Internship report at

"Karnataka Gramin Bank"

Submitted by

(Harshith D)

(4AL21BA034)

Submitted to

VISVESVARAYA TECHNOLOGICAL UNIVERSITY, BELAGAVI

In partial fulfilment of the requirements for the award of the degree of

MASTER OF BUSINESS ADMINISTRATION

Under the guidance of

INTERNAL GUIDE	EXTERNAL GUIDE
Mrs. PRIYA SEQUEIRA	Mr. Nikhil S
HOD, Sr. Asst. Professor	Branch Manager
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PG DEPARTMENT OF BUSINESS ADMINISTRATION

ALVA'S INSTITUTE OF ENGINEERING & TECHNOLOGY

SHOBHAVANA CAMPUS, MIJAR, MOODBIDRI.

KARNATAKA GRAMIN BANK
KORATAGERE BRANCH-2167
TUMKUR REGION, TUMKUR-DIST
(Sponsored by Canara Bank)

Phone-08138-232056
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Date: 20-11-2022

Place: Koratagere

TO WHOMSOEVER IT MAY CONCERN

This is to certify that Mr **Harshith D (USN: 4AL21BA034)** student of MBA(Finance & Marketing), **Alva'sInstitute of Engineering and Technology, Mijar**, Karnataka has successfully completed his internship work titled " **Banking Business: Deposits, Loans & Advances and loans repayment/recovery strategies**" in our organization for 4 weeks from 20th October 2022 to 20th November 2022 under the guidance Sri Nikhil S(Branch Manager) and Sri Thimmaraju G A(Advance Manager).

He took keen interest in the work assigned to him and his conduct and behavior was good.

We wish him great success in his future endeavors.

Yours Faithfully,

(Branch Manager)

Nikhil S

KARNATAKA GRAMIN BANK KORATAGERE BRANCH * Koratagere Tq. Tumakuru Dt.

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DATE: 30/01/2023

CERTIFICATE

This is to certify that **HARSHITH D** bearing USN **4AL21BA034,** is a bonafide student of Master of Business Administration program of the Institute (2021-23) affiliated to Visvesvaraya Technological University, Belagavi.

The Internship report on **"KARNATAKA GRAMIN BANK, KORATAGERE"** is prepared by him under the guidance of **Mrs. Priya Sequeira**, HOD, Sr. Assistant Professor, PG Department of Business Administration in partial fulfillment of the requirements for the award of the degree of Master of Business Administration, Visvesvaraya Technological University, Belagavi, Karnataka.

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DECLARATION

I **HARSHITH D** hereby declare that the internship and internship report entitled "**INTERNSHIP REPORT AT KARNATAKA GRAMIN BANK**" prepared by me under the guidance of **PROF, PRIYA SEQUEIRA**, HOD, Sr. Asst. Professor, PG Department of Business Administration, ALVA'S INSTITUTE OF ENGINEERING AND TECHNOLOGY and external assistance by **Mr. NIKHIL S, Branch Manager, KARNATAKA GRAMIN BANK.**

I also declare that this study is towards the partial fulfilment of the university regulations for the award of degree of Master of Business Administration by Visvesvaraya Technological University (VTU).

I have undergone an internship and organization study for a period of 4 weeks. I further declare that this report is based on the original study undertaken by me.

Place: Koratagere HARSHITH D

USN: 4AL21BA034

ACKNOWLEDGEMENT

It was my privilege to undergo the organizational study at **Karnataka Gramin Bank** in Koratagere. There are many people who have helped me to complete this study successfully. It is with gratitude that I acknowledge the help which guided my efforts with success.

It is my foremost duty to express my wholehearted thanks to my guide **PROF, PRIYA SEQUEIRA,** HOD, Sr. Asst. Professor, PG Department of Business Administration for the valuable guidance, support and motivation during the course of this study. The inspiration provided by my guide at every stage of my work has helped me immensely in the completion of this organization study and the preparation of this report.

My profound thanks to **Mr. NIKHIL S,** Branch manager who took interest in explaining concepts and imparting necessary inputs pertaining to the organization study, without which it would not have been possible for me to complete this work. I am also very thankful to the other executives and staff of the company for their co-operation.

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EXECUTIVE SUMMARY

The Karnataka Gramin Bank main aim is to provide financial services to the rural population and to improve their standard of living. I have learnt about the strengths and weakness of the Karnataka Gramin Bank I have also learned about the porters five force model as well as MCKINSEY 7s framework of Karnataka Gramin Bank. Learned about the awards and rewards received by the Karnataka Gramin Bank as well as about the financial statements of the Karnataka Gramin Bank A study on overall practice on Karnataka Gramin Bank has helped me in understanding the culture, vision, mission, and the nature of the products and services. Karnataka Gramin Bank has also focused on providing digital banking solutions to its customers, which has helped to improve its operational efficiency and enhance the customer experience. The bank has introduced various digital banking services, including internet banking, mobile banking, and UPI-based payments, among others. Overall, Karnataka Gramin Bank has been performing well in recent years, with a focus on growing its business, improving its financial performance, and providing innovative digital banking services to its customers.

Chapter 1

Introduction about the Industry

Introduction to the Banking Industry:

The rapid transformation in the banking industry over the last decade has made the industry stronger, cleaner, transparent, efficient, faster, disciplined and a lot more competitive. The banking industry in India has a huge canvass of history, which covers the traditional banking practices from the time of Britishers to the reforms period, nationalization to privatization of banks and now increasing numbers of foreign banks in India. Therefore, banking in India has been through a long journey. Rural banking and micro financing are the two gateways for the Indian banks to grow and compete with international banks.

As we know finance is considered as the life blood of all economic activities and has become integral part of modern business. A country's financial system works in a set of financial markets, financial services and financial institutions.

Broadly, the financial market is categorized into two groups viz.

(a) Money market which deals only with short term finance, and

(b) Capital market which deals with long- term funds.

Banking industry is the back bone for the growth of any economy. In the recent time, we are witnessed that the World Economy is passing through some small details or parts circumstances as bankruptcy of banking and financial institutions, debt crisis in major economies of the world and euro zone crisis. The banking scenario has become very uncertain causing recession in major economies like US and Europe.

About Regional Rural Banks (RRB's):

Introduction

Regional Rural Banks are government owned scheduled commercial banks of India that operate at regional level in different states of India. These banks are under the ownership of Ministry of Finance, Government of India. They were created to serve rural areas with basic banking and financial services.

The RBBs Act has made various provisions regarding the incorporation, regulation and working of RRBs. According to this Act, the RRBs are to be set-up mainly with a view to develop rural economy by providing credit facilities for the purpose of development of agriculture, trade, commerce, industry and other productive activities in the rural areas.

Such facility is provided particularly to the small and marginal farmers, agricultural labourer's, artisans, and small entrepreneurs and for other related matters.

Objectives

The objective of regional rural banks is to develop the rural economy by providing credit and other facilities for agriculture and other productive activities in rural areas. They provide these facilities to small and marginal farmers, rural artisans, agricultural labourer's and other small entrepreneurs working in the rural areas.

The objectives of RRBs as follows:

- To provide loan for backward class public.
- To opening branches of bank in rural areas.
- To save the rural poor from the moneylenders.
- To increase employment opportunities by encouraging trade and commerce in rural areas.
- To cater to the needs of the backward areas which are not covered by the other efforts of the Government.

Chapter 2

Organization Profile

COMPANY PROFILE:

History of Karnataka Gramin Bank

Karnataka Gramin Bank, a Body Corporate constituted by Government of India under the provisions of Regional Rural Banks Act, 1976 is a premier RRB with its origin of inception in the year 1976. The Bank's Head Office is at 32, Saganaki Road, Gandhinagar, Bellary (Karnataka State) and having a network of 1142 Branches operating in 21 districts of Karnataka State, Bellary, Bidar, Chitra Durga, Chikkaballapura, Davanagere, Kalaburagi, Kolar, Koppal, Raichur, Shivamogga, Yadgiri, Mysore, Chamarajanagar, Kodagu (Madikeri), Hassan, Mandya, Ramanagar, Bangalore Urban, Bangalore Rural, Tumkur and Chikkamangaluru Administrative Offices across 21 Districts of Karnataka.

Karnataka Gramin Bank is one of the Regional Rural Banks (RRB) operating across 21 districts of Karnataka. The Bank is sponsored by CANARA BANK, one of the premier Nationalized Banks.

2.1 Background

Regional Rural Banks were established under the provisions of an Ordinance passed on 26 September I975 and the RRB Act. 1976 to supply adequate banking and deposit facility for agriculture and different rural seniors.

These have been set up on the pointers of The Narasimhan Working Group1 all via the tenure of Indira Gandhi's authorities with a view to encompass rural areas into monetary mainstream given that that time about 70% of the Indian Population as of Rural Orientation. The improvement method of RRBs commenced on 2 October I975 with the forming of the first RRB, the Prathama Bank. Also, on 2 October I976 live regional rural banks had been set up with a complete licensed capital (SIG Million) which later augmented to 500crore (50 million). The Regional Rural Bank were owned through the Central Government, The State Government and the Sponsor Bank

State Bank of India, Syndicate Bank. United Bank of India and United Commercial Bank, held shares in the ratios as follows Central Government 50%, State Government 15% and Sponsor Banks 35%. Earlier Reserve Bank of India had laid down ceilings on the rate of pastime to be charged with the aid of these RRB.

2.2 Nature of business

• A bank is a financial institution that provides banking and other financial services to their customers

• Banks are a subset of the financial services industry.

• Almost in any country banks represent main pillar of financial stability beside financial intermediaries, banks play an important role as national financial institution which in every day of its activities deal with humans.

• A bank is generally understood as an institution which provides fundamental banking services such as accepting deposit and providing loans.

• The main advantages which differentiate bank from any other institutions, banks of offering and deliver payment system domestically and internationally.

• The banks also offer investment and insurance products.

• The banking sector offers several facilities and opportunities to their customers.

• All the banks safeguard the money and valuables and providing loans, credit and payment money order and cashier's check.

• Golden rule stated that customer is king.

• Customers have unlimited wants with limited resources.

2.3 Vision, Mission, Quality policy

• VISION:

“To be a preferred banking institution of the people of our area, commitment to improve the living standard of the mass so as to achieve inclusive growth with sustained viability”.

• MISSION:

“Partnering in the improvement of the standard of living of all our customers and growing as a prime and strong Rural Bank in the State and in the country is our Goal”.
“Sincerely responding to the wishes and aspirations of our customers and serving them with a smile beyond their expectation is our Motto”.

• Quality policy:

• Customers satisfaction

• Employee motivation

• Increase in market share

• Profitable revenue growth

• Balance sheet and cash flow strength

• We value our customer.

• Loyalty and absolute honesty.

2.4 Workflow Model

- **New account opening:** Customers fill out an application, provide identification and other necessary documents, and complete a background check.
- **Deposit and withdrawal:** Customers can deposit or withdraw money from their accounts through tellers or ATM machines.
- **Loan processing:** Customers can apply for loans, submit required documents, and go through credit checks and underwriting process.
- **Customer service:** Banks provide customer service through phone, email, or in-person interactions to help customers with account-related issues or questions.
- **Compliance:** Banks have to comply with laws and regulations, including anti-money laundering, know your customer, and others.
- **Risk management**: Karnataka Gramin bank have to manage the risk of bad loans, fraud, and other financial losses.
- **Policy Implementation**: Karnataka Gramin Bank follow the policies and guidelines from the Government of India and RBI to implement and operate.
- **Social welfare schemes:** Karnataka Gramin Bank are responsible for implementing various social welfare schemes of the government such as Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Mudra Yojana (PMMY), and others.

2.5 Product/Service Profile

Following are the various loan products of Karnataka Gramin Bank:

• **Kisan Credit Card**

This Scheme is to all Farmers including Tenant Farmers, Oral Lessees and General Power of Attorney Holders, for Crop cultivation with a facility to remit and draw any number of times. The farmers will also be extended loan under the Scheme of Advances against Warehouse Receipts.

• **Farm Mechanization**

The bank gives loan to farmers to mechanize their farming operations by way of purchase Tractor with trailer/ Power tillers.

• **Loans to Allied Agricultural activities**

Financial assistance to activities like Dairy Farming, Sheep Rearing Units, Poultry Farming, Sericulture Rearing House, Sericulture Plantation, Commercial cultivation of Medicinal and Aromatic plants (MAPS) etc.,

• **Advance against Security of Gold Ornaments**

The bank offers gold loans to agriculture for agricultural operations at normal Bank Rate of Interest.

• **Kisan Gold Card Scheme**

It is a general-purpose loan for meeting agricultural and consumption purpose against agricultural property for having excellent repayment records for at least past 3 years irrespective of limit availed by farmers.

• **Kisan Chakra**

To purchase vehicles (New and Second hand) Two wheelers, Three wheelers and Four wheelers for supervision, transportation of agricultural produce and management of agricultural activities.

• **All Purpose Mortgage Loans**

It is a scheme to customers to meet the general needs without any restrictions. Such as for holding stock, receivables, acquisition of land, building for establishing business, construction, renovation and upgradation of offices, purchase of equipment's, furniture, vehicle, to meet working capital by way of mortgaging the property.

• **Consumer Durable Loans to Public**

Loan given to public specially Professionals and self-employed persons for purchase of consumer durables like TV sets, Music Systems, Refrigerators, Washing Machine, etc.,

• **Personal loan to Individuals**

This facility is available to salaried employees, to general expenditure like marriages, family functions, medical expenses, travel expenses, educational expenses etc.

• **Gnanavahini**

It is a scheme for educational loans to give monetary funding to admirable meritorious students to pursue their higher education in India and also abroad.

• **Small Business Finance**

This scheme is to improve the existing business by purchasing additional stocks for increasing business and income for Retail Traders, Business Enterprises, Professional and self-employed persons and Transport operators.

• **Public Housing Loan**

This scheme is for building of residential house, procurement of house or villas and also for renovation, repairs, extensions, additions to existing house, etc.

• **Loans to SME Sector**

Loan to Small and Medium Enterprises in the form of working capital and also term loans.

Deposit Products of Karnataka Gramin Bank

Following are the various deposit products of the bank:

- **Current Account**

This account is opened by the business people for carrying out their routine transactions. They will be given the special right to withdraw over the amount in their account up to certain limit sanctioned by the bank.

- **Savings Bank Accounts**

The different saving accounts are:

a) General Public Account

b) Minor Account

c) Student Account

- **Term Deposit Accounts**

The bank introduced scheme of lump sum investment for deposits between the period ranging from 15 days to 10 years and above.

- **Cumulative Deposits**

It is a regular fixed monthly deposit for various periods ranging from 6 months to 10 years.

- **Kaveri Lakhpati Scheme**

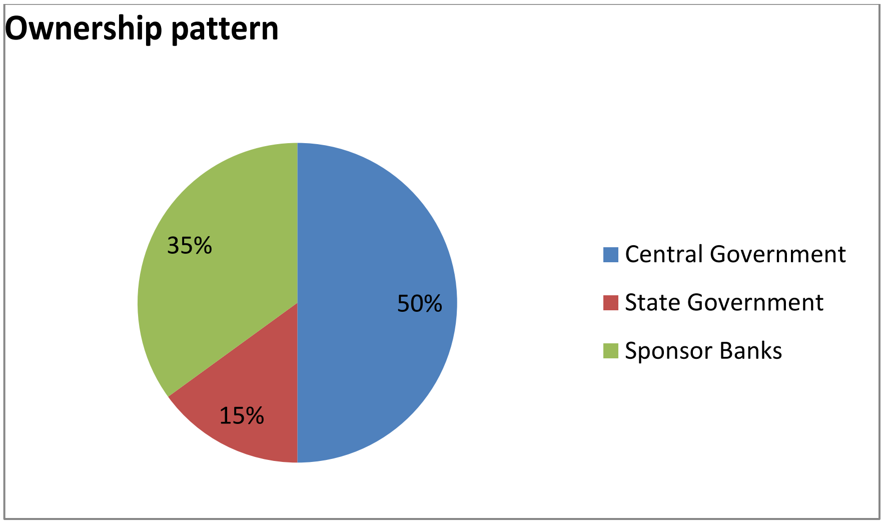
It is a special cumulative deposit scheme for getting maturity amount in multiples of Lakhs. -A dream to become Millionaire.

- **Kaveri Lakshmi**

It is a unique lump sum investment scheme for getting double the invested amount on maturity.

2.6 Ownership pattern

Central Government	50%
State Government	15%
Sponsor Banks	35%.



2.7 ACHIEVEMENTS OF THE BANK PAVED WAY FOR AWARDS

1. Karnataka Gramin Bank is second largest RRB in India and first in Karnataka State with a business of Rs.16,697 crores with ATM network 0f 155, largest network of any RRB in Karnataka.

2. Bank has been conferred with Award for issue of highest number of Rupay debit cards by NPCI. The award was received from Sri Pranab Mukherjee, President of India at Rashtrapathi Bhavan.

3. Bank has also been conferred award called: Surya Mira by SELCO for outstanding service in promoting use of Solar Energy.

4. Bank has received 5 state level awards by NABARD under SHG /JLG Bank linkage and promotion of Farmers Club programme.

5. The Bank has successfully implemented financial inclusion plan by covering 2094

villages and ensured opening of 3,44,759 BSBD accounts 867 Business correspondent agents across 23 districts in Karnataka

6. The Bank has also conducted through BCAs highest number, 9,37,391 of transactions at the doorsteps of the rural poor involving an amount of Rs.47.6 crores.

7. The Bank has distributed 2,96,978 Smart cards during the year making a total tally of 6,70,680.

8. Bank could also mobiles Rs.6.12 Crores through BSB accounts. Bank has also paid Rs. 38lakhs fixed remuneration to the BCs.

2.8 Future Growth and Prospects

The Karnataka Gramin Bank has covered almost 23 Districts with the total network of 1119 Branches. The bank has proposed to open new Branches during the current year to increase the business and also to meet the financial inclusion obligations. The bank has started advancing loans to various activities both in rural and urban areas. The recovery of loans is satisfactory.

The bank has launched the Financial Inclusion (FI) plan and distributed the smart cards to their account holders. The aim is to take banking to doorsteps of uncovered villages in the districts.

The officials concerned and the business correspondents should work for the success of the scheme.

The bank has hoped to achieve a 20 percent business growth in the current financial year and disburse Rs.2280 crores by way of crop loan with 7 percent rate of interest.

The bank has helped the millions as people in the course of life, today it continues to provide services to the rural as well as urban people.

Chapter3

McKenney's 7S framework

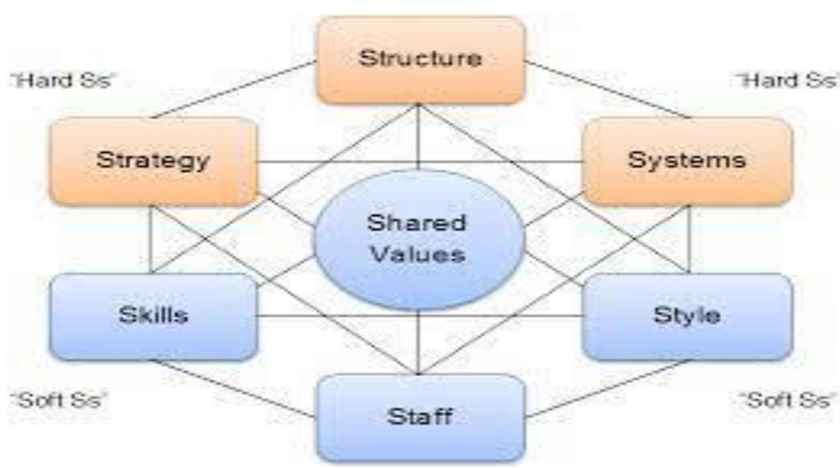
and

Porter's Five Force Model

Mckensy's7Sframework

Introduction

The McKinsey 7s model was developed in the 1980s by McKinsey consultants Tom Peters, Robert Waterman and Julien Philips with some help from Richard Pascale and Anthony G. Athos. Since the introduction, the model has been widely used by academics and practitioners and remains one of the most popular strategic planning tools. It sought to present an emphasis on human resources (Soft S), rather than the traditional mass production tangibles of capital, infrastructure and equipment, as a key to higher organizational performance. The goal of the model was to show how 7 elements of the company: Structure, Strategy, Skills, Staff, Style, Systems, and Shared values, can be aligned together to achieve effectiveness in a company. The key point of the model is that all the seven areas are interconnected and a change in one area requires change in the rest of a firm for it to function effectively.



1. STRUCTURE:

The bank is headed by a Chairman and a Board of Directors. The Chairman is appointed by the Government of India in consultation with the sponsor bank. The Board of Directors is responsible for the overall management and direction of the bank.

Karnataka Gramin Bank has a three-tier organizational structure, which includes:

- Head Office: The Head Office is located in Bellary and is responsible for the overall administration and supervision of the bank.
- Regional Offices: The bank has several regional offices that are responsible for the day-to-day operations of the bank in their respective regions.
- Branches: Karnataka Gramin Bank has a wide network of branches across the state of Karnataka, which provides a range of banking services to the rural and semi-urban population.

2. SYSTEM:

Karnataka Gramin Bank operates on a core banking system, which is a centralized system that enables the bank to manage its operations and customer information from a central location. This system enables the bank to offer a range of banking services to its customers, including deposit and loan services, remittances, and other financial services. The core banking system enables the bank to maintain accurate and up-to-date information about its customers and their accounts, reducing the risk of errors and ensuring the security of customer data. The system also enables the bank to quickly process transactions and offer real-time services to its customers, improving their experience and enhancing the bank's overall efficiency.

In addition, the core banking system enables the bank to implement digital banking services, such as mobile banking, internet banking, and other digital services that enable customers to access their accounts and perform transactions from their mobile devices or computers.

Overall, the core banking system is a critical component of Karnataka Gramin Bank's operations and enables the bank to provide high-quality banking services to its customers, improve its efficiency, and achieve sustainable growth.

3. STAFF:

The staff of Karnataka Gramin Bank typically includes a combination of administrative and operational employees who perform various functions within the bank.

- Chairman and Managing Director: The head of the bank, responsible for overseeing the bank's operations and making key strategic decisions.
- Board of Directors: A group of individuals responsible for setting policies, approving major expenditures, and ensuring the bank's compliance with regulatory requirements
- Executive Management Team: A team of senior managers responsible for the day-to-day operations of the bank, including customer service, loan processing, and risk management.
- Customer Service Representatives: Employees who interact with customers and handle their account inquiries, deposits, and withdrawals.
- Loan Officers: Employees who evaluate loan applications and determine whether to approve or reject them based on creditworthiness.
- Operations Staff: Employees who process transactions, reconcile accounts, and handle back-office operations such as data entry and record-keeping.
- Compliance and Risk Management Staff: Employees who monitor the bank's compliance with regulatory requirements and manage risk

4. SKILL:

The skills have helped to establish a strong reputation in the rural banking sector and to provide valuable financial services to its customers.

- Knowledge of rural banking: The bank has a deep understanding of rural banking and the unique needs of rural customers, which allows it to provide relevant financial services to its customers.
- Financial expertise: The bank has a team of experienced and knowledgeable professionals who are skilled in financial analysis, loan underwriting, and risk management.

- Customer service: The bank places a high emphasis on customer service and has trained its staff to provide excellent service to its customers.
- Technology: The bank uses technology to provide digital banking services to its customers and improve its operational efficiency.
- Networking: The bank has established a strong network of branches, ATMs, and business correspondents that allows it to reach its customers in remote and underserved areas.
- Community outreach: The bank is committed to the development of rural communities and is involved in various initiatives to improve the lives of rural residents.

5. STRATEGY:

The main strategy of Karnataka Gramin bank is to develop the quality of any &service to suit specific customer needs in line with change the demands. It is also trying to consolidate and enlarge manufacturing facilities to meet customers expecting quality standard reasonable prices and satisfied the customer needs and wants.

Corporate Strategies

These are some of the common strategies that rural banks, including Karnataka Gramin Bank, may adopt to improve their services and reach a wider audience

1. Diversification of product and services: Rural banks often diversify their product offerings to include various loan products, savings accounts, and insurance products to meet the financial needs of their customers.
2. Partnership with Government Schemes: Rural banks have partnered with government schemes such as Pradhan Mantri Jan Dhan Yojana, Pradhan Mantri Fazal Bhima Yojana, and Pradhan Mantri Awa’s Yojana to increase the reach of their services and to provide better financial services to rural customers.

3. Agricultural Lending: Agricultural lending is a core focus area for rural banks, and they provide loans for agriculture-related activities such as crop production, irrigation, and farm machinery.
4. Microfinance: Rural banks have been actively involved in providing microfinance services to low-income households and small enterprises to help them start, grow and sustain their businesses.
5. Focus on Financial Literacy: Rural banks often focus on financial literacy initiatives to educate rural customers about the importance of savings, insurance, and other financial services.

Business strategies

1. Expansion into rural areas: Karnataka Gramin Bank could expand its reach into rural areas by setting up more branches and offering new services such as digital banking and mobile banking to reach more customers.
2. Diversification of products: The bank could diversify its product offerings to attract new customers and retain existing ones. This could include new loan products, savings accounts, and other financial services.
3. Investment in technology: Investing in technology, such as mobile banking, internet banking, and digital marketing, would allow the bank to increase its efficiency and reach more customers.
4. Collaboration with government schemes: Karnataka Gramin Bank could collaborate with government schemes such as Pradhan Mantri Jan-Dhan Yojana (PMJDY) and Pradhan Mantri MUDRA Yojana (PMMY) to reach more customers and offer a wider range of financial services.
5. Improving customer service: Providing excellent customer service and building strong relationships with customers would help the bank to retain existing customers and attract new ones.

Growth strategies

1. Digitalization: The bank can leverage technology to offer digital banking services to its customers and improve its customer experience. This can help the bank attract new customers and retain existing ones.
2. Improving loan portfolio quality: The bank can focus on improving the quality of its loan portfolio by carefully screening loan applicants and providing loans to only those who are likely to repay on time. This will help reduce loan defaults and improve the bank's overall financial performance.
3. Strengthening partnerships: Karnataka Gramin Bank can collaborate with other financial institutions, government agencies, and non-profits to reach more customers and offer more value to its customers.

6. STYLE:

The style of Karnataka Gramin Bank focus on serving the rural and underprivileged communities in the state of Karnataka. The bank is committed to providing affordable financial services to its customers, especially to those who are not served by traditional banks.

The Karnataka Gramin Bank have a hierarchical structure with a top-down approach to decision-making, which may suggest an autocratic style of leadership.

Some key features of the bank's style include:

- Personalized Service: Karnataka Gramin Bank prioritizes providing personalized and customer-centric services to its customers. It has a large network of branches and mobile banking facilities to serve its customers in rural and remote areas.
- Social Responsiveness: The bank is committed to playing a significant role in the social and economic development of the communities it serves. It provides a range of financial products and services that cater to the specific needs of its customers, such as agriculture loans, microfinance loans, and pension schemes.
- Innovation: The bank is committed to using technology and innovation to improve its services and reach more customers. It has implemented digital banking services, mobile banking, and other digital initiatives to make banking more accessible to its customers.

- Financial Inclusion: The bank's primary focus is to provide financial services to the rural and underprivileged communities. It aims to increase financial literacy and promote financial inclusion in the communities it serves.

7.SHARED VALUE:

These shared values guide the actions and decisions of Karnataka Gramin Bank and help ensure that it remains focused on serving its customers and contributing to the growth and development of its local communities

- Community focus: The bank places a strong emphasis on serving the local community and providing financial services to rural areas in Karnataka.
- Customer-centeredness: The bank prioritizes the needs and satisfaction of its customers and strives to provide quality services and products.
- Financial inclusion: The bank aims to promote financial inclusion by providing access to financial services to underserved populations, including those in rural areas.
- Sustainability: The bank strives to balance financial performance with social and environmental responsibility and seeks to minimize its impact on the environment.
- Integrity and transparency: The bank values honesty, ethical behaviour, and transparency in all its operations and relationships with customers and stakeholders.
- Teamwork and collaboration: The bank recognize the importance of teamwork and collaboration in achieving its mission and strives to foster a positive work environment that values diversity and collaboration.

Porter's Five Force Model

The Five forces model was created by M. Porter in 1979 to understand how five key competitive forces are affecting an industry. The five forces identified are: These forces determine an industry structure and the level of competition in that industry. The stronger competitive forces in the industry are the less profitable it is. An industry with low barriers to enter, having few buyers and suppliers but many substitute products and competitors, will be seen as very competitive and thus not so attractive due to its low profitability.

1. Threats of new entrants

Threat of new entrants reflects how new market players impose threats to the existing market players. If the industry will be profitable and barriers to enter the industry will be low, it will attract more players and hence, the threat of new entrants. will be high.

- Entry in the industry requires substantial capital and resource investment. This force also loses the strength if product differentiation is high and customers place high importance to the unique experience.
- Karnataka Gramin Bank Turnaround will face the low threat of new entrants if existing regulatory framework imposes certain challenges to the new firms interested to enter in the market. In this case, new players will be required to fulfil strict, time-consuming regulatory requirements, which may discourage some players from entering the market.
- The threat will be low if psychological switching cost for consumers is high and existing brands have established a loyal customer base.
- New entrants will be discouraged if access to the distribution channels is restricted.
- Existing regulations support the entry of new players.
- Consumers can easily switch the brands due to weak/no brand loyalty.
- Initial capital investment is high.
- Building a distribution network is easy for new players.

- Retaliation from the existing market players is not a discouraging factor.

2. Threat of Substitute Products or services

The availability of substitute products or services makes the competitive environment challenging for Karnataka Gramin Bank Turnaround and other existing players. High substitute threat shows that customers can use alternative products/services from other industries to meet their needs. Various factors determine the intensity of this threat for Karnataka Gramin Bank.

- The psychological switching costs of moving from industry to substitute products are low.
- Substitute product offers the same or even superior quality and performance as offered by Karnataka Gramin Bank Turnaround's product
- The switching cost of using the substitute product is high (due to high psychological costs or higher economic costs)
- Customers cannot derive the same utility (in terms of quality and performance) from substitute product as they derive from the Karnataka Gramin Bank Turnaround's product.

3. Rivalry among existing firms

The Rivalry among existing firms shows the number of competitors that give tough competition to the Karnataka Gramin Bank Turnaround High rivalry shows Karnataka Gramin Bank Turnaround can face strong pressure from the rival firms, which can limit each other's growth potential. Profitability in such industries is low as firms adopt aggressive targeting and pricing strategies against each other.

- There are only a limited number of players in the market
- The industry is growing at a fast rate
- There is a clear market leader
- The products are highly differentiated, and each market player targets different sub-segments

- The economic/psychological switching costs for consumers are high.
- The exit barriers are low, which means firms can easily leave the industry without incurring huge losses

4. Bargaining Power of Suppliers

Bargaining power of suppliers in the Porter 5 force model reflects the pressure exerted by suppliers on business organisations by adopting different tactics like reducing the product availability, reducing the quality or increasing the prices. When suppliers have strong bargaining power, it costs the buyers. Moreover, high supplier bargaining power can increase the competition in the industry and lower the profit and growth potential for Karnataka Gramin Bank Turnaround Similarly, weak supplier power can make the industry more attractive due to high profitability and growth potential.

- Suppliers have concentrated into a specific region, and their concentration is higher than their buyers.
- This force is particularly strong when the cost to switch from one supplier to other is high for buyers (for example, due to contractual relationships).
- When suppliers are few and demand for their offered product is high, it strengthens the suppliers' position against Karnataka Gramin Bank Turnaround
- Suppliers' forward integration weakens the Karnataka Gramin Bank Turnaround's position as they also become the competitors in that area.
- If Karnataka Gramin Bank Turnaround is not well educated, does not have adequate market knowledge and lacks the price sensitivity, it automatically strengthens the suppliers' position against the organisation.

- Other factors that increase the suppliers' bargaining power include-high product differentiation offered by suppliers, Karnataka Gramin Bank Turnaround making only a small proportion of suppliers' overall sales and unavailability of the substitute products.
- Switching costs are low
- Product lacks differentiation

- Substitute products are available
- Karnataka Gramin Bank Turnaround is highly price sensitive and has adequate market knowledge
- There is no threat of forward integration by suppliers.

5. Bargaining Power of Buyers

Bargaining power of buyers indicates the pressure that customers exert on the business organisations to get high quality products at affordable prices with excellent customer service. This force directly influences the Karnataka Gramin Bank Turnaround’s ability to accomplish the business objectives. Strong bargaining power lowers profitability and makes the industry more competitive. Whereas, when buyer power is weak, it makes the industry less competitive and increase the profitability and growth opportunities for Karnataka Gramin Bank

- A more concentrated customer base increases their bargaining power against Karnataka Gramin Bank Turnaround
- Buyer power will also be high if there are few in number whereas a number of sellers (business organisations) are too many.
- Low switching costs (economic and psychological) also increase the buyers’ bargaining power.
- In case of corporate customers, their ability to do backward integration strengthen their position in the market. Backward integration shows the buyers' ability to produce the products themselves instead of purchasing them from Karnataka Gramin Bank Turnaround
- Consumers’ price sensitivity, high market knowledge and purchasing standardised products in large volumes also increase the buyers' bargaining power.

Chapter 4

SWOT Analysis

Strengths:

- Skilled and dedicated human resources.
- Strong internal co-ordination.
- Friendly environment in the bank.
- Low customer base ensures dedicated attention to each customer.
- First-class service management.
- Strong Regional Presence
- Focus on Rural Development
- Large Network of Branches
- Support for Micro and Small Enterprises
- Strong Agricultural Focus
- Strong Customer Base

Weaknesses:

- Lack of Technology
- Limited Resources

- Poor Network
- Lack of Skilled Staff
- Limited Product Offering
- High Non-Performing Assets
- Small range of offerings.
- Very few ATM Booths.
- Not enough promotional activities
- Poor Infrastructure

Opportunities:

- The bank branches have good scope expansion.
- Entering into other fields like insurance and mutual fund.
- The bank is located in a prime commercial area.
- Realization of margins in lie with dangers taken.
- Expansion of anti-cyclical Investment Management activities.
- Building new patron relationships

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Threats:

- Competition from other banks
- Technological advancements
- Economic fluctuation
- Regulatory compliance
- Political instability
- Poor management
- Climate change
- KGB is mainly focusing on Rural Areas.
- Increasing debt degrees in some industrial countries and rising market

Chapter 5

ANALYSIS OF FINANCIAL STATEMENTS

BALANCE SHEET **(in crores)**

Particulars	**MAR 22**	**MAR 21**	**MAR 20**	**MAR 19**	**MAR 18**
LIABILITIES					
Capital	311.17	311.17	310.88	310.88	310.88
Reserves	6,783.56	6,331.48	5,659.56	5,502.57	5,127.53
Deposits	80,386.85	75,654.86	71,785.15	68,452.12	62,871.29
Borrowings	2,313.84	1,764.88	4,065.12	3,325.51	815.97
Other Liabilities and Provisions	2,245.14	1,519.24	1,492.77	1,482.94	1,276.27
TOTAL	**92,040.55**	**85,581.34**	**83,313.49**	**79,045.76**	**70,373.68**

ASSETS					
Cash & Balances with RBI	3,957.22	4,866.15	2,756.05	3,411.66	3,545.82
Balance with Banks and Money at Call and Short Notice	479.54	449.42	163.44	198.09	55.19
Investments	22,041.00	21,635.19	17,545.34	16,184.99	15,444.45
Advances	56,783.14	51,693.70	56,964.27	54,828.20	47,251.75
Fixed Assets	818.16	837.85	826.42	775.00	761.60
Other Assets	7,961.50	6,099.04	5,057.96	3,647.82	3,314.86
TOTAL	**92,040.55**	**85,581.34**	**83,313.49**	**79,045.76**	**70,373.68**

PROFIT & LOSS ACCOUNT (in crores)

Particulars	MAR 22	MAR 21	MAR 20	MAR 19	MAR 18
INCOME					
Interest Earned	6,221.66	6,232.41	6,474.77	5,905.96	5,423.75
Other Income	953.88	1,495.07	1,396.05	1,001.96	954.34
TOTAL	7,175.54	7,727.48	7,870.82	6,907.92	6,378.09

EXPENDITURE					
Interest Expended	3,730.63	4,049.23	4,444.41	4,000.84	3,566.10
Operating Expenses	1,810.92	1,679.11	1,769.64	1,457.27	1,338.83
Provisions & Contingencies	1,125.38	1,516.57	1,224.99	972.57	1,147.56
TOTAL Expenditure	6,666.92	7,244.91	7,439.04	6,430.68	6,052.49
Net Profit for the year	508.62	482.57	431.78	477.24	325.61
Net profit / loss after prior year items	508.62	482.57	431.78	477.24	325.61
Net Profit/Loss brought forward	85.47	101.68	119.65	102.23	137.14
Profit After Tax available for appropriation	594.09	584.25	551.43	579.47	462.75
APPROPRIATIONS					
Statutory Reserve	150.00	125.00	110.00	180.00	82.00
Capital Reserve	0.82	199.69	183.08	0.00	51.05
Reserve for Long Term Finance	210.00	100.00	30.00	88.50	91.25
Dividend and Dividend Tax for The Previous Year	0.00	0.00	119.15	0.00	0.00

Equity Share Dividend	55.96	0.00	0.00	84.78	113.04
Tax On Dividend	0.00	0.00	0.00	17.43	23.01
Balance of Profit Carried Over to Balance Sheet	135.82	85.47	101.68	119.65	102.23
Total	594.09	584.25	551.43	579.47	462.75

RATIO ANALYSIS

Ratio is a relationship expressed in mathematical tens between two individual groups of data connected with each other in some logical manner: Ratio analysis is widely used tool of financial analysis. This systematic method helps to interpret the financial statement so that the strengths and weakness of a firm as well as the historical performance and current financial condition can be determined.

Purpose of the ratio analysis

To study the short-term solvency of the firm- liquidity of the firm.

• To study the long-term solvency of the firm- leverage position of the firm.

• To interpret the profitability of the firm- profit earning capacity of the firm.

• To identify the operating efficiency of the firm-turnover of the ratios.

A. <u>Short term Solvency Ratio</u>

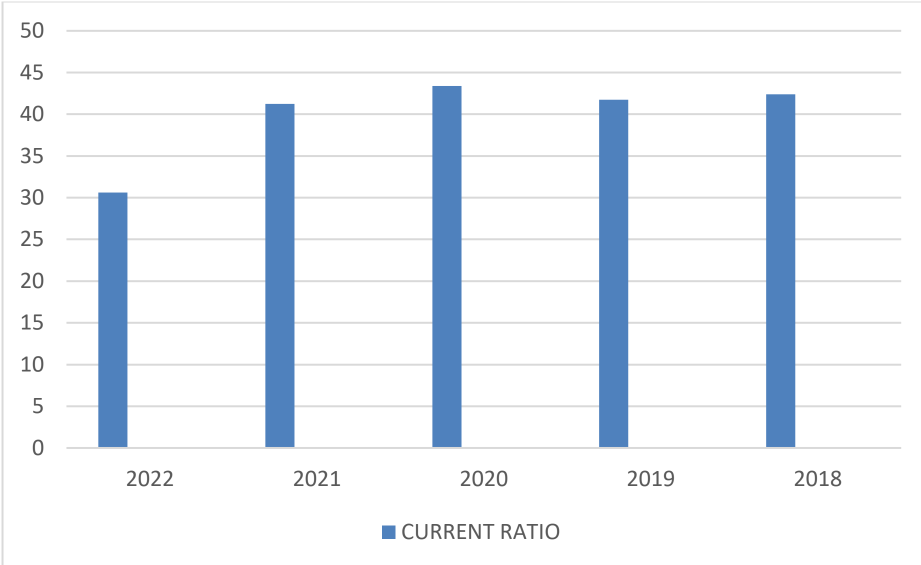
1. CURRENT RATIO.

It is a ratio, which express the relationship between the total current Assets and current liabilities. It measures the firm's ability to meet its current liabilities. It indicates the availability of current assets in rupees for every one rupee of current liabilities. A ratio of greater than one means that the firm has more current assets than current liabilities claim against them. A standard ratio between them is 2:1.

Formula for current ratio:

Current Ratio = Current Assets /Current Liabilities

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2022	69181.40	2245.14	30.60
2021	63108.31	1519.24	41.24
2020	64941.73	1492.77	43.39
2019	62085.77	1482.94	41.73
2018	54167.62	1276.27	42.40



INTERPRETATION

The current ratio of the company has been fluctuating over the years, with the highest ratio of 43.39 in 2020 and the lowest of 30.60 in 2022. A current ratio of more than 1 means that the company has enough current assets to cover its current liabilities, indicating the company's ability to pay off its short-term debts. In 2022, the company's current ratio of 30.60 shows that it may not have enough current assets to cover its current liabilities, indicating a potential liquidity issue. Overall, the company should monitor its current ratio and take necessary actions to maintain a healthy balance of current assets and liabilities.

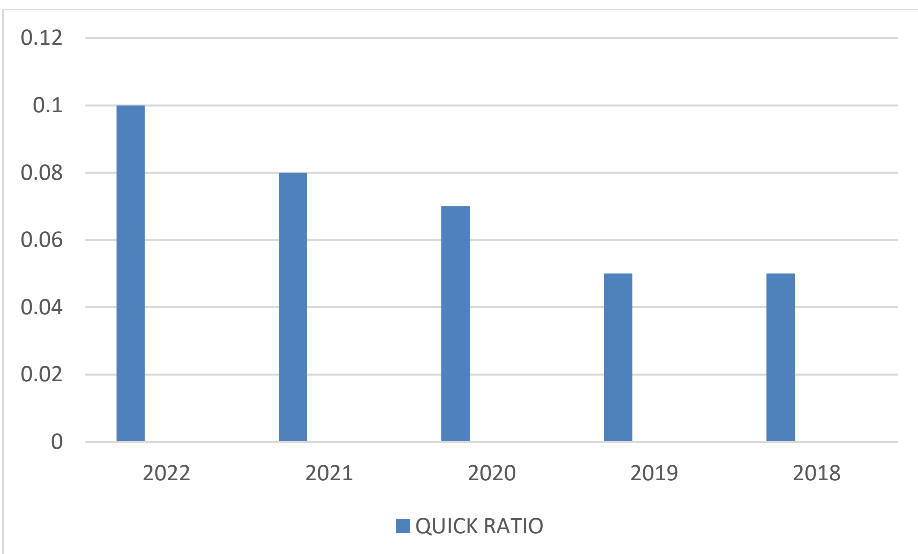
2. QUICK RATIO.

This ratio establishes a relationship between quick/liquid assets and current liabilities. It measures the firms' capacity to pay off current obligations immediately. An asset is liquid if it can be converted in to cash immediately without a loss of value; Inventories are considered to be less liquid. Because inventories normally require some time for realizing into cash. This ratio is also known as acid-test ratio. Standard quick ratio is 1:1 considered satisfactory.

Formula for quick ratio:

Quick Ratio = Quick Asset / Quick Labilities

YEAR	QUICK ASSETS	QUICK LIABILITIES	QUICK RATIO
2022	26,477.76	92,040.55	0.10
2021	26,950.76	85,581.34	0.08
2020	20464.83	83,313.49	0.07
2019	19794.74	79,045.76	0.05
2018	19045.46	70,373.68	0.05



INTERPRETATION

The quick ratio of the company has been consistently low over the past five years, with the highest value of 0.10 in 2022 and the lowest of 0.05 in 2018 and 2019. This suggests that the company may not have enough liquid assets to cover its current liabilities in an emergency. The company should consider improving its liquidity by increasing its quick assets or reducing its quick liabilities.

B. LONG TERM SOLVENCY RATIO

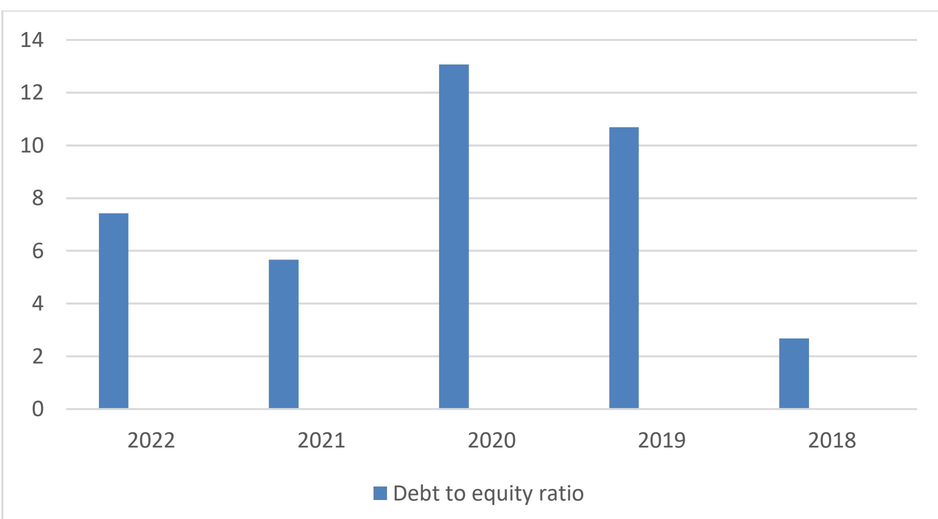
1. DEBT EQUITY RATIO

The debt-to-equity ratio is a financial metric that measures the proportion of a company's financing that comes from debt versus equity.

The formula for debt-to-equity ratio is:

Debt to Equity Ratio = Total Debt / Total Equity

YEAR	TOTAL DEBT	TOTAL EQUITY	DEBT TO EQUITY RATIO
2022	2,313.84	311.17	7.43
2021	1,764.88	311.17	5.67
2020	4,065.12	310.88	13.07
2019	3,325.51	310.88	10.69
2018	815.97	310.88	2.68



INTERPRETATION

From 2018 to 2020, the debt-to-equity ratio increased, indicating that the company took on more debt relative to its equity. In 2021, the ratio decreased slightly, but still remained higher compared to 2018. In 2022, the ratio increased again, reaching its highest level over the five-year period.

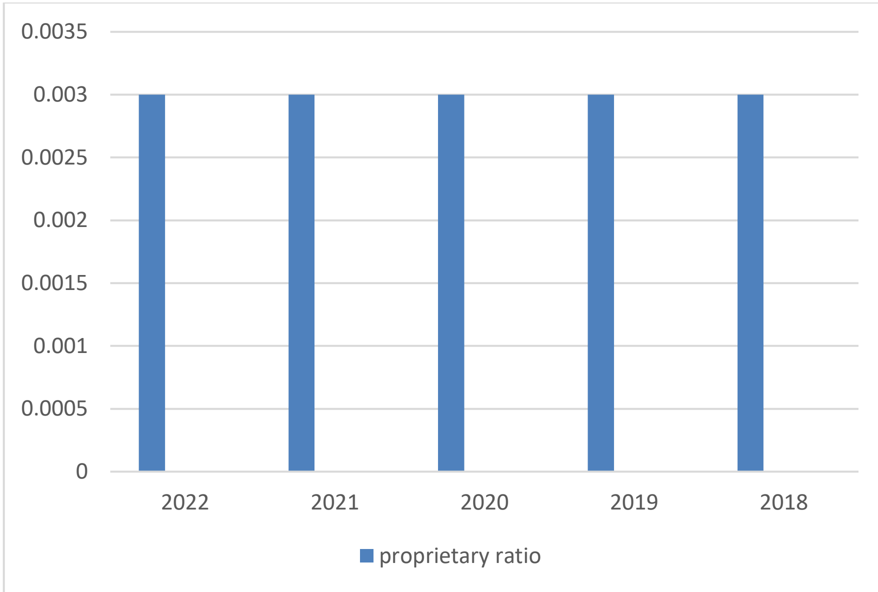
2. PROPRIETARY RATIO

The proprietary ratio is a financial metric that measures the proportion of a company's equity that is owned by its shareholders.

Proprietary Ratio = Shareholders' Equity / Total Assets

The proprietary ratio gives an idea of the proportion of a company that is funded by shareholders' equity and how much is funded by debt or other liabilities. A high proprietary ratio indicates that a company has a strong financial position and is less reliant on debt financing.

YEAR	SHAREHOLDERS' EQUITY	TOTAL ASSETS	PROPRIETARY RATIO
2022	311.17	92,040.55	0.003
2021	311.17	85,581.34	0.003
2020	310.88	83,313.49	0.003
2019	310.88	79,045.76	0.003
2018	310.88	70,373.68	0.003



INTERPRETATION

the proprietary ratio of the company has remained relatively stable over the past five years, with a value of approximately 0.003 in each year. This suggests that the proportion of the company's equity that is owned by its shareholders has not changed significantly over this period.The stability of the proprietary ratio indicates that the company's total assets have increased at a similar rate to its shareholders' equity over the past five years. This is a positive sign as it suggests that the company has not been relying too heavily on debt financing, and has been maintaining a strong financial position.

C. ASSETS QUALITY RATIOS

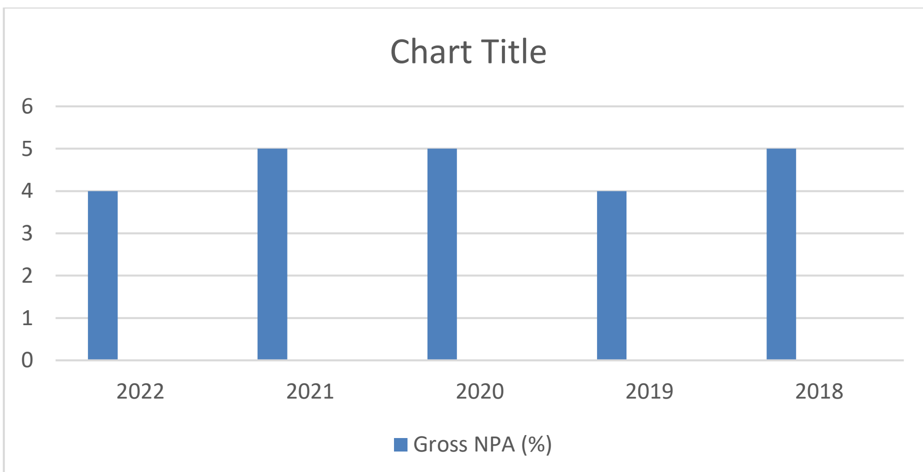
1. GROSS NON-PERFORMING ASSETS RATIO

The Gross Non-Performing Asset (GNPA) ratio is a measure used to assess the quality of a bank's loan portfolio. It is calculated by dividing the total amount of non-performing assets (NPAs) by the total amount of gross advances.

The formula for GNPA ratio is:

GNPA ratio = (Total Gross NPAs / Total Advances) x 100

YEAR	GROSS NPA	TOTAL LOANS	GROSS NPA (%)
2022	2,250.82	56,783.14	4.00
2021	2,588.41	51,693.70	5.00
2020	2,799.93	56,964.27	5.00
2019	2,456.38	54,828.20	4.00
2018	2,376.07	47,251.75	5.00



INTERPRETATION

the gross non-performing assets (NPAs) of a certain entity have decreased in 2022 compared to the previous year. In 2022, the gross NPA stands at 2,250.82, which is lower than the 2021 figure of 2,588.41. This decrease may indicate that the entity has made improvements in its loan portfolio management.

However, it should be noted that the gross NPA percentage is still at 4.00%, which is the same as the percentage in 2019. This indicates that the entity still has a significant amount of loans that are not being repaid on time. The data can be observed that the entity's gross NPA and NPA percentage fluctuated over the past five years. The highest NPA percentage was recorded in 2018 at 5.00%, while the lowest was in 2022 at 4.00%.

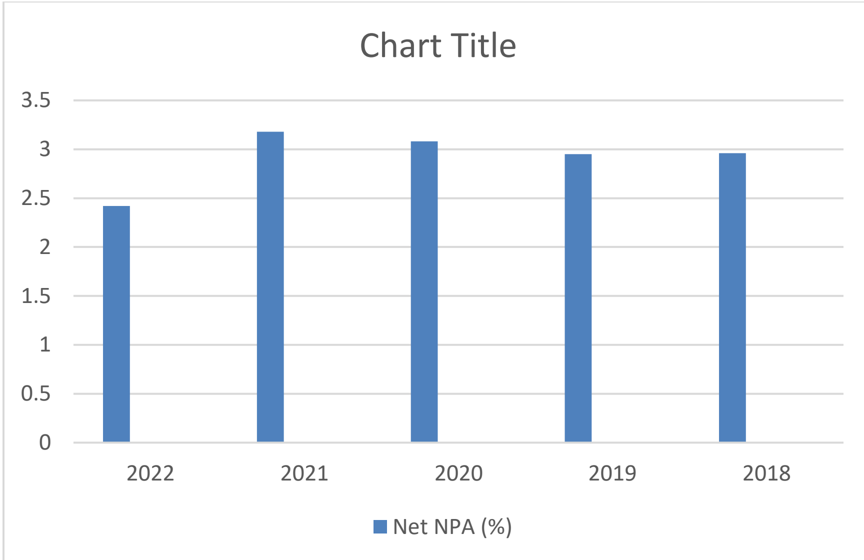
2. NET NON-PERFORMING ASSETS RATIO

NPA ratio, or Non-Performing Assets ratio, is a financial ratio that measures the percentage of a bank's non-performing assets to its total loan portfolio. Non-performing assets refer to loans or advances that are in default or are likely to be in default soon, and the bank is unable to recover the principal and interest payments from the borrower.

The non-performing assets (NPA) ratio is calculated by dividing the total amount of non-performing assets by the total amount of outstanding loans. The formula is as follows:

NPA ratio = (Total amount of non-performing assets / Total amount of outstanding loans) x 100

YEAR	NET NPA	TOTAL LOANS	NET NPA (%)
2022	1,376.97	56,783.14	2.42
2021	1,642.09	51,693.70	3.18
2020	1,755.01	56,964.27	3.08
2019	1,616.71	54,828.20	2.95
2018	1,400.51	47,251.75	2.96



INTERPRETATION

The.net non-performing assets (NPA) and total loans of a company for the years 2018-2022, along with the corresponding net NPA percentage. Net NPA refers to the loans that are not being repaid by the borrowers and have become bad debts, while total loans refer to the overall loan portfolio of the company. From the data, it can be observed that the company's net NPA has been fluctuating over the years, with the highest amount recorded in 2021 at 1,642.09 and the lowest amount in 2018 at 1,400.51. However, the net NPA percentage has been consistently below 3% during this period, indicating that the company has been able to maintain a relatively low level of bad debts in its loan portfolio.

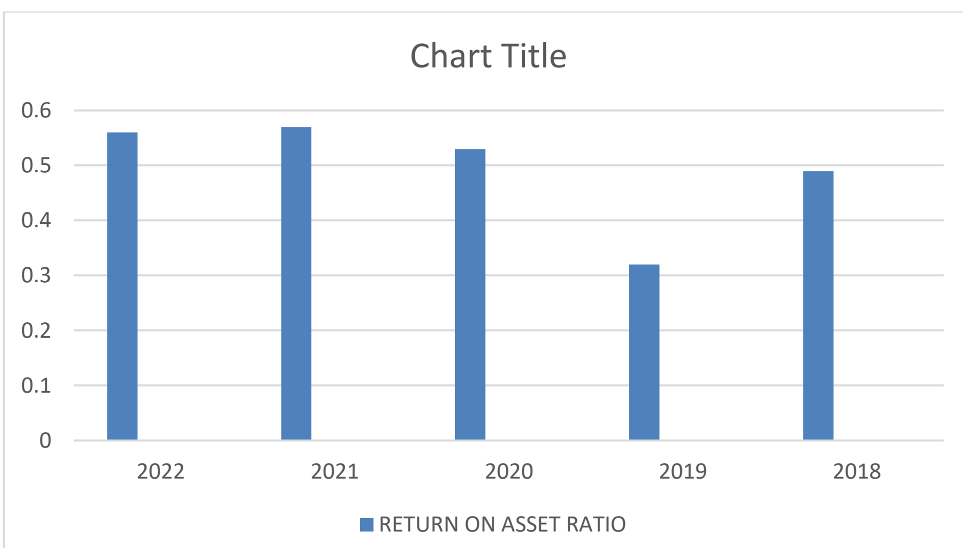
D. PROFITABILITY RATIOS

1. RETURN ON ASSET RATIO

ROA is an important financial metric as it provides a clear picture of how effectively a company is using its assets to generate profits. A higher ROA ratio indicates that the company is generating more profits from its assets compared to a lower ROA ratio. It also helps investors to assess the company's management's ability to generate profits.

ROA = Net Income / Total Assets x 100

YEAR	EARNING AFTER TAX	TOTAL ASSETS	RETURN ON ASSET RATIO
2022	508.62	92,040.55	0.56
2021	482.57	85,581.34	0.57
2020	431.78	83,313.49	0.53
2019	477.24	79,045.76	0.32
2018	325.61	70,373.68	0.49



INTERPRETATION

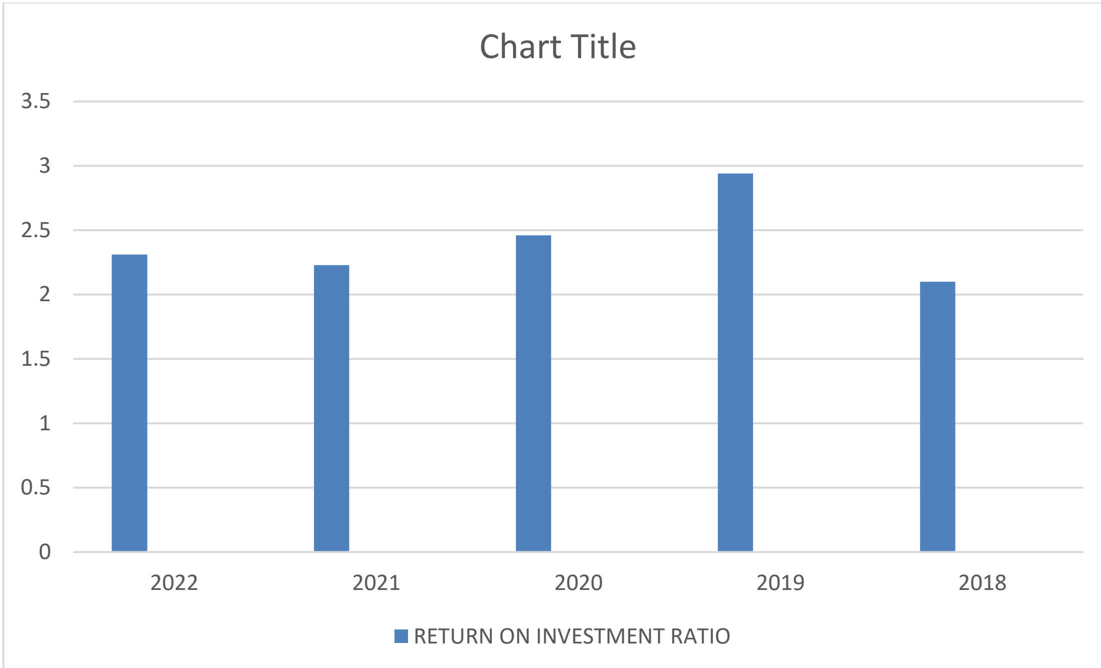
The return on assets (ROA) ratio of the company has been fluctuating over the years, with the lowest ROA of 0.32 in 2019 and the highest of 0.57 in 2021. The ROA ratio measures the profitability of the company by dividing the earnings after tax by total assets. A higher ROA indicates that the company is using its assets efficiently to generate profits. In 2022, the ROA of 0.56 shows that the company may not be using its assets as efficiently as in previous years, resulting in lower profits. However, the ROA has been relatively stable over the past 5 years, averaging around 0.49. This indicates that the company has been able to consistently generate profits from its assets, albeit with some fluctuations. The company should monitor its ROA and take necessary actions to improve its profitability and asset utilization.

2. RETURN ON INVESTMENT RATIO

The return on investment (ROI) ratio is a financial metric that measures the performance of an investment. It is calculated as the net gain or loss on an investment, expressed as a percentage of the original investment. The formula for ROI is:

ROI = Profit/investment*100

YEAR	PROFIT	INVESTMENTS	RETURN ON INVESTMENT RATIO
2022	508.62	22,041.00	2.31
2021	482.57	21,635.19	2.23
2020	431.78	17,545.34	2.46
2019	477.24	16,184.99	2.94
2018	325.61	15,444.45	2.10



INTERPRETATION

It can be seen that the return-on-investment ratio for a company from 2018 to 2022. The profit has been increasing each year, from 325.61 in 2018 to 508.62 in 2022. However, the investment has also been increasing, from 15,444.45 in 2018 to 22,041.00 in 2022. The return-on-investment ratio has varied over the years, with the highest being in 2019 at 2.94 and the lowest in 2018 at 2.10.

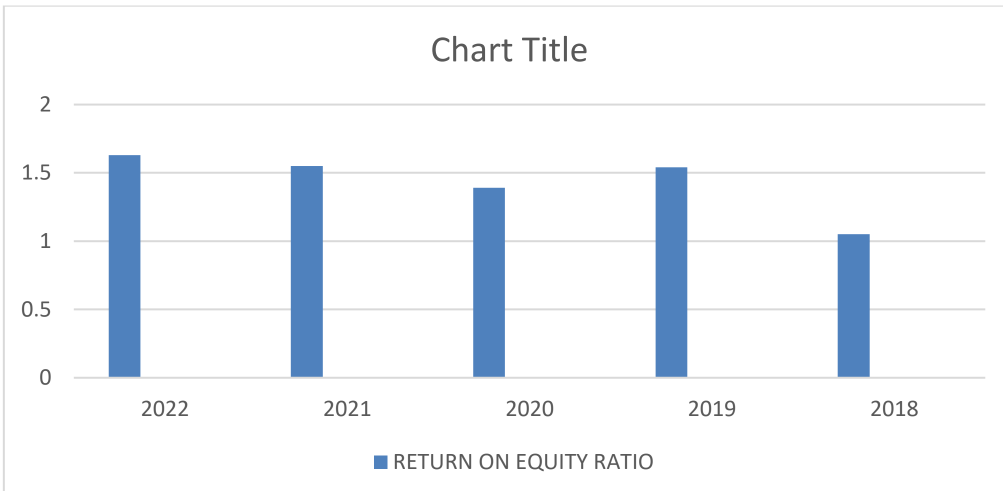
3. RETURN ON EQUITY RATIO

Return on Equity (ROE) is a financial ratio that measures a company's profitability by calculating the amount of net income returned as a percentage of shareholders' equity. The formula for calculating Return on Equity (ROE) is:

ROE = Net Income / Shareholders' Equity

YEAR	PROFIT	SHAREHOLDERS' EQUITY	RETURN ON EQUITY RATIO

2022	508.62	311.17	1.63
2021	482.57	311.17	1.55
2020	431.78	310.88	1.39
2019	477.24	310.88	1.54
2018	325.61	310.88	1.05



INTERPRETATION

The profit of the company has been increasing each year, from 325.61 in 2018 to 508.62 in 2022. However, the shareholders' equity has remained relatively constant over the years, with a slight increase from 310.88 in 2018 to 311.17 in 2022. The return on equity ratio has also varied over the years, with the highest being in 2022 at 1.63 and the lowest in 2018 at 1.05. This indicates that the company is earning more profit per dollar of shareholders' equity in recent years. Overall, the data suggests that the company is making a profit and maintaining a relatively stable shareholders' equity. The return on equity ratio has been increasing, which indicates that the company is utilizing its shareholders' equity effectively to generate profit.

Chapter 6

LEARNING EXPERIENCE

I have chosen Karnataka Gramin Bank for my organizational study which has given me a great opportunity to gain valuable industry related experience that would allow me to expand my career options.

I have learnt about the strengths and weakness of the Karnataka Gramin Bank I have also learned about the porters five force model as well as MCKINSEY 7s framework of Karnataka Gramin Bank.

Learned about the awards and rewards received by the Karnataka Gramin Bank as well as about the financial statements of the Karnataka Gramin Bank

A study on overall practice on Karnataka Gramin Bank has helped me in understanding the culture, vision, mission, and the nature of the products and services.

It also helped to understand recruitment selection training welfare benefits etc.

It was a great experience to study and gain more knowledge about the Karnataka Gramin Bank.

It had been wonderful experience in Karnataka Gramin bank. I learnt about how the organization functions and cache department role in the entire organization success.

It provides great opportunity to understand the importance of different management functions like planning, organizing, staffing, directing and controlling which are helpful to face tough competition from the competitors and environment.

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ANNEXURE

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Operating Expenses	1,810.92	1,679.11	1,769.64	1,457.27	1,338.83
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Net profit / loss after prior year items	508.62	482.57	431.78	477.24	325.61
Net Profit/Loss brought forward	85.47	101.68	119.65	102.23	137.14
Profit After Tax available for appropriation	594.09	584.25	551.43	579.47	462.75
APPROPRIATIONS					
Statutory Reserve	150.00	125.00	110.00	180.00	82.00
Capital Reserve	0.82	199.69	183.08	0.00	51.05
Reserve for Long Term Finance	210.00	100.00	30.00	88.50	91.25
Dividend and Dividend Tax for The Previous Year	0.00	0.00	119.15	0.00	0.00
Equity Share Dividend	55.96	0.00	0.00	84.78	113.04
Tax On Dividend	0.00	0.00	0.00	17.43	23.01
Balance of Profit Carried Over to Balance Sheet	135.82	85.47	101.68	119.65	102.23
Total	594.09	584.25	551.43	579.47	462.75