# INTERNSHIP REPORT

*For the partial fulfilment of Master of Commerce in Finance*

Submitted By: RICHANDA JEROME

Submitted To: NISHA.P, Senior

Manager

(General Banking and Treasury Department at Kerala State Cooperative Bank, Kerala)

Duration: (15th May 2023 to 27th May 2023)

**Certificate**

This is to certify that the report entitled " A Study on General Banking and Treasury Department of Kerala State Cooperative Bank, Trivandrum is bonafied record of internship work done by Richanda Jerome in a partial fulfillment for the award of the degree of Master of Commerce , the University of Kerala during the academic year 2023-2024 in the Department of Commerce,All Saints' College TVM.

Signed by

Head of Department

Dr.Carvalho Faustina Cicila

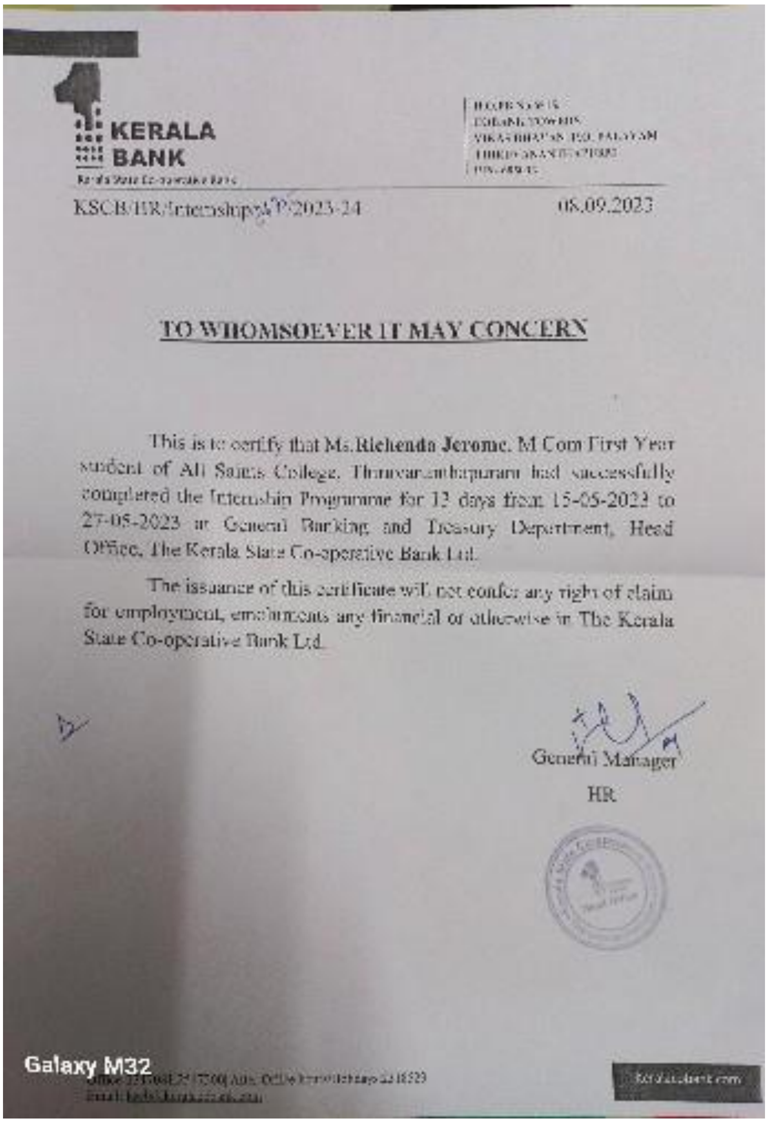
Dr. Carvalho Faustina Cicila
Assistant Professor and Head
Department of Commerce
All Saints' College, Thiruvananthapuram

PG Department of Commerce
Thiruvananthapuram
All Saints' College

# ACKNOWLEDGEMENT

I would like to thank Mrs. NISHA. P, Senior Manager, General Banking and Treasury Department of Kerala State Cooperative Bank, Trivandrum for giving me the opportunity to do an internshipwithin the organization.

I would also like to thank all the people in the banking department who have helped me to complete my internship successfully. It wasa great pleasure and I have an immense sense of gratitude.



KERALA BANK

Kerala State Co-operative Bank

KSCB/HR/Internship/ P/2023-24 08.09.2023

**TO WHOMSOEVER IT MAY CONCERN**

This is to certify that Ms.**Richenda Jerome**, M Com First Year student of All Saints College, Thiruvananthapuram had successfully completed the Internship Programme for 12 days from 15-05-2023 to 27-05-2023 in General Banking and Treasury Department, Head Office, The Kerala State Co-operative Bank Ltd.

The issuance of this certificate will not confer any right of claim for employment, emoluments any financial or otherwise in The Kerala State Co-operative Bank Ltd.

General Manager

HR

Galaxy M32

# CONTENTS

# INTRODUCTION

The Kerala State Co-operative Bank Limited, branded as 'Kerala Bank', is a co-operative bank set up by the Government of Kerala. The bank was established in 2019 by amalgamating 14 District co-operative banks in Kerala with the Kerala State Co-operative Bank

With the issuance of a notification establishing the Kerala State Co-operative Bank, the bank started functioning from 29 November 2019 onwards. The bank was formally launched by Pinarayi Vijayan, Chief Minister of Kerala, in a function held in Thiruvananthapuram on 6 December 2019.

Among the 14 District Co-operative Banks functioning in Kerala at the time of the formation of Kerala State Co-operative Bank, only the Malappuram District Co-operative Bank Ltd had opposed merger with the Kerala State Co-operativeBank.

The supreme authority of the bank is the General Body. The General Body consists of delegates of 'A' Class Members, ex-officio Directors and Directors nominated by the Government. The management of the bank is vested in the Board of Directors subject to the overall control of the General Body. The Boardof Directors consist of twenty-one members of whom fifteen are elected by the 'A' Class Members of the Bank. Kerala has a network of 1,692 Primary Agricultural Credit Societies (PACS's) and 16 licensed Urban Co-operative Banks all of which have become members/shareholders of Kerala State Co- operative Bank. The headquarters of the Kerala Bank is in Thiruvananthapuram.

Banking is an industry that handles cash, credit, and other financial transactions for individual consumers and businesses alike. Banking provides the liquidity needed for families and businesses to invest in the future and is one of the keydrivers of the U.S. economy.

The bank has three types of members. They are categorized into:

i. Class A shares for primary co -operative societies (PCAS) andUrban banks.
ii. Class B shares for the Government.
iii. Class C shares for Cooperatives.

## VISION

"To be a Universal Bank in the Co-operative structure with a wide network across the state and abroad, complete range of financial services, to all the segments of the society, under one roof with professionalism and social commitment."

## MISSION

"Our mission is to remain as strong, vibrant and socially committed organizationin the Co-operative sector and to be the backbone for the rural financial sector,by hand holding the Co-operative and providing comprehensive financial services, through robust technology at reasonable cost of carrying out livelihoods, with dignity."

Banking is the business of protecting money for others. Banks lend this money, generating interest that creates profits for the bank and its customers. A bank isa financial institution licensed to accept deposits and make loans. But they mayalso perform other financial services.

The term "bank" can refer to many different types of financial institutions — including bank and trust companies, savings and loan associations, credit unions or any other type of institution that accepts deposits.

# HISTORY

Kerala Bank's origin can be traced back to Trivandrum Central Co-operative Bank 1915, the first Co-operative Society to be formed in the princely state of Travancore. The Trivandrum Central Co-operative Bank was established by Maharaja Sree Moolam Rama Varma in 1914 through a proclamation of the 'Travancore Co-operative Societies Regulation Act'.

The Kerala State Co-operative Bank officially started performing as a bank on January $18^{th}$,1916 with a share capital of Rs 1,00,000 made up of 1000 sharesof Rs 100 each. Initially there were 16 Co-operative Societies and 69 individualsas members.

During the year 1943, the bank was renamed as 'Travancore Central Co- operative Bank', giving it a federal character of Travancore state. In the wake of Indian Independence and reorganization of the Indian states, the bank was recognized as the State Co-operative Bank for Travancore- Cochin state in theyear 1954. In the year 1956, the reorganization Indian states took place and state of 'Kerala' was formed. The bank was then elevated to the position of StateCo-operative Bank for the state of Kerala and it became 'The Kerala State Co- operative Bank Ltd'. At the that time the bank had a working capital of Rs42.90lakhs, deposits of Rs 30.33 lakhs and loans and advances to the tune of Rs
21.66 lakhs.

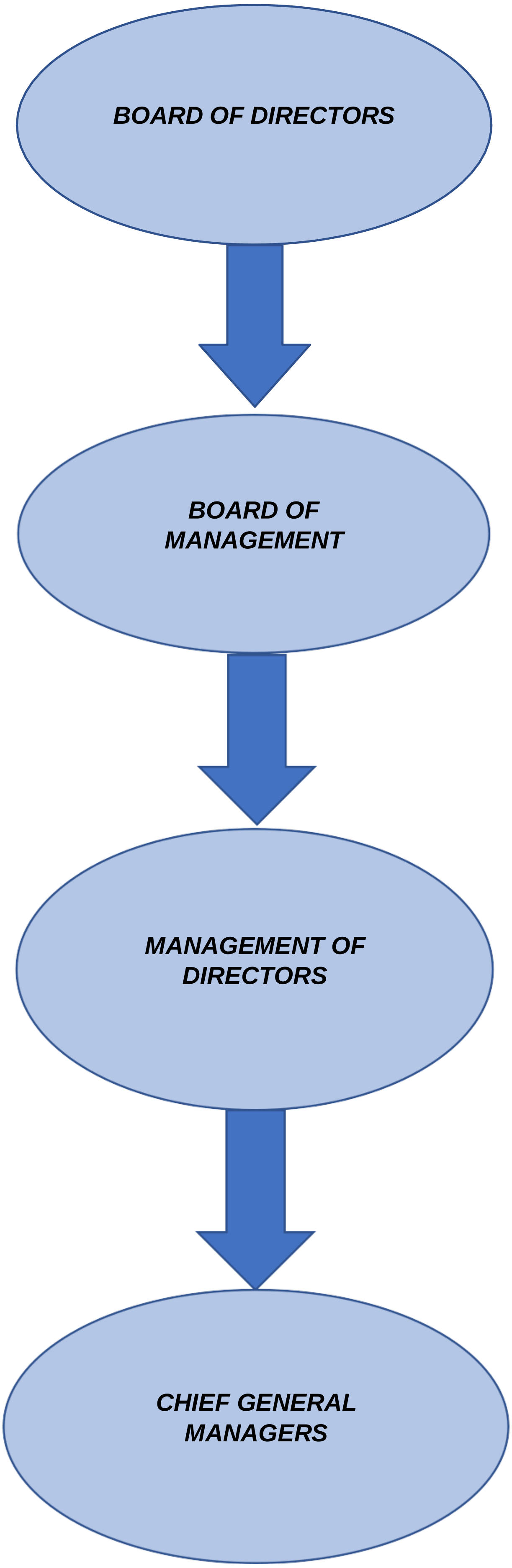
The Kerala State Co-operative Bank was registered and retained as an Apex Bank in which Co-operative Bank approved by the Registrar of Co-operative Society were admitted to members. Since then, the Trivandrum District Co- operative Bank and Government of Kerala were the only members. Subsequently after the formation of the Districts, District Co-operative Banks were admitted its members.

In July 1966, The Kerala State Co-operative Bank Ltd was included in the II schedule of Reserve Bank of India Act,1934. The Reserve Bank of India as per provisions contained in the II schedule of the Act approved the Bank as Scheduled State Co-operative Bank. The Kerala State Co-operative Bank Ltd isthe first scheduled Apex Co-operative Bank in the Co-operative banking sectorin the country. In 1972, it was issued a license to carry the business if Banking under section (22) of Banking Regulation Act,1966. The bank is a financing institution as defined in the Kerala State Co-Operative Societies Act,1969.

The bank is doing the business of banking within the framework of rules/ regulations/guidelines stipulated by the Reserve Bank of India and National Bank for Agricultural and Rural Development (NABARD).

The Government of Kerala has taken a policy decision to convert the present three tier structure within the state into two tier structure. The Reserve Bank of India had conveyed their amalgamation of 13 District Co-operative Banks who approve the scheme if the amalgamation with the Kerala State Co-operative Bank. The Registrar of Co-operative Societies has approved the resolution passed by the 13 districts Co-operative Bank on 07/03/2019 to transfer its assets and liabilities in whole to the Kerala State Co-operative Bank and issue order for the amalgamation of 13 District Co-operative Bank with Kerala Co- operative Bank, based on the resolution passed by the General Assembly of respective District Co-operative Banks as provided under section14(A) of KCS Act. Accordingly, from 29-11-2019 onwards, Kerala State Co-operative Bank and 13 districts Co-operative Banks were functioning as a single entity with brand name' Kerala Bank'.

# ORGANIZATIONAL STRUCTURE



***Chief General Managers are further classified into the following:***

- General Manager, General Administration, HR & Law
- General Manager, Credit, Credit Monitoring & Recovering
- General Manager, Business Planning Co-operative Credit
- General Manager, General Banking & Treasury
- General Manager, Audit Inspection and Marketing
- General Manager, IT & Digital Banking

***BOARD OF DIRECTORS***

The Board of Directors of the bank shall consist of 21 members, of which 15 members are elected by the A class members of the bank.

1. 14- members, one from District representing the PACS, electedby the A class members of the bank among delegates of PACS.
2. 1 – member representing the Urban Co-operative banks.
3. Ex – officio members:
    a) Registrar of Co-operative Societies
    b) Secretary, co-operation, Government of Kerala
    c) Chief General Manager, NABARD
    d) CEO of Bank

***BOARD OF MANAGEMENT***

The Board of Management consists of 12 members.

5 – members from PACS

1- member from Urban Co-operative Societies

6- specialized banks (Banking, Finance, Agriculture, Co-operation and Bank)

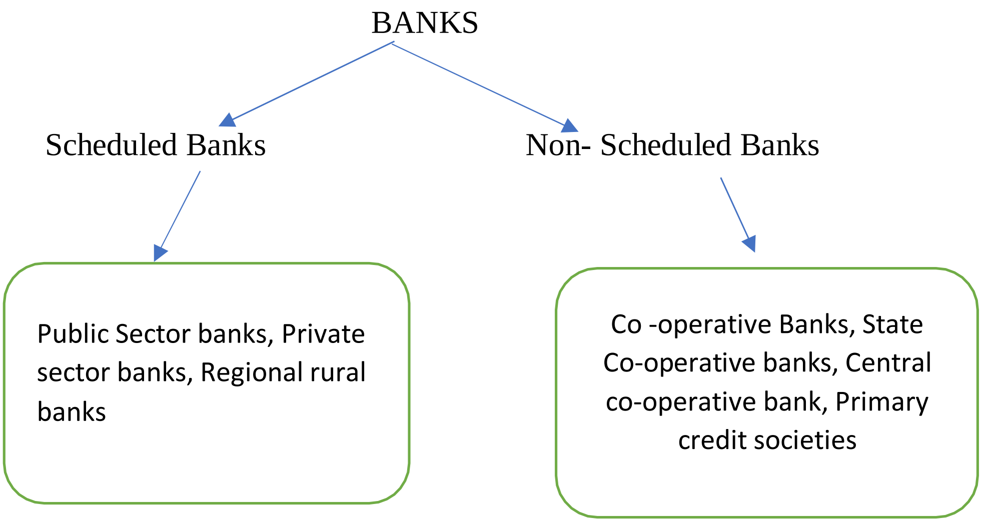
# WEEKLY OVERVIEW OF TOPICS DISCUSSED

| DATE | DAY | TOPIC DISCUSSED |
|---|---|---|
| 15.05.23 | Monday | Introduction to banking, History of Kerala State Co -operative Bank |
| 16.05.23 | Tuesday | Organization Structure |
| 17.05.23 | Wednesday | Classification of banking – branch banking & corporate banking |
| 18.05.23 | Thursday | Branch banking – deposits, loan, NPA |
| 19.05.23 | Friday | Corporate banking – cash management, fund management, risk management, liquidity management and asset management |
| 22.05.23 | Monday | Treasury Management |
| 23.05.23 | Tuesday | Treasury Management Products – Borrowing Products |
| 24.05.23 | Wednesday | Cash management, Fund management, Liquidity management, Asset management and Riskmanagement |
| 25.05.23 | Thursday | Asset Liability Management |
| 26.05.23 | Friday | Risk Management |
| 29.05.23 | Monday | RTGS, NEFT, IMPS, NDTL, KYC, Currency chest, CAP, Corporate Governance, Credit Rating Agencies, Cash in Vault, DEAF |
| 30.05.23 | Tuesday | Call money and Mutual Fund Registrar, Vouchers |
| 31.05.23 | Wednesday | Branch Visit was done |

# OVERVIEW OF TOPICS DISCUSSED FROM DAY 1 TO DAY 14

The banking industry handles finances in a country including cash and credit. Banks are the institutional bodies that accept deposits and grant credit to entitiesand play a major role in maintaining the economic stature of a country. Given their importance in the economy, banks are kept under strict regulation in mostcountries. In India, the Reserve Bank of India (RBI) is the apex bankinginstitution that regulates the monetary policy in the country.

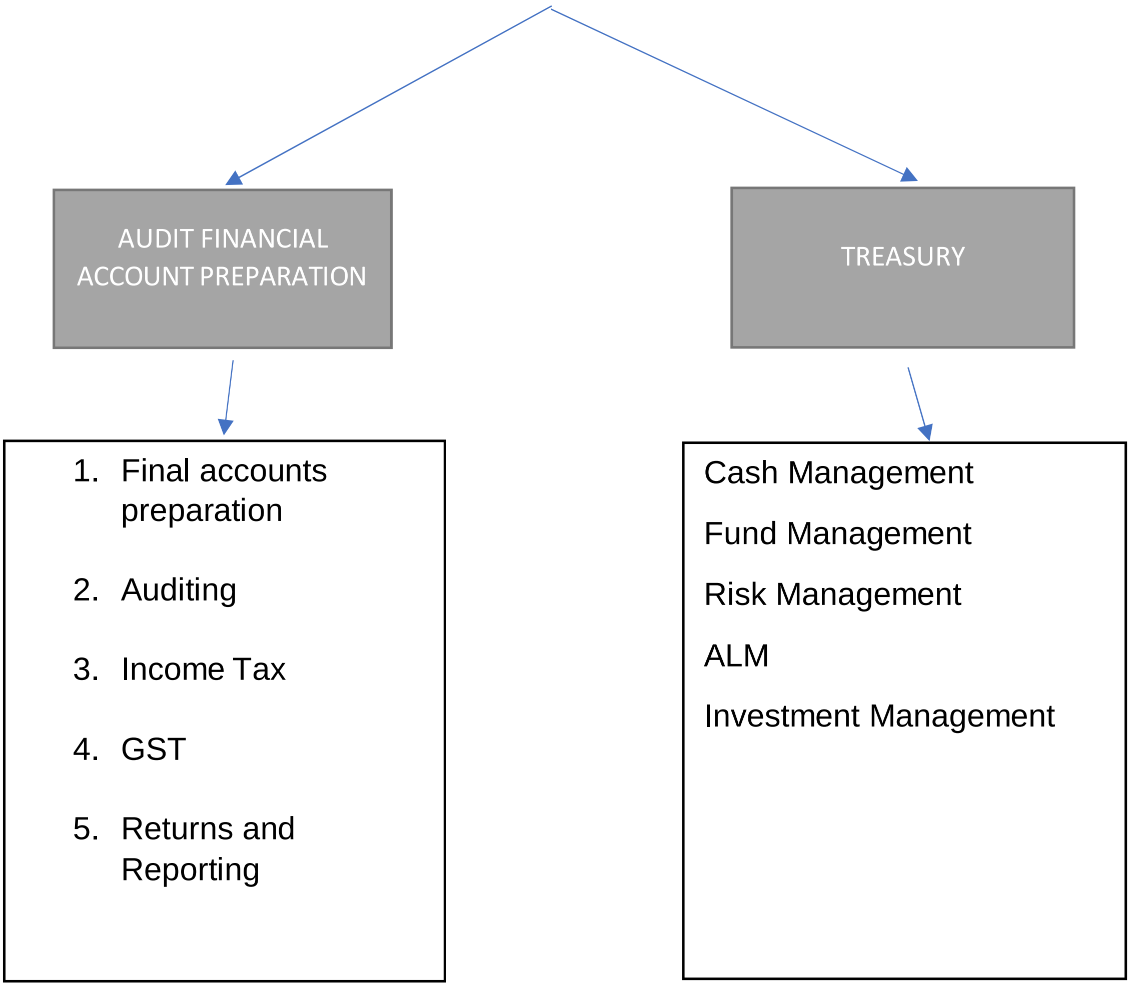
A bank is a financial institution that accepts deposits from the public and createsa demand deposit while simultaneously making loans. Lending activities can bedirectly performed by the bank or indirectly through capital markets.




## General Banking

General banking refers to the standard banking services that are offered tocustomers by financial institutions. These services typically include checking and savings accounts, loans, credit cards, online banking, and other financial servicesthat are designed to help customers manage their money and achieve their financial goals. Some of the common features of general banking include accountmanagement, bill pay, deposit and withdrawal services, and various types of financial products and services. Overall, general banking is an essential part of thefinancial system that helps to facilitate economic activity and promote financial stability. The following are some of the main activities followed in such banking:

STRUCTURE OF GENERAL BANKING




## **Treasury**

A bank's Treasury is part of its investment banking business (also known as wholesale or corporate banking) and other business areas like mergers and acquisitions, project finance, syndicated loans and global transactional banking. The key difference between treasury management and financial management is that treasury management focuses on the management of an organization's short-term liquidity and financial risk, while financial management focuses on the management of an organization's long-term financial performance and strategy.

- ### **Cash Management**

The term Cash Management refers to the day-to-day administration of managing cash inflows and outflows. Because of the multitude of cash transactions daily, they must be managed. The goal of cash management is to maximize liquidity and minimize the cost of funds.

## ❖ **Fund Management**

Funds management is the overseeing and handling of a financial institution's cash flow. The fund manager ensures that the maturity schedules of the depositscoincide with the demand for loans. To do this, the manager looks at both the liabilities and the assets that influence the bank's ability to issue credit.

## ❖ **Risk Management**

Risk Management refers to managing the impact of the risks by analyzing, forecasting and making predictions based on historical trends. It also includes taking corrective measures to reduce the impact of the risks. Financial risks canbe in the form of high inflation, volatility in capital markets, recession, volatility, bankruptcy, etc. The magnitude of these risks depends on the type of financial instruments in which an organization or an individual invests.

The different types of risk in the banking industry are:

## ❖ **Asset and Liability Management**

Asset and liability management (ALM) is a practice used by financial institutions to mitigate financial risks resulting from a mismatch of assets and liabilities. ALM strategies employ a combination of risk management and financial planning and are often used by organizations to manage long-term risks that can arise due to changing circumstances.

## ❖ **Investment Management**

Investment management refers to the handling of financial assets and other investments—not only buying and selling them. Management includes devisinga short- or long-term strategy for acquiring and disposing of portfolio holdings. It can also include banking, budgeting, and tax services and duties, as well. Investment management is also known as ‘money management’,’ portfolio management,’ or ‘wealth management’.

## *BANKING STRUCTURE*

Banking is generally classified into two main subdivisions. They are thefollowing:

I. BRANCH BANKING and,
II. CORPORATE BANKING

### BRANCH BANKING

- ✓ Deposit Management
- ✓ Loans
- ✓ Non – Performing Assets

### CORPORATE BANKING

- ✓ Treasury Management
- ✓ Cash Management
- ✓ Fund Management
- ✓ Risk Management
- ✓ Asset Management

- ✓ Liquidity Management

## BRANCH BANKING

Branch Banking refers to a system in which a bank provides banking services through a wide network of branch offices. If a bank has ten branches in a city, account-holders can choose a nearby branch to make deposits, withdrawals and avail of other service. Branch banking is a system of providing banking services through different offices of a bank that acts as the head branch. The idea is to expand the bank's business to cater to different locations and provideservices to all its customers. The branch office will offer all the services that areoffered by the main branch. The main branch controls the operations of the branch office.

Each branch has a manager who is responsible for managing all the activities of that branch.

## CORPORATE BANKING

Corporate banking, also known as business banking, typically serves a diverse clientele, ranging from small- to midsized local businesses with a few million dollars in revenue to large conglomerates with billions in sales and offices across the country. The term was originally used in the U.S. to distinguish this line of business from investment banking after the Glass- Steagall Act of 1933 separated the two activities. After that law was repealed in the late 1990s, corporate banking and investment banking services have been offered for many years under the same umbrella by most banks in the
U.S. and elsewhere. Corporate banking is a key profit centre for most banks.

## DEPOSITS

A deposit is the act of placing cash (or cash equivalent) with someentity, most commonly with a financial institution, such as a bank. The deposit is a credit for the party (individual or organization) who placed it, and it may be taken back (withdrawn) in accordance with the terms agreed at time of deposit,transferred to some other party, or used for a purchase later. Deposits are usually the main source of funding for banks. The following are the different types of deposit accounts:

1) Savings Bank Account
2) Current Account
3) Recurring Deposit Account
4) Fixed Deposit Account
5) NRI Account
6) Joint Account
7) Minor Account

SAVINGS BANK ACCOUNT

This is the most common type of account you can open at any bank. Savings account can be started by an individual or by two persons working together to save money. The biggest advantage of creating a savings bank account is thatthe bank will pay the account holder interest for doing so. There is no requirement to have a minimum balance to open such account. The account holder can obtain a ATM/Debit Card / Credit Card if they want.

I. CURRENT ACCOUNT

A current account, also known as financial account, is a type of deposit account maintained by individuals who carry out significantly higher number of transactions with banks on a regular basis. It is created by the bank on requestof the applicant and is made available for frequent or immediate access.Current accounts relate to liquid deposits, and it offers a broad range of customized options to aid financial dealings. Current accounts also allow to make payments to creditors through the cheque facility offered by the bank. Generally, current accounts do not provide interests and requires a higher minimum balance when compared to savings account. However, the greatest advantage of current bank account is that account holders can easily avail overdraft facility up to an agreed limit.

II. RECURRING DEPOSIT ACCOUNT

A Recurring Deposit account often called as RD account, is a type of deposit account in which the amount holder must deposit a predetermined sum every month until the account reaches the fixed maturity date. A recurring Deposit account can be opened be an individual or an institution. The account holder can withdraw the money before the maturity date, but some penalty would be levied.

III. FIXED DEPOSIT ACCOUNT

A Fixed Deposit is an account opened with a bank wherein, the bank pays a guaranteed interest rate on the sums deposited in a Fixed Deposit account, fora stipulated period or tenure. The interest rate is determined by the amount theaccount holder deposits and the term of the FD.

IV. NRI ACCOUNT

The option of an NRI account is provided to meet the banking needs of a Non- Resident Indian. NRI accounts can be categorized as the following:

a) NRO (Non- Resident Ordinary Rupees Account): This account will allow you toquickly transfer your international revenues to India. It may be opened as an FD/RDL Current/ Savings account. Individuals or groups can open these accounts.
b) NRE (Non- Resident External Rupees Account) : When an Indian personrelocates to another country for his/ her work, his/her account must be changedto NRE account. This account can be formed in collaboration with an Indian Resident.
c) FCNR (Foreign Currency Non- Resident Account) : This sort of account can beused to manage the foreign currency. It may only be withdrawn after the maturity period if it is in the form of a term deposit.

In case the account holder is illiterate, withdraw/ repayment of the deposit amount and/ or the interest, the account holder should affix his/ her thumb impression. For opening the account, the account holder should come directly to the branch.

V. JOINT ACCOUNT

A joint account is a bank or brokerage account shared between two or more individuals. Joint accounts are most likely to be used by relatives, couples, or business partners who have a level of familiarity and trust with each other. A joint account functions like a standard account, such as a checking or savings account, and allows anyone named on the account to access its funds. All owners can withdraw cash, write checks, and make online payments.

VI. MINOR ACCOUNT

According to the Indian Majority Act, a minor is a individual who is below 18 years of age. An account can be opened by the parents of the minor. This account does not provide all the privileges that a normal account would but does not allow the minor to make withdrawals and deposits.

- LOANS

Loan is the transfer of money by one party to another with an agreement to payit back. The recipient, or borrower, incurs a debt and is usually required to pay interest for the use of the money. The institutions charge interest against lending money for a certain period. The following are the different types of loansthat borrowers can avail from a lending institution:

a) Secured Loans :

A secured loan is a loan in which the borrower pledges some asset (e.g. a car or property) as collateral for the loan, which then becomes a secured debt owedto the creditor who gives the loan. The debt is thus secured against the collateral, and if the borrower defaults, the creditor takes possession of the asset used as collateral and may sell it to regain some or all of the amount originally loaned to the borrower.

b) Unsecured Loans :

In finance, unsecured debt or unsecured loan refers to any type of debt or general obligation that is not protected by a guarantor or collateralized by a lienon specific assets of the borrower in the case of a bankruptcy or liquidation or failure to meet the terms for repayment. Unsecured debts are sometimes calledsignature debt or personal loans.

*TYPES OF SECURED LOAN*

i. Vehicle loans
ii. Mortgage loans
iii. Share-secured or savings-secured Loans
iv. Secured credit cards
v. Secured lines of credit
vi. Car title loans
vii. Pawnshop loans
viii. Life insurance loans
ix. Bad credit loans

*TYPES OF UNSECURED LOANS*

1) Personal Loans:

A personal loan is a loan which can be taken to meet unspecified financial needs. Today personal loan segment has diverted into many specialised loans.It can be taken for various purpose such as a wedding, traveling, paying education fee, medical emergencies or any undefined reason etc. The interest paid on a personal loan is in most cases higher than that payable on secured loans.

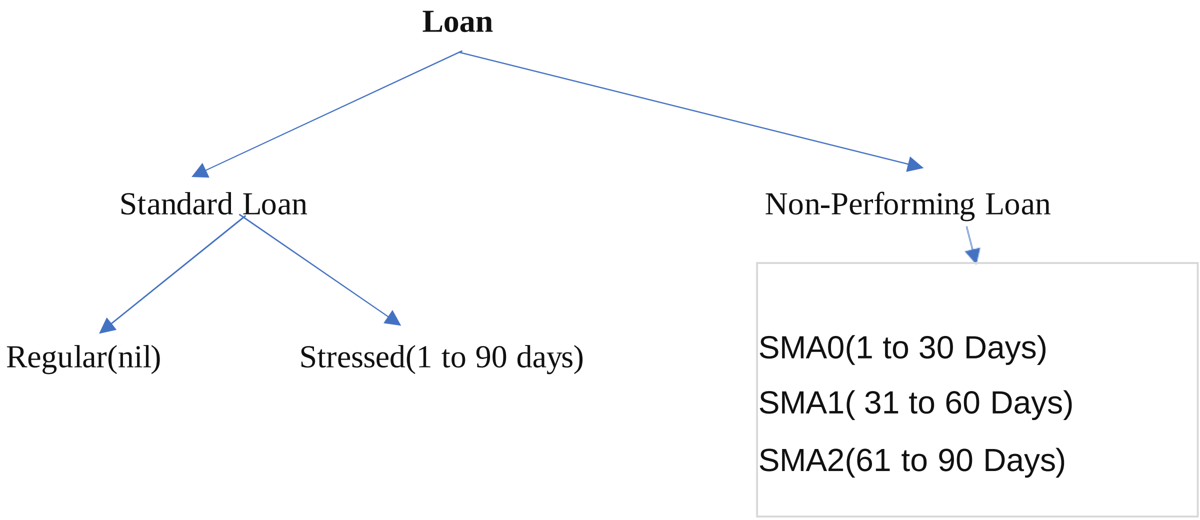
2) Short – Term Business Loans:

A Short – Term Business Loan is a business loan that can finance temporary business requirements. The interest rates of short – term business loan can beanywhere between 1% and 1.5% per month, i.e, 12% to 18% per annum.

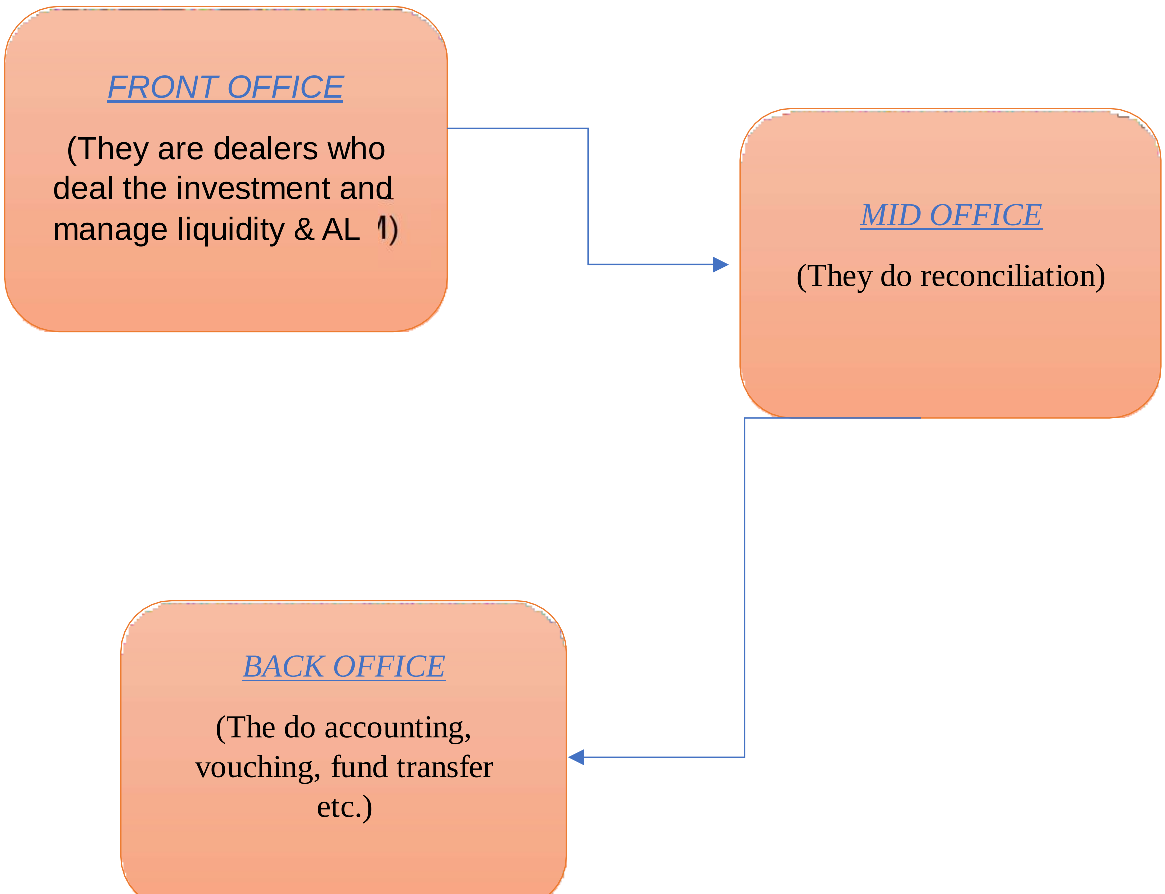
3) Education Loans:

A student loan is a type of loan designed to help students pay for post- secondary education and the associated fees, such as tuition, books and supplies, and living expenses. It may differ from other types of loans in the factthat the interest rate may be substantially lower and the repayment schedule may be deferred while the student is still in school. It also differs in many countries in the strict laws regulating renegotiating and bankruptcy. The Indian government has launched a portal, Vidya Lakshmi, for students seeking educational loans and five banks including SBI, IDBI Bank and Bank of India have integrated their system with the portal.

NPA CLASSIFICATION:




*TREASURY MANAGEMENT PROCESS*



The primary function of the treasury department of any bank is to ensure thatits assets match its liabilities in every possible way. Treasury activities involvetransactions with large sums of money, processes are often set up to preventfraudulent activities.

FRONT – OFFICE (Functions)

- Performs the preliminary functions of treasury operation.
- Maintains the limit of individual deals and dealers.
- Deals in interbank transactions, currency trading, placement decisionsand funds management.
- Maintains the balance of position of currency.
- Determination of exchange rate and interest rate for money and capitalmarket securities.
- Maintain the liquidity position of the bank including cash reserve ratio management.
- Determination of the daily foreign exchange rate for cash, tom, spotand forward transactions.
- Assessment of periodic risk exposure.no one single person carries outan end-to-end transaction. This is to prevent errors and fraud.

MID – OFFICE (Functions)

- Mid office is created exclusively to provide information to the management and to implement risk management system.
- Middle office monitors exposure limits and stop loss limits to treasuryand reports to the management on key parameter of performance.
- Transfer pricing mechanism may also be implemented through middleoffice.
- Mid office is responsible for analyze and control the risk of treasury dealings.
- Mid office takes care of market and credit risks.
- It ensures that the functions of front office dealers and back office areas per approved norms and limits.

BACK – OFFICE (Functions)

- The back office is responsible for verification and settlement of the deals concluded by the dealers.
- The back office staff also confirms the deals independently with the counterparties (banks and other institutions) over phone and verifies the authenticity of the confirmation document.
- The back office takes care of all related book-keeping and submission of periodical returns to NRB.
- Settlement refers to receipt and payment of accounts following deals made by dealers (i.e. sale and purchase of foreign currency, lending and borrowing, sale and purchase of securities etc.).
- Settlement is a key function of back office as all payment and receipts must take place on value date.

BORROWINGS OF TREASURY

- Marginal standing facility
- Triparty Repos Dealing and Settlement
- REPO’s

INVESTMENTS OF TEASURY

- T- Bills
- Government Securities
- Government Bonds

ASSET LIABILITY MANAGEMENT

Asset and Liability management (Often abbreviated ALM) is the practice of managing financial risks that arise due to mismatches between the assets and liabilities as part of an investment strategy in financial accounting. ALM sits between risk management and strategic planning:

- ALCO Committee
- Profit and Loss reviewing

- Pricing
- Risk

BOND SECURITIES/ STOCK

A bond is a debt instrument. Borrowers issue bonds to raise funds from investorswillingly to lend them money for a certain amount of time. When you buy a bond,you are lending to the issuer, which maybe a government, municipality or corporation.

# CONCLUSION

The internship program aims at developing skills of youngsters to contribute to the development of society. The internship at Kerala State Co-operative Bank, Trivandrum has been an excellent and rewarding experience. I have studied allabout the basic functioning of banking. The atmosphere was welcoming and friendly.