervisor



(Miss Arisara Akarapisit)
Cooperative Committee



(Asst. Prof. Manuj Limpawattana, Ph.D.)
Assistant President
and Director of Cooperative Education

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By : Ms. Bibha Tandukar

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Abstract

This report describes my internship tenure at Nepal Rastra Bank (NRB), Kathmandu, Nepal. NRB is the central bank of Nepal and governs all the banks and financial institutions of Nepal. This report has been segregated into five different chapters. Chapter one consists a brief background of banking system of Nepal along with the company's profile, statement of the report, limitations, objectives, and the expected outcome of the internship. Chapter two is the literature review. Chapter three is the methodology where the tasks performed are explained in details. Chapter four discusses the results and outcomes of the internship. Lastly, chapter five is the concluding chapter where the whole experience has been summed up. The main objective of this study is to receive an overview of the principles and practices of the organization.

During the three month period, I was given many responsibilities; hence, I was able to make many contributions to the organization. I got the opportunity to learn about and use major financial software like OLYMPIC system, Reuter's, and Bloomberg. Also, I got to learn about various rules and regulations regarding foreign exchange management. I got to learn the ways and process through which various activities are carried out. This report outlines all the tasks that were performed during the internship tenure at Nepal Rastra Bank. Also, it outlines the contributions made to the organization, lessons learnt, and self-assessment.

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Keywords: Responsibilities / Contributions / Foreign Exchange Management

Acknowledgement

The internship opportunity I had with the Foreign Exchange Management Department, Nepal Rastra Bank (NRB), was a great experience and opportunity for learning the practical doings of the theoretical knowledge gained in classes. I consider myself as a lucky individual as I was provided with such an excellent opportunity. Also, I am grateful for having been able to meet such amazing people and professionals who taught me the ways and guided me throughout the internship tenure.

I would like to use this opportunity to express my heartfelt gratitude and special thanks to my supervisor who appointed me to various divisions of the department and seeing that I learnt the work and guided me.

I would like to thank Mr. Hari Krishna Bhattarai - Assistant of Supervision Division, Mr. Uma Paharai - Assistant of Import and Export Division, Mr. Ashok Sunuwar - Assistant Director of Investment Division for teaching and guiding me regarding the works and ways of their respective divisions.

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This opportunity has not only been a wonderful experience, but has been a big bonus in my career, professional, and personal development.

Bibha Tandukar

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List of Acronyms

1. NRB- Nepal Rastra Bank
2. NBL- Nepal Bank Limited
3. BFIs- Banks and Financial Institutions
4. Rs. Rupees
5. SCB- Standard Chartered Bank
6. SBI- State Bank of India
7. PNB- Punjab National Bank
8. FOREX Mgmt. Dept.- Foreign Exchange Management Department
9. FDI- Foreign Direct Investment
10. HR- Human Resources
11. Fxol- Follow-up and Inspection
12. SWIFT- Society for Worldwide Interbank Financial Telecommunication
13. CRA- Credit Rating Agencies
14. INR- Indian Rupees
15. ACU- Asian Clearing Union
16. NPR- Nepalese Rupees

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Chapter 1: Introduction

1.1 Background

Banking system in Nepal got a start when Nepal Bank Ltd. (NBL) was established in 1937 A.D. It was established as a semi-government bank by His Majesty's Government. It had a total capital of Rs. 10 million with Rs. 892 thousand of paid-up capital. Metallic coins were the only medium of exchange until the mid-40s. Nepal Bank marked the beginning of modern banking system in Nepal. Being the only financial institution in the country, NBL acted and operated as the central bank of the country. However, in 1955 A.D. the Nepal Rastra Bank (NRB) Act was formulated, which was approved by His Majesty's Government. So, in 1956 A.D. Nepal Rastra Bank (NRB) was established as the central bank of Nepal. Then onward NRB has been the regulating and supervising body of all banks and financial institutions in Nepal. After the declaration of 'free economy', privatization policy, and multiple foreign banks coming to Nepal for joint ventures, the Nepalese banking system is more strong, systematic, liberalized, and modernized than ever.

Currently, there are over 100 BFIs (commercial banks, developments banks, micro-finances, co-operatives, and finances) functioning in the Nepalese economy classified into Class A, B, C, and D. Foreign ventures such as Standard Chartered Bank (SCB), State Bank of India (SBI), Punjab National Bank (PNB), etc. are also actively functioning in Nepal. Banking sector has become the most trusted sector among many industries in Nepal with all functioning BFIs providing top products and services to its customers and clients.'(Sharma, 2014)

1.2 Company profile

Nepal Rastra Bank (NRB) is the central bank of Nepal. It was established in 1956 under the NRB Act 1955. It is the sole monetary, regulatory and supervisory authority of banks and financial institutions (BFIs) operating in the Nepalese economy. NRB was formed in order to discharge the responsibilities of central banking and to guide the development of the Nepalese financial sector. NRB is engaged in promoting financial inclusion policy in the country. The bank is led by the Board of Directors, chaired by the Governor Dr. Chiranjibi Nepal. The governing body of the bank is the apex body of policy making while the Governor emanates his responsibility as the chief executive of the bank.

The primary functions of NRB are as follows:

- To formulate necessary monetary and foreign exchange policies to maintain the stability in price and consolidate the balance of payments for sustainable development of the Nepalese economy;
- To develop a secure, healthy and efficient system of payments;
- To make appropriate supervision of banking and financial system in order to maintain its stability and foster healthy developments; and
- To further enhance public confidence in Nepal's entire banking and financial system.

There are a total of 16 departments with sub-departments, 2 department level offices, 2 divisions, and one unit functioning in 9 different districts, two being in Kathmandu itself. The functioning departments of NRB are as follows:

1. Research Department
 2. Banks and Financial Inst. Regulation Department
 3. Foreign Exchange Management Department
 4. Currency Management Department
 5. Financial Management Department
 6. Human Resources Management Department
 7. Internal Audit Department
 8. General Services Department
 9. Public Debt Management Department
 10. Micro-Finance Promotion and Supervision Department
 11. Bank Supervision Department
 12. Development Bank Supervision Department
 13. Finance Company Supervision Department
 14. Information Technology Department
 15. Corporate Planning Department
 16. Payment Systems Department
- (Nepal Rastra Bank , 2018)

The objectives of the bank are:

- To achieve price and balance of payments stability,
- Manage liquidity and ensure financial stability,
- Develop a sound payment system, and
- To promote financial services.

Vision

To become a modern, dynamic, credible and effective central Bank.

Mission

To maintain macro-economic stability through sound and effective monetary, foreign exchange and financial sector policies.

1.3 Organizational Structure

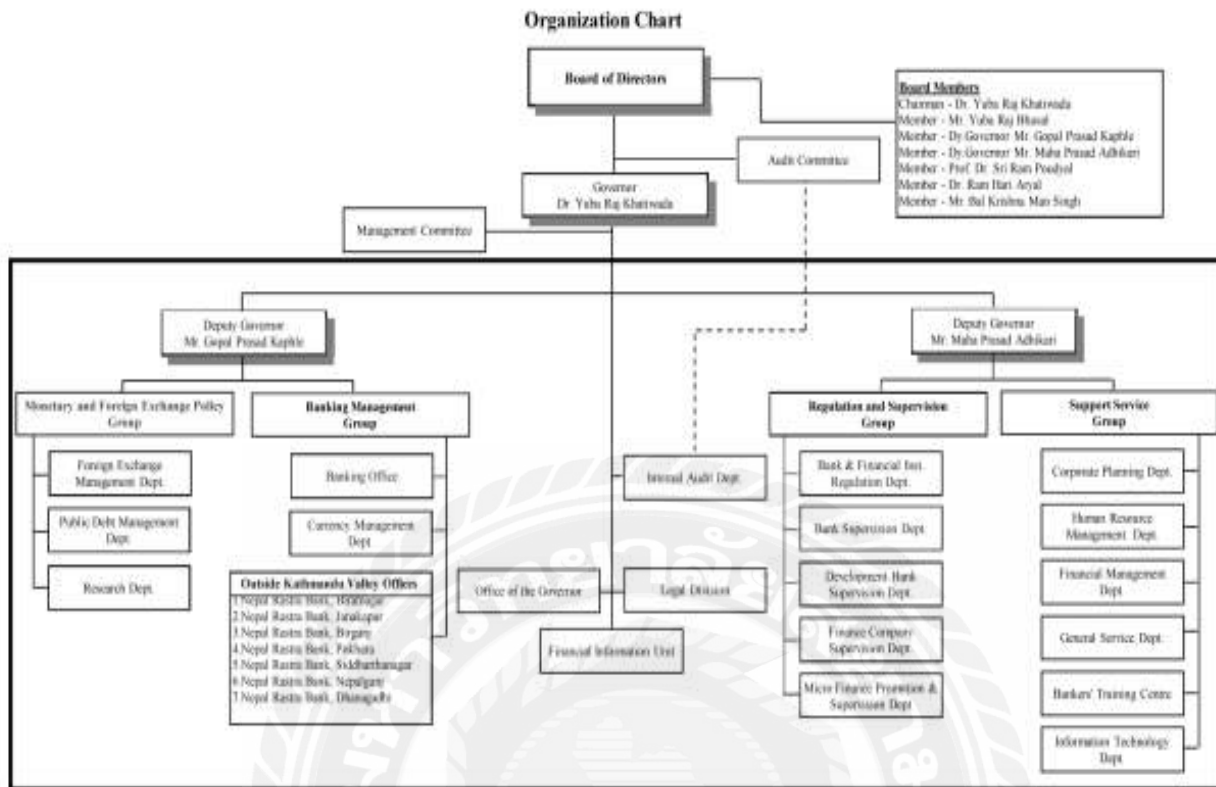


Figure 1 Organizational structure of Nepal Rastra Bank (NRB)

(Nepal Rastra Bank, 2014)

1.4 Statement of the report

The purpose of this internship (cooperative education) is to get an exposure to the working environment and to use our theoretical knowledge practically.

1.5 Objectives of the study

The main objectives of cooperative education are as follows:

- To experience real working environment
- To be able to use class's knowledge at work
- To develop and boost our professional skills
- To gain knowledge about the practices and principles of Foreign Exchange Management Department at Nepal Rastra Bank

1.6 Expected outcomes

The expected outcomes of cooperative education are as follows:

- Enhanced professional skills
- Ability to use theoretical knowledge practically

- To have knowledge about foreign exchange management scenario in Nepal

1.7 Limitation of the study

The limitations of cooperative education are as follows:

- Limited knowledge will be gained as the internship is limited to one certain department
- As temporary employees, important information will not be disclosed to the intern



Chapter 2: Literature review

Until 1970s central banking theory would be classified as political economy. It addressed the practice of central bank's activities and the banks it operated on, illustrating a wide range of sources and methods and considering a wide range of functions (Dow, 2017). According to David Archer "Historically, central banks have been understood more in terms of their functions in contrast to their objectives. Hence, older treatises on central banking say a lot about the functions of the central banks and a little about their objectives" (Archer, 2007). The scenario of banking has certainly changed in the past few decades. The concept of 'Modern Banking' has been adopted by banks around the globe. Central banks govern all other financial institutions of the country. Amongst its duties and responsibilities, Nepal Rastra Bank is also responsible to regulate the monetary policy in the country.

"Transparency in operation of central bank is the most intense change in the monetary policy conduction in recently. The level of transparency is higher in countries with stable and developed political system and financial markets" (Dincer, 2007). Since Nepal's political scenario is rocky and has a weak financial market, Nepal Rastra Bank does not operate transparently. Only those information that needs complete transparency are made so. "Monetary policy attempts to influence a vast financial and macroeconomic condition in order to achieve their objective. Central banks achieve so by differentiating the monetary policy stance- the contribution monetary policy made in the development of the economic, financial, and monetary sectors" (European Central Bank, 2015). "Escalation of sovereign debt crisis is a huge challenge for monetary and fiscal authorities. Higher the level of sovereign debt, higher the problems for the authorities" (Cuza, 2013). "Central bank determines the quality and efficacy of economy policy management, monetary policy management, fiscal policy management, foreign exchange management, and financial sector policy managements" (Rosengren, 2003).

Foreign exchange management is easily the most important factor in banks and financial institutions; as it determines and tracks the flow of foreign currencies and reserve. "Foreign exchange management can also be called exchange control. It is a system which controls or makes some restrictions on transaction, lending and borrowing assignment, revenue and expenditure of international balance in a country" (Bai, 2009). This department is responsible for all the inflow and outflow of foreign currencies in a country. It regulates, restricts, and supervises all transactions concerning foreign exchange. NRB formulates necessary monetary, foreign exchange and financial sector policies concentrating to control inflation, and to maintain financial and external stability (Nepal Rastra Bank , 2017).

"An increase in liquidity at a given level of production results to foreign exchange outflow risk; the money flows out of the home country and the prices move upwards as well. Among other things, this is one of the consequences that when the money supply increases, the policy aims at lowering the interest rate. However, if the interest rates are lower than compared to other countries, the risk of mobile capital arises. Investors move their assets elsewhere (most likely in other countries) so as to receive higher interest rate. Foreign exchange outflow is

triggered by the turn of a country's currency's value. Out flowing foreign exchange also tends to threaten a fixed exchange rate, i.e. pegged currencies. Degrading demand for a certain country's currency also leads to a negative pressure on the exchange rate" (Rosengren, 2003).

Foreign Direct Investment (FDI) is the major source through which foreign investors invest in the Nepalese market. "The level of exchange rate affects FDI on a number of basic considerations" (Goldberg, 2006). Among making contributions to national reserves, investments in foreign governments' securities is one. Nepal Rastra Bank maintains its portfolio by investing in multiple foreign markets in government issued securities. It is the only source of income for Nepal Rastra Bank.



Chapter 3: Methodology

Foreign Exchange Management Department (FOREX Mgmt. Dept.) is one of the most important departments in the organization as it controls and tracks the inflows and outflows, make investments on behalf of the Government of Nepal, inflow of remittance, imports and exports. The department is further segregated into six divisions, with one external division. The divisions are:

1. Investment Division,
2. Inspection Division,
3. License and Permit Division,
4. Foreign Direct Investment Division (FDI),
5. Import and Export Division, and
6. Internal Administration Division (external division).

The department is head by the Executive Director followed by the Director and the Acting Director, each division has a division head called Deputy Director. The hierarchy of the division and department starts from the Assistant Directors who report to their division heads- the Deputy Directors. In case their division head is absent, or on a leave, they are to report to the Deputy Director of Internal Administration Division. After Deputy Director the Acting Director is of the higher rank, followed by the Director and the highest rank is of the Executive Director.

3.1 Roles and responsibilities assigned by company

During the internship tenure, not only did I get to gain knowledge and grow my network, I got to exhibit my knowledge in the tasks to be performed. I was assigned a certain amount of times in five of the divisions, in the department; namely, Inspection Division, Import and Export Division, Investment Division, FDI Division, and License and Permit Division. Also, during the internship period, the interns were summoned by the Human Resources (HR) Department. The roles and responsibilities assigned by the company are as follows:

3.1.1 Inspection Division: At the very first of my internship tenure, I was placed in Inspection Division. The main function of this division is to track the work of companies who transactions occur in foreign currencies. Airlines, banks, development banks, hotels, cargos, trekking companies, money changers and transfers, insurance companies, supermarkets, hospitals, and entertainment houses have to submit reports to this division and have to follow all the rules and regulations circulated by this division. The companies are required to submit their monthly income statements (which helps to know the remittance earned monthly). The responsibilities that were granted during the internship tenure are:

- To receive phone calls and answer parties' queries

- To sign-up companies on ¹'Follow-up and Inspection (Fxol)' software
- To update companies' income statement on Fxol
- To make entries of data of recently inspected companies
- Dispatch letters issued by the division to the parties
- Filing

3.1.2 Import and Export Division: Import and Export division deals with the inflow and outflow of cash to and fro from the country linked with import and export of goods and services. When companies or individuals have to import or export goods and services, have to send foreign currencies abroad (for study purpose), salary payment to foreign nationals whose service had been taken, etc. The parties have to submit all the documents as listed as proof along with an application requesting the central bank to grant permission to them to carry out their transaction. Then, after the authorized personnel reviews the documents and cross-checks or make corrections as required. He or she approves the documents and issues a letter on behalf of the concerned party to the organization or authorities to permit them to carry out their work. Further, the division is responsible to grant ²cash incentives to those companies that are suitable for it.

The responsibilities and duties that were granted during the internship tenure are:

- Review files submitted by companies filing for cash incentives (check whether they have submitted all the documents and whether they are genuine or not)
- Dispatch the letters issued by the banks to the parties.
- Filing

3.1.3 Investment Division: The investment division of FOREX Mgmt. Dept. has five functions which is further divided into core functions and non-core functions. The core functions are those related to investment which is meant to be carried out by the particular division, whereas, the non-core functions are those that need not be done by the division itself. Namely, there are three offices in this division. They are:

¹ Follow up and Inspection (Fxol) Software: The Fxol software is software developed by the Information Technology (IT) department of NRB. The software records all the listed remittance generating companies. The listed users can upload contents from their username.

² Cash incentives: The Government of Nepal has declared 1% and 2% cash incentives to companies that import local goods abroad. This step was taken to promote imports of local goods and boost the Nepalese economy.

1. **Front Office:** The front office of this division is where all deals for investments, intervention, and determining the exchange rates are done. All these are done via Bloomberg and Reuter's software. Deals made in this software are the official deals.
2. **Middle Office:** The middle office of this division conducts researches as to which securities are eligible to be invested in and which would result to more profit. They collect data and analyze the market and pass on the information to the front office. Also, they prepare timely reports to analyze and keep track of all investments and also to make further decisions.
3. **Back Office:** The back office in the division is where reconciliations, transfer of payments via SWIFT (Society for Worldwide Interbank Financial Telecommunications), and accounting. The transactions and deals are sent to the back office from the front office after the deal is finalized and they are input in the OLYMPIC Banking System.

The functions that are performed by investment division are as follows:

- 3.1.3.1 **Investment of foreign exchange reserve and foreign currencies' trade (Fx trade):** Foreign investments are the only source of income at NRB. So, it is considered the most important function among all the functions of this division. Investments are made in fixed deposits for a certain period in companies according to the creditworthiness as determined by Credit Rating Agencies (CRAs). Most investments are made in government bonds, T-bills, other government securities as government institutions do not become insolvent- they pay their liabilities under any circumstances. Further, NRB invests in gold in order to diversify their investment portfolio. As the values of gold and currency have an opposite relation, one's value increases while the other's decreases. Hence, investments in gold are usually made when the currencies' values are degrading. Gold transactions are made in the central bank of central banks i.e. Bank for International Settlements, London. However, certain amount is held at NRB's call account in order to buy Indian Rupees (INR) or when other BFIs run short of foreign currencies, they buy it from NRB.
- 3.1.3.2 **Intervention:** Foreign exchange intervention is a monetary policy tool where the central bank influences the monetary fund transfer rate of their national currency. In developing countries, central banks intervene in the foreign exchange market in order to build reserves, stabilize exchange rates, and correct misalignments. (Investopedia, 2018) However, NRB does not intervene in the market; BFIs voluntarily take part in the process and sell the excess foreign currencies to the central bank.

3.1.3.3 Exchange rate: One of the functions of this division is to determine the exchange rate every day. Commercial banks generate their own rates and trade likewise. However, all government use the rate published by NRB when they have to make transactions concerning foreign currencies. Also, it is essential for NRB to publish the rates as they act as an indicator in the market, and also as a reference to the BFIs generate their rates.

3.1.3.4 Asian Clearing Union (ACU) transactions: Asian Clearing Union (ACU) is a payment arrangement where the involved parties settle payment for intra-regional transactions among the participating central banks on a net multi-lateral basis. The main motive of ACU is to facilitate payments among the member countries for eligible transactions thus economizing the use of foreign exchange reserves and transfer costs and promoting trade and banking relations amongst the member countries (Asian Clearing Union, 2018). There are nine members in ACU. They are: Nepal, India, Bhutan, Bangladesh, Maldives, Pakistan, Sri Lanka, Iran, and, Myanmar. However, Nepal and India do not follow this particular arrangement as the countries' currencies are pegged and millions worth of trades are made daily.

3.1.3.5 Weekly reserve: It is extremely important for a country's economy to be aware of its level of reserve and the inflow and outflow. So, the person in charge of the weekly reserve report collects the required data from all the commercial banks, and development banks that make transactions in foreign currencies including the central bank, compile the data and generate a report. This is done on a weekly basis. This helps to determine the factors that contribute to the country's earning and outflow as well. The weekly reserve report is not made public; it is strictly for internal use. If the Open Market Committee has to withdraw cash from the market, they make their decisions based on the data of this particular report.

The responsibilities and duties granted during the internship tenure are:

- To make entries of ACU transactions in Olympic
- To reconcile foreign investments in Olympic
- To reconcile intervention's transactions in Olympic
- To check NRB's balance in Nostro accounts held at Federal Reserve System, US.
- To collect data sent by BFIs and compile them for the weekly reserve report
- Assist in preparing the weekly reserve report
- Filing

3.1.4 Foreign Direct Investment (FDI) Division: FDIs are investments made by foreign nationals or companies in Nepal. For parties to invest in the Nepalese market, their investment must be approved by the Department of Industry (DoI) and NRB. The process for approval is initiated after the concerned investor submits all the documents to NRB as listed in the website. The investors have to go through a long and tedious process to get a permit as the purpose of their trade is to earn profit, they should be able to take back the profit earned after a certain period of time, since the transactions take place in Nepalese Rupees (NPR) in the market, the investment is a liability for the country.

The works carried out in this department requires analyzing and predictions, there is no work fit for an intern to carry out. So, I was provided with a verbal overview of the department and could only observe the work.

3.1.5 License and Permit Division: License and Permit Division provides licenses and permits to remittance generating companies. For a company to get a license they must meet all the requirements that are to be met according to the rules and act of NRB. They must meet the required capital, paid-up capital, legitimate official documents, etc. in order to gain a permit to open the organization.

3.2 Extra task performed

During the internship tenure, the organization had called for applicants for vacant posts. As employment at NRB is considered as one of the prestigious jobs in Nepal, the total number of applicants for the vacancies was approximately 55,000. All the interns present at the organization during the time were summoned by the HR Department. Basically, the organization had delegated their authority to the interns during the tenure for this particular task. The task set was to verify all the e-applications one-by-one. The detailed tasks that had to be performed are:

- To check whether the applicants' age was within the age bar
- To check whether the applicants had uploaded their recent passport sized photo
- To check whether the applicants had the required education qualifications for the respective jobs they had applied for
- To check whether they had uploaded the required official documents
- To cross-check their date of birth, name, qualifications with the uploaded documents

To inform the applicants if their application had something missing or if the format of their application was wrong.

Chapter 4: Results and Discussion

4.1 Contributions made during the internship

Having been placed in multiple divisions periodically during the time span of 3 months, I got the opportunity to gain knowledge regarding the department in general and the practices of the department. During the internship, a certain level of authority was delegated to me. The contributions made are as follows:

- In the inspection division, the authority of the division's assistant officer was delegated to me in the Inspection department. So, while I handled receiving calls and queries of confused parties, he was able to do other work which made the outcomes more efficient.
- In the investment division, the authority to make entries in OLYMPIC system was delegated as only the registered officials are allowed to use it and make changes. So, for a certain period of time I used OLYMPIC to make entries and perform the required tasks. Also, in the same division I helped in the preparation of 5 weeks' weekly reserve report which had been lagging behind; I contributed in bringing the reports on track.
- In the import and export division, I dispatched letters issued by the department. At least 15 letters would have to be dispatched every day, and it has many processes to be fulfilled before it can be given to the beneficiary. So, in this division I made the work easier for the staffs because they would have to leave their work and dispatch the letters and then go back to their work again. Also, I checked the pending cash incentives files and made sure all the remaining files were done checking within my tenure.
- In the HR department, there were over 55 thousand e-forms to be checked and verified, so I along with the other interns finished the task in 3 weeks which was comparatively a short span of time as it was a long and tedious process.

4.2 Details of related learning process

I got to witness and learn lots of new practices and happenings I would otherwise not have been able to. As central banks makes the rules and regulations and know the ways other BFIs work in, I got the chance to witness the works done at NRB and got an idea of how BFIs and companies in other industries function. The tasks performed and the processes of learning are as follows:

- Learnt how cash incentives are granted to local businesses: Cash incentives are awarded to businesses that export certain Nepali goods abroad. Those businesses that export goods such as garments, tea, lentils, etc. are given an extra percentage of cash derived from their earning. This initiative is taken by the government to promote local goods and entrepreneurs. The companies have to submit the required documents along

with a check-list and bank statement pre-approved by their bank. Then, the concerned officer checks the file and approves or informs the party in case the required data are missing.

- A cash incentive is handled by the Import and Export section of the department. I was taught the checking process by the personnel in charge of it, Mrs. Uma Paharai. She is responsible for the cash incentives files. My job was to check the files and their documents and inform her of any mistakes or missing documents.
- Learnt how to use Olympic Banking System- OLYMPIC Banking System is an online banking solution. It has centralized functions with varieties of integrated modules. It supports a wide range of functional domains and businesses with its design. The system covers full workflows and business process that takes place in an organization. The OLYMPIC Banking System is used to record various national and international transactions that take place daily. Government loans, incoming and outgoing currencies, etc. are all recorded here.
 - I learnt the use and ways of OLYMPIC in the investment department. I was taught to make entries of ACU statements, exchange rates, bonds and T-bills, and intervention rates. I was taught all the processes and concept of OLYMPIC by Mr. Ashok Sunuwar.
- Learnt how to use in-house software- FOREX Mgmt. Dept., NRB uses various software like Fxol and Fxall that were developed especially for the use of the department. This software is used by the department to record various related data.
 - I learnt how to use this software in the inspection division of the department. This is used to upload and record income statements of remittance generating companies. It records all users' statements and makes it visible to the party and the authority. Mr. Hari Krishna Bhattarai taught me the ways of this software.

Foreign Direct Investment: I was taught the process of FDI approval by Mr. Ashok Kumar Sunuwar. However, FDI's knowledge was purely theory. As it is a sensitive matter and requires expertise, I was merely taught the concept of it and did not get the opportunity to do any practical work.

Chapter 5: Conclusions

The three months spent at Nepal Rastra Bank was definitely fulfilling. I got to learn about many things while using my knowledge to perform the task at hand. The objective of this internship was to be able to experience the professional working environment, be able to work professionally, learn about the principles and practices of the workplace; I believe I was able to fulfill all the objectives set. The experience was indeed an enriching one.

5.1 Self-assessment as future professional

In contrast to gaining knowledge about the sector, developing professional skills, improving work skills, and applying our knowledge while working. Working at a workplace is definitely challenging as it requires many skills. I personally think communication skills; the ability to work in a team, patience, interpersonal skills, professionalism, etc. is what it takes to be able to become a professional and have a good reputation at work.

I maintained professionalism and treated all the seniors with utmost respect. I followed the dress-code, reached the work on time, and followed the instructions given and completed my time within the allotted time. I saw to it that the work was done correctly and efficiently. I learnt all that was taught attentively and asked questions to clear my confusion. I did not hesitate to take up responsibilities and work hard.

So, I definitely think I was able to accomplish all the features a professional should have at workplace.

5.2 Comparison of practical learning vs. theory

Studying in a classroom listening to teachers' lectures and working in a real workplace with millions at stakes where mistakes are best not made is two different scenarios. While staying in a classroom and going through study materials to solve a problem is not so nerve-wrecking, being at a workplace and having to calculate millions of dollars' worth of unbalanced balance sheet certainly is a tough job. While in class, we did many case studies and solved many real-scenarios cases, analyzed millions worth of financial statements, however they all were hypothetical and all we had to worry about was not scoring well. Even if mistakes were made, we could correct without any problems. However, in the investment section I had to prepare weekly reserve report where the entries are in millions of dollars, and even if one digit is mistaken, millions worth's data will be blundered. So, there was a bit of pressure in practical learning compared to theoretical learning.

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Bibliography



Name: Bibha Tandukar

Student ID: 5708040093

E-mail: bibha2018@kcm.edu.np

Department: BBA (Finance and Banking)

Faculty: Business Administration

Address: 52-Parvati Marg, Thapathali, Kathmandu-11, Nepal

Special interests: cooking, reading, learning a new language, and gardening