

THE J & K BANK LTD

Executive Summary

The new millennium seeks to usher in the concept of “Universal banking” as banks and financial institutions try to consolidate their place in the financial sectors and provide a one step financial services supermarket to their customers. Technical banking is considered as the mantra in today’s banking scenario.

ATM’s network, telephone banking, online banking, web based products, call centers, etc have become a reality today in the international and domestic banking arena. Plastic and electronic money is being referred to hard cash.

Customers are considered to be a king. The customer of present day dictates the terms and conditions through which his needs are to be fulfilled. Banking industry, which is one of the major financial service providers in the economy, draws the attention of many with regard to the customer services.

In this context a study has been conducted with the J&K Bank to measure the satisfaction level of customers. The study also tries to measure the satisfaction level of the customers of J&K Bank. This report gives a brief about the history and functioning of J&K Bank and the relationship with its customers. It also attempts to analyze the behavior and perception of customers about the facilities provided by the bank. While dealing with the customers of bank most of them showed a satisfactory approach towards the

different services and facilities provided by the bank. The bank is intact with the pace of the banking industry.

The project done at J&K Bank, Ltd. Bangalore as a part of MBA programme with an objective to understand business applications in our profession.

To conclude, bank, which acts as one of the main facilitator in removing the hindrances of commerce and trade, can become an effective economic and efficient facilitator, through offering a qualitative and quick services to their customers. This will enable not only a customer to meet his needs but also economy as a whole.

CHAPTER 1
INTRODUCTION TO the STUDY

EVOLUTION OF BANKING

The evolution of the commercial banking in India has been governed by the social objective of expanding the reach of banking service and mobilization of domestic savings. The roots of this social character of Indian banking can be traced to the passing of the state bank of India Act, 1955, by which the undertaking of the imperial Bank of India was taken over by the newly constituted State Bank of India (SBI). An Act of Parliament, nationalizing the former imperial Bank of India, established the SBI in 1955. this institution and its seven associate banks, which become SBI subsidiaries in 1960, were distinct from the other major Indian commercial banks which remained in private hands until two rounds of nationalization in 1969 (14 banks) and, in 1980 (6 banks). In Feb. 1969, the Govt. of India's (GOI's) nationalization 14 largest private sector banks was the culmination of pressures to use the banks as public instruments of development. The GOI imposed "Social control" on banks, of which priority lending was a major aspect. It introduced restrictions on advances by banking companies. These were intended to ensure that bank advances were confined not only to large scale industries and big business houses but were also directed, in due proportion to other important sectors like Agriculture, Small Scale Industries and Exports.

Since 1969, there has been a significant spread of banking habit in the economy and banks have been able to mobilize a large amount of savings. However, by 1980's, it was generally perceived that the operational efficiency of banks was declining. Banks were characterized by low

profitability, high and growing non performing assets, and low capital base. Poor internal controls and the lack of proper disclosure norms led to many problems being kept under cover. The quality of customer service did not keep pace with the increasing expectations. All these reasons led to the next phase of nationalization. The 1969 nationalization had raised public sector banks share of deposit from 31% to 86% while the nationalization of 1980 raised the same to 92%. In 1991, a fresh era in Indian banking began with the introduction of banking sector reforms as part of the over all economic liberalization in India.

STRUCTURE OF THE BANKING SECTOR

The banking sector in India functions under the umbrella of RBI. The RBI Act was passed in 1934 and the RBI was constituted as Apex Bank. The Banking Regulations Act was passed in 1949. This Act brought the RBI under Govt. control. Under the act the RBI got wide ranging powers for supervision and control of banks. The act also vested licensing powers and the authority to conduct to inspections with the RBI. Banks in India can broadly classified as Commercial Banks, Regional Rural Banks or (RRBs) and scheduled commercial or (SCBs) and cooperative Banks. The SCBs can be classified into the following three categories:

- Public Sector Banks. (PSBs) - SBI and its associates, and Nationalized Banks.
- Private Sector Banks – Old and New.
- Foreign Banks – Banks of Non India Origin.

The number of commercial banks in the country is 101, of which 27 are PSBs, 24 are Old private banks, 8 are new private sector banks and 42 are foreign banks. These 101 banks had total assets worth Rs. 11,104 billion as on March 31, 2004, and a network of 50,855 branches as on June 30, 2004., making them the most active and predominant financial intermediaries in the country.

- Commercial Banks ----- (101)
- Public Sector Banks ----- (27)
- Foreign Banks in India -----(42)
- Private Sector Banks -----(32)
- Old Private banks ----- (24)
- New Private Banks ----- (08)
- State Bank of India ----- (01)
- State Bank Associates ----- (07)

Since the advent of the banking sector reforms in 1991, the Indian banking industry has undergone a great transformation. However, the banking industry is still dominated by PSBs and development banks.

Public Sector Banks:

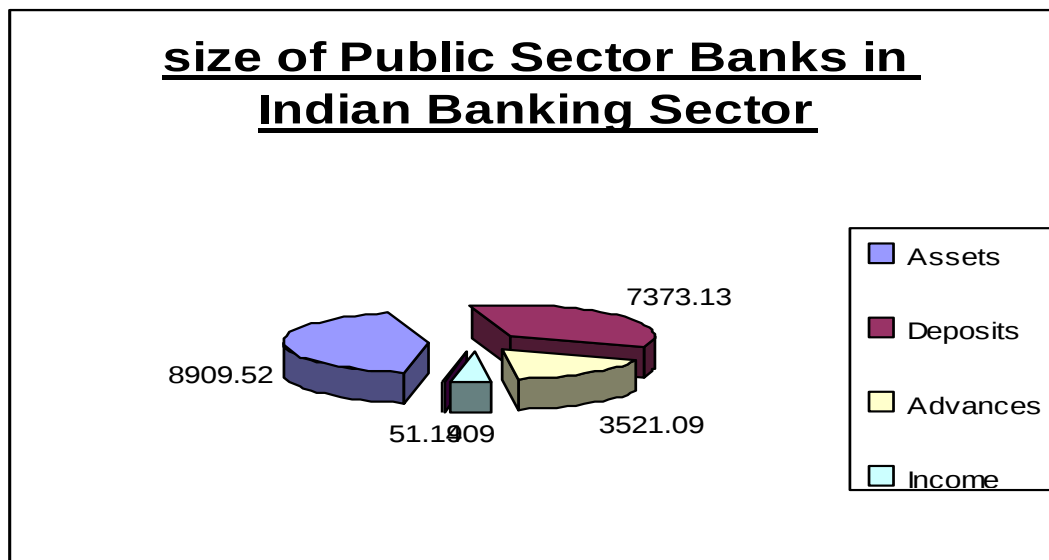
The banking sector in India has been characterized by the predominance of PSBs which include the SBI and its seven associates, and 19 other nationalized banks. As on March 31 2004 the assets of PSBs aggregated Rs 8,910 billion, representing 80.2% of the total assets of all scheduled commercial banks (SCBs). Taken together, PSBs accounted for 82% of public deposits, 79% of advances and 90% of branches of all

commercial banks in 2000 – 2004, thus clearly demonstrating their dominance of the Indian banking sector.

Table 1 Showing size of Public sector banks in Indian banking sector

S. No	Particulars	Rs. In billion	% of total SCBs.
1	Assets	8,909.52	80
2	Deposits	7,373.13	82
3	Advances	3,521.09	79
4.	Income	909.00	79
5.	Net profit	51.14	70

Chart No. 1



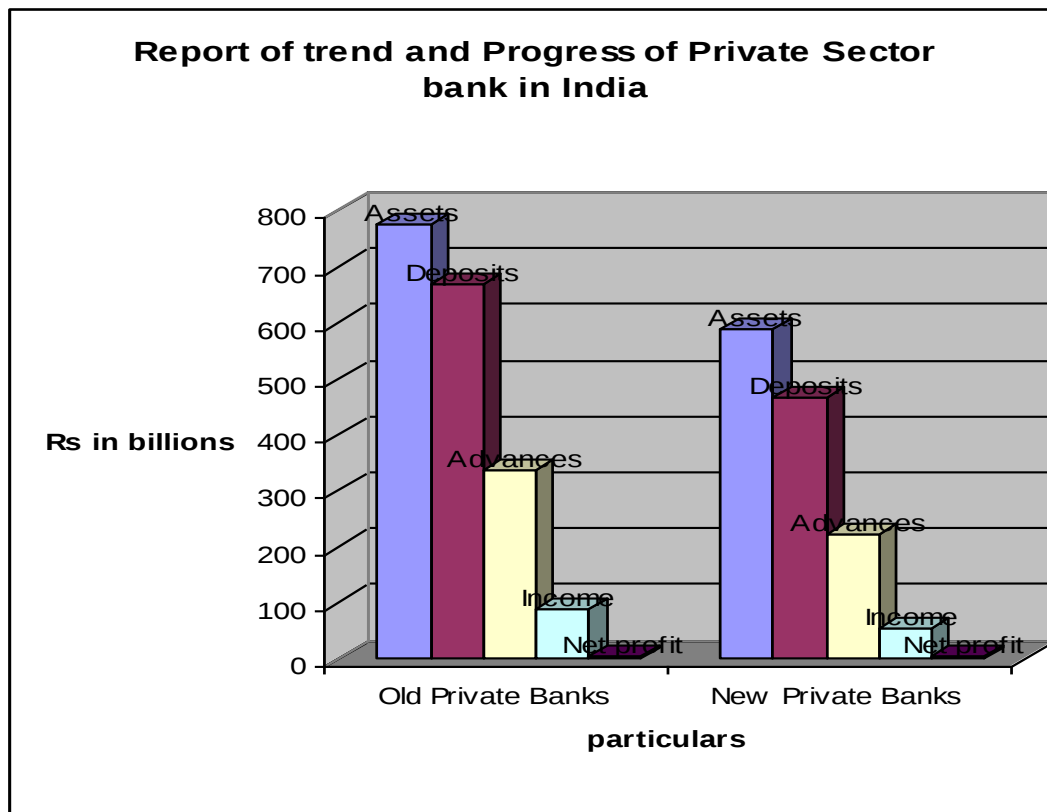
Source: report on trend and progress of banking in India. (RBI)

Currently, there are 32 private sector banks operating in India. These can further classified as old and new private sector banks. There are 24 old private banks operating in the country. These banks are regional in character and comparatively small balance sheet size. The 8 new banks are those, which are established after 1993 in accordance with the *Narasimharn Committee's* recommendation that the banking sector be opened up to adequately capitalized private sector banks.

Table2. Showing report on trends and progress of private sector banks in India

Sector Banks	Old Private Banks		New Private Banks		Total	
Particulars	Rs (billion)	(% of total SCBs)	Rs (billion)	(% of total SCBs)	Rs (billion)	(% of total SCBs)
Assets	777.09	7.0	588.57	5.3	1365.66	12.3
Deposits	669.88	7.4	466.82	5.2	1136.70	12.6
Advances	335.86	4.6	221.56	5.0	557.42	12.6
Income	87.50	7.6	54.07	4.7	141.57	12.3
Profit	6.55	9.0	5.69	7.8	12.25	16.8

Chart No. 2



Source: report on trend and progress of banking in India. (RBI)

At end – March 2004 the total asset of private sector banks (old and New combined) aggregate Rs. 1,365.66 billion and accounted for 12.3% of the total assets of all SCBs. Further they accounted for 9.8% of the total branches of commercial banks in the country (as on – June 2004).

Foreign Banks

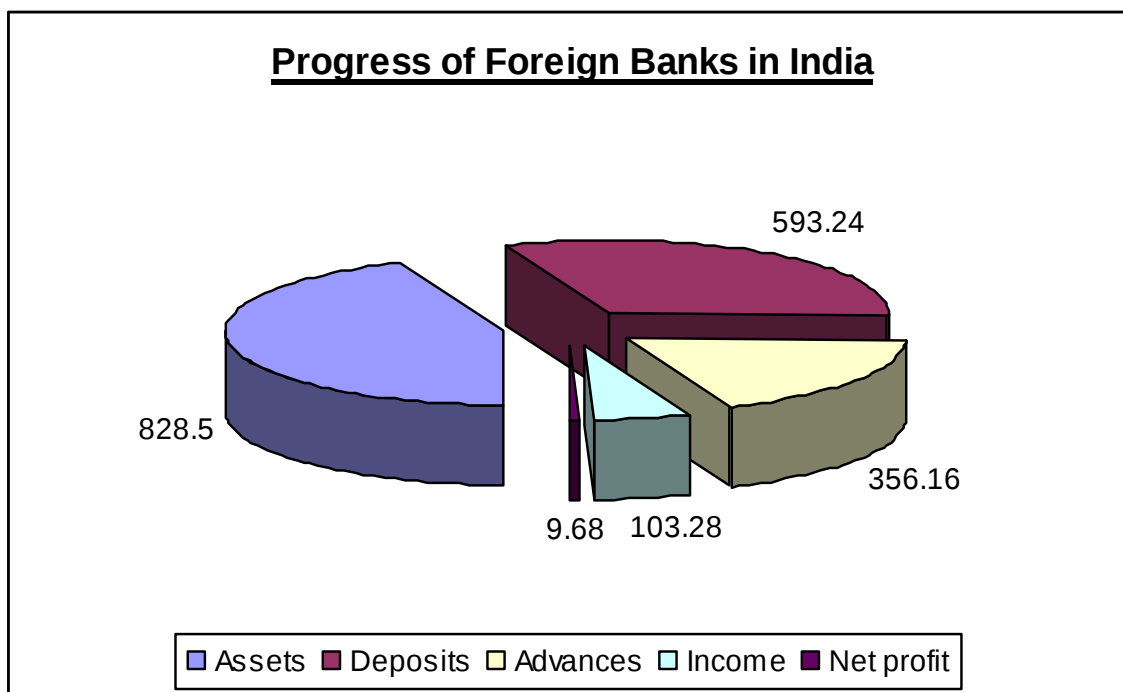
Currently, 42 foreign banks are operating in India, accounting for 6.2 % of the public deposits and 8% of loans of all SCBs. The biggest foreign

banks India by asset size are Standard Chartered, Grindlays, followed by City Bank and the Hongkong and Shanghai Banking Corporation.

Table 3. Showing Progress of Foreign Banks in India

particulars	Rs. Billion	% of total SCBs
Assets	828.50	7.5
Deposits	493.24	5.5
Advances	356.17	8.0
Income	103.28	9.0
Profit	9.68	13.2

Chart No. 3



Source: Report on trend and progress of banking in India.

Credit Market Structure

In India, given the relatively underdeveloped capital market and with little, with minimal resources, firms and economic entities depend largely on financial intermediaries to meet their fund requirements. In terms of supply of credit, financial intermediaries can be proudly categorized as institutional and non-institutional. The major institutional supplies of credit in India are banks and non-bank financial institutions (that is, developed financial institutions (FIs), other financial institutions (FIs) and non-banking finance companies the non-institutional are unorganized sources of credit include indigenous bankers and money lenders. Information about the unorganized sector is limited and not readily available. An important feature of the credit market is its term structure:

- (a) Short-term credit,
- (b) Medium-term credit and
- (c) Long term credit.

While banks and non-banking financial companies predominantly cater to short-term, FI's provide mostly medium and long- term funds.

Financial institutions

The financial institutions (FIs) in India primarily provide direct loans (Including rupee and foreign currency loans). They also extend financial assistance by way of underwriting and direct subscription, and by issuing guarantees. Recently, some *developed financial institutions* have started

extending short-term/working capital finance, although term lending continues to be their primary activity.

The financial institutions operate either at the All-India or the state level.

The All-India financial institutions (AIFIs) consist of:

- All - India Development Banks
- Specialized Financial Institutions
- Investment institutions and
- The finance institution

The AIFIs (IFCI, IDBD, ICICI, SIDBI, & IIBI) occupy an important position in the financial system, as the main source of medium and long term projects finance to industry. The state level institutions include 18 state financial corporations (SFCs) and 26 state industrial corporations (SIDCs). Besides the AIFIs and state level FIs, specialized financial institutions are also operating in the areas of *Export, Import* (export - import bank of India), infrastructure (infrastructure finance corporation or (IDFC), tourism (Tourism Finance Corporation of India or TFCI)) and venture capital (ICICI venture), investment institution in business of mutual fund (Unit Trust of India, UTI) and insurance (Life Insurance Corporation of India, LIC), General Insurance corporation of India Or (GIC) and its subsidiaries have also played a significant role in the mobilization of house hold sector saving and their development in the credit and the capital market. In the agricultural and rural sector and the housing sector, the National Bank of Agriculture and rural development or NABARD and the National Housing Bank of NHB respectively, are acting as the chief refinancing institutions.

The overall importance of these Financial Institutions is attested by the fact that on March 31, 2004, the combined assets of financial Institutions aggregated Rs 4,885 billion and represented 55.1% of the assets of banking sector.

NON-BANKING FINANCE COMPANIES (NFC's)

Non-banking finance companies (NBFCs) are financial intermediaries engaged primarily in the business of accepting deposits and marketing loans and advances, investments, leasing, hire purchase etc, NBFCs are of various types, such as loan companies, investment companies, hire purchase, finance companies, equipment leasing companies, mutual benefit financial companies also known as Nidhis- miscellaneous, non-banking companies also known as chit funds and residuary non-banking companies (RNBCs).

Although NBFCs in India have existed for a long time, they shot into prominence the late 80s and early 90s. During 1991-1998, the total assets of NBFCs increased at a compounded Annual growth rate (CAGR) of 36.07% customer orientation, concentration in the main financial centers and attractive rate of return offered by them were some of the reasons for their rapid growth. As on March 31, 1999, the total assets of non-banking finance companies NBFCs/RNBCs residuary non-banking companies aggregated Rs.470.5 billion, representing nearly 5% of the assets of all SCBs. The public deposits held by NBFCs/RNBCs aggregated Rs.204.3 billion at end-March 1999, which worked out to 2.6% of the deposits mobilized by SCBs. Significantly, RNBCs (numbering only nine) held 52.1% of the total

deposits held by all NBFCs At end march 1999. Increased competition in the financial sector, on the one hand, and strengthening of the regulatory requirements, on the other, have resulted in a Major consideration amongst the NBFCs in recent years

Policy Developments during Fy2003 and Fy2004

In its continuing attempts to bring down the interest rates in the country, the RBI announced four important measures in April 2000. These were:

- The CRR was reduced by 1% point to 8%. The reduction had the effected if releasing Rs.72 billion. While this would have some effect, it should be noted that the Government's market borrowing programmed in F.Y 2004 touched Rs.1, 189 billion. Thus, market borrowings by the government will continue to be a more important determinant of interest rates.
- The bank rate was reduced from 8%to7%
- The repot rate was reduced from 6% to 5%

These moves by the RBI came after the government itself moved to lower interest rate paid on small savings, the public provident fund (PPF) and the general provident fund (GPF). In response to these changes, most banks and financial institutions also followed suit and cut their own lending rates. There was a general reduction in the deposit rates of most of the SCBs across all maturities by 50-200 basic points. the PLR of major PSBs fell to 11.25-11.75% in April 2000 from 12-14% in the major part of

FY2000.consequently, in july2000,the RBI increased the bank rate from 7% to8% and increased the CRR from 8% to 8.2%.As a result, the PLRs of PSBs increased and were in the range of 11.75-13%.

Domestic Trends:

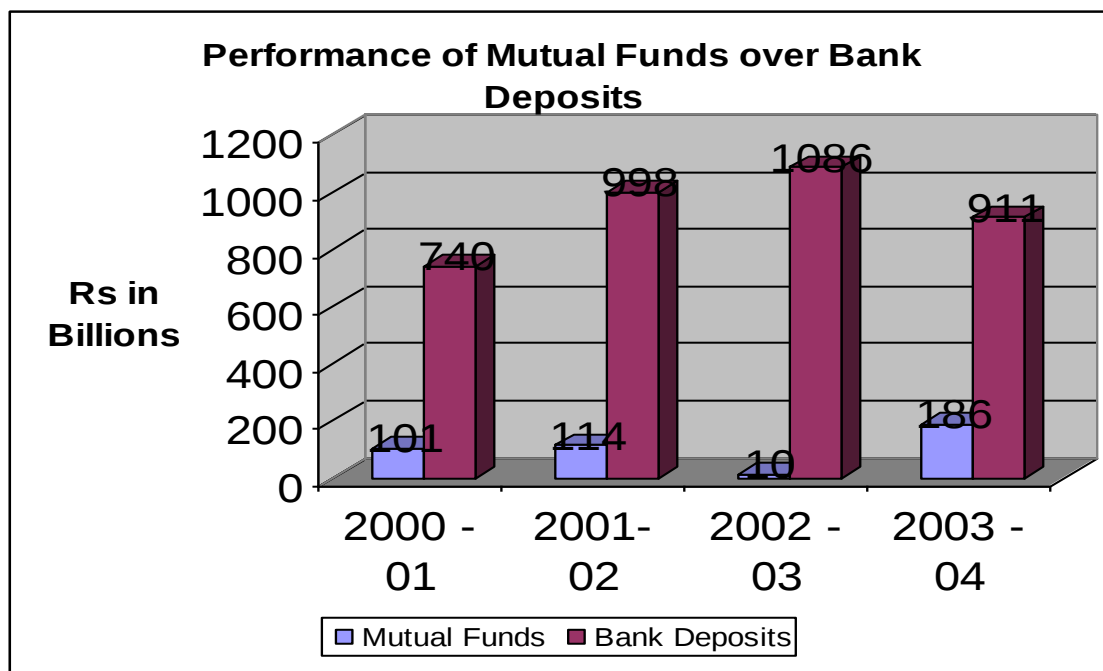
Competition form mutual funds:

In Fy2004, mutual funds out performed bank deposits in resource mobilization while mutual funds on a net basis increased their resources by Rs 185 billion, there was a decline in acceleration to bank deposits from Rs 1086 billion in Fy2003 to Rs 911 billion in Fy2004. Thus, there has been a shift of saving from bank deposits to mutual fund units.

Table 4. Showing performance of Mutual Funds over Bank Deposits

Year	Mutual Funds	Bank Deposits	Share of Mutual Funds	Share of Bank Deposits
2000- 01	101	740	12%	88%
2001 – 02	114	998	10%	90%
2002 – 03	10	1086	1%	99%
2003 – 04	186	911	17%	83%

Chart No. 4



Source: ICRA Services (Rs Billions)

Global Trends:

All over the world, banks traditional business of taking deposits and lending out the proceeds is on the decline. The word for this is disintermediation. In the US banks, and thrifts (Building Societies) have only half the share of the financial service market they had 20 years ago world over, banks are under pressure on both the liability and asset sides of their balance sheets. On liability side, investors have alternative institutions to invest in, like mutual funds and money market funds. On the asset side, the spread of IT and the dramatic advances in financial markets have made it cheaper for companies to raise money from the capital markets than from banks. This trend of Disintermediation is self- propagating. With depositors moving away, banks them selves have to access capital markets for funds. Such funds are more expensive especially as credit rating agencies have down graded bank ratings. Money of the companies to which banks used to lend have better ratings than the banks them selves, and hence, find it cheaper to borrow directly.

These twin pressures compounded by the decline in interest rates have squeezed the net interest margins. To face up to these challenges banks have under taken a series of measures, which can be broadly categorized as cost cutting and revenue raising measures.

Interim Report of the Working group on Customer Services in Banks

In the present day circumstances especially after the nationalization of 14 major banks in the country, more and more attention is being paid to revolutionize the various factors of customer banking; with this end in view the Govt. of India appointed a working group on customer service in banks headed by **Shri. R. K Talwar** the group in its interim report made a number of recommendations to improve the customer service. These recommendations are as under:

- Banking is nothing but a service.
- Banking is business organizations selling bank services.
- It is necessary for banks to continuously assess and reassess how customers perceive bank services what are the new emerging customer expectations and how these can be satisfied on an on going basis.
- Appraisal of customer service thus must be an essential activity for all banks to be carried out meaningfully.

Unfortunately, there has been so far no integrated, unified and organized effort for a study of customer service in all its aspects by banks in India. Even individually, we are afraid, not much attention, at least on a regular basis, has so far been devoted to these banks. The low priority given to such appraisal and study might perhaps have been due to inadequacy of bank services compare to large unsatisfied demand all these years banks have been operating in a seller's market and discontinued to have, ready

customers and large waiting lists. It is true that customer services are an extremely dynamic concept. What is good customer services today may be indifferent service tomorrow and bad service the day after. But even in absolute terms there is general consensus that the service presently rendered by banks need, and is capable of vast improvement.

There is general feeling today both amongst bankers themselves and in public at large, that customer service rendered by banks leaves much to be desired, and in certain respects, had indeed reached very low levels. This can be ascribed to many reasons may be enormous branch expansion plans undertaken by banks along with the ever widening range of the activities and responsibilities particularly after nationalization had weakened the structural fabric of the organizations. Simultaneously, public expectations have been constantly, often justified, increasing, and with the growing public awareness, dissatisfaction over the service has assumed growing expression.

And the time has come for banks to look inward to find out what is the nature and quality of the things they sell, what is the product demanded by their customers and have to go about marrying the two. Briefly speaking customer dissatisfaction is seen to be pointedly acute in the following aspects:

- Delay in putting through transactions.
- Delay in correspondence
- Delay in decision making

- In regard to credit applications particularly, questions asked and data required are not fully relevant.
- All the enquires not made at one time
- Lack of counseling
- Undue emphasis of staff on observations of rules and procedures and
- General attitude of unconcern and apathy for the client.

These get reflected in diverse activity areas, illustratively delays in encashment of Cheque or issuance of receipts, submissions of statement of accounts, completion of pass books, collection and remittances, processing business proposals, even where risks are nominal; inadequate job knowledge leading to postponement or of decisions; unrealistic of irrelevant questions in dealing with business proposals and stipulated of unrealistic terms and conditions on repayment programmed, lengthy and complicated documentation; casualness, indifference and/or discourtesy at counters or in correspondence. The result dissatisfaction over the performance of banks has acquired a short edge because of the high salary structure of bank employee amidst large unemployment, low wage economy and pervasive poverty. A detailed study is required for initiating measuring for improvement in customers service, because there is considerable room for improvement in

this area and also because people's expectation about bank services has substantially gone up.

Ascertaining these exceptions therefore is necessary. Expectations vary from one class of customers to another the underprivileged, the common man, the agriculturist, the professional, the trader, the industrialist, etc also as between rural, semi urban and urban customer. Circumstances under which expectations would be met also differ as between bigger and smaller offices. Further, dynamics of customer expectations and aspirations and the resultant futuristic demands on banks also call for detailed investigation and long term measures. One major component of customer service, and the other major component covers the systems and procedures aspects; and the entire range of customer service will have to be, thus, studied against the backdrop of other major interdependent factors:

- Demands on and expectations from banks
- Quality and job knowledge of banks personals
- Attitude and motivation of bank employees
- Back up systems and procedures

Some of these and other related factors have direct and immediate impact on customer service, while others have a long term significance, but are nonetheless, very relevant and important, the critical service areas needing urgent attention have been identified as:

- Deposits accounts
- Remittance and collections areas needing immediate attention
- Encashment of Cheque

- Issuance of receipts
- Statements of accounts
- Collection of Cheque and bills
- Remittance including issue and encashment of drafts
- Staff attitudes.

To conclude, banking which is one of the major service industries playing its role in removing the hindrances involved in trade and commerce. The service of the bank cannot be neglected at any point of time. The role of banking service enables not only individuals but also a nation as a whole. It has been rightly said in the interim report submitted by **R K. Taiwar Committee** to the government that customer is a focal point in any service industry, and particularly in banking. The report throws light on various areas where there are possibilities for improvement in customer service. The customer who expects the service in a good quality is due to the change in lifestyle.

CHAPTER 2

DESIGN OF THE STUDY

Research Methodology

Introduction:

Banking industry, one of the major contributors to the economy mainly depends on their customers. Customers are the major source who contributes to the growth and development of banks. Banks being a service provider should provide service to the customers to a greater extent where in no customer is left with dissatisfaction. This is possible only when banks adopt good customer relations management. Under this study an attempt is made to know how the banks offer service to the customer and also the level of customer's satisfaction.

Title of the study

“A study on customer satisfaction with special reference to Bangalore branch”

Statement of the problem:

The present study intends to throw light on an issue relating to the need and importance of customers relations with the entrepreneurs and the corporate bodies. The study intends to know the relationship that exists between the customer's satisfaction and the services offered.

Objectives of the study:

- To study the existing relationship between the J&K bank and its customers.
- To suggest the measures to improve upon on customer relationship in J&K banks.
- To analyze the behavior and perception of customers about the services and facilities provided by the bank.

Scope of study

The scope of the present study is restricted to the analysis of customer relationship with the banker and the overall of the customers of the bank..

Sources of data

Both the primary and secondary data were used for the analysis. The primary sources has been collected through the questionnaire prepared based on the objectives of the study. The secondary sources of information have been gathered through the internet, magazines, leading business journal, Bank's profile etc.

Sampling technique

Random sampling method is adopted to select the respondents. The respondents are the customers of the J&K bank and state bank of India. Sample size is 115 and all are the customers of J&K bank.

Methodology

The present study has been conducted through the primary and secondary sources of information. A questionnaire was prepared to collect the responses from the respondents. The questionnaire contained the

questions relating to the various services offered by the bank and the customer's level of satisfaction on the same. The collected responses have been tabulated and the inferences were drawn from the analysis of the data. Simple statistical tools and techniques like bar diagram, charts graphs. Statistical averages were used to analyze the data.

Operational definitions of the concepts (used in this project):

Bank:

Bank is defined as a person or corporation who holds it out to receive from public deposits payable on demand or by cheques. (wakter leaf).

Banker:

Banker is defined as "one who in the ordinary course of his business honors cheques drawn upon him by persons from and for whom he receives money on current accounts" (Dr. H.L Hart).

Bank marketing:

"Bank marketing is the aggregate of functions, directed at providing services to satisfy customers financial (and other related) needs and wants,

more effectively and efficiently than the competitors keeping in view the organizational objectives of the bank”.

Banking:

The Indian banking Regulation Act 1949, under section 5(1) (b) defines banking as “Accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise, and withdraw able by cheques, draft, order or otherwise”.

Commercial Banking

Commercial banking refers to that which is concerned with the acceptance of deposits from the public repayable on demand or after expiry of a short period, and the granting of mainly short-term credit to trade, commerce and industry through wide network of branched throughout the country.

Public Sector Banks:

Public Sector banks refer to commercial banks, which are owned by the central Government either directly or through RBI. They are also referred to as National banks. They are establishing by the special Acts passed by the parliament.

Private Sector Banks:

Private sector banks refer to commercial banks other than public sector commercial banks. In other words private banks are those commercial banks, which are owned & controlled by private entrepreneurs.

Private Sector Indian Banks:

Private sector Indian banks refer to commercial banks owned and controlled by Indian entrepreneurs.

Scheduled Banks:

Scheduled banks are those banks, which are included in the second schedule of the RBI Act of 1934. Commercial banks are included in the second schedule only when they satisfy the following conditions.

- They have paid up capital and reserves of Rs. 5lakh or more.
- They satisfy the RBI that their affairs are not being conducted to the detriment of the interests of their depositors.

Non – Scheduled Banks:

Banks which do not satisfy the above conditions and not included in the second schedule of RBI Act are called Non – Scheduled Banks.

Customer:

A Customer is a person who has some sort of account, either deposit of current account or some similar relation with the banker. (Lord Davey)

Service:

According to Philip Kotler Service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.

Customer service:

Customer service can be defined as an activity that calls for interactions between the supplier and the customers with two objectives in mind

a) Operational efficiency b) Customer satisfaction. Customer service is the action carried out to ensure that products and services reach the customer on the right time and in the right quantities and specification to result into customer satisfaction.

Customer Relationship marketing:

A better approach to customer retention is to deliver high customer satisfaction. Then it would be harder for a competitor to overcome barriers by simply offering lower prices or switching inducements. The task of creating strong customer loyalty is called customer relationship marketing.

Limitations of the study:

- Study was conducted only with limited branches in Karnataka state.
- The outcome cannot be generalized to the bank performance as a whole the study throws light on selected areas of service.
- The outcome does not reflect the customer relationship with the banker with references to all the services.
- There was poor response from respondents as they were not comfortable with few questions in the questionnaire.

Chapter Scheme

Chapter 1: This chapter gives an introduction of the study.

Chapter 2: This chapter gives the design of the study and the methodology used in the study.

Chapter 3: This chapter gives the profile of the bank, its mission, vision and policies etc.

Chapter 4: This chapter deals with the analysis and interpretation of the data.

Chapter 5: This chapter deals with the findings and suggestion part of the study,

CHAPTER3
PROFILE of the Bank

PROFILE OF THE BANK

Historical Back Ground of J & K Bank

Entire banking in the state of Jammu and Kashmir was performed by traditional lenders till 1920- 30 and that too at exorbitant interest rates. At the same time some banks function at a very limited scale, such as Punjab National Bank Limited, Grind lay's Bank and Imperial Bank of India

The role of these banks was reduced to the acceptance of deposits, as they could not grant loans and advantage to the people of the state owing to the statutory limitations. Under this scenario banks could not ameliorate the financial and social position of the people of the state. To over come this critical situation the then Maharaja of the state conceived an idea of setting up of a state bank in the state. After a prolonged exercise and deliberations the assignment for establishing of "The Jammu and Kashmir Bank Limited" was given to the late Sir Sorabji N Pochkhanwala, the then Managing Director of the Central Bank of India.

Mr. pochkhanwala formulated a scheme on 24-09-1930, suggesting establishment of a semi state bank with participation in capital by state and the public under the control of state Government. Thus the bank was formally incorporated on the 1st of October 1938 and commenced

business from 4th of July 1939 at its Registered office Residency Road Srinagar, Kashmir.

Prelude:

The Jammu & Kashmir Bank is today one of the fastest growing banks in India with a network of more than 500 branches/offices spread across the country offering world class banking products/services to its customers. Today, the Bank has a status of value driven organization and is always working towards building trust with Shareholders, Employees, Customers, Borrowers, Regulators and other diverse Stakeholders, for which it has adopted a strategy directed to developing a sound foundation of relationship and trust aimed at achieving excellence, which of course, comes from the womb of good Corporate Governance. Good Governance is a source of competitive advantage and a critical input for achieving excellence in all pursuits. J&K Bank considers good Corporate Governance as the *sine qua non* of a good banking system and has adopted a policy based on all the four pillars of good governance – transparency, disclosures, accountability and value, enabling it to practice trusteeship, transparency, fairness and control, leading to stakeholders delight, enhanced shareholder value and ethical corporate citizenship. It also ensures that bank is managed by an independent and highly qualified Board following best globally accepted practices, transparent disclosures and empowerment of shareholders, besides ensuring to meet shareholders aspirations and societal expectations following the principles of management's executive freedom to drive the bank forward without undue restraints but within the framework of effective accountability. The excellence achieved by the bank in its operations

stemming from the roots of voluntary good Governance has not gone unrecognized and Bank has recently bagged three very prestigious awards for following fair business practices and commitment to social obligations.

The Bank recorded an outstanding achievement in the last fiscal (2004-05) in key areas of its operations. During the year 2004-05, the Bank achieved an all time high business turnover of Rs.33162.11 crore from Rs.27946.32 crore of the previous year registering an increase of 18.66%.

The Capital & Reserves of the Bank increased by Rs.71.66 crore to Rs.1665.40 crore during the year from Rs.1593.74 crore of the previous year. The Capital Adequacy Ratio stood at 15.15%, which is comfortably much above the minimum stipulated by Reserve Bank of India.

The Bank posted a net profit of Rs.115.07 crore in the last fiscal as against the previous year figure of Rs.406.33 crore .The dip in the profits is in line with overall industry trend which witnessed diminishing yields in the securities portfolio held by banks and consequential booking of losses. The Bank could not remain insulated to the said affects of inflation and hardening of interest rates, which besides impacting the yields also, depreciated the investment portfolio. In order to insulate the securities portfolio from future market risk and to reduce the duration of its investments, Bank transferred securities of Rs.2602.03 crore from AFS to HTM category and also disposed off long duration securities, thereby booking depreciation /loss on investment portfolio aggregating Rs.222.47 crore. Bank's aggregate deposits recorded an appreciable accretion of 16% to Rs.21644.97 crore at the end of financial year 2004-05 from the previous year figure of Rs.18661.38 crore. The rate of growth is commendable when compared to 14.1% at national level.

The credit portfolio of the Bank also recorded an appreciable growth during the year. The total advances of the Bank increased to Rs.11517.14 crore against Rs.9284.94 crore of the corresponding period of the previous year

registering a growth of 24%. The outstanding to priority sector increased by Rs.544 crore to Rs.2510 crore at the end of March 2005 from Rs.1966 crore of the previous year. The investment portfolio recorded a growth of 8% to Rs.9089.23 crore from Rs.8451.10 crore of the previous year.

The net NPAs stood at 1.41%, against 1.48% of the previous year, which is one of the lowest in the industry.

During the year, the Foreign Exchange business recorded an impressive growth of 29%, moving to Rs.5964.67 crore against Rs.4637 crore of the previous years. The contribution of this segment to the Bank's gross income has been to the tune of Rs.38.22 crore against Rs.34.80 crore of the previous years. The export turnover of the Bank increased from Rs.1928.86 crore to Rs.2211.51 crore registering an increase of 15%.

Keeping in view overall performance of the Bank, the Bank, after the approval of shareholders, paid 80% dividend (free of tax) for the year ended 31 st March 2005.

The productivity levels continued to show sustained growth with per branch and per employee business increasing to Rs.6632.4 lakhs and Rs.482.50 lakhs respectively.

Technology Driven Operations:

Maintaining a progressive outlook, the J&K Bank is keeping pace with the changing technology. The Bank continues to leverage information technology as a strategic tool for its business operations. The IT strategy

emphasizes enhanced level of customer services through 24x7 availability, multi-channel banking, and cost efficiency through optimal use of electronic channels, wider market reach and opportunities for cross-selling.

The initiatives already under way have been given a further push to accelerate growth with tech commitment. The Bank had issued over 1.25 lakh 'JK Bank Global Access Debit Cards' until March end 2005. Besides, the bank also launched its Credit Card which is available at all branches of the bank across the country. Tele Banking Facility is now available at 32 business locations of Jammu and Kashmir Zones. Currently 97.4 % business of the Bank is computerized. The number of branches /offices brought under computerization programme has increased to 423 at the end of March 2005 against 360 branches of the previous year. The Bank has an ambitious plan of achieving total automation of operations by the year 2006.

Anywhere banking facility was extended to many new locations/branches, thereby giving the customers the advantage of Anywhere Banking at 200 branches at the end of 31 st March 2005. The number of ATMs of the Bank (both off-site and on-site) already installed or under process of installation has increased to 170 during the year under report. Moreover to further improve the customer service and have total connectivity, the Bank has set-up a Central DATA Center and 78 branches/offices of Delhi and Mumbai Zones have already been migrated to (Core Banking Solution) CBS and roll over of rest of the branches of these Zones is in progress. The migration of branches in Jammu Zone from Bancs 2000 to Finacle has also been taken up. The Bank launched Internet Banking and SMS banking services, available at our CBS branches. These delivery channels shall give easy access to our customers on viewing their accounts and performing other non-

financial transactions. The Financial transactions would be available after, a nod from RBI. For convenience of our ATM card holders and all sections of cardholders, multilingual (Hindi, Urdu & English) screens shall be available soon on all ATMs of your Bank. Besides Fund Transfer Facility from one account to another account shall also be available soon on Bank's ATMs. The Bank launched its Credit Card in association with MasterCard, with three variants Gold, Silver and Blue .The cardholders can use these cards at any ATM carrying the Master card logo for withdrawing cash or POS terminal at merchant establishments for shopping. The Bank has also enrolled as member of NFS (National Financial Services) set by IDRBT by virtue of which our ATM switch has been connected with NFS switch. The connectivity will offer facility to our debit cardholders to access other Bank's ATMs, which are members of NFS in India at lower transaction costs. During the year under report, you will be glad to know that the Bank introduced Mobile ATM Service that is unique of its kind in northern part of the country. The Mobile ATM offers service at the footsteps of the customer. The Bank has customized software solution in place to handle Asset Liability Management (ALM) system of the Bank. At present almost all the ALM sensitive data is captured in automated form ensuring the compilation of ALM picture at short notice. Besides CIBIL reporting system and MIS architecture has been improved to match set standards. The Bank has launched its INTRANET SITE for surfing by the staff .The site shall keep them updated about policies and directions of the organization at their workplace besides helping them in resolving their customer grievances /complaints instantly.

Innovative Products:

To maximize value to its customers, the innovation in products and improving the quality and speed of services is the hallmark of Bank's business strategy. In keeping with this objective, the bank has launched several unique and innovative deposit products, which include “Mehendi Deposit Scheme”, “Recurring plus Deposit Account”, “Flexi Deposit Scheme” etc. The scheme has flexibility of depositing variable monthly installments as per the convenience of the depositor. As a measure to enhance speed and efficiency of service “Single Point Commit system” was introduced at its select branches, with both front and back offices manned by officers providing end-to-end service to the customer at the same counter. At 126 branches the said systems has been extended and are in the process to extend it to equal number of more branches.

The Bank is fast emerging as the most preferred DP in the chosen market providing quality Depository Services of National Securities Depository Services Limited (NSDL) and Central Depository Services Limited (CDSL) to more than 20000 customers with a custody of securities worth Rs5450 crores. Bank is extending broking services at its DP centers in association with M/S IL&FS Investsmart Limited. The Bank is having a vision to transform its DP centers into Capital Market Bank and share trading services which will provide wide range of financial products to its existing and prospective customers.

Diversification of Business

The Bank diversified its business activities into insurance, both life and non-life. The Bank not only became the strategic partner of MetLife Insurance India (P) Limited, but also has been acting as corporate agent of the said company for distribution of their life insurance products through network of its branches. The Bank also entered into a tie-up with Baja Allianz General Insurance Company for distribution of their non-life insurance products. In view of Bank's deep branch network and loyal customer base particularly in Jammu and Kashmir, the Bank has been able to distribute insurance products in deep rural and far flung areas and has made penetration in the new areas thereby adding to its non interest and fee based income.

Recognition and Awards

The Bank recently won the prestigious Asian Banking Award – 2005 for its 'Development Project Financing Programmed', contributing significantly to the development of tourism industry of the J&K State. The award was presented by the Under Secretary Finance, Philippines, at a glittering Gala Dinner award function held at Manila, Philippines on June 17, 2005.

The annual Asian banking awards recognize and honor Asian banks for outstanding, innovative and world-class products and programmers

implemented during the previous year. It is the most respected and premier banking awards programmer in Asia Pacific region. It is worth mentioning that the Bank has won the Asian Banking Award consecutively for the second year. Last year, the Bank won the award for Customer Convenience Programmes and was also given runners up certificate for its project '*Motivating Employees for Better Performance*' under 'operational efficiency programme' category.

The Bank was ranked fifth among the top ten Asian banks and 762 and among top 1000 World banks. A renowned business journal "*Business Today*" ranked JK Bank among 25 top investor friendly companies in India, the only bank in the whole Indian Banking industry, which has been ranked in the magazine among first 10 Investor Friendly Companies. The Bank for the second consecutive year was ranked Best Private Sector Bank in Financial Express/ Ernest and Young combined Survey for the year 2002-03 released recently. Bank was awarded 'Shiromani Award' for outstanding achievements in the field of banking and commitment to national progress and human welfare during the year under report.

The Bank has figured among 24 Indian companies in *Forbes Global* - 100 best 'under a billion Asia's Rising Companies', listed by Forbes magazine in its latest issue dated November 1. The publication has commended J&K Bank for representing 'economic dynamism' in the region, sustained growth in all spheres and an excellent track record of rewarding its shareholders.

Corporate Social Responsibility:

The Bank has also achieved the distinction of winning the Runner up trophy at prestigious Asian Corporate Social Responsibility Forum recently.

Corporate Social Responsibility (CSR) is truly embedded in the Bank's day-to-day business, policy and strategy and addresses all stakeholders. CSR is not just an 'add-on' or a one time only subject, but is integrated into the organization's management practices. The Board of Directors and Management of the Bank are fully aware of Bank's Corporate Responsibility as a corporate citizen and are actively involved and committed towards their corporate obligations towards all the stakeholders. The Bank follows the concept that excellence in CSR is exceeding the minimum regulatory framework in which the organization operates and to strive to understand and respond to the expectations of their stakeholders in society. The CSR policy of our Bank involves meeting the needs of all stakeholders and not just shareholders against some form of ethical basis. The Bank is committed to the best and transparent corporate governance practices. It believes that proper corporate governance practices lead to effective management and control of business, which in turn provides best value to all its stakeholders. The Bank's CSR is rooted in its Corporate Governance philosophy, which in turn is woven around Bank's commitment to ethical practices in the conduct of its business, while striving in the constant quest to grow with profits and enhance shareholders value and align interests of the shareholders, stakeholders and society through adoption of best international practices and standards. Managing CSR is not viewed as an extra cost or burden but is viewed not only as making good business sense but also contributing to the long-term prosperity of our Bank and ultimately its survival. Being a good neighbors and showing that you care on the one hand and being a successful business on the other, are flip sides of the same coin.

In early 1990's when most of the banks closed their business in J&K State particularly in Kashmir valley owing to onset of militancy, it was only J&K Bank that sustained its operations with perceptible growth in its business besides expanding its network of branches even into the remotest areas of the State. The Bank has a heritage of braving all odds and despite hostile operating environments; the Bank has been on a growth path and has achieved impressive business results during last few years. Bank manages social issues in the same manner as it manages any other strategic business issue. CSR is not just recognized as promulgating the Bank's own values and principles but also the values and principles of all those who have a stake in, or are affected by, its operation. The Bank, in addition to playing its role in economic development of the state and country, also contributes significantly towards social cause. The bank has carved a niche for itself among the poor and the needy by donating generously for various philanthropic activities aimed at ameliorating their sufferings. Be it fire victims, disabled or patients with serious ailments who lack reliable means of survival, the bank continued its support and help to them. The bank adopts orphans by providing financial support to orphanage homes and donating computer systems to enable the socially/economically deprived children to acquire IT knowledge. The bank as a responsible corporate citizen provides donations to patients for the treatment of dreaded diseases needing Heart Surgery, Kidney Transplantation, etc and helps the needy & poor in acquiring hearing aids, artificial limbs, pace makers etc. The bank adopts orphans by providing financial support to orphanage homes and donating computer systems to enable the socially/economically deprived

children to acquire IT knowledge. The Bank has made donation to the tune of Rs.60 lakhs in the recent past. A three days rehabilitation camp for physically disabled persons was organized by the Bank in association with Bhagwan Mahaveer Viklang Sahayata Samiti, Jaipur (India) where 210 persons were provided with artificial limbs and appropriate treatment to many more. The Bank donated a van to Society for Rural and Urban Development (SRUD), Srinagar, for the use of Physically and mentally challenged children. An Ultrasound machine was donated by the Bank to the Cancer Society of Kashmir, Srinagar for the treatment of economically deprived patients. The Bank donated Gastro Fibrescope Endoscopic Machine, costing about Rs.5.67 lakhs to the Cancer Society of Kashmir for the benefit of poor patients who suffer from serious digestive ailments.

To provide timely relief to the victims of the devastating earthquake in Gujrat, the Bank donated a sum of Rs.10.00 lakhs to the Jammu & Kashmir Chief Minister's Relief Fund. The officers of the Bank also donated their one day's salary amounting to Rs.11 lakhs to the Relief Fund. Recently the Bank donated Rs.one lakh to Maharaja Ranjit Singh Trust, New Delhi, for the enlistment of downtrodden sections of the society. The Bank gave donation to the Foundation for inter-community Relations Delhi for enlistment of society. A financial assistance to the tune of Rs.1.00 lakh for the welfare of Gujjars was given to Gurjar Desh Charitable Trust, Jammu. The Bank donated sewing machines to destitute widows through Bhartiya Dalit Sahitya Academy, Jammu. Showing its eagerness for the upliftment of women, the Bank donated embroidery machines to Women's Welfare Society, Kachhama, Kupwara. The Bank also gave donation to NGO Friends Association for Ladies and Orphans Welfare (FALOW), Srinagar.

Devastating fire in village Batpora (Wathora), Kashmir rendered hundreds of people homeless and two persons lost their lives. The Bank organized a relief camp and distributed 50 kgs of rice and Rs.5,000 to each of the affected family. Similarly, another relief camp was organized for the fire victims at Seer, Anantnag (South Kashmir), where blankets, eatables and domestic utensils were distributed among the sufferers. A camp was also organised by the Bank at Lasipora, Pahalgam, where cash was distributed among the fire victims. With a view to help Kargil war sufferers of Drass area in Ladakh region in their rehabilitation, the Bank organized a relief camp. Blankets and eatables were distributed among the people covering about 1500 families settled in 17 villages in and around Drass, who had migrated to Sankoo, Saliskote and other far flung areas of Kargil. Stationery items were distributed among the school children.

Vision:

The Bank's vision is to be financially sound, profitable, growth and technology oriented, committed to building and maximizing sustainable value for all its stakeholders. The Bank is committed to achieve healthy growth in profitability and simultaneously to remain consistent with the Bank's risk appetite and at the same time ensuring the highest levels of ethical standards, professional integrity and regulatory compliance.

The Jammu & Kashmir Bank Limited has been the first of its nature and composition as a State owned bank in the country. The state Govt. besides contributing half of the issued capital also appointed it as its bankers for general banking and treasury business. In its formative years, the bank had to encounter several serious problems, particularly around the time of independence, when out of its total of ten branches two branches of

Muzaffarabad and Mirpur fell to the other side of the line of control(now Pak Administered Kashmir) along with cash and other assets ;in 1947. However the State Govt. came to its rescue with the assistance of Rs.6.00 Lacs to meet the claims however the bank stead fastily over came its difficulties and kept growing . Following the extension of Central laws to the state of Jammu & Kashmir, the bank was defined as a govt. company as per the provisions of Indian companies act 1956 .The bank had its first full time chairman in 1971, following social Central measures in banks .The year 1971 was a turning point for the bank on conferment of scheduled bank status and witnessed remarkable progress in all the vital fields of operations .The bank was declared as "A" Class Bank by Reserve Bank of India in 1976 .In recognition of dominant role and exalted performance , Reserve bank of India appointed the bank as its agent for performing the general banking business of the Central Govt. especially in maintaining currency chests and collection of taxes.

The landmark achievements of the bank in some important fields of operation since its inception to March 2004 are detailed below:

SHARE CAPITAL & RESERVES

The bank was incorporated with the authorised capital of Rs.2.00 Lakh shares of Rs.25/- each amounting to Rs.50.00 Lakh. The first issue comprised 80,000 shares amounting to Rs.20.00 Lakh .A total number of 62716 shares of the value of Rs.15,67,900/ were authorised and Rs.7.66 Lakh paid up as on 30.06.1940 .The authorised capital was subsequently reduced to 1.20 lakh shares amounting to Rs.30.00 Lacs in 1958 and latter enhanced to 40.00 Lacs in 1992 and 80.00 Lacs in 1993 amounting to Rs.10.00 Crores and Rs.20.00 Crores respectively. The issue capital of 28.00 lakh shares amounting to 7.00 Crores stands subscribed and paid up as on March 31,1997 Rs.28/- per share .Thus where as the paid up capital would be increased to Rs. 48.50 Crores ,simultaneously the bank be able to earn the share premium of Rs.86.80 Crores .

The bank has paid special attention to the vital aspect since its inception .The first Reserves were created by the bank when amount of Rs.10,000 / were transferred to the account as on 30.06.1941.The reserves were created not only to meet the statutory requirements but also for bad and doubtful debts and for meeting other contingencies. The free reserves which were of the order of less than one lakh in 1944 and Rs.7.00 lakh in 1966 stood at Rs.42.50 Lacs in 1975 and less than one Crore in 1979. In a span of just over 16 years the reserves have grown ten thousand times and crossed Rs.100 Crores mark in 1995, excluding those held for the risk weighted assets.

The Bank came out with unsecured non-convertible redeemable, subordinated tier-II Bond issue of Rs.75 crores in December 2000. The issue

received an overwhelming response and the Bank mobilised Rs.87 crores against the size of Rs.75 crores at 11.75% p.a. with a tenure of 63 months.

The Capital & Reserves of the Bank continued to witness a remarkable growth during the year 2004-05. It increased to Rs.1665.40 crore during the year from Rs.1593.74 crore of the previous year.

DEPOSITS

The public has reposed its confidence in the standing of the bank from its very inception and the same has been growing ever since that dates; despite the shocks it received as a consequence of partition because of loss of two branches within eight years. In the first year of its operation the bank succeeded mobilizing deposits to the tune of Rs.14 Lacs after which there was no looking back .The deposits which stood at just over one Crores in 1949 and less than 100 Crores in 1978, grew with amazing pace within a span of 16 years .The growth of the deposits accelerated at an amazing pace for the decade 1980-1990, from Rs.191.67 Crores to Rs.1046.35 Crores. Barring few occasions ,the growth rate has been more than the national average ,doubling in 1991-1994 (in just four years) despite the slag economic trends in the state due to turmoil and difficult working conditions. It will be in order to reveal that when all nationalized banks closed down their offices in valley in 1990, the J & K bank alone braved against all odds and discharged its banking services to the public at great risks. Not only in deposits, the bank discharged its duties under those difficult situations in all spheres and made inroads in multifarious levels in pattern of client base. The bank performed commendably during the year by registering the growth rate of 26.40% against the national average of 16.1%. The deposits of the bank stood at Rs.3658.14 Crores as on March 31st, 1997 against the

Rs.2895.18 Crores as on 31.03.1996. The deposit base of the Bank touched new high at 11,168 crores at the end of financial year 2000-01. The average deposits per branch work out to Rs.30.15 crore against the previous year figure of Rs.26.17 crore. The average deposit per employee stood at Rs. 172 lacs against Rs.150 lacs of the previous year.

During the financial year 2004-05, the rate of growth in deposits was commendable when compared to 14.1% at national level. The aggregate Deposits of the Bank recorded an appreciable accretion of 16% to Rs.21644.97 crore during the year from the previous year figure of Rs.18661.38 crore.

CREDIT DISPENSATION

The J & K Bank Ltd. was established with a sole aim of improving the economic conditions of the people of the state as then existing banks could not fulfill such needs because of various limitations as stated earlier. On the very next day of opening a loan on Rs.1.20 Lacs was granted to the borrower. This may be a laughable amount today, but it carried a slogan that time. The people of the state regard J & K bank as their own bank owing to its local orientation and characteristics and bank in turn has been fulfilling their aspirations by spear heading the credit dispensation not only under the normal lending schemes but also through the central and state Govt. sponsored schemes. The bank has been instrumental in the economic upliftment of the people of the state which otherwise would have been difficult in view of its backwardness, topographical conditions and above all conservative attitude of other banks.

Bank has been playing its role devotedly towards the economic development not only on domestic front but also for the foreign exchange earnings. The

bank disbursed advances to the tune of Rs.5.76Lakh in first year, while as the one Crores mark was achieved after 25 years only. There after the credit disbursals gained momentum .The amount of advances stood at 131 Crores in 1980 recorded 10 fold increase and stood at Rs.1208 Crores at 31.03.1995. During the last two years the advances registered an emphatic growth and were recorded at Rs.4763 Crores as on 31.03.2001. J K bank is one of the few banks , which has been able to show exemplary performance in adjusting to the rigorous prudential norms that came into force during 1992-93.

The bank has not only enhanced the quantitative but also qualitative approval of the credit portfolio. On some occasions the bank's credit deposit ratio and priority sector lending has exceeded the desired or prescribed limits. Bank has not only fulfilled its commitments towards the Govt. of J & K but also has come to its rescue in the hours of financial crises. The lending to the state Govt. has been a constant phenomenon for the decades now and in fact upsets various ratios related to credit on some occasions. The bank has witnessed a steady growth in the borrower client base, which is spread to more than one Lacs accounts presently.

The credit portfolio of the Bank recorded a healthy growth of 24% during the financial year 2004-05. The total advances of the Bank stood at Rs.11517.14 crore as at the end of March 2005 as against Rs.8010.95 crores of the previous year. The outstanding to priority sector lending increased by Rs.544 crore to Rs.2510 crore at the end of March 2005 from Rs.1966 crore of the previous year.

INVESTMENTS

Right from the beginning, the liquidity, safety and profitability of the funds has remained and continues to be the focus of bank's policies. During the first few years, the surplus funds were kept either in current or fixed deposit accounts with other banks .It was in the year 1944 when an amount of ten Lacs was invested in Govt. securities. There after the growth of investment portfolio has been phenomenal one .The investment holdings of the bank have been far beyond the statutory requirements .The total investments in Govt. and other approved securities, bonds debentures was to the tune of Rs.792 Crores as on 31.03.1995. During the last few years bank's investments portfolio grew at amazing pace as the Bank's investment policy continued to focus on increasing returns through investments in safe and liquid securities. During the year 2004-05, the investment portfolio has recorded a growth of 7.55% to Rs.9089.23 crore from Rs.8451.10 crore of the previous year.

PROFITABILITY

Except for the first year of business, when bank suffered a loss of Rs.0.07 Lacs as on 30.06.1941, the bank has a consistent track record of growth and profitability .In just the second year of commencement of business, it recorded an impressive profit of Rs.0.48 Lacs and wiped out the losses of previous year. With excellent fund management, the profits of the bank jumped from 177 Lacs in 1990 to 1251 Lacs in March in 1994 after providing for all the statutory and mandatory provisions.

The Bank posted a net profit of Rs.115.07 crore for the financial year 2004-05 as against the previous year figure of Rs.406.33 crore.

PRINCIPAL ACCOUNTING POLICIES

1. Accounting Conventions:

The accompanying financial statements are prepared by the following the going concern concept and on the historical cost basis unless otherwise stated and conform to the statutory provisions and practices prevailing within the banking industry in the country.

2. Transactions involving foreign exchange:

Monitory assets and liabilities on the balance sheet date have been translated using closing rate as at year end announced by foreign exchange dealers association of India.

Exchange differences arising on settlement of monetary items have been recognized as income or as expense in the period in which they arise.

The premium or discount arising at the inception of a forward exchange contract, which is not intended for trading or speculation purpose has been amortized as expense or income as on the balance sheet date.

3. Investments:

The investment portfolio of the bank is classified into three categories in accordance with the RBI guidelines viz,

Held at maturity.

Available for sale.

Held for trading.

For disclosure in balance sheet, the investments are disclosed as per the existing six classifications

Government securities.

Other approved securities.

Shares

Debentures and bonds.

Investment in subsidiaries and joint venture.

Others.

The valuation has been carried out as per RBI guidelines more specifically detailed here under:

- 1) Investments classified under held to maturity category are carried at acquisition cost and not marked to market. Any premium on acquisition is amortized over the remaining period of the security on a straight line basis.
- 2) in sponsored institutions are valued at carrying cost and shares of other companies which are neither quoted on stock exchanges nor the latest balance sheet is available are valued at rupee 1 per company.
- 3) The individual scripts in the available for sale and held for trading category are marked to market at quarterly and monthly intervals respectively. While the net depreciation under each classification is recognized and fully provided for the net appreciation under each classification is ignored

ADVANCES

Classification of advances and provisions there off have been made as per the income recognition and asset classification norms formulated by the RBI viz, Standard, sub-standard, doubtful and loss assets and accordingly requisite and provisions have been made there of.

Hitherto, the bank has been providing for sub standard assets uniformly at 20% but for this year bank has changed the policy and has provided 10% uniformly and additional 10% on unsecured portion which is in conformity with RBI prudential norms.

Advances are shown net of provisions required for NPA's. Provisions for advances classified as standard assets is clubbed with other liabilities – others.

EMPLOYEE BENEFITS:

In respect of employees who have opted for provident fund scheme, matching contribution is made. For others who have opted for pension scheme, contribution to pension fund is made based on actuarial valuation.

Contribution to gratuity fund is made on the basis of actuarial valuation at the year end.

Contribution to leave encashment fund is made by spreading the liability over the period of future average service of the current employees on a straight line method as per actuarial valuation.

VOLUNTARY RETIREMENT SCHEME EXPENDITURE (VRS):

The expenditure incurred on VRS is amortized equally over a period office years in conformity with the RBI guidelines.

INCOME RECOGNITION AND EXPENDITURE BOOKING:

Income and expenditure is accounted for on accrual basis unless otherwise stated. Interest and other income on advances/ investments classified as non-performing assets/ investments are recognized to the extent realized in

accordance with guidelines issued by the RBI. Recovery in non-performing assets is appropriate first towards the interest and there after towards principle/ arrears of assets.

INTRODUCTION TO J&K BANK

The J &K Bank Ltd. Incorporated on October 1st, 1938 commenced business on July 4th, 1939. From a small beginning the bank has grown to become a giant with a network of 440 branches spread over the length and breadth of the country. A significant contribution factor for this fast growth is the solid founding principals which are dedicated to the cause of transforming the bank not only as a financial but also the social heart of the community.

The J & K Bank is the first state owned bank of the country and 53% of equity is held by the Govt. of J&K. The bank has a consistent and track record of growth and profitability. It has a unique distinction of being banker to the J & K State Govt. and has also been appointed by RBI as its agency in J & K, responsible for carrying general banking business of the central Govt. and collection of Taxes pertaining to the central board of direct taxes.

The landmark achievements in the diversification of the banks including the sponsoring of two regional rural banks viz, Kamraz Rural Bank and Jammu Rural bank ; permission for dealing in foreign exchange, holdings the lead bank responsibilities in eight if the fourteen districts in J & K governorship of state level bankers committee (SLBC) and state level export promotion committee (SLEPC).

The bank is the only one non –nationalized sector, having been entrusted with such assignments and has come up to the exception of RBI and other agencies, like CBDT.

The bank has been swift in responding to the need for technology adaptation in meeting its commitment to the customers and offers the best of service and a wide range of products. The bank is investing in a big way in information technology, installation of ATM at Residency road, Srinagar and Gandhi Nagar Trikuta Nagar Jammu Ahamadabad and Mera Road Mumbai and at other important centers, introduction of EFT and E- Mail service substantiate this fact. The number of computerized branches of the bank has risen to 219 as on March 2000, which accounts for 80 per cent of total bank business. The tele –banking facilities are available at 23 branches with such services being extended to 65 branches in the near future. The anywhere banking facility available at 23 shall be raised to 65 soon. The bank is in the process of connecting its branches through VSAT and lease lines from the existing 23 to 85. The number of ATM'S, most convenient system of extending 24 hour banking facility, is 23. ATM at six location including B/O Ansal plaza, Delhi, Corporate headquarters, Srinagar, B/O Trikuta Nagar, Jammu, B/O Government Medical college, Srinagar, B/O SSI Lal Chowk, Srinagar, Kashmir, B/O SKIMS, Srinagar and B/O Ahamadabad, are having IST Switch connectivity. Once the data center is completed our bank shall be the first to introduce the Internet banking in J & K State. A new concept of customer's facility touch screen kiosks shall be installed at 65 branches of the bank. J & K bank is one of the few banks in the country which has been able to show exemplary performance in

adjusting to the prudential norms that came into force during 1992-93 and has been able to reach capital adequacy ratio of above 17.44 per cent, which is far ahead of RBI stipulation and is alone of the highest in the industry today.

The banking industry of the country has been reeling under the pressure of increasing intermediation and declining profits for the past a few years. The margins have been shrinking due to high level of competition and rising NPA'S. In view of the financial reforms, banks are confronted with tighter capital adequacy and prudential norms, transparency and disclosures practices, asset – liability management, risk management and monitoring. With relatively lower inflation, interest rates continued to soften during the year.

Notwithstanding subdued economic environment, the J &K recorded splendid performance during the year 2002-2003. The banks turnover reached a new high of Rs 22686 Crores against the previous figure of Rs 19335 Crore recording a steady growth of 17.33%. Despite low interest rate regime, bank aggregate deposits recorded an appreciable accretion of 13.66% to Rs 14674.90 Crore at the end of 2002-03 from the previous year figure of Rs 12911.11 crore. The investment portfolio of the bank recorded a remarkable growth of 24.70% to Rs 8010.95 crore against Rs 6423.89 crore of the corresponding periods of the previous year. The investment portfolio recorded a growth of 17.33% to Rs 6737.82 crore from Rs 5752.55 crore of the previous years. The net NPA'S stood at 1.58% against 1.88% of the previous year, which is one of the lowest in the industry.

Foreign exchange business turnover of Rs 3666.37 crore against Rs 2954.44 crore of the previous year showed a remarkable growth of 24.10%. The capital and reserves of the bank increased by Rs 305 crore to Rs

1242crore during the year from Rs 937 crore of the previous year registering an impressive growth of 32.55%. The bank posted a net profit of Rs 337.75 crore for the financial year 2002-03 recording an impressive increase of 30% over the last year's net profit of Rs 259.80 crore. The capital adequacy ratio stood at 16.50%

Continuing its pace of growth, the net profit of the bank for the half-year ended 30th September 2003 improved by 35.04% to Rs 198.50 crores against Rs 146.99 crores of the corresponding periods of the previous year. The operating profits went up by 26.51% to Rs 332.81 crores against Rs 263.06 of the corresponding period of the previous year.

While as the net worth increased by 33% and the total income recorded an increase of Rs 88crores to Rs920.85 crores during the same period. The credit portfolio of the bank registered an increase of 23.39% the deposits went up by 21% and the investment portfolio increased by 11.61% as on 30th September 2003 over the corresponding date of the previous year.

As at the end of this half year, the total number of branches / offices of the bank stand at 462 in which 335 branches / offices is computerized covering 92% of the business. While as on September 30, 2002, the number of branches / offices was 448 with 261 computerized branches

The bank has installed a network of over 100 ATMs both off and on site at various centers across the country. Besides, anywhere banking and tele- banking services are available at various locations. The central data centre of the bank has been set up with Finacle –as core banking solutions.The rollover of bank on the data center has already begun. With the commencing of the said data centre, the bank is eyeing at offering internet banking soon to its customers.

Anywhere Banking:

Anywhere banking facility is presently available at the following centers and with the completion of the process of interconnectivity, the said facility will be made available from its computerized branches.

- Corporate headquarters, Srinagar, Kashmir (J&K)
- B/O SSI Lal chowk, Srinagar, Kashmir (J&K)
- B/O Government medical college, Srinagar (J &K)
- B/O SKIMS, Srinagar, Kashmir (J&K)
- B/O Bangalore, Karnataka
- B/O Residency road, Srinagar, Kashmir (J&K)
- B/O Trikuta nagar, Jammu
- B/O Mohammad Ali road, Mumbai
- B/O Bandra Mumbai
- B/O Worli, Jammu
- Zonal office, Jammu
- B/O Ansal plaza, Delhi
- B/O Connaught place, Delhi
- B/O T.P Baramulla,Kashmir
- B/O Kochi, Kerala
- B/O Thiruvanthapuram,Kerala
- B/O Chennai,Tamil Nadu
- B/O Hyderabad
- B/O Pulwama,Kashmir
- B/O Vashi, Mumbai
- B/O Ahmedabad, Gujarat
- B/O Badohi, U.P.

Tele –Banking Facilities are available at following branches:

Kashmir Division:

- Air Cargo (Residency Road)
- Amira Kadal
- Alamgari Bazar
- Barzulla
- Balgarden
- Chanapora
- Hazratbal
- Jawaharnagar
- Khanyar
- Moving sectt
- Poloview
- Residency Road
- skims
- SSI, Srinagar

Jammu Division:

- Link Road
- N.U.Campus
- Residency road
- Shalimar road

- Trikuta nagar
- Moving sect
- Nanak Nagar
- Gangyal
- L.C Bari Brahmana
- Kathua

Outside Division:

New Delhi

- Ansal Plaza
- Connaught Place
- Sarita Vihar, Delhi
- South Ex. Delhi
- Vasant vihar

Mumbai

- Mira Road
- M.A Road
- Worli
- Bandra

Chennai

- Parrys Br.

Bangalore

- O.T.C Road.
- Infantry Road.

The bank introduced new value added floating rate deposit schemes viz, ‘Super Earn Deposit Scheme’ and ‘Super Reinvestment Deposit Scheme’ to add to the options / choices available to the customers. Bank is shortly launching another new deposit product under the name and style of ‘Mehendi Deposit Scheme’ targeted for girl child. The scheme has value – added features and a free accidental insurances cover.

In order to sustain trend of its growth, maintain its position among the top banks of the country and meet the emerging challenges of competition successfully, the bank has drawn vision 2005, which articulates to be financially sound, profitability, growth and technology oriented bank committed to buildings and maximizing sustainable value for all its shareholders, customers and employees.

The bank has envisaged in achieving a business turnover of over Rs 40,800 crores by the year 2004-05, with deposit and advances of the order of Rs 27,200 crores and Rs 13,600 crores respectively

The focus of the bank will continue on quality assets, preventing slippage and reducing the level of NPAs further to less than 1 percent by the end of March 2005. The introduction of technology driven products/ services

will continue to be focused area of banks policy. The Bank plans to computerize all branches by the end of the year 2005 and achieve 100 percent automation and online banking operations. Anywhere banking services are available at various branches across the country. To further add value to Banks ATM card, the bank has launched global access card in association with the Master Card International under Maestro and Cirrus programs. With this the Banks ATM card holders will be able to purchase goods and services at all Maestro acceptance locations in India and overseas and will also be able to withdraw cash globally through the Master card Maestro/Cirrus network of 2100 ATMs in the country and 6.35 lakh ATMs worldwide. It is worth mentioning that the bank has already diversified its activities into insurance sector, depository services and stock trading.

CREDIT CARD (Target profile)

- 1) All costumers at J&k branches in 12 cities (Delhi, Mumbai, Chennai, Calcutta, Bangalore, Chandigarh, Ludhiana, Jaipur, Hyderabad, Pune, Ahmedabad & Baroda.
- 2) Reported income INR 100k.INR 72k for carded applicants (Applications who have a credit card from select card issuers).
- 3) Age bracket 21 years upwards.
- 4) Credit Cardholders.
- 5) Upper Middle/Middle Class.
- 6) Salaried person, professional or business owner.
- 7) Brand conscious and value driven.**

The bank in the following regions of the country has installed the ATM centers

- Jammu and Kashmir.
- Delhi.
- Uttar Pradesh.
- Punjab.
- Haryana.
- Himachal Pradesh.
- Madhya Pradesh.
- Mumbai.
- Gujarat.
- Tamil Nadu.
- Karnataka.

Privileges available

- Balance Transfer
- Option of enrolling in Electronic Debit Clearing System
- Powerful Membership Rewards
- Automatic Travel Accident Insurance.
- Revolving Credit Facility with low interest rate.
- Purchase protection
- Value Offer.
- Membership Travel Services.
- Welcome at large number of establishments.
- ATM access

- Global Validity.
- Phone Pay Services
- Cash Advance
- 24 hour personalized customer service in 5 cities
- Limited Loss Liability
- Special Offers by J&K bank
- Free Emergency Card Replacement
- Supplementary cards
- Airport Lounge access

Exclusive Features for J&K Bank Customers

- Personalized Cheque Books.
- Special Cheque Book Holders.
- 50 per cent off on loan charges (0.5% processing charges instead of 1%)
- Commission Free Drafts Issued to Card members, if issued from personal Accounts up to a value of Rs. 20, 000.

The bank is distributing life insurance products of Met Life India Insurance Company, a joint venture of the bank with MetLife International, USA and non-life products of Bajaj Allianz General Insurance Company through the network of its branches throughout the country as corporate agents.

The bank considers good Corporate Governance as the sine-qua-non of a good banking system and has adopted a policy based on all the four pillars of good governance-transparency, disclosures, accountability and value, enabling it to practice shareholder value and ethical corporate citizenship. The practices followed and services rendered by the bank, and the outstanding performance recorded by it did not go unrecognized.

Recognition of Excellence for the Bank

- No.1 Bank in India-(Economic Times-CMIE Survey 1998-99).
- The Best Bank-(Rediff.com & PWC Survey).
- Excellence award-(Institute of Economic studies).
- Ranked as NO.1 on safety parameters-(Business Standard Survey).
- Ranked NO.2 on Profitability front-(Business Standard Survey).
- Jamnalal Bajaj Uchit Vyahahar Puraskar 2002- (Council for Fair Business practices dated 26th March 2003).
- Best Private Sector Bank award- (Financial Express Survey, Presented by Dr. Bimal jalan, The then Governor, Reserve Bank of India of April 4, 2003)
- Best private Sector Bank award – (Financial Express Survey, presented by Dr. Bimal Jalan, the then Governor, Reserve Bank of India of April 4, 2003)
- Best Universal Bank award – Financial Express, presented by Dr. Bimal jalan, Governor, Reserve Bank of India on April 4, 2003.

Awards Received by the bank

- Udyog Rattan award by IES presented by Mr. I. K. Gujral, former Hon'ble prime Minister of India.
- Pride of India and IMM Award for Excellence as Top Professional manager and outstanding performance in Management Quality and Innovations in the field of banking by Mr. H. D. Deve Gowda, former Hon'ble Prime Minister of India
- Excellence Award by Institute of Economic Studies, Delhi.
- Pride of India Gold Award
- Indira Gandhi Priyadarshini Award
- J&K Government Award for outstanding work in J&K Bank presented by the Governor of Jammu and Kashmir on independence day.
- Best banker of the year 2001 award by Rotary Club of Delhi Capital, presented by Shri L. K. Advani, Former Deputy Prime Minister of India.

Loan facility given by the bank

The different types of loans provided by the bank to its customers as per their requirements are:

- **Educational loan**

Salient features:

a)Scale for finance	i)Rs 7.50lacs for studies in India. ii) Rs 15.00lacs for studies in abroad
b) Courses allowed for	i)Graduate / P.G Courses in : Medicine, Surgery, Engineering, Hotel Management., Design,Architecture, Bio-Chemistry,Agriculture,vetinary Etc ii) P.G Courses in: Business Management, Chartered or Cost Accounting, Company Sectary ship.
c) Eligibility	I. Should be an Indian National II. Should have secured admission to professional/ Technical Courses through entrance test/ selection process III. Should have secured admission to foreign universities/ institutions. IV. Should have passed the qualifying examination for admission to the courses. V. Employed person intending to improve their educational qualification and/ or receive training in modern technology in India or abroad can also be assisted under this scheme provided training offers prospects of better placement.

➤ **Housing loans**

Salient features:

i)For Construction /purchases	The maximum amount of loan to be sanctioned under the scheme would be 40 times the net monthly income / salary of the applicant and there would be no ceiling vis-à-vis,the amount of loan.
ii) For Renovation / Addition	The maximum loan granted for carrying out repairs, additions, extension, improvement, completion, renovation of existing house is Rs 4lacs (subject to 20 times net monthly salary/income.) Also as an incentive for small borrowers, the loans up to Rs 1.5lacs granted for repairs / renovation of existing house would now be secured by third party of 2 persons or LIC policies, Government securities , VIPs, NSCs, KVPs, or such other security as is deemed appropriate by the sanctioning authority. However, negative lien would be stipulated over the existing house property for which the facility is granted and also have an ire-revocable power of attorney executed by the borrower authorized the bank so sell the house in case of default.
b)Eligibility	i)Employees of Govt., Semi- Govt. Dept, Civic bodies, PSU' with min. 5 years service

	ii) Reputed Business with min. 5 years standing. iii) Professional and self employed like Doctors, Engineers, CA's, Advocate, with min. 5 years standing.
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➤ **CAR LOAN**

Salient features:

a) Scale of finance	Ranging from Rs 1.00 lacs to Rs.5.00 lacs depending upon the net annual income / salary
Eligibility	i) Employees of Govt. / Semi Govt., Civic Bodies, PSU's/ individual /Proprietorship concerns /firms / limited companies known to the bank. ii) Net annual income should exceed Rs. 75000/= iii) The applicant (individuals) should have a valid driving license in his /her own name. iv) The employees of the state Govt. /Semi Govt., Departments / Other Organisation should have a minimum of 5 years active service in the organization / department.

Bank's vision and philosophy on the code of Governance:

The vision of the J &K Bank Ltd is to be financially sound, profitability, growth and technology oriented bank committed to building and maximizing sustainable value for all its shareholders, customers and employees. In its endeavor to attain the goal visualized, the bank is laying maximum emphasis on the effective system of corporate governance, with the view to improve the company's image, efficiency, effectiveness, and satisfying the public expectations of fairness and ethical conduct. The interaction between the board, the executives and other functionaries is so configured as to have a distinctly remarkable expectations role and improved corporate performance. The bank's corporate governance philosophy is woven around its total commitment to the ethical practices in the conduct of its business .

While striving in the constant quest to grow with profits and enhance shareholders value and align the interest of the shareholders, stakeholders, and society through adaptation of best international practices and standards. The corporate governance policies of your bank recognizes the accountability of board vis-a-vis its various constituents including customers, shareholders investors, employees, government and other regulatory authorities.

Functions of the Board:

In addition to the primary responsibility of managing the affairs of your bank, the board of directors performs various other functions for the efficient and the effective utilization of the resources at their disposal to achieve the goals visualized. The functions performed by the board of bank include.

1. Setting corporate mission

Missions have been set to remain a financially strong, sound, growth oriented and profitable bank with main focus towards providing the convenient, reliable, cost-effective and personalized services to the customers and remain globally competitive and foray into the new sectors compatible with the business of banking. The key objective of the bank shall be provide “value maximization” to the shareholders i.e. shareholders customers and employees. The bank shall also further strive to strengthen its national presence and adopt a developmental role in the country with the particular emphasis on J&K state.

2. Laying down philosophy:

Corporate philosophy of bank is woven around its total commitment to internationally accepted practices in the conduct of its business, and to maximization while at the same time endeavoring to offer the best services and support to our valuable customers and other stakeholders and recognizing the accountability of the board vis-à-vis its various constituents

including customers, shareholders, employees, government and regulating authorities.

3. Formulation of strength and other business plans

The board of directors of your bank meet frequently to take strategic postures vis-à-vis competitions and to lay down various business plans for the achievement of the missions laid and goals set. Your bank has engaged the services of leading management consultants – price Waterhouse coopers for the formulation of business plan of the bank, recruiting the organization including succession planning and HR plan and also designing an asset liability management framework consistent with bank's risk appetite.

On the basis of recommendations made by the said consultancy agency, bank has already formulated the business plan for the five years christened as "Vision 2005".

Board of Directors:

Mr. Parvez Ahmad (Secretary to Board)

Dr. Haseeb A. Drabu (CHAIRMAN)

Mr. B.R. Kundal (Principal Secretary Finance Department)

Abdul Rauf Fazili (Executive Director)

Mr. Umar Khursheed Tramboo

Mr Vipin Malik.

Mr. Muneer-ud-din Shawl

Mr Modh Yasin Mir

Mr Nasir Munji

CHAPTER 4
ANALYSIS AND INTERPRETATION

Analysis and Interpretation

Introduction:

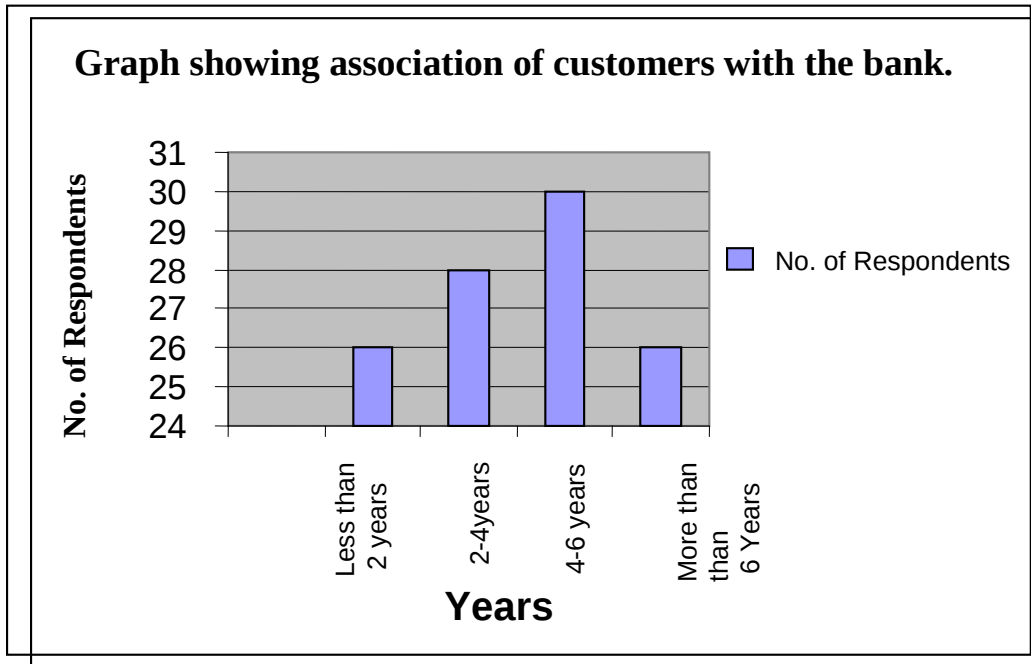
In the present competitive market condition, a customer is considered to be the king. The customer of the present day dictates the terms and conditions through which his / her needs are to be fulfilled. Banking industry, which is one of the major financial service providers in the economy, draws the attention of many with regard to the customer's services. In this context a study has been conducted to measure the satisfaction level of customers, which also will give the banker an idea of where they stand and how customers perceive them.

Table No. 1

Table showing association of customers with the bank

S NO.	NO.OF YEARS	NO.OF RESPONDENTS	%AGE
1)	Less than 2 years	26	24%
2)	2-4years	28	25%
3)	4-6 years	30	28%
4)	More than 6 years	26	23%
5)	Total	110	100%

Graph No. 1



Analysis:

So from the above chart it is clear that 27.27% of respondents have association with the bank from 4 to 6 years which are more followed by those who have association with the bank from 2 to 4 years .The association of the customers with the bank has a direct relationship relating to the customers satisfaction. Generally, longer the association with the bank betters the satisfaction level of the customer. The above graph shows the duration of the association of the customers with the bank under study.

Interpretation:

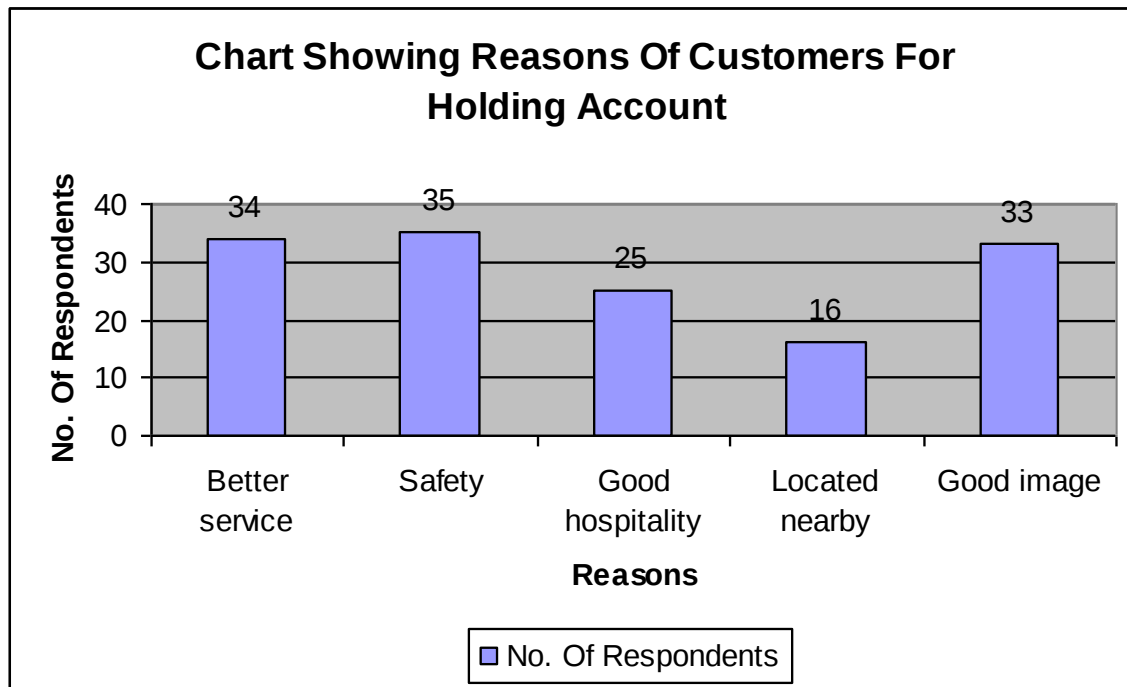
Any customer for that matter looks the convenience and benefits while opening the account with the banker. In this study the questionnaire contained a question relating to the reason for opening the account with the banks. The respondents responded to this question positively and the same has been depicted in the following table.

Table no. 2

Table showing reasons for holding the account with the banker

S NO.	Reasons for holding the account.	No. of Respondents	% age
1)	Better service	34	30.90
2)	Safety	35	31.81
3)	Good hospitality	25	22.72
4)	Located nearby	16	14.54
5)	Good image	33	30

GRAPH No. 2



Analysis

From the above it is clear that 32% of the respondents consider safety as first priority for opening their account in the bank. Whereas 31% consider better service, 23% as good hospitality and 14% as location of the bank. So it is clear that most of the customers have opened the bank account with the banker due to safety. Next to the safety the respondents expect the better service. And moreover a customer also expects good hospitality. So is the reason that good hospitality is being taken care of.

Interpretation

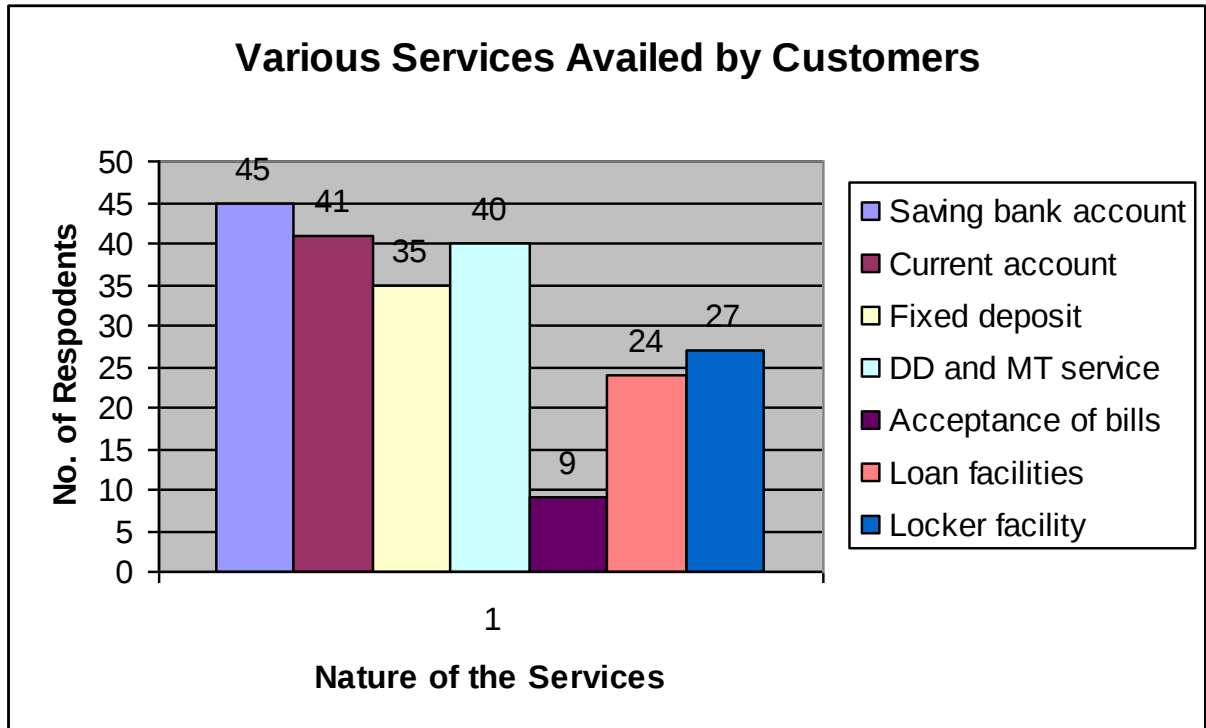
Banking operations and services go hand in hand. Since banking being, a service industry facilities for a smooth functioning of commerce and trade. Banker and customer relationship will be stronger if the services offered were to be at the satisfaction of the customers. Banker is nothing if not a service. The needs and wants of the customers have been increasing day to day due to the changes in the economic factors and changing life styles of the individuals.

Table No. 3

Table showing the various services available by customers

S No.	Nature of the services	No. of respondents	%age
1)	Saving bank account	45	41
2)	Current account	41	37
3)	Fixed deposit	35	32
4)	DD and MT service	40	36
5)	Acceptance of bills	9	08
6)	Loan facilities	24	22
7)	Locker facility	27	25

Graph No. 3



Analysis:

Above table showing that 41% of respondents are holding savings bank account, 37% holding current account, 36% avail DD/MT services, 32% have fixed deposit, 25% avail locker facility, 22% go for loan facility and only 8% go for the acceptance of bills.

So it is evident that most of the customers have availed the services of saving bank account. Current account and fixed deposit account follow the savings bank account. Acceptance of bills on behalf of the customers in the bank was less compared to other services available by the customers.

Interpretation:

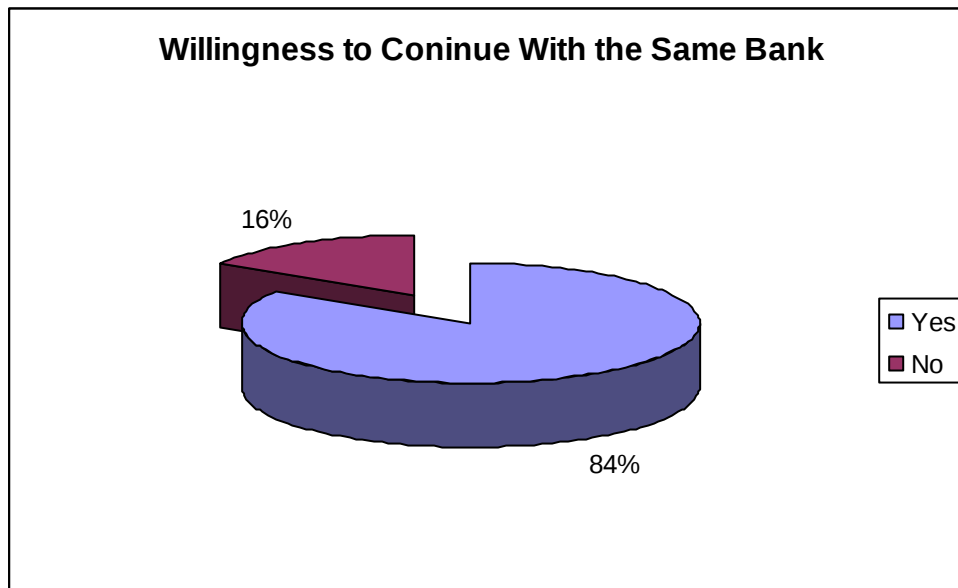
There is a say that a satisfied customer will bring hundreds of customers while a dissatisfied customer may become a cause for whole business to fail. It is this view that customers are required to be well treated irrespective of their caste, sex, religion, etc. Only satisfied customer wishes to continue to hold account with the banker and in turn he or she express their satisfaction through continuity.

Table No. 4

Table showing customer's willingness to continue with the same bank

S No.	Willingness	No. of respondents	% age
1)	Yes	93	84
2)	No	17	16
Total		110	100

Graph No. 4



Analysis

From the above it is clear that 84% of the respondents want to continue with the same bank where as 16% are not willing to continue with the same bank.

The analysis of the responses shows that most of the respondents of the bank have express their willingness to continue with the banker.

Interpretation

Frequency of banking operations though not directly related to the customer level of satisfaction, but it is also an indicator of satisfaction. A satisfied customer wishes to maintain all his banking transaction with one banker and as such his frequency of operation will be more. A dissatisfied

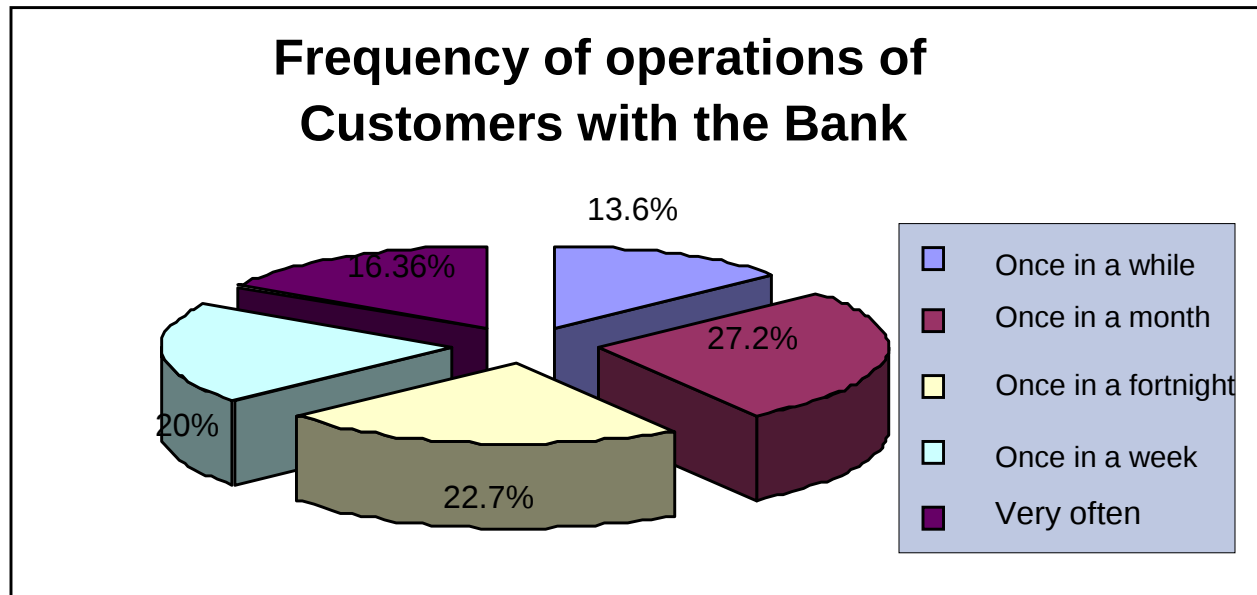
customer may express his dissatisfaction through not keeping all his transaction with the same banker, and may maintain only for sake of maintaining the bank account. Thus the frequency also has a relevance to the level customer satisfaction. The volume of transaction and their frequency also matters while analyzing the level of customer satisfaction

Table No. 5

Table showing frequency of operation of customer with the bank

S No.	Frequency of operation	No. of respondents	% age
1)	Once in a while	15	13.6
2)	Once in a month	30	27.2
3)	Once in fortnight	25	22.7
4)	Once in a week	22	20
5)	Very often	18	16.36
	Total	110	100

Graph No. 5



Interpretation and analysis

From the above graph it is evident that 27% of the respondents operate with the banker once in a month, 16% very often and once in a week 20%, where as 23% once in a fortnight and only 14% once in a while.

Analysis of the above table shows that most of the customers of the bank were operating the bank account once in month, while few customers only operate once in a while.

Introduction relatives and/ of friends to open an account with the bank

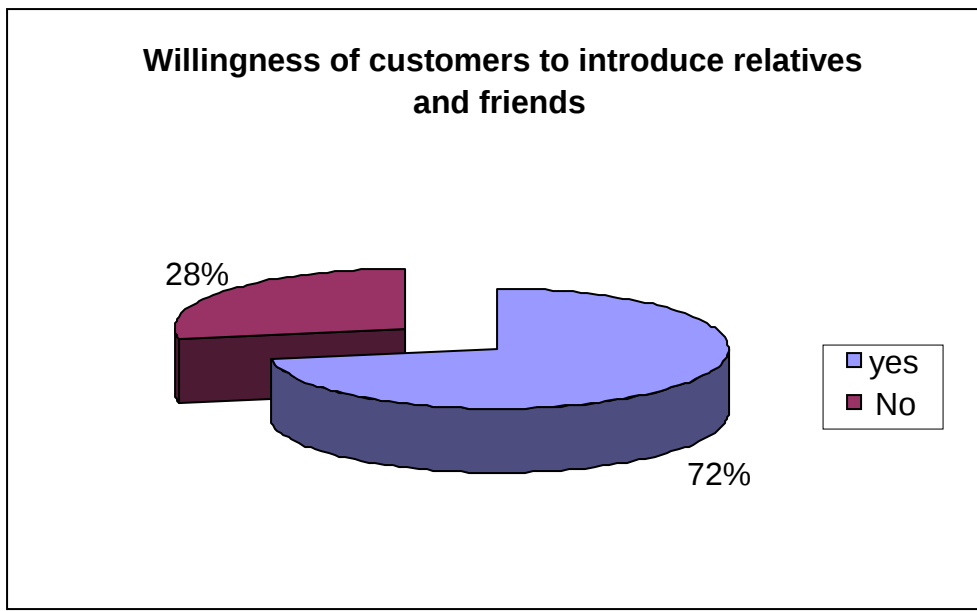
It is well said that only a customer will bring more customer to a business. This statement is very true in case of banking industry. It is mandatory that the new customer who wishes to open an account with the banker should open the account through the introduction of an existing account holder. No customer will introduce his close associates to open an account with the bank unless he himself is satisfied. Thus the above stated question has relevance with regard to customer relations management.

Table No. 6

Table showing willingness of customers to introduce friends and / or relatives.

S No.	Response	No. of respondents	% age
1)	Yes	80	72
2)	No	30	28
Total		110	100

Graph No. 6



Analysis

Table showing there are 72 % of respondents who are willing to introduce their friends and / or relatives where as 28%are not willing to do so.

From the analysis of table and chart it is evident that most of customers show their willingness to introduce new customer to the bank. Moreover it is mandatory in most of the banks to have some reference while opening a new account.

Interpretation

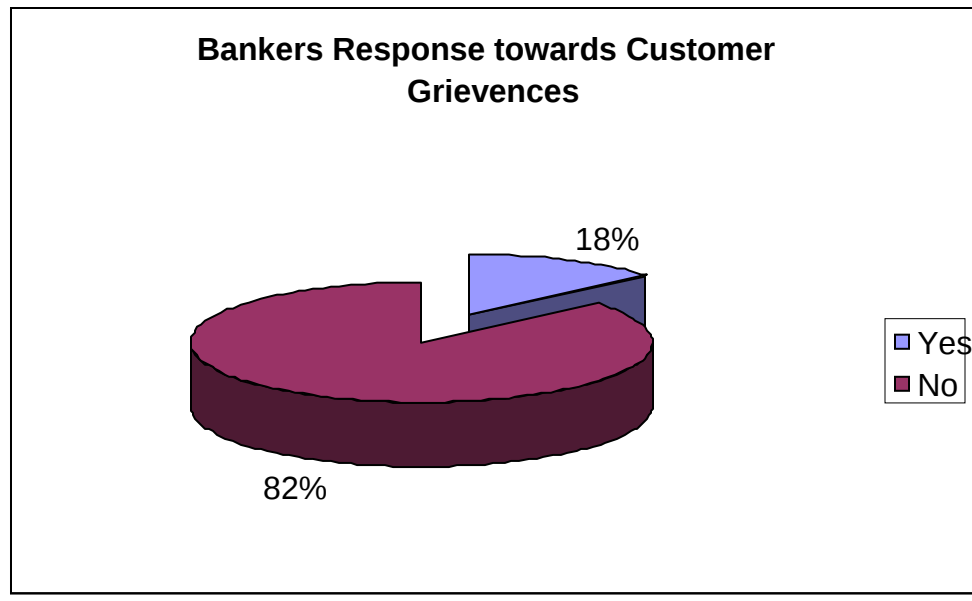
In any service industry the first and foremost aspect is grievances and their handling. In banks the customer will come across one or the other forms of difficulties while operating their accounts. It is the moral duty of the banker to attend to all those customer complaints and grievances and amicably resolve them. The customer who gets his grievances addressed will in time and with attention feel satisfied. Hence an attempt has been made under this study to know whether the customer had come across any difficulty, and if so how the same has been addressed by the banker.

Table No. 7

Table showing banker's response towards customer's grievances

S No.	Responses	No of respondents	% age
1	Yes	20	18
2	No	90	82
Total		110	100

Graph No. 8



Analysis

In general, banking customers will not come many grievances. They may come across some difficulties with regard to some banking procedures, delays in execution, sanctioning etc. From the analysis of above data it is evident that only few customers in the bank experienced the difficulties in some situations. Most of such situations were related to opening an account and getting the sanction for loans.

Interpretation

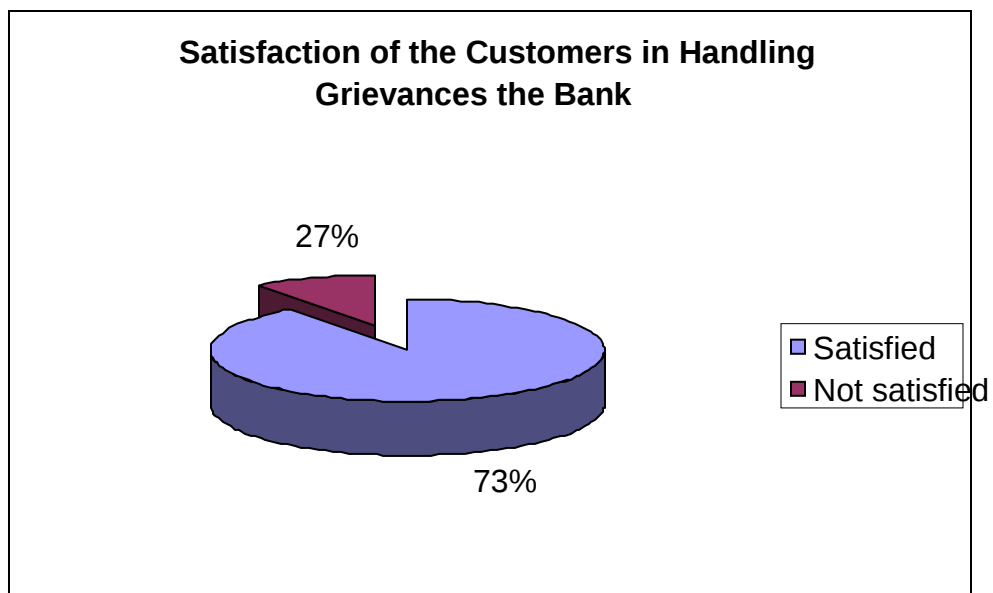
Generally a customer may come across with some difficulty while operating his account. More than the grievances it is the way in which it is handled matter a lot. The grievances, which the customers come across, have to be resolved quickly and in a better manner.

Table No. 8.

Table showing satisfaction level of customers in handling grievances by the bank:

S No.	Satisfaction level	No of respondents	% age
1	Satisfied	80	73
2	Not satisfied	30	27
Total		110	100

Graph No. 8



Analysis

From the above it is clear that 73% of respondents are satisfied with the bankers way of handling the grievances where as only 27% are not satisfied.

From the analysis of the statistics relating to the satisfaction level of customers relating to the way in which the bankers handled the grievances, show that the customers quite satisfied with their bankers. When the grievances are well handled, it will not look like a problem; hence the satisfaction level of customers will be intact.

Interpretation

Services have been graded on the basis of customer satisfaction,. The respondents have been asked to rank the services in three point scale as to good, satisfied and not satisfied.

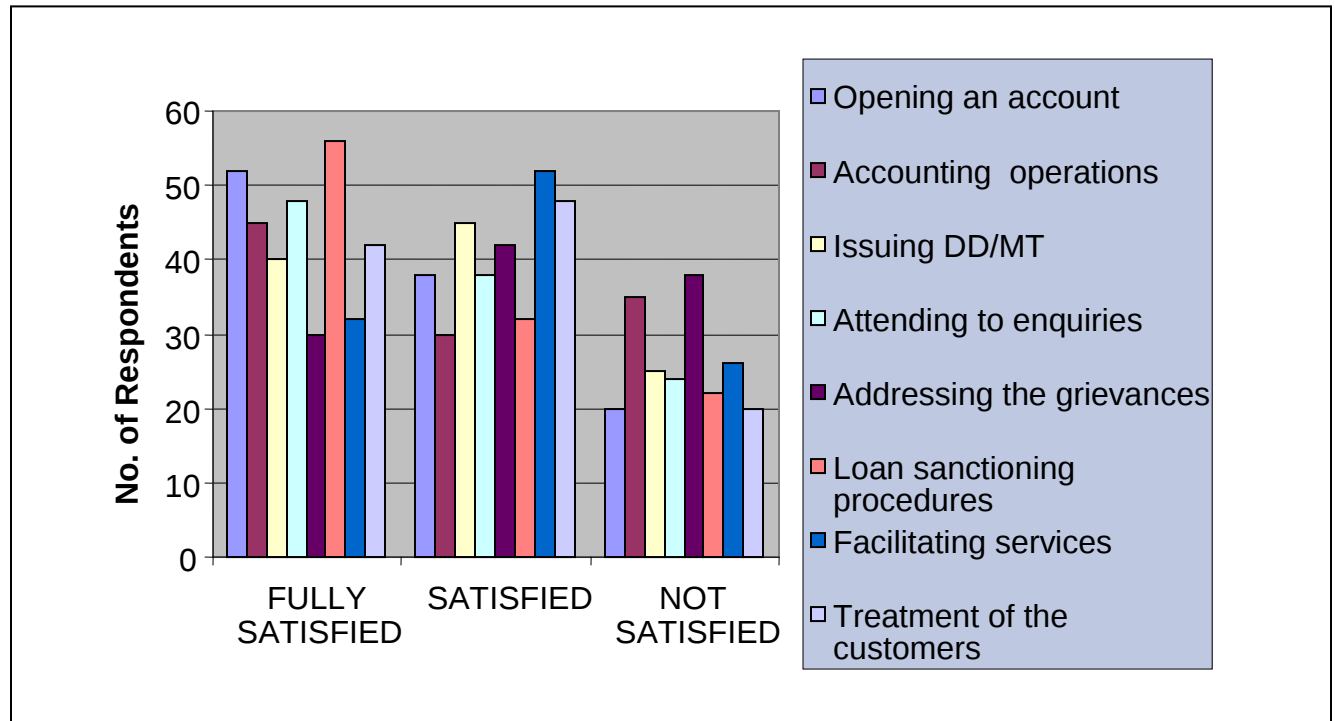
Table No. 9

Table showing the satisfaction level of customers in regard with the various services offered by the bank

SERVICES OFFERED	FULLY SATISFIED	SATISFIED	NOT SATISFIED
Opening an account	52	38	20
Accounting operations	45	30	35
Issuing DD/MT	40	45	25
Attending to enquiries	48	38	24
Addressing the grievances	30	42	38
Loan sanctioning procedures	56	32	22
Facilitating services	32	52	26
Treatment of the customers	42	48	20

Graph No. 9

Graph showing Satisfaction of customers with regards to various services offered by the Bank



Interpretation and analysis

From the analysis of the grading of various services offered by the bank under the study, it is evident that most of the respondents of the banks expressed their responses more towards satisfaction level

Facilitating services included the services relating to acceptance and payment of customers obligations viz, acceptance of telephone bills, income tax dues, property tax collection etc. As far as this service is concerned most of the customers have shown dissatisfaction level as compared to other services offered by the bank. It is also evident from the above statistics that customers are showing more dissatisfaction level in cases such as issue of DD/MT and addressing the grievances.

Findings and suggestions

Summary of findings

In the past present competitive service industry, the firms started to compete on the weapon of service quality. Quality service means a service, which meets the needs and wants of a customer. The customer needs have to be fulfilled after a through survey relating to the customer wants.

Many marketing research institutes and organization have successfully come out with many researches to find out the needs and wants of the customers. The principal task of any marketer is to fulfill the aspirations of the customers. It is thus imperative to understand what the customer wants, how they make the various choice decisions, or what their sources of information are and influence process etc. as such, marketing research is the function which provides the necessary information about the customer to the market. In this process, an organization can identify new opportunities in the market, evaluate and monitor marketing action, and in general, evolve better marketing programs to serve the interest of customer. Thus marketing research acts as the link between the customer and marketer. At par with the marketing research, an attempt has been made this study to know the satisfaction level of the customer of J &K bank with regards to various services the bank offers. To meet this end the following objectives has been set under this study.

- To analyze the impact of customer's relationship management in corporate sector.
- To study the existing relationship with banker and customer.
- To suggest the measure to improve upon customer relationship in banks

With this objective, the study has been undertaken to know what the customers exactly expects and whether the bank meets them or not, and

study is conducted with the customer of J & K bank. Samples size of 50 customers in the bank has been selected at random and an interview schedule has been used to collect the responses from them. The end of the analysis of all the data collected, the analysis revealed the following.

- Majority of the customers were holding account with the banker for years between 2 to 4 years. Only few respondents have account with the banks for the past 6years.
- The respondents were expecting better service and safety in their bank accounts
- Hospitality and convenience have been expected only next to safety and better service quality.
- As far as the image of the bank is concerned. The bank has enormously grown as compared to the previous years. So bank has very good chances to improve their image.
- The number of customers holding fixed deposit account with the J &K bank is little less than those holding saving bank account.
- The level of satisfaction has been studied through the customer's responses relating to the willingness to continue with the banker. It is assumed that only a satisfied customer will wish to continue with the banker. This study reveals that most of customers of the banker have a positive attitude towards their bankers.
- A satisfied customer also will bring new customers. The study revealed that majority of the existing customers of J &K expressed their wish to introduce the new customer to bank.
- Grievances no doubt, a common problem one will encounter in the services industry, more than the grievances it matters how they have been well addressed. The customers the bank have only few

grievances. This indicates that the customer of the bank does not have much problem relating to the grievances and operations.

- The frequency of banking operation and volume of the transaction also shows how much a customer is satisfied. It is found in the study majority of the customers of both the banks operate once in a month compared to operating once in a while, which is very low in the both the cases.
- The bank is widening its network throughout the country
- The bank is also providing the facilities like ATM, any where banking and tele -banking which facilities the customers to ease their operation.

Suggestions

From the analysis of the collected, it is found that customers in banks expect a quick and quality service which the bank can offer without much financial burden. The following are suggestions, which can be considered for improving the quality of service, and improve the level of satisfaction to the banking customers.

- The bank should simplify the document procedures while sanctioning the loan, thereby the time involved in sanctioning the loans can be reduced to some extent.
- The emergency of new private sector banks in March 1995 exposed the customers expect a quality service at par with a private and foreign, thus the bank under study should concentrate in this area to extend a quality service.
- The quality service in private banks are possible because of the use of latest technology, hence the bank under study also should implement the latest technology available to meet the needs of the customers.
- The bank under study shows that at present they have more number of satisfied customers, and hence the bank has to concentrate in maintaining the technology and service at par with the other banks.

The bank should expand the ATM centers in commercial locations of the cities.

- The bank should spend on promotional activities for the awareness of the bank
- The bank should give more emphasis on marketing to increase the customer base.

Conclusion

Privatization, the liberalization and globalization are important contemporary forces. Only those enterprise can survive, which work economically and effectively, providing customer-oriented service and using the latest technology. Today, Government –owned bodies, particularly in India, are not providing customers satisfaction services, though they have a very huge infrastructure of large base. The truth of this observation becomes obvious when we observe the performance of public sector bank in India, in

efficiencies of the public sector banks. With four years, private sector banks have set a blistering pace of growth, easily beating the growth rate of public sector banks. The base for these private banks is very small, but their share in the total net profit of banking system is disproportionately high. The study has been conducted with the J&K bank which a state is owned bank.

In the competitive market economy, firms can survive only if it could assess the needs of the customer well in advance and meet the same in time. A customer in banking industry expects a good service needs, which can be fulfilled well only when the banker identifies what the customer needs. With the advent of science and technology, the banks started offer techno-oriented services and also use this to out beat the competitors. Thus this study to some extent threw the ideas of customer's expectation and how the same has been fulfilled by the banks under study.

To conclude, bank which acts as one of the main facilitator in removing the hindrances of commerce and trade, can become an effective, economic and efficient facilitator, through offering a qualitative and quick services to their customers. This will enable not only a customer to meet his needs but also the economy as a whole

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-By Schiff man. N. Kanuk

Journals and magazines:

1. Business line.
2. Business today.

3. Economic times.

Annexure

Questionnaire for customers

Name: - -----

Age: - -----

1. What type of account do you have?

S.B A/C

☐

Current A/C

☐

2. Since how long you are associated with the bank?

Less than 2 years

☐

2-4 years

☐

4-6 years

☐

6 and more years

☐

3.What are the reasons for holding an A/C with J&K bank?

Better services

☐

Safety

☐

Good hospitality

☐

Located nearby

☐

Good image

☐

Any other ----- (specify)

4. Which of the services you avail from the bank?

S.B A/C

☐

Current A/C

☐

Fixed deposit

☐

Locker facility

☐

DD/MT services

☐

Acceptance of a bill

☐

Loan facility

☐

5. How frequently do you operate with the bank?

Once in a while

☐

Once in a month

☐

Once in a fortnight

☐

Once in a week

☐

Very often

6. Would you like to continue with this bank?

Yes

☐

No

☐

7. Would you like to introduce friends and/or relatives to the bank?

Yes

☐

No

☐

8. Do the banker respond to your grievances?

Yes

☐

No

☐

9. Does the bank inform you about its new products?

Yes

☐

No

☐

10. Are you satisfied with the way banker handle your grievances?

Yes

☐

No

☐

11. How will you rate the satisfaction level in regards with following services offered by the bank?

	Fully satisfied	Satisfied	Not satisfied
Opening an account	☐	☐	☐
Accounting operations	☐	☐	☐
Issuing DD/MT	☐	☐	☐
Addressing the grievances	☐	☐	☐
Attending to enquires	☐	☐	☐
Loan sanctioning procedure	☐	☐	☐
Facilitating services	☐	☐	☐
Treatment of the customers	☐	☐	☐

Your suggestions please -----

.....Thank you for your co-operation