**WEEK 2 SS2 Date:……………………………**

**TOPIC: OTHER FINANCIAL INSTITUTIONS**

**CONTENTS**

1. Merchant Banks (Investment Banks)
2. Development Banks

**NOTES**

**MERCHANT BANKS (INVESTMENT BANKS)**

This may be defined as financial institutions that provide medium and long loans, accept large deposits from customers and acts as issuing houses. They deal with high net worth individuals, companies, other financial institutions and government agencies.

**FUNCTIONS OF MERCHANT BANKS**

1. They give medium and long term loans to individuals, organizations and government.
2. They accept large deposits from their customers
3. They accept and discount bills for exchange.
4. They finance and advice on real estate, agriculture, industrial and related projects.
5. They advise and arrange for mergers and acquisition firms.
6. They act as issuing houses – they assist companies in their sale of shares to the public
7. They provide equipment leasing services to customers.
8. They offer financial advisory services to business clients.
9. They act as unit trust managers.

**DEVELOPMENT BANKS**

A development bank is a financial institution set up purposely to offer medium and long –term loans meant for development.

**FUNCTIONS OF DEVELOPMENT BANKS**

1. Provision of long term loans for capital projects.
2. Implementation of government industrial development policies.
3. Supervision of Projects.
4. They give advice to both the government and industrialists
5. They underwrite securities issues
6. They contribute to manpower development and provision of technical support
7. They conduct extensive study on the industrial sector e.g. feasibility studies.
8. They monitor and enhance general economic development activities.
9. They undertake research on industrial development.

**EXAMPLES OF DEVELOPMENT BANKS IN NIGERIA.**

1. BOI – Bank of Industry.
2. NARDB – Nigerian Agricultural and Rural Development Banks.
3. FMBN – Federal Mortgage Bank of Nigeria
4. UDB – Urban Development Bank
5. NEB – Nigerian Educational Bank
6. NEXIM – Nigerian Export and Import Bank.

**EVALUATION**

1. What is a Merchant Bank?
2. State five functions of merchant Banks.
3. Explain five functions of Development Banks in Nigeria.

**READING ASSIGNMENT**

1. Essential Commerce for SSS by O.A. Longe Page 96 – 100

**WEEKEND ASSIGMENT**

1. The liquid assets of commercial banks are

(a) Treasury bill, bills of exchange and cash (b) Cash, current Account and other money- bearing assets (c) deposit account and cash (d) Cash only.

2. To a commercial bank, deposits are

(a) assets (b) liabilities (c) capital (d) cash at hand

3. Discounting a bill of exchange means the bill is a

(a) cashed over the counter (b) sold on the stock exchange (c) bought for less than its face value (d) sold to the highest bidder

4. Which of the following is a function of merchant banks?

(a) issuance of currencies (b) accepting deposits (c) lender of last resort

(d) determination of rate of interest.

5. Mortgage banks gives loans to investors on long term basis to

(a) finance agriculture (b) acquire machinery (c) build houses

(d) establish businesses.

**THEORY**

1. State three functions of Merchant Banks
2. State three similarities between commercial banks and merchant banks.

**READING ASSIGNMENT**

1. Essential Commerce by A. O. Longe Page 297 – 304
2. Comprehensive Commerce for SSS by J. U. Anyaele Page 354 – 35**9**

**GENERAL EVALUATION QUESTIONS**

1. State five function of the Nigerian Export Promotion Council
2. Describe five ways by which commercial banks aid international trade
3. State five reasons why road transport would be preferred to rail transport
4. Give seven functions of the Federal Airports Authority of Nigeria (FAAN)
5. State five aids to trade and explain how each facilitates trade