

Internship Report on Himalayan Bank Limited

CHAPTER ONE INTRODUCTION

1.1 Background of Study

Bachelor in Business Administration (BBA) program is run by Tribhuvan University from 2002 under the supervision of the Faculty of Management (FOM). It aims to provide quality education through quality and professional courses. BBA is four years international standard program consisting of eight semesters along with internship program. Thus, BBA program is a blend of theoretical and practical knowledge on the financial sector enabling the students in understanding business environment and solving practical business problems. It also aims to develop creative, socially responsible and skilled professionals who are able to carry out the responsibility of middle level managerial positions in the rapidly growing business sector in Nepal as well as abroad.

Theoretical knowledge is not sufficient in this competitive and complex business world. Thus, in the eight semester of BBA program, student is required to work in financial institution for at least eight weeks, where they can experience real situations of work environment in the organization. It also helps in understanding organizational environment and work culture. Internship program enables in acquiring skills and techniques by experiencing practical work situations directly applicable to develop career on financial sectors. It may also create the opportunities for placements in the same host organization or other organizations.

1.2 Objective of Report

After the completion of internship program, it is required to prepare the report to be acquainted with what the student have learnt in the host organization over the internship period. It helps to share the experience of student along with problem faced by them. The main objective of the study is to highlight the activities carried out in Himalayan Bank Limited, Thamel Branch and to get the practical exposure to the organization's environment and gaining the practical knowledge to deal with the real management problems through various managerial skills. The specific objectives of this study are:

- To provide a brief synopsis on the present scenario of Nepalese banking sector.
- To enlighten the task performed in HBL under various departments.
- To comprehend the operational system of HBL.
- To give details of the product and services provided by the HBL.
- To build self-confidence and experience in the work environment.

1.3 Methodology

This internship report is based on research methodology. It helped to analyze the data in finding the cause and effect relationship to see how bank is performing. Since, research is a scientific discipline; it needs much more attention on the part of the researcher.

1.3.1 Organization Selection

Decision about the organization selection for the internship program is very crucial task due to existence of different financial institutions in the Nepalese financial market. Internship from a reputed organization definitely enlarges the prospects of gaining more practical knowledge and also enhances confidence of every student. Since I did specialization on Banking and Finance I selected to do internship in the Banking institution to boost my knowledge. As commercial banks are 'A' class financial institutions I chose them among other financial institutions. I dropped the college recommendation letter and personal application with resume in Himalayan Bank Ltd. since it is one of the reputed banking institutions with great operations. Further, I did regular follow-up with the human resource department of HBL. After screening my resume by the Human Resource Department of HBL I was selected for internship placement.

1.3.2 Placement

As concern to my placement in HBL, throughout my internship period I was placed in Thamel branch. There I got an opportunity to work in different department such as bills and remittance department, customer service department, trade finance, customer relation department, credit management and administration department. The task was assigned as per the requirement of the different department under the supervision of respective department head. I was fortunate enough to gain knowledge on various departments under proper supervision of department heads and staffs during the internship period. I presented myself with full confidence and well-disciplined in this institution and created mutual trust among the staffs and got the opportunity to learn functioning of different departments.

1.3.3 Duration of Internship

The duration of internship period has been declared for minimum 8 weeks by FOM, Tribhuvan University. During eighth semester, student should complete internship acquire six credit hours. As per the requirement, the internship was carried out from June 15, 2012 to August 13, 2012 in HBL, Thamel branch from 10:00 am and to 5:00 pm in different departments. In this period I was placed in various departments so that I could develop knowledge about various activities performed in each department making me able to achieve practical; disclosure to functioning process.

Table 1.1 Duration of Internship

Departments/ Weeks	1	2	3	4	5	6	7	8
Bills and Remittance								
Customer Service								
Letter of Credit								
Customer Relation								
Credit management and administration								

1.3.4 Information Collection Methods

The primary as well as secondary information has been used to prepare this report.

➤ Primary Sources

- Observation during internship in HBL
- Questionnaire with employees and customers of HBL
- Files, registers, computer data

➤ Secondary Sources

- Internet Surfing
- Reports and Brochures
- Publications and journals

1.4 Limitations of the Study

Every activity is chase by the boundaries and limitations. So, the same tendency happens while preparing this internship report. Some constraints faced during preparing this report are listed below:

- This study is mainly concentrated on activities done during internship period.
- Due to limited time, the study has been conducted quickly.
- Less interaction and guidance by the staffs to the intern due to their own rush.
- As internship period was during closing of the fiscal year i.e. Ashad, bank's staffs have excess workload due to which they cannot supervise the intern properly.
- Because of rush, interns were confined to routine job of the bank and was not able to acquire crucial information of the bank.
- Being a student, lack of technical knowledge was another factor which limits the report.
- This report is based on my individual experience, ideas and skills achieved during the internship period rather than theoretical knowledge.
- The details of prescribed departments and its transaction were not provided to intern due to confidentiality reasons and policies of the bank.

CHAPTER TWO

INTRODUCTION OF THE INDUSTRY

2.1 Introduction of Bank

After commerce and the arts had revived in Italy, the business of banking was resumed. The word "bank" is commonly regarded as derived from the Italian word 'Banco', a bench - the Jews in Lombardy having benches in the market-place for the exchange of money and bills. And people around the world start to use different words for their convenient like in French 'Banque', Latin 'Bancus', and German 'Bank'. At ancient times, bank means moneylenders who sat in the bench for keeping, lending and exchanging of money in the market place.

A bank is an institution which deals in money receiving as deposits from customers, honoring customers drawing against such deposits on demand, collecting cheques for customers and lending or investing surplus deposits until they are required for repayment. It allows interest on the deposits made and charges interest on the loans granted and further it creates credit and supports for the formation of capital and hence it is regarded as manufacturer of money.

In simple, bank is an institution which deals with money and credit. A bank is a financial institution that serves as a financial intermediary, who bridges gap between the savers of the fund and users of the funds. Nowadays, a bank has broadened its scope by providing financial as well as non-financial services to its customers. To give specific meaning of bank is very difficult task however following are the few definitions given by different authors.

"Banking means the accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdrawal by cheque draft order or otherwise." --**Indian Banking Company Act 1949**

"Bank is an organization established for the purpose of exchange money deposit lending money and participation in transactions." --**Commercial Bank Act of 2031**

"Bank is a financial institution, which provides financial services that may be in the form of accepting deposits, advancing loan, providing necessary technical advices, dealing over foreign currencies, remitting funds, etc." --**Nepal Rastra Bank Act 2002**

From the above definitions, we draw the conclusion that a bank is a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly or through capital markets. It is the most important financial institution dealing with money, receiving it as deposits from customers, honoring customers drawing against such deposits on demand, collecting cheques for customers and lending or investing surplus deposits until they are required for repayment.

Thus, bank receives demand deposits and time deposits, honors instruments drawn on them, and pays interest on them, makes loans, and invests in securities, collects cheques, drafts and certifies depositor's cheques and issues drafts and cashier's cheques. The difference in interest rate on lending and deposit, interest rate spread, is the major source of income for the bank. Interest on lending is higher than the deposits.

2.2 History of Banking in Global Scenario

The history of banking is nearly as old as civilization. In the Babylon, at the time of Hammurabi, in the 18th century BC, there are records of loans made by the priests of the temple. The concept of banking has arrived. When the word bank is used it is meant for commercial bank. Before 1960 there was no such word as "banking". However, in the temple Babylon the practices of safeguarding and saving flourished as early as 2000 B.C. Chanakya in his Arthashastra written in about 300 B.C. mentioning about the existence of powerful guilds of merchant's bankers received deposits, advance loans and hundies. Merchants and goldsmith were ancestors of bank.

The 'Bank of Venice', established in 1157 A.D. is supposed to be the ancient bank. Originally, it was not a bank in real sense being simply an office for the transfer of the public debt. Venice, after being possibly the first city to found a bank for the keeping of money on safe deposit and the clearing of cheques, is also a pioneer in the involvement of a bank with state financiers. In 1617 the Banco Giro is established to solve problems encountered by the earlier, which has got into trouble through the making of unsecured loans. Subsequently, 'Bank of Barcelona' (1401) and 'Bank of Geneva' (1407) were established.

During the 18th century the Bank of England gradually undertakes many of the tasks now associated with a central bank, The 'Bank of England', first English Bank, was established in 1694 A.D. It organizes the sale of government bonds when funds need to be raised. It acts as a clearing bank for government departments, facilitating and processing their daily transactions.

History apart, it was the "Merchant bank" that first evolved the system by trading in commodities than money. They used to do their trading activities by remitting the money from one place to another. The next stage in the growth of banking was goldsmith. An honest goldsmith was also trusted with billions of money and ornaments by merchants in neighborhoods. He started charging for acting as custodians of these valuables. As an evidence for receiving valuables he issued a receipt, which in turn became like cheques as a mode of exchange. He started advancing the coins on loan by charging interest. He started to keep some reserve as a safeguard. In this way the goldsmith money lender became a banker who started performing the two functions of modern banking that of accepting deposits and advancing loans.

2.3 History of Banking in Nepal

Banking service is the oldest service industry in Nepal. It has gone through various stages of evolution and development since the Vedic times (2000 to 1400 B.C.). In the Nepalese chronicles, it was recorded that the new era known as Nepal Sambat was introduced by Shankhadhar, a Sudra merchant of Kantipur in 880 A.D.

The banking in the form of money lending can be traced back in the reign of Gun Kam Dev towards the end of 8th century. According to the historical evidence in 723 Gun Kam Dev, the king of Kathmandu had borrowed money to rebuild and to rule Kathmandu.

In the 11th century, during Malla regime, there was an evidence of professional money-lenders and bankers. It is further believed that money-lending business, particularly for financing the foreign trade with Tibet, became quite popular.

Another historical example as to the pre-modern banking system is found when Rana Prime minister Randip Singh was administering Nepal in 1880 A.D. During his regime one financial institution name by "TejarathAdda" was establish to give loan facilities to the governmental staff and to afford loan facilities to the public in general in the term of 5% interest. The credit facilities of "TejarathAdda" were also extended outside the valley during the Prime Minister ship of Chandra Shumsher Rana. Although this institution did not accept any deposits, it had played an important role in the development process of banking system in Nepal. Modern banking business started in the country just before the Second World War. In 1938 state financial institute which supply credit or loan against security.

His Majesty King Tribhuvan inaugurated first commercial bank i.e. Nepal Bank Limited on Kartik 30, 1994 B.S. In the year 1994 B.S. as a semi government organization with an authorized capital RS.10 million of which 51% share are owned by government, this marked the beginning of an era of formal banking in Nepal. Until then all monetary tractions were carried out by private dealers and trading center.

The need to regulate financial and monetary system increased enormously resulting in the establishment of Nepal Rastra Bank in 2013 B.S. In order to cater the demand of banking system, Rastriya Banijya Bank was established in 2022 B.S with 100% government ownership.

Later some development banks and financial institutions were established to provide medium and long-term credit facilities to the industry and agriculture. In this contest, Nepal Industrial Development Corporation was established in 2016 B.S. to provide the financial and managerial assistance in the field of industry and to help private sector in the field of industry. In order to provide service to the agriculture sector, Agriculture Development Bank Ltd. was established in 2024 B.S.

The government of Nepal adopted liberal economic policy to accelerate country's growth and development. Foreign investment and participation of private sector were encouraged. The government then enacted "Joint Venture Banking" policy. Commercial Banks should operate under the Commercial Bank Act 2031, Nepal Rastra Bank Act 2058 and Contract Act 2056. Nepal Arab Bank Ltd. (currently known as NABIL) is the first bank established in joint investment in Nepal in 2041 B.S. With the passage of time several other joint venture and private bank has been established such as Indosuez bank Limited (Nepal investment bank) in 2042 B.S., Nepal Grindlays Bank (Standard Chartered bank) 2043 B.S., Himalayan Bank Limited in 2049 B.S. and so on.

2.4 Present Scenario of Nepalese Financial System

Financial system is the set of financial institutions, financial market, and financial instruments along with regulations and laws. Financial system facilitates resources transfer and mobilizes savings to the productive sectors thereby contributing to the economic development.

Commercial Banks are the heart of our financial system. A commercial bank (or business bank) is a type of financial institution and intermediary. It is a bank that provides transactional, savings, and money market accounts and that accepts time deposits. They hold the deposits of millions of persons, governments and business units. They make funds, available through their lending and investing activities to borrowers, individual business firms and government. Therefore the task of commercial banks in an under developed countries is almost self-evident. Their purpose is to provide a collecting point for savings of a relatively small average amount from a large number of individual sources so long as to utilize savings safely and profitably.

Hence, commercial bank is the financial institution authorized to receive both time and demand deposits, to make loans of various types, to engage in trust services, to issue letters of credit, to accept and pay drafts, to rent safety deposit boxes, and to engage in similar activities and ventures.

Financial institutions are the organization that channelizes the savings of government, businesses and individual into loans and investment. It consists of:

- **Depository Institutions**

Depository institutions are the banking institutions which collect amount through deposits accounts and sold bulk amount through loan account. In Nepal, NRB has classified depository institutions as follows:

Table 2.1 List of no. of depository institutions

Class	Financial Institutions	No. of Institutions
A	Commercial Bank	32
B	Development Bank	88
C	Finance Companies	70
D	Micro Credit Development Banks	24

Source: www.nrb.org.np

- **Non-depository Institutions**

Non-depository institutions are an intermediary who does not accept the deposit directly from the customers. They are insurance companies, investment banks, pension funds, etc.

2.5 Functions of Commercial Banks

The functions of commercial banks are divided into two categories:

I. Primary Functions

The primary functions of a commercial bank include:

<u>Acceptance of Deposits</u>	<u>Granting loans and advances</u>
Currents deposits (demand deposits)	<i>Loans (Credit facility for more than 1 year)</i>
Savings deposits	Demand loan
Fixed deposits	Term loan
Recurring deposit	<i>Advances (Short-term financial assistance)</i>
Miscellaneous deposits (Home construction deposit scheme, Sickness benefit scheme, Children plan, Old age pension scheme, etc)	Cash Credit
	Bank Overdraft
	Discounting of Bill

II. Secondary functions including agency functions.

- Issuing letter of credit, travelers' cheques, circular notes etc.
- Undertaking safe custody of valuables, important documents, and securities by providing safe deposit vaults or lockers.
- Providing customers with facilities of foreign exchange.
- Transferring money from one place to another and from one branch to another branch of the bank.
- Standing guarantee on behalf of its customers, for making payments for purchase of goods, machinery, vehicles etc.
- Collecting and supplying business information.
- Issuing demand drafts and pay orders and,
- Providing reports on the credit worthiness of customers.

2.6 Agency and General Utility Services provided by Modern Commercial Banks

Besides these two main activities, commercial banks also render a number of ancillary services. These services supplement the main activities of the banks. They are essentially non-banking in nature and broadly fall under two categories:

I) Agency Services

Agency services are those services which are rendered by commercial banks as agents of their customers. They include:

- Collection and payment of cheques and bills on behalf of the customers;
- Collection of dividends, interest and rent, etc. on behalf of customers, if instructed by them.
- Purchase and sale of shares and securities on behalf of customers
- Payment of rent, interest, insurance premium, etc. on behalf of customers, if instructed.

II) General utility services

General utility services are those services which are rendered by commercial banks not only to the customers but also to the general public. These are available to the public on payment of a fee or charge.

They include:

- Issuing letters of credit and travelers' cheques.
- Underwriting of shares, debentures, etc.
- Safe-keeping of valuables in safe deposit locker.
- Supplying trade information and statistical data useful to customers.
- Undertaking foreign exchange business.

2.7 Commercial Banks in Nepal

The year 1994 B.S. marks the beginning of new era, in the history of modern banking in Nepal. Thus, we see the establishment of its first commercial bank i.e. Nepal Bank Ltd. In the year 1994 B.S. as a semi government organization with an authorized capital RS.10 million of which 51% share are owned by government within few years of its establishment it extended a number of branches.

As the time passed “Rastriya Banijya Bank” was established in 1966 A.D. in order to play a major role not only in domestic banking services but also in foreign trade. As the country followed economic liberalization, there was massive entrance of foreign banks in Nepal. Nepal Indosuez Bank was established as a joint venture between Nepal and France in 1986 A.D. Similarly, Nepal Grind lays bank (Standard Chartered bank) was established in 2043 B.S. and Himalayan Bank Ltd. was also established in 2049 B.S. with joint venture with Habib Bank Ltd., Pakistan.

Till 2068 there are many commercial banks as well as development banks that have been working smoothly in Nepal. The licensed commercial banks according to the central bank of Nepal i.e. NRB are 32 and they are listed in annex 1.

CHAPTER THREE

INTRODUCTION OF THE ORGANIZATION

3.1 An Overview of Himalayan Bank Limited

Himalayan Bank was established in 1993 in joint venture with Habib Bank Limited of Pakistan. Despite the cut-throat competition in the Nepalese Banking sector, Himalayan Bank has been able to maintain a lead in the primary banking activities- Loans and Deposits. It goes with a punch line “*The Power to Lead*”.

Legacy of Himalayan lives on in an institution that's known throughout Nepal for its innovative approaches to merchandising and customer service. Products such as Premium Savings Account, HBL Proprietary Card and Millionaire Deposit Scheme besides services such as ATMs and Tele-banking were first introduced by HBL. Other financial institutions in the country have been following our lead by introducing similar products and services. Therefore, HBL stand for the innovations that bring about in this country to help customers besides modernizing the banking sector. With the highest deposit base and loan portfolio amongst private sector banks and extending guarantees to correspondent banks covering exposure of other local banks under the credit standing with foreign correspondent banks, HBL believe it as lead the banking sector of Nepal. The last year rating of HBL by Bankers' Almanac as country's number 1 Bank easily confirms our claim. Other awards and recognitions received by the bank in the past 6 years also ranks the bank in high positions with awards like:

- Best Presented Account Award- 2008 awarded by The Institute of Chartered Accountants of Nepal.
- Number 1 bank of Nepal-2006 awarded by the Bankers' Almanac, Britain
- Number 1 bank of Nepal-2003 awarded by the Bankers' Almanac, Britain
- National Excellence Award- 2003 awarded by federation of Nepal chambers of Commerce and Industry.

All Branches of HBL are integrated into T-24, the single Banking software where the Bank has made substantial investments. This has helped the Bank provide services like 'Any Branch Banking Facility', Internet Banking and SMS Banking. Living up to the expectations and aspirations of the customers and other stakeholders of being innovative, HBL very recently introduced several new products and services. Millionaire Deposit Scheme, Small Business Enterprises Loan, Pre-paid Visa Card, International Travel Quota Credit Card, Consumer Finance through Credit Card and online TOEFL, SAT, IELTS, etc. fee payment facility are some of the products and services. HBL also has a dedicated offsite 'Disaster Recovery Management System'. Looking at the number of Nepalese workers abroad and their need for formal money transfer channel; HBL has developed exclusive and proprietary online money transfer software- Himal RemitTM. By deputing our own staff with technical tie-ups with local exchange houses and banks, in the Middle East and Gulf region, HBL is the biggest inward remittance handling bank in Nepal. All this only reflects that HBL has an outside-in rather than inside-out approach where customers' needs and wants stand first.

HBL's VISION

To become a "Leading **Bank of the country**" by providing premium products and services to the customers, thus ensuring attractive and substantial returns to the stakeholders of the bank.

HBL's MISSION

To become preferred provider of quality financial services in the country. There are two components in the mission of the Bank; **Preferred Provider and Quality Financial Services**; therefore HBL believe that the mission will be accomplished only by satisfying these two important components with the customer at focus. The bank always strives positioning itself in the hearts and minds of the customers.

HBL's Objective:

"To become the Bank of first choice" is the main objective of the Bank.

3.2 Equity Structure of HBL

The Equity structure of Himalayan Bank has been briefly summarized in the table below:

Table 3.1: Equity structure of HBL

Equity	Amount (in Rs.)
Authorized Capital	2,400,000,000
Issued Capital	1,600,000,000
Paid up Capital	1,600,000,000

Source: HBL Annual Report 2009/10

3.3 Share composition of HBL

The table below shows the share ownership of HBL.

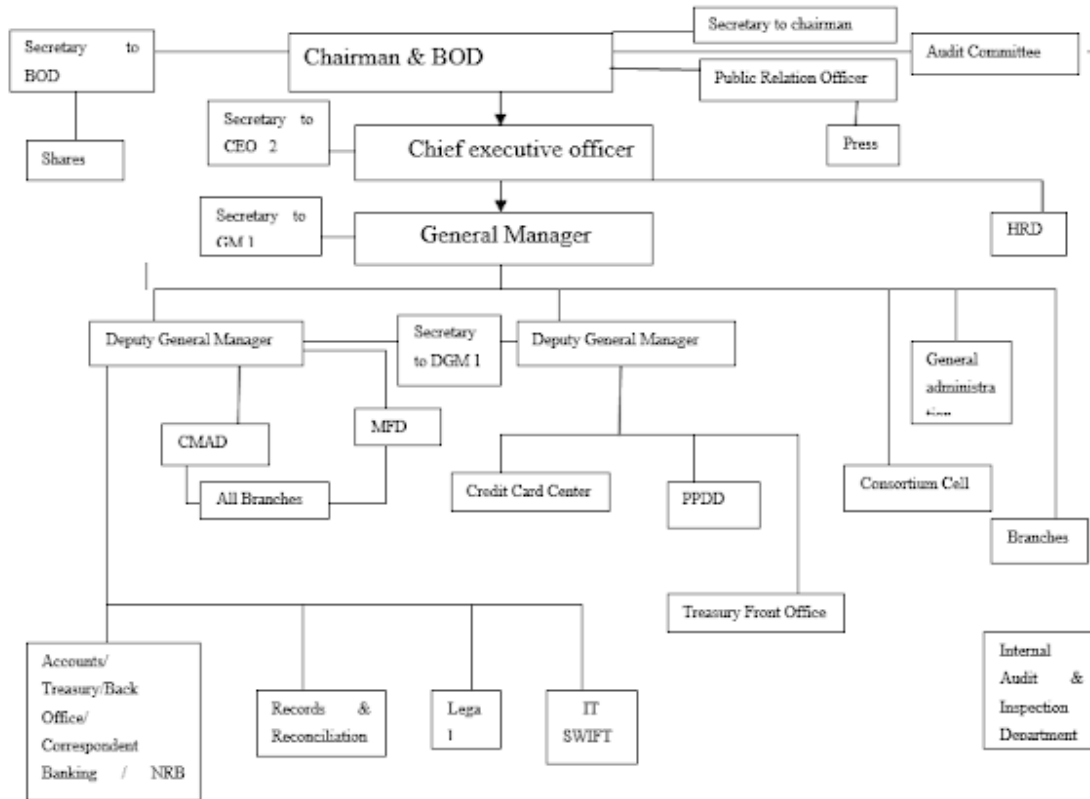
Table 3.2: Share ownership of HBL

Local Promoters	51%
Foreign Partners (Habib)	20%
Employee Provident Fund (EPF)	14%
General Public	15%

3.4 Organization Structure of HBL

Himalayan Bank Limited has a very typical organization structure where the top level management includes the CEO, Senior GM and GM. Under them are the various departments of the bank with one person heading each department. The major decisions are taken by chief Executive Committee. The organizational structure of Himalayan bank is shown below:

Fig: 3.1 Organizational Structure of HBL



3.5 Board of Directors in HBL

Himalayan bank is managed by a team of professional Board of Directors. The Board of Directors consists of the brilliant personalities assigned with various designations. The name list of BODs along with their designations is placed in annex 2.

3.6 Corporate Social Responsibilities by HBL

HBL is not only a bank; it is a committed corporate citizen. Corporate Social Responsibility (CSR) holds one of the very important aspects of HBL. Being one of the corporate citizens of the country, Right from the time of its commencement, it has been discharging its social responsibilities through various social and allied institutions. Being one of the active and responsible corporate citizens of the country, HBL has always promoted social welfare activities. Many activities that do a common good to the society have been undertaken by HBL in the past. HBL is enthusiastically interested in enrolling itself in such activities on an ongoing basis. The major services being rendered by HBL in this front include those related to education, healthcare, sports, culture and social services. HBL allocates a significant portion of its 'Annual Sponsorship & Donation Budget' for fulfilling social responsibilities.

HBL CSR Activities:

- **2012:** Financial Aid to “PourakhiBalSikshyaKosh” to meet the education expenses of 10 children who are barred from education.
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- **2012:** On the occasion of 19th anniversary of Himalayan Bank, HimalRemit, under its corporate social responsibility, distributed solar lanterns to local people of Salme VDC, Nuwakot District, and the village which is yet to get connected to national electricity distribution line.
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- **2012:** HimalRemit has contributed to help Birendra Higher Secondary School, Pakuwa-6, Parbat Dist. to rebuild its damaged building by a natural disaster. On the occasion of 19th anniversary of Himalayan Bank, CEO Mr. Ashoke SJB Rana handed over the contribution amount cheque to the principal of the school Mr. Rudra Bahadur Rimal. The newly rebuilt building of the school was inaugurated by General Manager of Himalayan Bank, Mr. Sushiel Joshi in a ceremony held in the school premises on 21st June 2012.
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- **2012:** HimalRemit in association with its principal agent CFS, distributed relief needs (rice and lentil) to the appx 500 fire-victim families of Aurahi Village, Siraha.
- **2012:** HimalRemit provided Rs. 84,000 to the widow of deceased Dil Bahadur BK of Pipaltari-9, Parbat as a small support to her daily needs. The amount will be availed in installments of Rs 7,000 per month. Dil Bahadur BK, the only support to the family, was killed in a road accident in Saudi Arabia.

3.7 Products and Services of HBL

A. Deposit product

• Fixed deposits	• Call Account
• Current account	• Premium saving account (PSA)
• Normal saving account	• Super premium saving account
• Bishesh Saving Account	• Shareholder's saving account
• Recurring saving account	• Jumbo Term deposits
• Himal saving account	• Himal remit saving account

B. Loans

Loan facilities provided by HBL are:

1. Corporate Loan

Corporate loan of HBL is classified in two categories. They are:

<u>Funded Facilities</u>	<u>Non- funded facilities</u>
Project / Consortium Loan	• Bank Guarantee
Non Revolving Cash Credit	• Letters of Credit

Working Capital Financing Overdraft Facility Demand Loan Revolving Cash Credit Import Credit for Telex Transfer and Demand Draft Payment Trust Receipt Loan Export Credit Facilities Pledge Loan Clean Bills purchased and discounted Documentary Bills Purchased and Discounted	
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Retail/ Consumer Loan Hire Purchase Loan Housing Loan Subidha Loan Credit Card Loan Loan against Fixed Deposit Receipt Loan against Government Bonds & Bonds of Bank Loan against First Class Bank Guarantees Loan against Shares	3. Small and medium enterprises loan (SME Loan) Funded/Non-Funded Facility in range of Rs. 0.5 M to Rs. 40.0 M
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C. International Banking (LC)

To assist its trading customers, HBL offers Letter of Credit (LC) facilities. Customers can place their LC application in any of HBL branches. The fees/ charges are one of the lowest amongst the commercial banks of Nepal. The customers enjoy wide correspondent network of HBL in addition to attractive rates.

D. HIMAL Remit

Himalayan Bank Ltd. is a pioneer in the field of retail money transfer business with over a decade long customized service delivery experience in the field. HimalRemit is a state-of-the-art web-based online money transfer system. It is easily accessible through website of HBL. It can be directly accessed by all branches and network thus ensuring prompt execution of the remittance. The product is monitored and serviced 24/7 by Remittance Promotion Department of HBL dedicated to deliver fast and reliable services to the customers. Himal Remit has the largest payment network covering all cities, towns and villages of the country and is capable of paying at more than thousand locations across Nepal which is in ever growing trend as per the demand of local customers and service providers.

E. Safe Deposit Lockers

Looking at the varying needs and wants of the customers, HBL offers locker facilities of various sizes as per customer's preference and convenience of location. Customers availing of this facility enjoy not only peace of mind in terms of security of their valuable belongings but also one of the most attractive rates and ease of location.

Salient Features:

- Temporary Locker Facility for client Going Abroad Period: 3 months to less than 6 months 50 percent of annual charge
- Temporary Locker Facility for client Going Abroad Period: 6 months to less than 1 year 75 percent of annual charge
- 25 percent Discount on Annual Rent to PSA Holders
- 100 percent rebate on key deposit and 50 percent on annual rent to HBL board of members, chairman, advisor to BODs, staffs and their spouse.

F. Cards Services

HBL provides various card facilities to the customers can withdraw cash as well as purchase goods from several merchants. Customers use these cards at any ATM terminal of HBL networks as well as SCT network also. HBL provides ATM services to their customer, which is open 24 hours, a day, 7 days a week, and 365 days a year. The cards facilities by HBL are:

- ATMs Card
- Credit Card (VISA/Master card)
- Prepaid Card
- VISA Debit Card
- Master card

G. SMS Banking and E-Banking

SMS Banking allows customers to check their balance, status of cheque (encashed or not), HBL's foreign exchange rate and contact numbers of branches. Through the customer service department customers fill up the application form to apply for these services. After fulfillment of the application form, the information regarding customer are sent to the information department for further process. After that pin number issued by the information department is provided to the customer through the customer service department. By using E- Banking and SMS Banking customer can make inquiry for balance and can get the mini statement by using the electronics means and mobile by using SMS.

3.8 HBL Branches and Networks

HBL have totaled 41 Branch networks including branches inside and outside the valley which does operational activities of the banks. Corporate office located at Kamaladi, Kathmandu does all the management activities only. There are 40 ATM locations inside Kathmandu valley and 26 outside Kathmandu Valley.

CHAPTER FOUR

ANALYSIS OF ACTIVITIES DONE AND PROBLEM SOLVED

4.1 Introduction to bills and remittance:

Remittance in general means transfer of money from one place to another place. Bills and remittance department is concerned with fund transfer, throughout the country and world, currency exchange, issuance of draft, telex transfer, advance payments, collections and clearance of cheques. Remittance is the flow of money from one economy to another, which is sent by migrant workers. It can be both internal and external. Remittance creates multiplier effect in domestic country. Money coming through remittance increases investment and saving. Remittance also has positive effect on balance of payment.

Generally, remittance refers to that portion of migrants earnings sent from the migration destination to the place of origin. Even though they can also be sent in kind, the term 'remittance' is normally limited to monetary and other cash transmitted by migrant works to their families and communities.

Remittance business was created by the foreign employment. These remittances are generally used to cover day to day living expenses, to provide a cushion against emergencies and making small investment. In developing countries like Nepal, these remittances noticeably exceed foreign direct investment (FDI).therefore the government should pay more and more attention in developing appropriate strategies to remittance flows as important financial sources to boost economy development. Simple process of fund transfer can be shown through following figure:

Figure 1: process of fund transfer

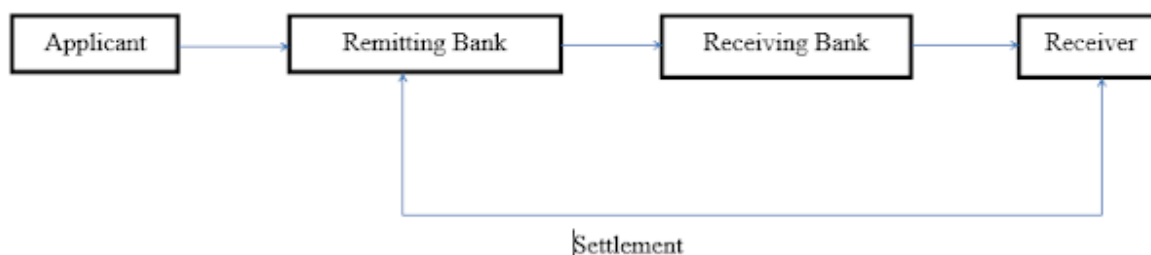


Figure 1: process of fund transfer

4.2 Types of Bills and Remittance:

The remittance can be divided into inward and outward remittance. Similarly the bills can also be divided into same types.

4.2.1 Inward:

Funds being received in Nepal from other countries are termed as inward remittance. The procedures are discussed later in this chapter.

The HBL cheques that customers has deposited in different other banks within the country are collected through ECC. This is known as inward clearing. Cheques of HBL are collected that has been deposited in various banks within city or in different locations in the country. Similarly the cheques of HBL are deposited in different foreign banks and this takes time to receive by the HBL, this is inward collection.

4.2.2 Outward:

Funds being transfer to other countries from Nepal in different means and purpose are known as outward remittance.

Cheques of different banks of the same cities in Nepal and from other locations are received in HBL. These needs to be sent to the respective banks for clearance purpose and are entered in the ECC with the details of the cheque. This is known as outward clearing. Likewise various foreign banks' cheques are received and being impossible for clearance purpose, are collected and sent to the respective banks through dispatch department. This is known as outward collections.

4.3 parties involved in Remittance:

While remitting the funds from one place to another, following intermediaries plays crucial roles:

Remitter: Persons sending the money.

Remitting Bank: Remitters' bank which receives money from remitters and Sends the funds.

Paying Bank: Bank that receives message from remitting banks and pays to the beneficiary.

Beneficiary: A person who is intended to receive money.

4.4 Instruments of Bills & Remittance department:

The instruments used in bills & remittance department of HBL are as follows:

4.4.1 Demand Draft (DD):

A demand draft is an instrument, which is drawn by one bank upon another bank for a specific sum of money payable on demand. It is made by the bank and given to the purchaser against cash or cheque. If two banks two banks are involved, then one bank sends a DD to another bank. But in customer-bank case the customer sends his/her DD to the receiver.

Demand draft is the bill of exchange or cheque or drawn by bank in the name of the person or institution. Amount of draft is paid to the person or institution through beneficiary bank. Demand draft is cost effective as compared to other means of transfer.

Basic element of draft:

Date: date on which draft has been issued.

Drawer: issuing bank.

Drawee: bank on whom the draft has been drawn.

Payee: final receipt of the proceeds of the draft.

4.4.2 SWIFT transfer:

SWIFT stands for Society for Worldwide Inter-Bank Financial Telecommunication, which was established in 1973 by 239 banks of 15 countries. It is a bank owned cooperative society for transmitting financial message. SWIFT is a reliable and effective communication network in terms of speed, accuracy and security. It covers transactions like customer transfer, documentary letter of credit cards, collection, FOREX confirmation etc. There is no need of having an account with banks for fund transfers through SWIFT. Funds can be received and transferred virtually anywhere in the world. Thus, SWIFT can be taken as the modified version of TT messages.

HBL has established separate department as SWIFT since it has various purpose in banking business. Bills and Remittance Department has a good co-ordination with the SWIFT department.

4.4.3 Traveler's cheque (TC)

Traveler's cheques are used instead of carrying cash. People prefer to carry TC for safety reason. Americans express TC is available for sale. TC is in the nature of prepaid cheques issued by the banks in a designated currency in fixed denomination cashable at a wide range of location. At the time of encashment, the person has to sign in encasing place and fill in the relevant data. Most well-known banks in the world have issued TC in different currency.

4.4.4 Manager's Cheque (MC):

It is a cheque drawn by HBL on itself, especially used for payments made by HBL itself. Beneficiary can send the cheque on collection and clearing or can deposit it customers' account with HBL itself. MC is one of the most secured modes of payment with primary liability being that of issuing bank. It is ideal for making payments within country or simply for transferring fund between the cities.

4.4.5 Telex Transfer (TT):

Telex Transfer is sometimes known as telex telecommunications. It is the instrument for transferring the funds quickly and securely within the country or anywhere in the globe. In TT, fund is transferred electronically on the same day or next working day or with a forward value date. HBL has facilitated customers in sending and receiving funds by means of TT.

4.4.6 Collection:

Another important instrument of HBL Bills & Remittance Department is collections. Cheques of various international banks are dealt and the process is called collections. Collection is similar to clearance of cheques. Various cheques of international banks in various parts of world are difficult for clearance purpose so collection method is used. In collection, cheques of different foreign banks and thoroughly checked including its amounts, endorsements and stamps. After all required verification they are sent to their respective banks and amounts are debited or credited accordingly. The collection of HBL cheques from various countries is inward collection

and sending cheques of different banks around the world to their respective destination is called outward collection.

It is difficult or nearly impossible to establish clearing house for collection purpose. Thus for this the concept of nostro and vostro account is essential elements of collection.

Nostro accounts

HBL accounts maintained at the book of other banks are Nostro accounts and corresponding accounts maintained at HBL's book to reflect of the activities of these Nostro account is termed as mirror account.

Vostro accounts

Other banks account maintained at the HBL are termed as Vostro account. For example HBL's USD account maintained at Amex NY is Nostro account for HBL and same account is Vostro account for Amex NY.

4.4.7 Clearance:

Modernizing the Banking sector in Nepal is an essential strategic objective that Nepal Rastra Bank seeks to realize by implementing an advanced cheque clearing solution that manages the daily cheque clearing cycle electronically.

ECC is the state-of-the-art interbank cheque clearing solution that has replaced the manual cheque clearing solution in Nepal. It is an image-based, cost-effective, cheque clearing and settlement solution, where the original paper cheques are transferred to scanned images in order to be presented electronically through the secured communication channels from the member in which they are deposited to the member on which they are drawn resulting in a faster access to funds, lower transportation expenses and increased cheque trust.

ECC calculates the multilateral net clearing position and sends to the Settlement System of Nepal Rastra Bank for settlement of the net clearing position of the direct member. The Central System of the clearing mechanism lies at Nepal Clearing House Limited.

The Clearing House main activities can be summarized as the following:

1. Receiving cheques from presenting members for outward clearing, and assuring the presented cheques validity.
2. Transmitting cheques to respective Paying members for inward clearing
3. Receiving replied cheques and rejected cheques from paying members
4. Transmitting replied cheques and returned cheques to Presenting members.
5. Ending the clearing session of the current business day.
6. Generating the Net Clearing Position (NCP) and submitting the file to NRB for settlement through the direct members' accounts.
7. Starting a new clearing session.

4.8 Functional sections of remittance department:

4.8.1 ID Payment Section

ID payment is the process of providing cash to the customer that is received through remittance after verification of receiver. It is a transfer of money by a foreign worker to his or her family or making domestic payment. HBL has facility for both international payment (For Eg: Himal Remit of HBL) and domestic payment (Domestic Money Transfer (DMT) facility by HBL).

The activities done in ID payment are:

- Entry of rad no. on web based remit system to get remittance information under various exchange houses such as Himal Remit, Western Union Money Transfer, Money Gram, Choice Money Transfer, etc.
- Verification of the information of the remitter and beneficiary.
- Photocopies of customer Id
- Recording of remittance information
- Forwarding the verified information for cash payment.
- Contacting authorized personnel if problem arise.

4.8.2 Bills Collections Section

It does the all tasks related to international banks cheque, traveler's cheque (TC) i.e. making TC and bills purchase and collection, entry on Nostro and Vostro account, sending to international bank about payment against TC, etc.

The activities done in bills collections are:

- Manual entry of Traveler's Cheque, international cheques collection and purchase in registers.
- Observation of procedures for forwarding Traveler's Cheque.
- Stamping Traveler's Cheque that are purchase and collected which are to be presented to Americans Association for Traveler's Cheque.

4.8.3 Advance Payment of Credit Advice (APC) Section

APC does the transaction related to transferring of funds from one account to another account but only receivable of information of credited account that is done through SWIFT mechanism. It is basically used by customer involved in exporting goods to receiver advance payment for making supply.

The activities done in APC are:

- Informing customer about account credited.
- Print account movement advice and account payment advice.
- Checking statement of customer related to fund transfer.
- Filing of the bank copy of APC.
- Observation of account to account transfer entries by the employee.

4.8.4 Fixed deposit and Fund transfer Section

i. Fixed deposit

Fixed deposit is the process of depositing money that pays higher interest than a savings account but imposes conditions on the amount, frequency, and/or period of withdrawals. It is also called time deposits. Transaction related to fixed deposit account of HBL were carried out by remittance department.

ii. Fund Transfer

It is transfer of fund from one place to another through demand draft or telex transfer. Demand draft is a written payment order from one party (the drawer) to another (the drawee to pay a stated sum to a third party (the payee) by issuing the cheque. Telex transfer is the mechanism in which bank transfer the fund to another banks account in the request of customer. For e.g. Fees payment of student reading abroad is done by telex.

The activities done in **fixed deposit and fund transfer are:**

- Providing different kinds of forms to customer such as demand draft forms, telex transfer forms, fixed deposits forms, etc.
- Filing application forms and writing different application on behalf of customers on the request of customers.
- Recording of fixed deposits account, demand draft transfer, and telex transfer, etc. in the registers and filing the documents.
- Writing in the cheques using Cheque Writer.
- Observation of record keeping in the HBL software system (T24 software) by the employees.

4.8.5 Clearing Section

Clearing section is one of the counters under the bills and remittance department where both the inward and the outward cheques are handled. An individual might receive payments via cheques of various banks. ECC (Electronic Cheques Clearing) is a software mechanism that brings together all its members (financial institutions) for clearings of the cheques. The cheques of those financial institutions that are not the member of ECC are cleared in the clearing section of the NRB.

The activities done in clearing section are:

- Receiving the cheque for clearing and endorsing the cheque
- Making entry in the Globus system for clearing
- Informing the client in case of cheque return
- Returning the rejected cheque to the respective clients and maintain proper records
- Handling queries of the customer
- Returning the rejected cheque to the respective clients and maintain proper records
- Handling queries of the customer regarding their cheques sent for clearing.
- Going NRB for observation of clearing procedures carried out by banks.

CHAPTER FIVE

CONCLUSION AND LESSONS LEARNT

5.1 Conclusion

An internship course of BBA has its own significance, which makes the students to complete graduation in real world exposures of theoretical knowledge. Internship provides the opportunity of gaining the practical knowledge and observing the real application of theoretical aspects. Some facts about the privacy and systematic approach of the organization were revealed. Internship has helped to explore the fundamentals of banking system.

Coordination and integration of various departments in banking systems is a must. Banking organization is divided into various functional areas which are interlinked, interconnected and interdependent with each other. If there are no team efforts then no organization can achieve its

organizational goals. Therefore, there must be cooperation and support within the staff of the overall functional areas to be successful.

The bank should value the customer needs and solve the problems as soon as possible as tight competition between them is taking a massive form. This helps to retain and maintain existing customer by providing service up to their expectations. It should take various customer feedbacks and provide them prompt and convenient services. These were observed as an intern in HBL.

HBL has been successful to create its own image within the country, and it is also successful to create the banking relation with the most of the countries of the world. It is capable to render its services necessary for export and import to any businessperson of the world. Himal remit is an innovative product of HBL and is being facilitating the customers as to match up their expectations. HBL is playing a leading role in banking industry through its innovative products and services that match the customer's expectations.

5.2 Lesson Learnt

This internship report is based on internship done at HBL, Thamel Branch from June 15, 2012 to August 13, 2012 to know the various processes and working environment of banking in real life. I have gained lot of experiences from the internship in HBL, which was my first experience in banking sector. This internship program helps me to learn professional attitude for future prospects and to learn practically apart from academic courses. During this period, I was able to learn different services and products that are delivered by bank, organizational culture, nature of organizational problems, etc.

The lessons learnt are as follows:

- Learnt about general banking operations.
- Learnt overall basic functioning of the bank.
- Learnt to co-operate in work place and to coordinate the efforts of five sections of remittance department.
- Learnt to make good relations with co-workers, seniors, corporate clients and general customers.
- Learnt to adjust own self in various working environment.
- Learnt to adjust with the official norms.
- Learnt to perform various activities assigned.
- Learnt how professionalism develops.
- Learnt about the inter-relation and integration of various departments in banking system.
- Learnt general systems used in banking information technology.
- Learnt basics about NRB directions regarding commercial banks.
- Learnt about authority and responsibility relationship among various managerial and subordinate level in the hierarchy of commercial banks.
- Learnt about the overall norms and organizational behavior regarding HBL.