

Treasury Savings Bank Account and Kerala State Financial Management

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Abstract

The main scope of the study is to find out the performance treasury savings bank account in kerla state. This paper focuses relevance /significance of Treasury Savings Bank Account in the present economic crisis of Kerala state . Treasury Savings Bank Account can play a vital role in the finance management of state government . Through this study we can analyse ,the various areas in which effective management of cash is made through treasuries .An awareness can also be created among Govt.employees and general public about the role of treasury in effective management of kerala finance department .

Introduction

Treasury” means any treasury of the State and includes a sub-treasury. Subject to the provision of sub-rule (2) of rule 6 and rule 7 money standing in the Government Account must be held either in the treasury or in the Bank. Moneys deposited in the Bank shall be considered as one general fund held in the books of the Bank on behalf of the State.The department of treasuries plays an important role in the financial management of the state government. The department of treasuries was formed in 1963 with the Director of Treasuries as the Head of thy department. The administrative control over the Department at Government level is exercised by the Finance Department has in Government of Kerala.

Role of the Treasury Department

The functions of the Treasury Department mainly relates to payment of money into Government Account and withdrawal of money from the Government Account, acceptance revenue due to the Govt. and compitation of accounts. The main functions of the Department can be broadly classified as follows:

- Act as a conduct for the transactions of GoK
- Act as Banker of funds of local self Governments (LSGS) and similarly placed institutions.
- Compitation and maintenance of accounts of transactions of Government of Departments.

- Rendering not accounts to the Account General
- Providing Data for reconciliation of Departmental accounts.
- Disbursement of various types of pensions.
- Treasury Savings Bank transactions and maintenance of account relating to Treasury Savings Bank.
- Sale of stamp and stamp papers and maintenance of connected account.
- Custodian of valuables of Government of Kerala.
- Act as safe custodian of question papers of SSLC & Entrance Examinations conduct by Government of Kerala.

Major Services delivered by the Treasuries are as follows:-

- Disbursement of Pensions
- Payment of salary
- Savings Bank/Fixed Deposit Transactions
- Sale of Stamps and Stamp Papers

Treasury Savings Bank Account, Financial Management of Kerala State

"An institution such as the banking system which touches and should touch the lives of millions has necessarily to be inspired by a larger social purpose and has to subserve national priorities and objectives. That is why there has been a widespread demand that major banks should not be only socially controlled but publicly owned.(Statement made by the then Prime Minister Mrs.Indira Gandhi in the Parliament)

The Department of Treasuries play an important role in the financial management of the state Government it was formed in 1963 with the Director of Treasuries as the Head of the Department. The administrative control over the Department of Government level is exercise by the finance department in Government of Kerala. Treasury Savings Bank is a unique product available in Kerala Treasuries. It is inherited from the Royal Regime erstwhile Travancore state the object of the Government in Establishing Treasuries savings Bank scheme is to provide a ready means for the deposit of savings and so as to encourage thrift. The Department of Treasuries was formed as an independent Dept. on 01-08-1963 under the administrative control of the finance Department. The primary functions of a treasury department at a bank involve asset/liability management. A substantial amount of time is invested by the Department in forecasting net interest income and measuring the bank's interest rate risk or sensitivity to changes in prevailing interest rates. The treasury Department generally performs other related functions, such as managing the bank's reserve and risk capital requirements, funding the bank's balance sheet through number of creative strategies. Treasury savings Bank is a unique product available in Kerala Treasuries. It is inherited from the Royal Regime of erstwhile Travancore State. The object of the Government Establishing Treasury Savings and so to encourage thrift.

The various types of accounts under Treasury Savings Bank are

1. Treasury Savings Bank (TSB)
2. Pensioners Treasury Savings Bank (PTSB)
3. Treasury Fixed Deposit (TFD)
4. Treasury Public Account (TPA)
5. Treasury Security Account (TSA)

TSB – is open to all public. Any person known to Treasury or introduced by a person known to Treasury can open TSB account in Treasury. 5% interested is paid annually.

PTSB – Pensioners Treasury Bank account are opened by the pensioners for crediting their pensionary benefits only. Monthly pension is automatically credited to PTSB accounts at the beginning of every month. 5% interest is paid annually.

TFD – Treasury Fixed Deposits are term deposits like the one in commercial Banks. All public can open TFD accounts in Treasury for a minimum period of 6 months and above. Attractive cost of funds with edge over to the similarly placed financial institutions are ensured. There is facility for automatic credit of interest monthly to the TSB accounts.

The function the treasury departments mainly relates to payment of money into government account and withdrawal of money from the government account, accepting revenue due to the government. Treasury is the government department responsible for collecting, managing and spending public revenues. The department of treasury is an agency on the same level as other cabinets this department is responsible for managing the government money, depth and revenue. So treasury play an important role in the financial management of the Kerala state government.

Review of Literature

Treasury dept. of Kerala plays a vital in the economy of Kerala. Fund management of TSB account is important for its effective functioning. Keeping mis in mind , the various studies made in the past relating to treasury dept., savings, finance are reviewed . this includes scholarly research studies , articles , books, journals , seminar reports and official publications of the government.

Working of treasuries –principal account general ,Tamilnadu[2013-2014] main recommendators [1] The state govt. issue instructions to the district treasuries , for following the instructions and regulations. [2] To fix the largest for each district treasuries [3] To create provisions for pension payments.

M.A Oommen [1980] studied the expansion of commercial banking in Travancore- cochin region. he concluded that the activity is based on bias. main activity ie. Branch expansion is in Tiruvalla and Thrissur . other places is silent.

Kerala Planning Board [1982] analyzed to understand the performance of commercial banks after nationalization . Ernakulam is the best banking infrastructure is in Kerala then Trivandrum ,idukki , Malappuram and palghat where less number of banking transactions.

Sunanda's [1984] analyzed the institutional agricultural credit in Kerala. She mainly focused in agriculture field. she conducted that Ernakulam and Trichur stood highest in Kerala.

Indian banks association , Bombay [1987] analyzed banking and economic scenario of Kerala from 1969 to 1987.they provide a brochure of Kerala's banking profile .ie. they gives a clear picture of Kerala banking industry.

Objectives

This research is very relevant in the present financial condition of Kerala state , following are the important objectives of this research study.

(i) To analyses/assess the role of treasury savings bank account in the financial management of the Kerala state government.

(ii) To find out how treasury savings bank account can become a cheaper method of internal source of finance for the state .

Hypothesis

The overall deposits under the savings bank scheme showed an upward trend by year since 1973 increasing the resource position of government. Still, government of Kerala can collect around Rs.10000 crores per year through treasury savings bank . besides , treasury savings bank accounts have their own significant role in regulating the ways and means position of the state .

H1 – Alternative hypothesis

There is a positive impact of treasury savings bank account in the financial management of Kerala government

H0 – Null hypothesis

There is no positive impact of treasury savings bank account in the financial management of Kerala government .

Methodology

Research Methodology helps to explain the theoretical framework and methodology adopted in the study. It outlines the various dimensions of the study and research objectives and the set of methodologies adopted to accomplish those objectives. Both primary and secondary data's are used . The choice of method is influenced by the data collection strategy , the type of variable the accuracy required , the collection point and the skill of enumerator, questionnaires , interviews, direct observations etc. are some of the methods. A personal interview is conducted for collecting the information from various concerned departments . Questionnaires are used for collecting the information.

. Expected outcome

This research focuses relevance /significance of Treasury Savings Bank Account in the present economic crisis of Kerala state . Treasury Savings Bank Account can play a vital role in the finance management of state government

ANALYSIS AND INTERPRETATION

The Department of Treasuries play an important role in the financial management of the State Government. The Department of Treasuries was formed in year 1963 with the Director of Treasuries as the Head of the Department. The administrative control over the Department at Government level is exercised by the Finance Department in Government of Kerala.

Table: 1.Type of Treasury account of the selected beneficiaries of treasury department

| Categories | Employees | General public | Pensioners |
|--|------------|----------------|------------|
| Treasury Savings Bank (TSB) | 101 | 85 | 0 |
| Pensioners Treasury Savings Bank (PTSB) | 0 | 0 | 120 |
| Treasury Fixed Deposit (TFD) | 19 | 35 | 0 |
| Treasury Public Account (TPA) -Institutions | 0 | 0 | 0 |
| Treasury Security Account (TSA)-Contributors | 0 | 0 | 0 |
| TOTAL | 120 | 120 | 120 |

It is found that out of the selected beneficiaries, 101 employees have treasury savings bank account and 85 general public hold treasury savings bank account. 120 pensioners have pensioner's treasury savings bank account. About 19 employees have treasury fixed deposit account and 35 general public also hold treasury fixed deposit account.

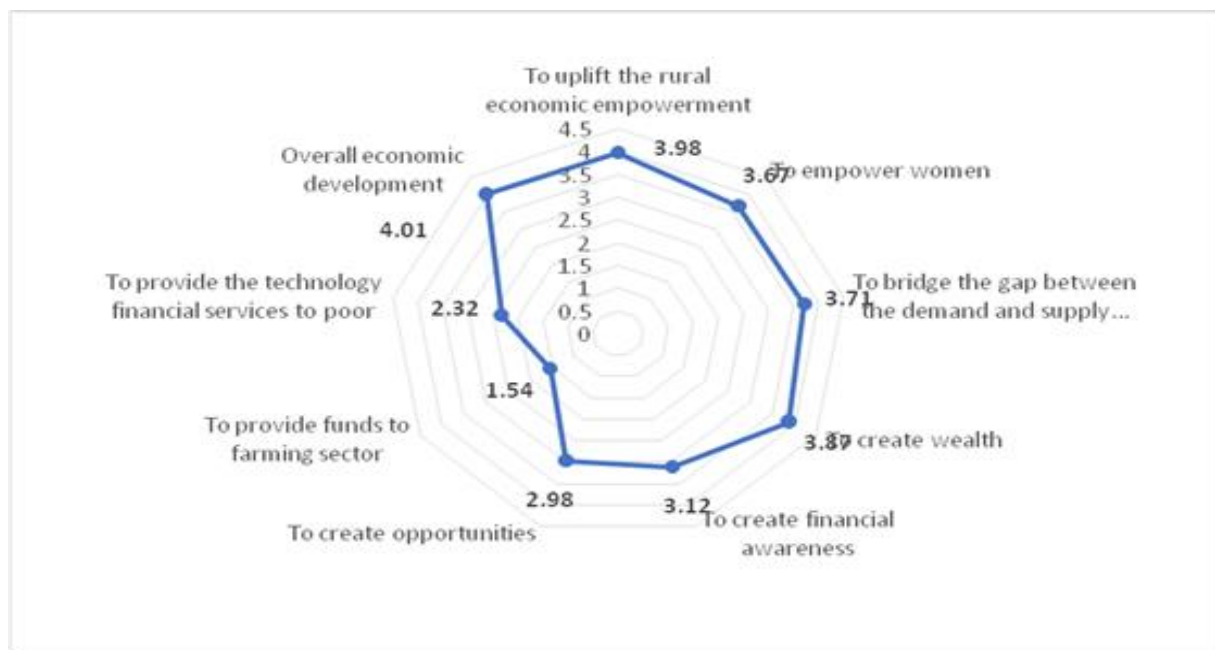
Table: 2.Beneficiaries perception towards social relevance of treasury department

| Statements | Mean |
|--|------|
| Treasury department act as a need for state insurance developer | 3.59 |
| Treasury department helps to open different types of social relevance scheme account | 4.23 |
| Treasury department provide loan facility to its customers and general public | 3.91 |
| Treasury department provide loan to small scale unit | 3.74 |

It is found that the highest perception of beneficiaries towards social relevance of treasury department is department helps to open different types of social relevance scheme account (4.23), department provide loan facility to its customers and general public (3.91), department provide loan to small scale unit (3.74) and it is also identified that treasury department act as a need for state insurance developer (3.59).

Table: 3.Mean score analysis on factors supporting the importance of Treasury services

| Factors supporting the importance of Treasury services | Mean Score |
|--|------------|
| To uplift the rural economic empowerment | 3.98 |
| To empower women | 3.67 |
| To bridge the gap between the demand and supply of Funds | 3.71 |
| To create wealth | 3.87 |
| To create financial awareness | 3.12 |
| To create opportunities | 2.98 |
| To provide funds to farming sector | 1.54 |
| To provide the technology financial services to poor | 2.32 |
| Overall economic development | 4.01 |

Graph: Radar Graph on the factors supporting the importance of Treasury services

It is found that the most important factor supporting the treasury services are overall economic development (4.01), uplift the rural economic empowerment (3.98), create wealth (3.87), bridge the gap between the demand and supply of funds (3.71), empower women (3.67) and create financial awareness (3.12). It is also found that the least important factor supporting the treasury services are create opportunities (2.98), provide the technology financial services to poor (2.32) and provide funds to farming sector (1.54).

Criteria and Features of Treasury Savings Bank account

- Rate of interest 4.5 p.a (With effect from 1-4-2017)
- Minimum balance Rs.100
- There is a facility of zero balance account
- Core banking facility
- No service charge for fund transfer
- On-line transactions from treasury to any bank, if they have IFSC
- No charge for cheque book
- Also provide NEFT facility
- Attain 12 years of age(If not attained 12, we can opened with the name of guardian/manager)

Through this paper we can analyse ,the various areas in which effective management of cash is made through treasuries .An awareness can also be created among Govt.employees and general public about the role of treasury in effective management of kerala finance department .Treasury of Kerala provides a large number of benefits to the people. They are

* Low- Interest bearing Saving Bank Account.

* Funds for the long –term development of Kerala can be available through Saving Banks.

* Pension to all Retired Government officers is through treasuries in Kerala

* Payment to all contractors is paid through treasuries in Kerala

* Reserve Bank of India control is not possible in the case of treasuries of Kerala

* Treasury department in Kerala can work as one of the important money market institution like RBI, State Bank of India, other commercial banks, Co-operative Banks, LIC,GIC,UTI and specialized institutions such as Discount and Finance House of India and all others who deal in money.

Government of Kerala can use treasury Savings Bank Accounts like other money market and capital market instruments like.

1. Call Money
2. Treasury Bill
3. Trade Bills
4. Commercial Paper
5. Certificate of Deposit (CD)
6. Debentures
7. Loan from financial Institutions

Kerala State Government uses world bank, loans, ADB loans, ways and means of Reserve Bank of India, Public issue of debentures, public bonds etc to collect resources/funds for its day today expense like pension, salary, loan repayment and its development activities. Kerala offers an attracting case. If we take the examples

of other states, salaries and pensions are transferred to bank accounts. But in Kerala, the digital state of India, is sustaining a large department like TREASURY merely for the payment of salaries and pensions. If salaries and pensions are transferred to the bank accounts of employees and pensioners, the government will lose substantial control over the funds. The existence of the department gives the kerala government unrestricted right to funds that can handle the fiscal discipline imposed upon the state.

In this context Treasury savings Bank Account is a good option/ source of funds for Kerala State Government. So this Research is quite relevant for the masses of Kerala State.

Suggestions of the study

The main suggestion to improve the Treasury habits and awareness on financial services offered by the Treasury banks highlighted in the study are as follows:

- Popularization of banking products
- Establishment of good administrative systems
- Proper maintenance and control
- Strict vigilance on corruption

Limitations

Central Government policies, Reserve Bank of India regulations, prudential Banking norms certainly 'play' against Treasury saving Bank Account of Kerala State Government. Besides, Traditional Banks and new generation Banks will oppose with teeth and nail to any Treasury reforms. They are certainly against Treasury Banking system.

1. State Governments follow their own political policies, not the research outcomes.
2. Centralized data bank is not available in the case of Treasuries.

Conclusion

The Treasury department is the golden animal that lays egg applied for economic planning and development of the areas in local government structure. The Treasury department is one of such departments which act as the ministry of finance for the council. The Treasury department is responsible for the generation and collection of external and internal revenue due to the local government, the judicious utilization/disbursement of revenue collected and the preparation of annual budget for consideration of the finance committee and subsequent approval by the approving authority.

References

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- 6.Various News papers like Hindu,Times of India,Express.
- 7.Various Kerala budget