



Tell me what you
want to be when
you grow up



Tell me about
your leaky boat



Tell me about your
plans and your pains

Tell me what I can
do for you

I am listening

70th Annual General Body Meeting
Chairman's Speech





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Valued shareholders and distinguished guests

1. On behalf of J&K Bank fraternity, it is my privilege to welcome you to the 70th Annual General Meeting of the Bank. Reaching this landmark calls for a celebration! And, we are doing that in true banking style: the J&K bank is hosting BANCON 2008. This is an annual industry event where the entire banking fraternity of India participates.
2. This year the Union Finance Minister, Governor, Reserve Bank of India, former Governors, Chairman and Chief Executives of all the major Banks in India will come to Srinagar and deliberate on critical issues confronting the banking industry. It is an event that the entire banking industry looks forward to. Intellectually and organizationally, hosting the BANCON, can be seen as coming of age of the J&K Bank.
3. This is my fourth opportunity to speak before you. In the course of last three years, I have been fortunate to have had to share exceptionally good news about the Bank and its performance. This year with too, I have excellent news about the bank to share with you. It is particularly satisfying to report good bottom-line performance, based on a robust strategy and every increasing employee commitment and contribution, in an adverse year. The year 2007-2008 has been a very adverse one for the entire economy and the policy response to overcome the problems has been at the expense of the banks across the country!
4. The year had an ominous beginning: the first trading day of the 2007, April 2, witnessed the second sharpest single-day decline ever of 617 points in the benchmark Sensex. It had an apocalyptic end: on 31st March 2008, the last trading day, the markets crashed 727 points. Between the two falls, Reserve Bank raised the cash reserve ratio 275 basis points and hiked the repo rate 100 basis points. This sums up the story of a difficult year during which inflation and interest rates reached decadal highs.
5. To bring inflation under control, the central bank decided to reduce liquidity in the system as well as increasing the cost of capital. It hiked the cash reserve ratio (CRR) by 50 basis points to 6.50 per cent and reduced the interest rates paid to the banks on reserves in excess of 3 per cent held with the central bank. Also it raised the repo rate, or the interest rate on funds provided to the banks by the RBI, by 25 basis points from 7.50 per cent to 7.75 per cent.
6. Consequent upon a change in the emphasis of monetary policy and its attendant rise in the interest rate, re-looking business strategy and credit growth became imperative for all. Of course, it was the banking sector that was the hardest hit by these changes.
7. It is here that the strategy evolved by us three years ago came to our rescue. If you recall, the statement I had made in my first speech. "The new vision of J&K bank is to engender and catalyse the economic transformation of Jammu and Kashmir. The bank aspires to make Jammu and Kashmir the most prosperous state in the country." We have religiously followed this strategy and it has become a mission for all of us in J&K. This meant that the impact of the national economic slowdown didn't impact us much; or to put it better, the impact was relatively muted.
8. But on a more constructive and positive note, what is it that has changed about J&K Bank's business in the last three years? First, as a matter of policy we moved from investments to advances. Earlier, the major part of the deposits that we mobilized, were invested in government securities and

corporate bonds. Now, we lend. The difference is striking: Till 2003, investment portfolio was larger than the credit or advances portfolio in J&K Bank. As a result, say in the year 2000, more than half of our deposits were lend to government, be it Center or the State government. This has now come down to one third, which is statutory.

9. The credit-deposit ratio of the bank improved from 37 per cent in 2000 to 50 in 2004 and has peaked at 68 per cent in 2007. The shift from investment to advances has been a major change. What it really means is that the J&K bank is now lending more for commercial developmental purposes.
10. The second major change has been that instead of lending outside in the rest of the country, the J&K bank is now lending more and more within the state. This is a big strategic shift.
11. During the last three years the business of the bank within J&K has been growing annually by about 35 per cent, compared to less than 10 per cent earlier. The credit given by Bank within the state is now 45 per cent of the total credit portfolio of the bank in 2007-08, as compared to less than 35 percent in year 2005-06. This means there has been a massive increase in volume of credit off-take in the state: the commercial credit outstanding in J&K was Rs 6,275 crore in 2008 as compared to Rs. 3,761 crore in 2006 registering a phenomenal growth of 66 per cent over two years.
12. Most significantly, within this increase of loans in the state, the share of our lending to state government has come down from 29 per cent in 2001 to 13 percent in 2008. In other words, while total lending in J&K has increased, that of J&K government has decreased, so the productive lending in the form of commercial credit to small and medium enterprises, horticulture, retail, trade, mortgage, and personal consumption has increased many fold.
13. The credit deposit ratio in Kashmir region, which was a little over 35 per cent in 2006, has crossed 53 per cent in 2008. In Jammu, credit-deposit ratio has increased from as low as 19 per cent to above 30 per cent during the same period. Thus, the major issue that was source of great criticism of the Bank's functioning has been addressed. Of course, there is still scope and we shall improve it much more. Indeed, in one quarter, we had a credit-deposit ratio of over 100 per cent in the state! This was inconceivable earlier.
14. The sharp off take in credit has been helped by three developments;
 - a. First, is the economic reconstruction of the state that has picked up pace and the state economy is being structurally transformed. The major autonomous public expenditure programs have not only created and recreated basic physical infrastructure assets, but have generated second order demand in the system which is being debt financed. The economic growth in J&K has fuelled the business performance of the Bank to some extent. At a time when the economic growth in the rest of the country is taking a breather, growth in the State domestic product in J&K is growing much faster than before.
 - b. Second is the deeper penetration of the J&K state by the bank in the form of creation of six zones within the state. Earlier, there were only two zones in the state, being managed by two officials. We divided the state into seven zones. Kashmir valley was divided into three zones and so was Jammu. And Ladakh was given zonal status. This resulted in a much more intensive focus being given the Bank's business development teams.
 - c. Third, is the productisation of loans by the Bank. To make our collective dream of financially empowering the people of J&K, the Bank has been working out processes, products and procedures, which have helped us, reach out to people, empower them and enhance their

capacity to make their result-oriented choices. The Bank has been creating and marketing a slew of credit products tailored to specific requirements of various local industries. The results have been quite encouraging.

15. The credit products made by the bank for agriculture, horticulture, shawl making, sozni, khatamband etc touched thousands of lives. It is not just adding to business but is also changing lives. In one of our micro finance initiatives, one of our very small branches, zakura in the city suburbs, disbursed credit worth Rs 50 lakhs to almost a hundred shawl artisans in one day. In the quaint village of batwina in ganderbal, a small socio-economic revolution is silently taking shape. Almost every household in the village has almost doubled its income over the past two years as all of them have made a good use of the Agri-term loan that they have availed from the bank. With almost 400 beneficiaries, the ganderbal branch has disbursed almost Rs 4 crore to the farmers of the village.
16. Through such initiatives, our J&K centric strategy and stand on reaching out to people with less means, profitably has been vindicated. Not a single beneficiary out of all 400 cases has defaulted in repayment. As I speak, the ganderbal branch is a zero-NPA branch.
17. Just a few years ago, the locals of kupwara engaged in trade of walnut kernels couldn't find a way to convince their bankers about the credit worthiness of their trade. But now, with the JK Bank Giri Finance product in place, all of them are gung-ho about their business as their credit requirements have been taken care of.
18. More precisely the rise in credit growth has been more phenomenal in the traditionally credit starved rural districts of the state. In our zone Kashmir North, comprising Baramulla and the remote district of kupwara, the credit portfolio of the Bank has grown from Rs 190 crores in FY06 to Rs 618 crores in FY08. It is a staggering growth of 225 per cent. Same is the story about Jammu Region. Our zone, Jammu West, comprising of the backward districts of Rajouri and Poonch has been continually growing at an annual rate of more than 45 per cent.
19. What we have done is to make J&K Bank relevant to the people of J&K and made it an intrinsic part of the development of J&K. It is the role that we have taken upon ourselves and had been mandated to do by the visionaries, like the erstwhile Maharaja Hari Singh, who set up this Bank. We have laid the foundation; the edifice of a socially relevant, ethically upright and developmentally oriented bank is coming up fast. We need your support in this.
20. It is our conviction that before we aspire, as an institution, to lead, we have to learn to serve. We have to listen, in order to be heard. We have to understand, before we can act. We have to empathise, before we suggest.
21. In all this, symbolism is the substance. J&K Bank seeks to symbolise a wider and deeper change in our attitude to our work, to our fellow citizens and to our state and the nation. We have to collectively change lives and individually change the society. Towards this, we are launching a very emotive campaign, "I are listening". It is as you must have noticed the theme of our Annual report. The idea is very simple: We want to give commerce a conscience.
22. Before I end, I want to say that all or any of this would not have been possible without the support of the eminent Directors on the Board of the Bank. I am indebted to them for their guidance and unstinted support. Their belief in me is something I treasure.
23. On behalf of the Bank, its Board, management and employees, I express sincere thanks to the Reserve Bank of India for its valuable guidance and support. I acknowledge with appreciation the assistance and co-operation extended by NABARD, SIDBI, SEBI, IBA, Stock Exchanges, Department of Company Affairs, Registrar of Companies, Comptroller and Auditor General, Central Government and Government of Jammu & Kashmir. The Bank and its employees also thank the customers and shareholders of the Bank for their valuable support. I, on behalf of the Directors, place on record deep appreciation for the work done by the employees at different levels, which has enabled the Bank to record enviable growth and consolidate its position as one of the leading Banks in the country.
24. Thank you