**SPECIALIZATION SUBJECTS**

**GROUP- FINANCE**

**==========================================================================Title: Financial Institutions and Market Code: FIN 545**

**Credit Hours: 3 Year /Semester: II/IV** **48 Hours**

##### **Course Objectives:**

This course aims to provide the students with basic understandings of Financial Institutions and Market. This course enables the students for financial analysis to determine the interest rates, to analyze the money market instruments and to understand the concept and role of Central Bank.

**Unit 1 Introduction 15 Hours**

Meaning of financial institution, meaning of financial market, classification of financial market

**Money market**: Meaning, Constituents, Functions of money market, Money Market instruments (Treasury auction, Treasury bills, Certificates of Deposit, Commercial Papers, Banker’s Acceptance, Repurchase Agreements, Euro dollars)

**Capital market:** Meaning, primary and secondary market, functions, role of SEBON-an overview.

**Stock market:** Concept, trading markets for stock, stock exchange, recent trends of stock market in Nepal

**Mortgage market:** Concept, Residential Mortgage, Types of Mortgage Loan, Securitisation of mortgage, Pass through Securities, Mortgage Backed Securities

**Foreign Exchange Market:** Concept, Exchange Rate in Long Run, Exchange Rate in Short Run, Changes in Exchange Rate.

**Bond Market:** Introduction, Types of Bond, Bond Valuation, Bond Yield, Bond Quotation, Bond Market in Nepal, International Bond Market

**Unit 2 Central Bank 8 Hours**

Meaning of central bank, Organization structure and management, Functions of Nepal Rastra Bank, Credit Creation and Credit Control, Monetary Policy

**Unit 3 Commercial Banks 8 Hours**

Meaning & Functions, Management and Investments Policies of commercial Bank, Recent trends in Activities of Commercial Banks, Liquidity & and Risk management, Types of Bank Loan, Capital Adequacy and Basel II Norms

**Unit 4 Thrift Institutions 5 Hours**

Meaning of credit Union, Regulation of Credit Union, Meaning of Saving & Loan Association, Regulation, Sources and uses of Fund, Meaning of Saving Bank, Regulation, Sources & Uses of Fund

**Unit 5 Insurance Sector 6 Hours**

Objective & Role, Types of insurance Companies, Liability of Insurance Companies, Investment Practices of Insurance Companies, Role and Function of Beema Samiti

**Unit 6 Interest Rate 6 Hours**

Concept, Factors affecting interest rate, Nominal interest rate, Real rate of interest and Expected inflation rate, Theories of interest rate, Relationship between interest rate and security price, Interest rate structure in Nepal, Determinants of interest rate

#### **Reference Books:**

1. Kolb, Robert and Rodriguez Ricardo, J.; ***Financial Institution & Markets****,* Blackwell Publishers, Massachusetts.
2. Madura, Jeff: ***Financial Market and Institutions,*** West Publishing Corporation Sent Paul.
3. Mishkin, F.S. and Eakins, S.G.: ***Financial Markets and Institutions****,* Pearson Education Inc.
4. Fabozzi, F.J., Modigliani, F., Jones, F. J. and Ferri, M.G.: ***Foundation of Financial Markets and institution***, Pearson Education
5. Pradhan, R. S., Gautam, R., Sharma, D. R., Chhetri, G. R., Adhikari, R., Sharma, R. R., et. al. ***Financial institutions & Market****,* Buddha Publication, Kathmandu, Nepal.