

TRIBHUVAN UNIVERSITY
INSTITUTE OF SCIENCE AND TECHNOLOGY
SCHOOL OF MATHEMATICAL SCIENCES
Bachelor in Mathematical Sciences (B.Math.Sc.)

Course of Study

Code No.: MSCB 451

Full Marks: 75

Paper: **Different Aspects of Financial Institutions**

Pass Marks: 30

Nature: Theory

Credit: 3

Course Description:

The course covers to Structure and formation of financial institutions, Negotiable instrument, Cash operation and Agency services, Deposit mobilization, Credit management, Risk management and Customer care services in financial institutions.

Learning Objectives:

This course aims to familiarize the students with the basics of financial institutions on Nepalese financial environment. It also aims at to familiarize them with concepts, theories and tools to financial institutions, and develop the skill to determine the market interest rate.

Mode of Delivery:

The course will be taught by lecture (48 hrs), and problem solving and class discussion (24 hrs). The use of spreadsheet software for problem solving will be encouraged.

Contents:

Unit 1 Structure and formation of Financial Institutions

7 hrs

Meaning and concept of bank and financial institutions, Evolution of banking institutions and banking law in Nepal, Role of banking institutions for socio-economic development, Licensing Policy for bank and FIs, Capital requirement, Types of bank and FIs, Functions of bank and FIs as per BAFIA 2063, Composition, Roles and Responsibilities of BOD in financial institutions.

Unit 2 Negotiable Instrument

7 hrs

Negotiable instrument and its types: Types and key features of cheque, Parties in a cheque, Cheque payment system, Validity and dishonor of cheque, Blacklisting provision in case cheque dishonor, Marking on a cheque, Stale cheque, Post dated cheque, MICR cheque, Cheque truncation, Promissory Note and its application, Parties in promissory note, Actions to be taken in case dishonor of promissory note, Bill of exchange and types, Parties in a bill of exchange, Actions to be taken in case of dishonor of bill of exchange, Negotiable instrument acts and its key features.

Unit 3 Cash Operation and Agency Services

6 hrs

Cash management, Security of vault, Cash insurance, Cash counter, Roles and responsibilities of cashier, Clearing system, Electronic clearing, Internal and external fund transfer, Remittance services, Utility payment services, Advisory services and Standing order from customer.

Unit 4 Deposit Mobilization**6 hrs**

Meaning and nature of bank's deposit, Types of deposit, Interest bearing and non interest bearing deposits, Importance of CASA in financial institutions, Risk associated with call deposit, Interest rate provisions of NRB in deposit products, Sources of deposit in Nepal, Asset liability management of a bank and its importance, Roles and responsibilities of Asset Liability Committee (ALCO) in a financial institutions.

Unit 5 Credit Management**10 hrs**

Concept and nature of bank credit, Types of credit (Fund and Non fund based credit facilities), Different types of loan under fund and non fund based credit facilities, Credit granting, Five Cs to be considered while extending loan to borrowers, Loan approval and disbursement process, Loan monitoring and supervision.

Type of borrowers in a financial institutions (micro, retail, SME , corporate and project loan), Legal procedure for recall and recovery, Legal features of collateral and security, Generally accepted security in Nepalese banking (land and building, goods and commodities, share and debenture, deposit certificate, personal guarantee promissory note, saving bond), NPA and its management, Additional provision to be made in different kinds of NPA as per NRB guidelines, NPA and book write of loan, Interest rate structure in Nepal.

Unit 6 Risk Management**6 hrs**

Meaning and nature of financial risk, Types of major risk in banking business, Credit, Operational and Market risk and their management, Liquidity crisis, Factors that affect stability, Private solutions for bank runs and banking panics, Government solution for bank runs and banking panic, Solutions for market crashes.

Unit 7 Customer Care Services**6 hrs**

Legal nature of financial institutions and customer relationship, Trustee-beneficiary, Agent-principal, Debtor Creditor, Special types of customer(individual, corporate, Government, NGO etc), Account opening and closing procedure, Customer care services and KYC, Client account maintenance, Card services, Meaning and concept of e-banking, Branch less banking, Mobile banking, ABBS.

References

1. Peter. S. R., *Commercial Bank management*, McGraw-Hill.
2. Thapa R.B and Rawal D., *Principles and practices of Nepalese Banking*, Buddha Academic Enterprises, Kathmandu, Nepal.
3. Pradhan, R.S., *Financial Management*, Buddha Academic Enterprises, Kathmandu, Nepal.
