

# Serving to Empower



69th Annual General Body Meeting  
Chairman's Speech



# Chairman's Speech

Valued shareholders and distinguished guests,

On behalf of the J&K Bank fraternity, it is my privilege to welcome you to the 69th Annual General Body meeting of the Bank.

It is a sheer coincidence that exactly today, I complete two years as Chairman and Chief Executive. It has been a very satisfying and enriching experience for me to work at the Bank.

In the last two years, the Bank has registered a 140 per cent increase in profits. We have seen a 108 per cent increase in the rate of return on your equity, thereby showing a vast improvement in the Bank's efficiency to generate profits from every invested rupee.

Similarly, the efficiency of using the assets of the Bank to generate earnings has increased 104 per cent in two years. As far as safety is concerned, we have covered ourselves very well. The NPA coverage ratio has been increased from 48 to 65 per cent. The stock price has more than doubled in the last two years. We touched a high of Rs 788 last month, showing a 288 per cent increase. And above all, we have produced, for the second consecutive year, a completely transparent balance sheet, which has no auditors' qualifications.

These numbers, exceptionally good as they look, are not an end in themselves. Outperforming the sector, as we have done in the last two years, is the hallmark of a good company. But to become a great company, we must look beyond numbers. For a company like ours, which operates in a region of low development and poor financial intermediation, it is also important to see how these numbers are generated. As it is, the J&K Bank is much more than a mere bank for the people of the state. Not only is it the most successful company of and from the state, it is a citadel of our civil society. Going beyond that, it is a testimony of the competencies of the people of the state in the building of a national institution.

Our predecessors have handed down a national brand to us. It is for us to now contribute our bit and make it a global brand. To build a global brand we need to do two things – go global physically and second, more importantly, have a unique business model, product offering and service standards, all of which are globally recognised.

We have taken initial steps to achieve the first. As of today, after the state government, our second largest shareholders are Foreign Institutional Investors, with a combined stake of almost 36 per cent. Some of the biggest names in the world figure in the sixty plus funds that have invested in the Bank. The list is truly international, with funds from USA, Europe, Singapore, Japan, Sweden, Mexico and Spain, having investments valued at more than \$300 million in the Bank.

As a next step in this direction, it is our plan this year to raise money abroad. We will offer Global Depository Receipts and list the Bank in international capital markets. This will be a landmark in our illustrious history.

The second way to becoming a global brand is to have a unique business model, which is a far more formidable task. But there are great examples from small and remote areas like ours that

have produced famous brands. Godiva chocolate, made in a small area in Belgium is a classic example. It is renowned because it has its own unique way of making chocolates. Evian, from the foothills of French Alps, has its own way of making mineral water. Harris Tweed is woven in a unique manner from wool produced in a village of Scotland. We too have a wonderful brand in Pashmina. Let us not forget that in 1795, Napoleon presented his wife Josphine with a Kashmiri shawl! By and large most global brands are products. What we are setting out to do is to create a global brand in the financial services industry.

To do this we have to work out processes, products and procedures that are unique to the J&K Bank. It has to be the J&K Bank way of doing business. Within our industry and closer home, the Bangladesh Grameen Bank and Bank Danamon have become global names. We don't want to replicate their business model but we do want to emulate their uniqueness of doing business.

I can say with some satisfaction that we have already embarked on this journey. It promises to be a hard but eventful one. For the last two years we have been on a voyage of self-discovery of the institutional self of J&K Bank. Let me quote to you from the original memorandum drafted in 1930 by Sir S N Pochkhanawalla, Managing Director of the Central Bank of India, who was commissioned by His Highness Maharaja Hari Singh to work out a scheme for setting up what is now known as J&K Bank: "In my opinion the Bank should be an organ of public interest and not an instrument for the government or the shareholders to achieve their own end". We have made some headway in getting there. We have changed the business model and made it relevant to the people of the state. But that was the easier part. Now we have to change our attitude and mind-set.

The most important change is to move away from trying to govern to trying to serve. Our values tend to emphasize rigid hierarchies and power structures, when we should be focusing on egalitarianism and individual worth. We have to eschew the common top-down hierarchical style, and instead emphasize collaboration, trust, empathy and the ethical use of power. The traditional autocratic and hierarchical modes of functioning have to yield to a newer model of collaboration. We have, in the years gone by, spoken much about our achievements and ourselves; now we must, as an organisation, lead the campaign to listen; listen to our customers and our constituents.

In this regard, I see hope. The greatest achievement is that we have, as an institution, started thinking. We are finding ways of blending commerce with conscience, and of combining profits with principles. We are thinking about ways in which we can make a difference to the lives of people. To be clear, at no stage are we compromising the profitability of the Bank. We believe that making a difference and making profits cannot be exclusive and once we have found the magic mantra, J&K Bank will have discovered itself and found a place in the global banking landscape. At the core of this strategy lies the simple proposition of being socially relevant. We want to be useful and lead development initiatives, but at the same time we must increase our profitability. That is the real challenge.

Our mission is to empower the people of J&K. Within the framework of this approach, we cannot now conceive strategies for the Bank, which have little or no connection with the people of

J&K. In the past we have tried to maximize profits without directly linking it to the impact on the welfare of the society as a whole. What we need to do now is to combine the sensibility of the social enterprise with the form of a for-profit business.

Our overriding mission as a corporation is to use our core competency to serve and empower the people of the state in general, and entrepreneurs in particular, rather than serving them as an afterthought.

An empowering approach to banking in the state will create a link between the supply and demand sides of development. A demand side approach to improving governance focuses on educating, informing and enabling citizens and poor people's organizations so that they can interact effectively with their governments.

A supply side approach focuses on macro level institutions and legal frameworks, which determines how the poor can access development opportunities. An empowerment approach, focussing on the supply side, ensures that the two act in synergy. Given our structural uniqueness of being government owned yet a private sector institution, we are very uniquely placed to achieve this objective.

The J&K Bank identifies empowerment as the process of enhancing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes. Central to this process are actions that build both individual and collective assets, and improve the efficiency and fairness of the organizational and institutional context that governs the use of these assets.

Within the empowerment framework, the Bank is starting a program, "Entrepreneuring Peace" by funding, and collaborating with entrepreneurs starting private, for-profit ventures. Innovate, collaborate and incorporate is the motive of this initiative. The Entrepreneuring Peace initiative will serve as an operational framework that sets the context for each individual to contribute to the process of peaceful development within his own area of work. This will be sustainable because it increases his stake in the system. With our programs and your participation, we will not just empower and rebuild our community, but will also build a socio-financial movement.

In making these changes possible, I want to thank, first and foremost, the state government. While there is absolutely no intrusion, there has been tremendous cooperation extended by the government to the Bank in facilitating its plans – new or old. I can say with complete confidence, that J&K Bank is a great example of public-private cooperation where the best of both worlds is combined. For this, I have to complement the sagacity of the state government.

I wish to put on record my appreciation and gratitude to the Board of Directors. We would not have scaled such heights without their guidance. I would also take this opportunity to thank the Reserve Bank of India for its continued support and encouragement. I am grateful to the Department of Company Affairs, Registrar of Companies, Comptroller and Auditor General for their cooperation. I would also like to thank the shareholders, especially the Foreign Institutional Investors, for the continuing support and renewed confidence that they have shown in the Bank and its management. Above all, I would like to thank every one of our employees for their contributions to the growth and success of the Bank. It is because of them that the Bank is where it is today and it will be because of them that the Bank will soar to newer heights