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4 JAMMU AND KASHMIR BANK: A CASE STUDY

Commerce

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Abstract

A Case Study of Jammu & Kashmir Bank was undertaken. Main objectives of the present study were to ascertain the financial health of the Bank and its contribution to the economy of the State of Jammu and Kashmir. A comparative study of Jammu and Kashmir Bank (a lead private bank) and Punjab National Bank (a public sector bank) was also carried out on the variables of financial health..

The study was based on secondary data drawn from annual reports of the Bank for 5 years (2008-2012). The results were formulated using parameters such as capital adequacy ratio, asset quality, management capability, earnings and liquidity ratio using latest statistical technique

"CAMEL". A finding of the study reveals that the financial health of the Jammu & Kashmir Bank was strong on the parameters of CAMEL. The J&K Bank contribution to the development of agriculture, micro, small and medium enterprises, handloom and handicrafts was found significant.

Results of the comparative study show that the Jammu and Kashmir Bank was found higher on the variables of quality assets, the growth rate of business , liquidity ratio, earnings per employee, cost effectiveness as compared to Punjab National Bank . However, the study reveals that both the banks were found financially viable as they maintained minimum standard of capital adequacy ratio fixed by Reserve Bank of India over the period of time.

INTRODUCTION

With the ushering of new era of globalization,, the concept of banks and banking has undergone a paradigm shift. Moreover, with the RBI taking strong measures based on the recommendations of the Narsimahan's Committee, the landscape of Indian banking had changed altogether. All the banks were directed to follow the **norms of capital adequacy, asset quality, provisioning for NPA's, prudential norms, disclosure requirements, acceleration of pace and reach of latest technology, streamlining the procedures and complying with accounting standards and making financial statements transparent.** Towards this end, they re-defined their objectives, strategies, policies, processes, methods and technologies which have a direct bearing on the financial health and performance of these banks. In this way, these banks were not only required to take the above steps but have to evaluate their financial position from period to period.

Historical Background of Jammu and Kashmir 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 functioned at a very limited scale, such as Punjab National Bank Limited, Grindlay Bank and Imperial Bank of India. The role of these banks was confined to the acceptance of deposits, as they could not grant loans and advances to the people of the state owing to the statutory limitations. Under this scenario banks could not revolutionize the financial and social position of the people of the State.

In order to overcome this critical situation and then "Maharaja" (King) of the state conceived an idea of setting up of a bank in the state. After a prolonged exercise and deliberations, the assignment for establishment 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. Pochkhawala formulated a plan on 24th September.1930, suggesting establishment of a semi state Bank with participation in capital by state and public, under the control of state Government. Thus the bank was formally incorporated on the First October 1938 and commenced business from 4th of July 1939 at its Registered Office Residency Road Srinagar, Kashmir. The Jammu and Kashmir Bank Limited was the first of its nature and composition as a State owned bank in the country. The state Government 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 Occupied Kashmir) along with cash and other assets, in 1947. However, the State Government came to its rescue with the assistance of Rs. 6.00 Lacs to meet the claims. However, the bank had overcome its difficulties and kept growing.

Following extension of Central laws to the State of Jammu & Kashmir, the bank was defined as Government 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 Government. especially in maintaining currency chests and collection of taxes. Sound financial health of a bank was the guaranteed. The Bank not only safeguarded the interest of its depositors, the shareholders, employees but also contributed significantly to the socio-econmic development of the state of Jammu and Kashmir. As a sequel to this maxim, efforts had been made from time to time, to measure the financial position of the Bank and to manage it efficiently and effectively.

Alemelu (1996), Joo (1996), Sarkar and Das (1997), Ajit and Bangar (1998), Bhatia and Verma (1998), Kaur and Bhatia (1998), Padmanabhan (1998), Dasgupta (2000), Desai and Farmer (2001), Edirisuriya and Fang (2001), Mittal (2001), Passah (2001), Sikander and Mukherjee (2001), Khatik (2002), Sangmi (2002), Jain (2003), Purohit, et. al. (2003), Kapil and Nagar (2003), Duncan et al (2004), Reddy (2004), Tabasum and Sangmi (2005) and Mohanty (2006) had attempted to make a contribution in the field. Among all these researchers, no one had used the latest technique of CAMEL Parameters to study the financial performance of the Indian banks. It is against this backdrop that the present study has been undertaken to fill up this gap.

OBJECTIVES:-

The main objectives of the study were as follows:-

1) To analyze the financial performance of the Jammu and Kashmir Bank;

2) To study the contribution of the Bank to the economy of Jammu and Kashmir State;

3) To conduct comparative analysis of the Jammu & Kashmir Bank and thePunjab National Bank;

4) To suggest measures, on the basis of the study results, to improve further the financial performance of the banks under study.

METHODOLOGY:

Methodology described the research route followed, the instruments for the collection of primary and secondary data were used, and sample of the study was defined and selected.. Descriptive Research Method was used.

Sample of Study

The present study was undertaken to evaluate the financial performance of the Jammu and Kashmir Bank. Specific sectors were identified and studied where contribution of the Bank was significant. Ttwo top banks based in northern India, representing the biggest nationalized bank (i.e. Punjab National Bank, PNB) and the biggest private sector bank (i.e. Jammu and Kashmir Bank, JKB) were selected for comparative analysis. These two banks were purposely selected for the study, keeping in view their role and involvement in shaping the economic conditions of northern India specifically in terms of advances, deposits, manpower employment, branch network etc.

The study is mainly based on secondary data drawn from the annual reports of the respective banks. This data is related to 5 years (2008-2012).

Analysis of Data

Descriptive Statistics Techniques such as bar diagram, line diagram were used. Inferences were drawn on the basis of descriptive data.

RESULTS AND DISCUSSION:

The result and discussions of the study were described under the following heads:-

A) Capital adequacy analysis
B) Asset quality analysis
C) Management capability analysis
D) Earnings analysis
E) Liquidity analysis

1) Financial Analysis of Performance of the Jammu and Kashmir Bank

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TABLE-1 TURNOVER OF JAMMU AND KASHMIR BANK :2008-2012

YEAR	TURNOVER
2008	47476
2009	53935
2010	60294
2011	70870
2012	86424

DIAGRAM SHOWING TURNOVER

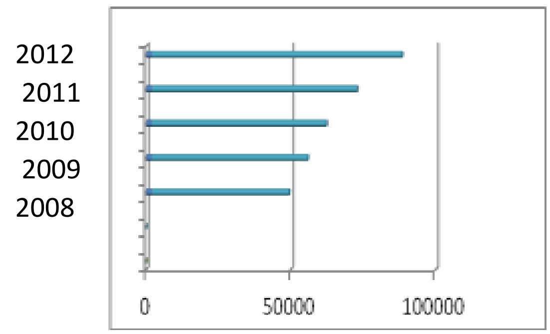

Table-1 reveals that the aggregate business of the Bank crossed yet another psychological mark and stood at Rs. 86,424.32 Crores at the end of the FY 2011-12. The total business of the Bank increased by Rs. 15,554.75 Crores from the previous year's figure of Rs. 70,869.57 Crores, registering a growth of 22%.

The total deposits of the Bank have grown by Rs. 8,670.97 Crores from Rs. 44,675.93 Crores as on 31st March, 2011 to Rs. 53, 346.90 Crores as on 31st March, 2012, registering growth of 19.41%. CASA deposits of the Bank at Rs. 21,715 Crores constituted 40.71% total deposits of the bank.

The Bank continued its prudent approach in expanding quality credit assets in line with its policy on Credit Risk Management. The net advances of the Bank increased by Rs. 6, 883.78 Crores from Rs. 26, 193.64 Crores as on 31st March, 2011 to Rs. 33,077.42 Crores as on 31st March, 2012, a growth of 26.28%. Cost of deposits for current FY stood at 5.92% compared to 5.05% for FY 2010-11.

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Table-2 Deposits of Jammu and Kashmir Bank for the Years 2008 -2012(crores)

YEAR	DEPOSITS
2008	28593
2009	33004
2010	37237
2011	44676
2012	53347

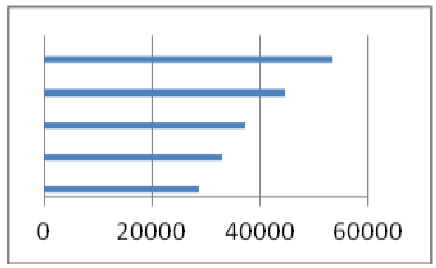

Table 2 shows that deposits of the Bank increased from Rs.28593crores in 2008 to Rs.53347 in the year 2012. There was an increase of Rs.8671 from Rs.44676 crores in 2008 to Rs.53347 crores in the year 2012. 19.4% increase was registered during the period 2011 and 2012.

TABLE-3 COST OF DEPOSIT OF JAMMU AND KASHMIR BANK FOR THE YEARS 2008-2012

YEAR	COST %
2008	5.85
2009	6.22
2010	5.24
2011	5.04
2012	5.92

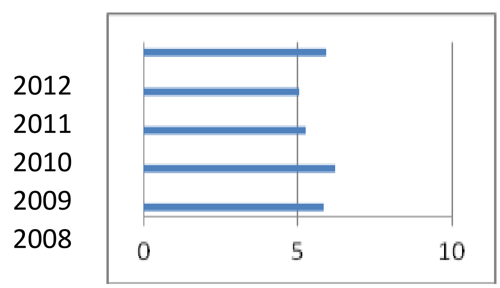

Table-3 shows that cost of deposit ranged from 5.04 percent to 6.22 percent. Percent cost of deposits increased from 5.04 in the year 2011 to 5.92 in the year 2012.

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TABLE-4 YIELD ON ADVANCES OF JAMMU AND KASHMIR FOR THE YEARS 2008-2012

YEAR	ADVANCES YIELD	YIELD %
2008	10.44	
2009	11.53	
2010	10.65	
2011	10.68	
2012	11.45	

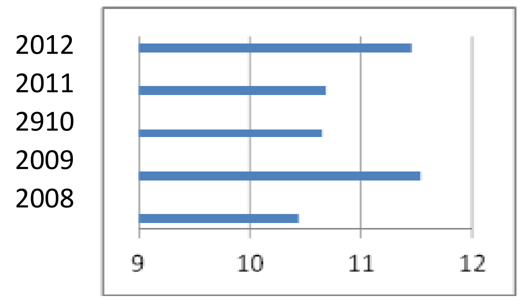

Table-4 shows that yield on advances of Jammu and Kashmir Bank had gone up from 10.44 percent in the year 2008 to 1145 in the year 2012. Increase in yield on advances had registered substantial growth.

CAPITAL ADEQUACY: NET WORTH AND CRAR

The Newt Worth of the Bank increased to Rs. 4,093.18 Crores on 31st March, 2012 from Rs. 3, 478.68 Crores on 31st March, 2011.

TABLE-5 Capital Adequacy of Jammu and Kashmir Bank for the Years 2011-2012

TABLE-2 CAPITAL OF J& K BANK FOR THE YEARS 2011-12

PARTICULARS	YEAR	
	2011	2012
CRAR %		
BASEL-1	13.3	12.53
BASEL-II	13.72	1356

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Table-5 shows that the Capital to Risk Adjusted Assets Ratio (CRAR) under BASEL-I stood at 12.53% as on 31st March, 2012 was against 13.30% as on 31st March, 2011 which is much above the norm of 9% stipulated by the Reserve Bank of India. The Bank has implemented new capital adequacy framework w.e.f. 31st March, 2009. Under new norms, bank's CRAR (BASEL-II) works out to 13.36% which is higher than the CRAR as computed under BASEL-I norms. The advantage has stemmed.

The Return on Average Net Worth, Earnings per Share and Book Value per Share for the FY 2011-12 stood at 21.22% Rs. 165.69 and Rs. 844.34, against 18.96%, Rs. 126.90 and Rs. 717.58 respectively for the previous year.

INVESTMENT

TABLE-6 INVESTMENTS OF JAMMU & KASHMIR BANK FOR THE YEARS 2011-2012 (Crores)

INVESTMENT	YEAR	
	2011	2012
GROSS VALUE OF INVESTMENTS 19727	19695.77	21624.32
PROVISION FOR DEPRECIATION	31.26	26.71
NET VALUE OF INVESTMENTS	19695.76	21624.32

Table-6 shows that the Bank's investment portfolio increased by Rs. 1928.55 Crores from Rs. 19, 695.77 Crores as on 31st March, 2011 to Rs. 21624.32 Crores as on 31st March, 2012 through gradual investment in the Central Government Securities and SDLs as per SLR requirements. SLR securities increased by 12% and constituted 53% of the total investment book as on 31st March, 2012. Non –SLR investment portfolio increased by 8% and constituted 47% of the total investment book as on March, 2012. The Bank maintained minimum levels in T-bills and simultaneously reduced exposure to equity and equity linked MFs.

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TABLE-7 NPA COVERAGE OF JAMMU AND KASHMIR BANK 2008 -2012

YEAR	NPA COVERAGE%
2008	58.05
2009	48.59
2010	90.13
2011	92.71
2012	93.76

DIAGRAM SHOWING NPA COVERAGE

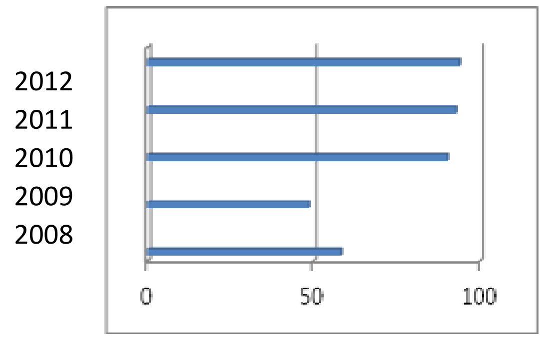

Table-7 reveals that NPA coverage had increased from 58.05 percent in 2008 to 93.76 percent in the year 2012. It implies that percentage of NPA decreased substantially and had improved the health of the Bank.

TABLE-8 EARNING PER SHARE OF JAMMU AND KASHMIR BANK FOR 2008-12

YEAR	EPS
2008	74.26
2009	84.54
2010	105.69
2011	126.9
2012	165.69

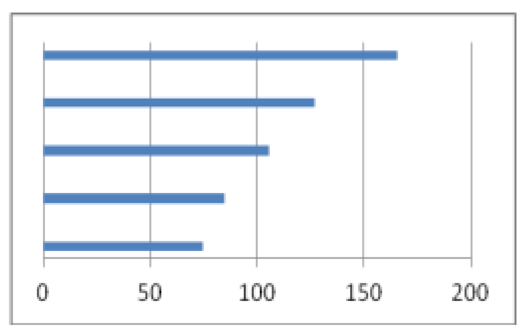

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Table-8 reveals that earning per share had gone up from Rs74.26 in the year2008 to 165.69 in the year 2012.

TABLE-9 RETURN ON ASSETS (PERCENTAGE) OF JAMMU & KASHMIR BANK FOR 2008-2012

YEAR	PERCENT
2008	1.1
2009	1.09
2010	1.2
2011	1.22
2012	1.33

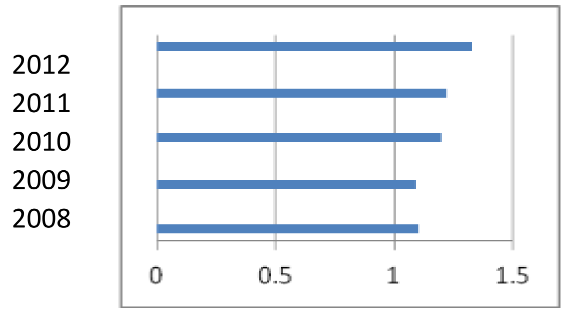

Table-9 shows that percentage of return on assets increased from 1.1 in the year 2008 to 1.33 percent in the year 2012.

Table-10 Cash Flow From Various Activities of Jammu and Kashmir Bank

S. No.		2011-12	2010-11
A	CASH FLOW FROM OPERATING ACTIVITIES	11764894	6590862
B	CASH FLOW FROM INVESTING ACTIVITIES	704551	2275629
C	CASH FLOW FROM FINANCING ACTIVITIES	2009779	1787765
	NET CHANGE IN CASH AND CASH EQUIVALENTS	9050564	10654257
D	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	35488115	46142372
E	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	44538679	35488115
A	**CASH FLOW FROM OPERATING ACTIVITIES:**		
	Net Profit after Taxes	8032505	6152019
	Add: Provision for Taxes	3978546	3191905
	Net Profit before taxes (i)	12011051	9343924

	Adjustment for:-		
	Depreciation charges	439547	379261
	Provision for NPAs	900000	1300000
	Provision for Standard Assets	300000	-
	Deprecation on investment	122946	410311
	Other provisions	369266	440646
	Interest paid on subordinate Bonds (Financing Activities)	540000	540000
	Total Adjustment (ii)	2671759	30070218
	Operating profit before change in Operating assets & liabilities (i)+(ii)	**14682810**	**12414142**
	Adjustment for changes in Operating Assets & Liabilities		
	Increase / (Decrease) in Deposits	86709666	74387746
	Increase / (Decrease) in Borrowings	1363070	44438
	Increase / (Decrease) in Other liabilities & provisions	2506039	2669
	Increase / (Decrease) in investment	19408454	57805517
	Increase / (Decrease) in Advances	69937962	32824930
	Increase / (Decrease) in Other Assets	128012	382427
	Net Cash flow from Operating activities (iii)	1104347	15818505
	Cash generated from operation (i+ii+iii)	15787157	3404364
	Less: Tax Paid	4022263	3186498
	TOTAL: (A)	**11764894**	**6590862**
B.	CASH FLOW FROM INVESTING ACTIVITIES:		
	a) Fixed Assets	704551	2275629
	TOTAL: B	**704551**	**2275629**
C.	**CASH FLOW FROM FINANCING ACTIVITIES:-**		
a)	Share Capital	-	-
b)	Equity Share Warrants	-	-
c)	Share Premium	-	-
d)	Tier II Bonds	-	-
e)	Dividend & Divident Tax Paid	1469779	1247765

f)	Interest Paid on Subordinate Debt.	540000	540000
	TOTAL C	**2009779**	**1787765**
D.	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**		
a)	Cash in hand & Balance with RBI	29749638	27447263
b)	Balance with Banks & Money at Call & Short Notice	5738477	18695109
	TOTAL D	**35488115**	**46142372**
E.	**CASH AND CASH EQUIVALENT AT THE END OF YEAR**		
a)	Cash in hand & Balance with RBI	27836539	29749638
b)	Balance with Banks & Money at Call & Short Notice	16702140	5738477
	TOTAL E	**44538679**	**35488115**

Table-10 reveals that the cash flow from operating activities increased from Rs. 6590862 in 2011 to Rs.11764894 in 2012 and from financial activities it increased from Rs.1787765 in 2011 to Rs.2009779. in 2011 to Cash and cash equivalents at the end of year increased from Rs.35488115 to Rs.44338679 in the year 2012.

Total adjustment for depreciation charges, provision for NPAs, provision for standard assets, depreciation on investment, interest paid on subordinate Bonds and other provision was Rs.2671759 in 2012 as against Rs.30070218 in the year 2011. Net profit after total adjustment increased from 6590862 in 2011 to 11764894.

Table-11 Management Efficiency

BUSINESS RATIOS OF JAMMU AND KASHMIR BANK FOR THE YEARS 2012-2013

PARTICULARS	YEAR 2012	2011
INTEREST INCOME AS % TO WORKING FUND	9.38	8.31
NON-INTEREST INCOME AS % TO WORKING FUND % TO WORKING FUND	0.65	0.82

OPERATING PROFIT TO WORKING FUNDS	2.66		2.57	
RETURN ON ASSETS	1.56		1.22	
BUSINESS PER EMPLOYEE	8.86	CRORES	8.56	CRORES
PROFIT PER EMPLOYEE	0.09	CRORE	0.08	CRORE

Table-11 shows that the interest income as percentage to working fund increased from 8.31 in the year 2011 to 9.38 in the year 2012. Non- interest income to working fund decreased from 0.82 in 2011to 0.65 in the year 2012. Operating profit increased from 2.57 in the year 2011 to 2.66 in the year 2012. Return on assets increased from 1.22 in the year 2011 to 1.56 in the year 2012. Business per employee increased from 8.56 crores in the year 2011 to 8.86 crores in the year 2012. Profit per employee increased from 0.08 crore in the year 2011 to 0.09 crore in the year 2012.

Conclusions

a) Jammu & Kashmir Bank has reported 12% growth in the net profit to Rs 302.66 crore for the quarter ended September 2013. The higher provisions for NPAs mainly impacted the bottom line of the bank. However, bank has consistently improved Net Interest Margin (NIM) from 3.84% in Q1 of FY2013 to 4.25% in Q1 of FY2014 and further higher to 4.33% in Q2 of FY2014. The improvement in NIM was supported by rise in CD ratio as well as improvement in CASA ratio. Bank has continued to maintain asset quality with decline in stressed assets ratio on sequential basis in the quarter ended September 2013.

b) Bank has transferred SLR securities with book value of Rs 321.04 crore from Available For Sale (AFS) / Held For Trading (HFT) category to Held To Maturity (HTM) category and recognized the category transfer loss of a 1.95 crore during the quarter ended September 2013. Out of the net depreciation of Rs 18.54 crore on the entire AFS Investments portfolio of the Bank as at end September 2013, the Bank has recognized Rs 6.30 crore in the Profit and Loss Account of the current quarter.

c) Asset Quality steady: During the quarter ended September 2013, the slippages were Rs 113.49 crore (slippage ratio - 1.1% annualized in Q2FY2014), but the upgradations and recoveries were lower at Rs 70.0 crore, causing 7% QoQ increase GNPA to Rs 708.93 crore at end September 2013.

d)In percentage terms, GNPA ratio rose 02 bps QoQ to 1.69%, while NNPA ratio increased 05 bps QoQ to 0.19%. GNPA ratio rose 10 bps, while NNPA ratio inched up 03 bps from a year earlier level.

e) During the quarter, bank has restructured Rs 65.5 crore of advances, while the recoveries and upgradations were strong at Rs 257.8 crore, helping to reduce the outstanding restructured book to Rs 1495.5 crore at end September 2013 from Rs 1687.8 crore at end June 2013.

f) In percentage terms, the restructured advances book declined to 3.6% of the total advances at end September 2013 from 4.4% at end September 2012.

g) Stressed advance book (NNPA and restructured advances) as % of the advances book has dipped to 3.8% at end September 2013 down from 4.4% a quarter ago and 4.5% a year ago.

h) Capital Adequacy Ratio stood at 13.54% with the Tier I capital at 11.7% at end September 2013 under Basel II, while that under Basel III stood at 13.18% with Tier I of 11.42% at end September 2013.

i)Provision coverage ratio stood higher at 92.06% at end September 2013, compared to 94.01% a quarter ago and 93.3% a year ago.

j) Business of the bank grew at improved pace of 15% YoY to Rs 102292 crore at end September 2013. The business growth was driven by 20% increase in advances to Rs 41121 crore, while deposits grew 11% to Rs 61171 crore at end September 2013.

k) CASA deposits increased 12% to Rs 23552 crore, while the term deposits moved up 11% to Rs 37619 crore at end September 2013. CASA ratio improved to 34 bps YoY to 38.5% at end September 2013.

l) Advances book of the bank grew 20% YoY, driven by 26% growth in JK and 16% YoY rise outside JK.

m) NIM further improved to 4.33% for Q2FY2014 against 4.25% in the previous quarter and 3.94% in the corresponding quarter last year. On sequential basis, the improvement in NIM was mainly aided by 19 bps QoQ increase in yield on advances to 12.35% in Q2FY2014 against 04 bps QoQ rise in cost of deposits to 6.59%. On YoY basis, the yield on advance declined 36 bps, while cost of deposits dipped 41 bps.

n) Investment book declined 1% YoY to Rs 22316.25 crore at end September 2013. SLR securities as % of total investment were 66.95% against 55.86% a year ago. HTM book constituted 70.5% of the investment book at end September 2013 compared to 66.0% a year ago.

o) Strong network expansion: Bank has added new 59 branches in Q2FY2014 and 65 branches in H1FY2014. Bank has the network of 754 branches at end September 2013. Employee count of the bank was steady at 9367 employees at end September 2013, on sequential basis, while it was slightly up from 9346 employees at end September 2012.

p) Book value per share stood at Rs 1129.2 per share at end September 2013 compared to Rs 950.5 per share at end September 2012. The adjusted book value (excluding NNPA and 10% of restructured assets) was Rs 1082.3 per share at end of September 2013 compared to Rs 908.1 per share at end September 2012.

q) Healthy other income growth: The non-interest income increased 9% to Rs 99.48 crore during the quarter ended September 2013, on the back of 3% rise in the core fee income to Rs 47.45 crore. The trading income declined 64% to Rs 9.34 crore, while the miscellaneous income jumped 128% to Rs 42.69 crore in Q2FY2014. Net total income grew 21% to Rs 781.30 crore in the quarter ended September 2013.

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r) Expense ratio rises: During the quarter, the employee expenses inched up 24% to Rs 176.76 crore and other operating expenses grew 39% to Rs 108.06 crore, pushing up the operating expenses by 29% to Rs 284.82 crore. The cost-to-income ratio increased 213 bps YoY to 193.82%, allowing operating profit to rise by 17% to Rs 496.48 crore in the quarter ended September 2013.

s) Provisions up sharply: Bank has sharply raised the provisions and contingencies to Rs 55.68 crore in the quarter ended September 2013 from Rs 32.81 crore in corresponding quarter of previous year. The increase in provisions was mainly on account of surge in provisions for bad loans at Rs 33.01 crore and depreciation of investment at Rs 6.3 crore. However, the tax provisions increased 15% to Rs 138.14 crore. Net Profit increased 12% to Rs 302.66 crore in the quarter ended September 2013.

t) For the half year ended September 2013 (H1FY14), Bank posted 18% increase in net profit to Rs 610.58 crore. The net interest income improved 23% to Rs 1336.71 crore, while non-interest income moved up 4% to Rs 191.71 crore in H1FY14. The operating expenses increased 27% to Rs 550.95 crore, while provision and contingencies rose 10% to Rs 91.91 crore. The expense ratio increased 189 bps to 36.0% in H1FY14 compared to 34.2% in H1FY13. The profit before tax increased 17% to Rs 885.56 crore in H1FY14. Effective tax rate eased 177 bps YoY to 30.8%, pushing up net profit by 18% to Rs 641.58 crore in H1FY14.

The results of the financial analysis of Jammu and Kashmir Bank reveal high level of efficiency on the variables of a) Capital adequacy ; b) Asset quality ; c) Management capability; d) Earnings; and e) Liquidity analysis

2. CONTRIBUTIONS OF THE J&K BANK TO THE ECONOMY OF STATE

The Bank's aggregate business breached another psychological mark and stood at Rs. 86424.32 Crores at FY 2011-12 end. The cumulative business increased by Rs. 15554.75 Crores from the previous year's figure of Rs. 70869.75 Crores, registering 22% growth. At J&K Bank, we are accelerating our momentum to achieve the target of Rs. 1 Lakh crores and net profit of Rs. 1, 000 crores by the end of FY 2012-13 to coincide with our platinum jubilee celebrations.

The Jammu and Kashmir Bank's vision and endeavour for being a developmental institution, central to the socio-economic development of the State had reaped rich dividends to the Bank. The policy enabled the mobilization of low cost deposits and their deployment in highly productive, but credit starved sectors of the economy.

Business Units Financed: 603 business units were found operation with the financial support of the Bank as on 2012. Substantial employment had been generated.

The State was found the highest producer of apples in India. Nearly 77 percent of total apples was produced by the State.The credit policy of the Bank was shaped to meet the credit needs of the apple growers. 4065 apple growers were provided a total loan ofRs. 85.33 crores.The Bank had financed 5 cold storage with 122544 metric tons capacity at the expense of Rs.103 crores.

The Bank extended liberal banking facilities to private players in the development of the state. The Bank had planned to provide Rs.320.52 crores towards energy sector. The Bank had undertaken the financing of micro hydro projects under private public participation.

The Bank had sanctioned Rs.400 crores to part finance the project of 4 laning of National Highway (NH-IA) from Jammu to Srinagar.

The Bank had also sanctioned Rs.88.71 crores to education sector and Rs.43.87 crores to hospitals and medical sector.

The Bank had contributed significantly to the development of agriculture, floriculture, poultry, animal husbandry, handloom and handicraft by providing cheap and easy credit to individuals. The Bank total exposure to artisans stood Rs.45.77 crores on 2012. The Bank extended Rs7.11 crores loan to handicraft sector.

Around 1777 industrial units were set up as on 2011-12 in the large and medium sector. A total loan of Rs5430 crores was disbursed . 38870 employments were generated.

10 new industrial estates spreading over 7833 kanals of land are being developed. Focus is on the development of key sectors such as food processing, pharmaceuticals, sports goods, biotechnology, textiles, and information technology to excelerate the socio economic growth ogf the state.

As on March 2012, the Bank total exposure to MSEs stood at Rs.3962.22 crores of which Rs217.92 crores pertained to micro enterprises.

Microfinance, now clearly a worldwide movement, is embraced by governments, corporations, banks, development agencies, business communities, civil societies, and philanthropists. Although the exact scale of the microfinance industry is imperfect because of incomplete data and self-reporting, several data sources shed some light on the industry. For example, the states of microcredit institutions have reported reaching 92, 270, 289 clients, 66, 614, 871 of whom were among the present they took their first loan. Of these poorest clients, 83.5 percent, or 55, 622m 406 are women". The "poorest" are defined as persons living below their nation's poverty line or living on less than one U. S. dollar per day, estimated at 1.2 billion people.

The bank made earnest efforts for inclusive development across the unbanked population of the state. More than 700 network of Khidmat centres were upgraded to Business Correspondent Model.

The Gramin Bank was also provided financial and technological support by the Jammu and Kashmir Bank for accelerating rural economy of the State.

3. COMPARATIVE ANAIYSIS OF JAMMU & KASHMIR BANK AND PUNJAB NATIONAL BANK UNDER THE PERIOD 2008 TO 2012

CAPITAL ADEQUACY ANALYSIS:

Capital adequacy is reflection of the inner strength of a bank, which would stand it in good stand during the times of crisis. Capital adequacy may have a bearing on the overall performance of a bank, like opening of new branches, fresh lending in high risk but profitable areas, manpower recruitment and diversification of business through subsidiaries or through specially designated branches, as the RBI could think these operational dimensions to the bank's capital adequacy

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achievement (Shankar, 1997). Realizing the importance of capital adequacy, the Reserve Bank of India (RBI) issued directive in 1992, whereby each banks in India was required to meet the capital adequacy standard of 8%,

Table-12 Capital Adequacy Ratio (percentage) of J & K Bank and Punjab National Bank

(Year 2009 to Year 2013)

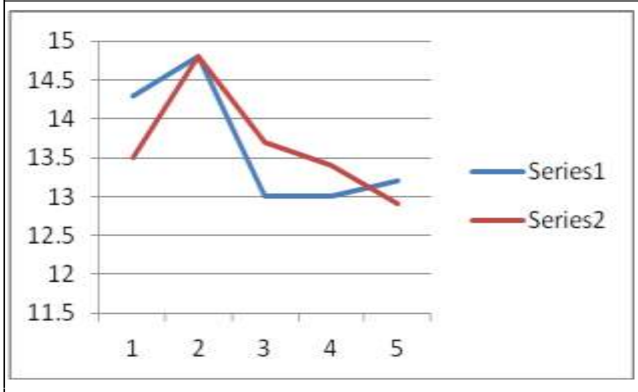
Capital adequacy ratio (%)	2009	2010	2011	2012	2013
PNB & JK BANK	14.3	14.8	13.0	13.0	13.2
	13.5	14.8	13.7	13.4	12.9

Table-11 shows that t the capital adequacy ratio of the PNB and Jammu and Kashmir Bank in the last five years have been well above the norm of RBI i.e. 8% level. This ratio has been 14.24% in the year 2009 and 13.2% in the year 2013 in case of PNB and 13.5 percent and 12.9 in case of J&K Bank during the same period. However, the average of PNB was found higher as compared to average of J&K Bank.

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Table13 Net NPAs of PNB and J&K Bank

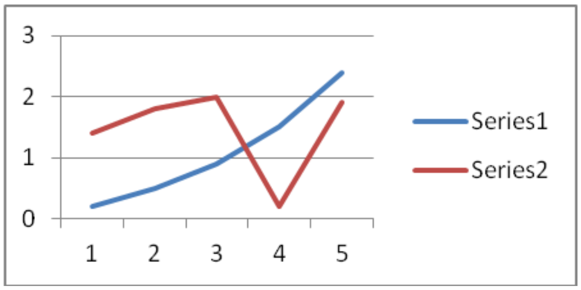
Net NPAs (%)	2009	2010	2011	2012	2013
PNB & JK BANK	0.2	0.5	0.9	1.5	2.4
	1.4	1.8	2.0	0.2	1.9

Table-13 reveals that NPAs of PNB had increased from 0.2 percent to 2.4 percent during the last five year (2009-2013) whereas the NPAs of J&K Bank had increased from 1.4 percent to 1.9 percent during the same period. However, the NPAs of both the banks fulfill the prudential norms of the RBI.

Table14 Return on Assets of J&K Bank and PNB (2009-2013)

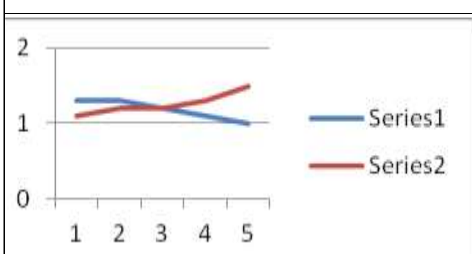
Return on assets (%)	2009	2010	2011	2012	2013
PNB	1.3	1.3	1.2	1.1	1.0
 J&K BANK	1.1	1.2	1.2	1.3	1.5

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Table 14 reveals that percentage of return on assets decreased from 1.3 in the year 2009 to 1 percent in case of PNB whereas percentage of return on assets increased from 1.1 to 1.5 in case of J&K Bank during the same period. It implies that performance of J&KBank had been found better than PNB

Table-15 Return on Equity of PNB and J&K Bank (2009 – 2012)

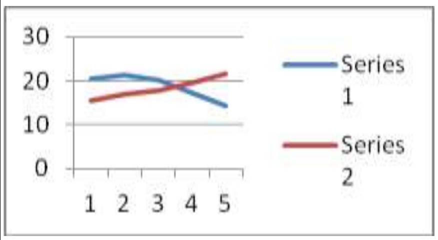
Return on equity (%)	2009	2010	2011	2012	2013
PNB & J & K BANK	20.5	21.2	20.2	17.2	14.4
	15.6	17.0	17.7	19.6	21.7

Table-15 shows that return on equity increased from 15.6 percent to 21.7 percent during five years in case of JKBank whereas in case of PNB it decreased from20.5 percent to 144.4 percent during the same period. Hence, J&K Bank position was found better as compared to PNB in case of return on equity.

Management Capability Ratios

The performance of Management capacity is usually qualitative and can be understood through the subjective evaluation of Management systems, organization culture, control mechanisms and so on. However, the capacity of the management of a bank can also be gauged with the help of certain ratios of off-site evaluation of a bank. The capability of the management to deploy its resources, aggressively to maximize the income, utilize the facilities in the bank productively and reduce costs etc. (Purohit, et. al, 2003).

Table16 Net Profit Margin of J&K Bank vs PNB During 2009 to 2013

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Net profit margin (%)	2009	2010	2011	2012	2013
PNB	16.3	18.1	16.6	13.4	11.5
J&K BANK	13.8	16.8	16.6	16.6	17.2

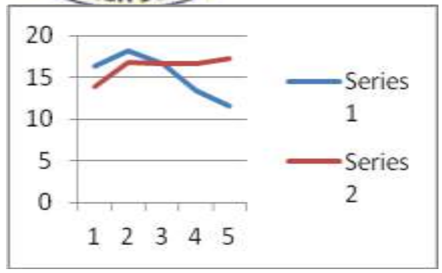

Table 16 reveals that net profit margin of J&K Bank increased from 13.8 percent to 17.2 percent during the period 2009 to 2012 whereas it decreased in case of PNB during the same period from 16.3 to 11.5 percent. Average Net profit margin(16.2) of JK Bank was found higher as compared to PNB (15.18)

Table -17 Management Capability Ratios of Punjab National Bank

S. No.	(3) Mgt. Capability Ratios	2009	2010	2011	2012	2013
A	Expenditure to Income Ratio	0.867	0.816	0.744	0.686	0.792
B	Credit–Deposit Ratio	0.512	0.545	0.580	0.597	0.601
C	Asset Utilization Ratio	0.108	0.106	0.102	0.096	0.081
D	Diversification Ratio	11.729%	12.831%	14.35%	19.37%	16.542%
E	Earnings per employee	79.524	97.749	142.8191	188.527	250.752
F	Expenditure per employee	1076.983	1163.23	1188.15	11709.08	1473.52

Table 17 shows thatt the PNB has been a quite successful bank so far as its business is concerned. The management has been successful to manage a average growth rate of 15.18% keeping the

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total expenses under control. The Management Capacity has also been explained in the table 16 with the help of various productivity rates, like expenditure to Income ratio, credit deposit ratio, asset utilization ratio, Diversification ratio, earning per employee and expenditure per employee.

Table 18: Management Capability Ratios Jammu & Kashmir Bank

BUSINESS RATIOS OF JAMMU AND KASHMIR BANK FOR THE YEARS 2012-2013

PARTICULARS	YEAR			
	2012		2011	
INTEREST INCOME AS % TO WORKING FUND	9.38		8.31	
NON-INTEREST INCOME AS % TO WORKING FUND % TO WORKING FUND	0.65		0.82	
OPERATING PROFIT TO WORKING FUNDS	2.66		2.57	
RETURN ON ASSETS	1.56		1.22	
BUSINESS PER EMPLOYEE	8.86	CRORES	8.56	CRORES
PROFIT PER EMPLOYEE	0.09	CRORE	0.08	CRORE

. Table-18 shows that the interest income as percentage to working fund increased from 8.31 in the year 2011 to 9.38 in the year 2012. Non- interest income to working fund decreased from 0.82 in 2011to 0.65 in the year 2012. Operating profit increased from 2.57 in the year 2011 to 2.66 in the year 2012. Return on assets increased from 1.22 in the year 2011 to 1.56 in the year 2012. Business per employee increased from 8.56 crores in the year 2011 to 8.86 crores in the year 2012. Profit per employee increased from 0.08 crore in the year 2011 to 0.09 crore in the year 2012.

CONCLUSIONS

The analysis and the discussion in the proceeding pages reveals that both the banks are financially viable as both have adopted prudent policies of financial management. Both the banks have managed their capital adequacy ratio well above the minimum standard of 10% fixed by RBI.

So fare as Asset quality is concerned both the banks have shown significant performance. The PNB has been able to maintain the rato of Net NPAs to Net advances The JKB bank has been more efficient by maintaining the average ratio of Net NPAs to Net advances

The business (Advances + Deposits) of the PNB and the JKB have registered a compound growth rate of 15% & 16% respectively. The PNB and J& K BANK have succeeded in diversifying its business from fund based to fee based activities. The JKB, in view of the squeezing of spread scenario needs to add more fee based products and services in its portfolio.

However, the productivity ratios like earnings per employee and expenditure per employee are more in case of JKB compare to the PNB.

The PNB has generated an average Net Interest margin of some what same as compare to generated by JKB. However, return on assets is more in case of JKB compare to PNB .

The spread management shows that PNB has received less interest on advances viz-a-viz interest paid on deposits, as compared to Jammu and Kashmir. The average spread ratioof J&K Bank is higher as compare to PNB durin the said period.

The liquidity in a bank is what is blood in human body. The bank should be in a position to meet its liability holders as an when demand arises. Thus the appropriate mixture of liquid and non liquid asset is maintained. For this an appropriate strategy of liability and assets management is designed. The liquidity position of JKB, liquid assets to deposits ratio is better than the PNB . However, the investment to deposit ratio is better in PNB compare to JKB).

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