

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

**Course of Study**

Code No.: MSFI 301  
Paper: **Financial Institutions**  
Nature: Theory

Full Marks: 75  
Pass Marks: 30  
Credit: 3

*Course Description:*

The course covers to Introduction to financial system and institutions, Insurance companies, Money market, Capital market, Financial service companies and Derivative market in Nepal.

*Learning Objectives:*

This course aims to familiarize the students with the basics of financial institutions and markets with special focus on Nepalese financial environment. It also aims at to familiarize them with concepts, theories and tools to financial markets and financial institutions, and develop the skill to determine the market interest rates, yield to different instrument of money market and capital markets, and analyze financial performance of commercial banks.

*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 Financial System and Institutions**

**11 hrs**

Formal and informal financial sector, Components of the formal financial system, Financial institutions, Financial markets, Financial instruments, Financial services, Classification and regulation of financial institutions in Nepal, Interaction among financial components, Functions of a financial system, Regulation and supervision of banks and financial institutions by NRB, Financial sector reforms, Governance issues and challenges, Role of Cooperative in economic development, Present scenario of cooperative sector in Nepal, Prudential regulation issued by cooperative department and national cooperative board.

**Unit 2 Insurance Companies**

**7 hrs**

Types, Size, Structure ,Composition and Policy of insurance industry in Nepal , Regulation and supervision of insurance companies by Nepal Insurance Board, Governance issues and challenges, Insurance Act and Regulation, Insurance licensing policy, Micro Insurance, Micro insurance vs. conventional, Micro insurance directive, Insurance directives for institutional governance of insurance companies, Life Insurance Valuation Directives of Nepal.

**Unit 3 Money Market****6 hrs**

Nepalese money market, Role of NRB in money market, Money market instruments in Nepal: Treasury bills-feature, Types, Importance, Participants in the T-bill market, Sale of T-bills, Implicit yield, Commercial bills, Certificate of deposits, Call money market, Money market derivatives and participants, Issues in money markets in Nepal.

**Unit 4 Capital Market of Nepal****10 hrs**

Evolution of Nepalese stock market, Primary markets: Pricing of primary securities, Public issue, Further public issue, Private placement and right issue, Regulatory provisions on primary issues, Secondary market : Functions and types, Primary markets versus secondary markets, Organization, Management and membership of Nepal Stock Exchange, Listing and trading rules, Stock market index, OTC market, Stock market regulation and Nepal Securities Board, Debt Market: Government and corporate debt securities market, Innovations in debt market securities, Settlement procedure .

**Unit 5 Financial Service Companies****8 hrs**

Mutual Fund: Types and functions of mutual companies, Regulation and supervision of mutual fund companies by Nepal Securities Board, Prospects and challenges.  
Pension Fund: Types of pensions, Private and public pension plan, Practices of pension in Nepalese context, Role of pension fund companies and their prospect, Incorporation and functions of Merchant Banks, Credit rating agency, Deposit and Credit Guarantee Corporation, Credit Information Bureau, Securities firm and investment bank activity areas; Asset and liability structure of securities firms and investment banks.

**Unit 6 Derivative Markets in Nepal****6 hrs**

Derivative markets and instruments; Core concepts in financial and derivative markets; Spot and derivative markets; Role of derivative market; Criticism of derivative markets; Misuse of derivatives; Derivatives and ethics, Career in derivative markets, Development of derivative market in Nepal; Instruments traded in the market; Mechanics of trading, Regulation of derivative markets in Nepal; and Issues in derivative markets of Nepal.

**References**

1. Pathak, B., Indian Financial System: Market, Institution and Services, Pearson Education India.
2. Kohn, Meir, Financial Institutions and Markets, Tata McGraw-Hill, Delhi.
3. M. Y. Khan, Financial System in India: Delhi: McGraw Hill Education India.
4. Publications of Nepal Rastra Bank, Securities Board of Nepal, Beema Samati, Nepal Stock Exchange.
5. Regulations governing the respective markets and institutions.
6. Department of Cooperatives, (2012), Static of Cooperatives in Nepal.
7. Department of Cooperatives, (1992), Model By-laws of cooperatives.

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