

## A STUDY ON ROLE OF MICRO FINANCE PROVIDED BY THE JAMMU AND KASHMIR BANK

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### ABSTRACT

The Jammu and Kashmir Bank has been playing significant role for the upliftment of poor, to raise the living standard of masses and also to mitigate their socio-economic conditions to achieve balanced economic growth with social justice in the state of Jammu and Kashmir via its micro finance services. The study was conducted among the customers of Jammu and Kashmir Bank in Anantnag District to analyze the policy, practices, and role of microfinance provided by Jammu and Kashmir Bank in terms of how well it achieved its own goals: to reach the poorest populations, to ensure a positive measurable impact on the lives of clients and their families, to build financially self-sufficient institutions, and to reach and empower women vis a vis the future challenges and suggest the likely improvements.

**Keywords:** Micro Finance, Micro Credit, Poverty Eradication, Unemployment, Standard of Living.

## INTRODUCTION:

Micro-finance focuses on to help poorest families with very small loans (Micro-credit) either to engage them in productive activities or grow their tiny businesses. With the passage of time it has been realized that the poor and very poor who lack access to traditional formal financial institutions require a verity of financial products.

Poverty is an age old and worldwide phenomenon. It affects the quality of life of the people in the society in one form or other. J&K is having a huge percentage of population living below poverty line. The unemployment / underemployment, underdeveloped agricultural and horticultural sectors, unbalanced development with huge regional imbalances, illiteracy, shortage of capital, lack of entrepreneurships etc are some of the major causes of poverty in the J&K state.

Relief and subsidies cannot eradicate poverty. It needs to be removed through creation of productive employment opportunities, development of basic infrastructure and other social conditions. Productive employment generates growth, creates assets and thus improves the economic condition of the poor who can get engaged in such pursuit. At the same time, growth through productive employment creates a multiplier effect for bringing about a change in the economic scene.

In the backdrop, the J&K Bank has been playing significant role for the upliftment of poor and to raise the living standard of masses and ameliorate their socio-economic conditions to achieve balanced economic growth with social justice in the state of Jammu and Kashmir. The bank has reached to those people who have certain entitlements in the form of productive assets, education and skills; the possession of otherwise can generate incomes to by the food requirements above the subsistence level. Since poverty originates in the villages the bank took various initiatives to continue it. A number of bank's poverty eradication programme are rural centric. Under the programme the bank undertakes various initiatives to raise the standard of people and elevate poverty. The program covers area of agriculture, horticulture, village & cottage industries, Handicraft (Shawls, carpets), tourism and other allied industry on one hand promotion of health, sanitation, education and others.

The Micro-finance is being regarded as the dignified way of crossing the poverty line by the weakest section of the society. This anti-poverty tool has been tested in many parts of the world.

The J&K Bank has been organizing micro finance awareness camp throughout the state and created awareness about various credit products which are given as under:

- Kissan Credit Cards
- Self Help Groups
- Crop Loans
- Village Industries and
- Self-employment Schemes
- Handicraft Term Loans.

In order to generate employment avenues for the masses, the bank substantially contributes to the six major government sponsored schemes these are:

- Swarnjayanti Gram Swarozgar Yojana (SGSY)
- Prime Minister Rozgar Yojna (PMRY)
- J&K Self-employment schemes (SJSRY)
- The Scheme for Schedule Caste/Schedule Tribe and other backward classes (SSC/SST)
- Khadi and Village Industry (KVIB)

The bank has played a major role in providing employment through financing of the projects under these schemes. Disbursement through SHGs is an effective tool for delivering credit to rural pool for their economic empowerment and social development. The impact of SHG on members is in term of developing savings and thrifts empowerment, relief from private money lenders, assistance for welfare and economic activities, increase in literacy levels, reduction in transaction cost and credit at door step. Keeping this in a view, the bank disbursed Rs. 400 million through SHGs in J&K state, much more than any other state.

## 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'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 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. To overcome this critical situation the 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.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 First of October 1938 and commenced business from 4th of July 1939 at its Registered Office Residency Road Srinagar, Kashmir. 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 overcomes 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.

#### LITERATURE REVIEW:

Microfinance, as a part of a much larger effort to end poverty, will provide “microfinance services, specifically credit for self-employment and savings capabilities” and shall focus on the world’s poorest people. Women’s access should be prioritized, as they are “very adept at saving, highly creative entrepreneurs, and consistent in ensuring that earnings go directly to meeting family needs.” Microfinance is an important tool for sustainable social and economic progress, and a key strategy in ending poverty (“Declaration”, 1997) (Yunus, 1997).

Microfinance appeared as a fresh solution to an old problem. It appeared to be a “win-win” situation, where both financial institutions and poor clients profit. The “win-win” appearance of microfinance created unparalleled excitement in the world of economic development.

The first microenterprise program began in the developing world in the early 1960s and emerged in the United States in the early 1980s. The U.S. microfinance movement was influenced by the women’s movement and is an integral part of the community economic development movement (U.S. GAO report, 2003). As governor of Arkansas, Bill Clinton supported the Good Faith Fund, one of the early U.S. microenterprise programs. As president, he emphasized the reform of welfare laws and economic self-sufficiency and created a new branch of the U.S. Department of Treasury called the Community Development Financial Institution Fund, which funds microenterprise development and other community banking efforts. Microbusiness development markets for capital growth. Today, more than 750 organizations in the United States are providing microloans or related business training. Many of the early microloans programs in the United States, such as Women’s Initiative for Self- Employment, focused on women, who still remain the primary borrower (Susan R. Jones, 2004.)

Gender equality advocates have also recognized the importance of the microfinance industry. In 1994, Women’s World Banking, and Organization dedicated to helping low income women entrepreneurship by expanding their access to financial services, invited income women leaders to form the United Nation (UN) Expert Group on Women and Finances. It is reported that this meeting contributed to the UN’s 1996 Women’s Conference in Beijing, the UN Capital Development Fund, and the UN Department of Economics and Social Affairs. Contributions from the UN Expert group on Women and Finances have been used by many reactionaries and policy makers in many countries” to build policies, system and services that work for microfinance (J.D. Sachs, 2005).

Microfinance services are provided by banks, credit unions, and microfinance organizations, which are also known as microenterprise development organization (MDSs). These are generally for-profit and nonprofit or nongovernmental organizations (NGOs), private voluntary organizations legally chartered, where necessary, to lend money to poor people. MDOs such as ACCION International were started in the early 1960s; other, such as the Grameen Bank, began in the 1970s when its founder, Mohammad Yunus, an economics professor in Bangladesh, began lending small amounts of money to poor people, mostly. These small loans were used to start or expand small enterprises, such as vegetables farming, weaving, and livestock holding (Stephen C. Smith, 2005). The world attention was focused on microfinance when Yunus and the Grameen Bank won the Nobel Peace Prize in 2006

(Muhammad Yunus, 2003). Funding for MFIs is provided by international finance institutions such as the World Bank, UN agencies, and the international Fund for Agricultural Development.

Today, a number of MFIs – including the Grameen Bank, the Bangladesh Rural Advanced committee, the Vietnam Bank of Agriculture, and Cajalos Social in Columbia-are serving ,more than 1 million clients. Seventy percent of all foreign investment in microfinance is with regulated financial institutions, and 60 percent of this among goes to only 10 MFIs, including Bancosol and Cajalos Andes in Bolivia, Comparators in Mexico, Banco de Solidario in Eduador, and Confinaza in Peru. These MFIs tend to serve what is called “upper layer of the pyramid” as opposed to the poorest of the poor.

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 poorest when they took their first loan. Of these poorest clients, 83.5 percent, or 55, 622, 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.

**OBJECTIVES OF THE STUDY:**

Objectives of the study are as follows:

- To evaluate level of awareness for various micro-financial products in J&K bank.
- To analyze the perception of customers about the steps to be taken by J&K bank to serve the segment effectively.
- To study level of satisfaction among the customers regarding the performance of J&K bank.
- To analyzes the ways through which the role of intermediaries in financing these business units can be minimized.

**RESEARCH METHODOLOGY:**

Research Methodology adopted for the study is of quantitative type and the approach made is descriptive approach. The data collected for study include both primary and secondary data. Primary data were collected by means of structured questionnaire. The questionnaires were distributed among 200 customers of Jammu and Kashmir bank in Anantnag District. The various sources used to collect secondary data include research papers, journals, articles, books, information brochures of the bank and various other websites. The primary data collected were further analyzed to draw conclusions based on the results obtained.

**LIMITATIONS OF THE STUDY:**

However, every care has been taken to make this research paper authentic in every sense. Yet, there were a few uncomfortable factors, which might have had their influence on the final research paper. It is said, ‘nothing is perfect’ and if this quote is true we are sure there would be few shortcomings in this research paper also. These limitations are:

- The survey was conducted in District Anantnag, thus the respondents belonged only to this region of the country. This could have brought biasness into the study.
- Because of the diversity of nature of respondents, the findings of the survey could not be generalized.

**DATA ANALYSIS & INTERPRETATION:**

**1. BUSINESS RESPONDENTS ARE DEALING WITH:**

**Table No. 1**

S.No.	Particulars	% of Respondents
1.	carpet	17.5
2.	Shawls	50
3.	Walnuts	15
4.	Crewel and Embroidery	10
5.	Cutting and Tailoring	7.5
	Total	100

Source: Primary data

**INTERPRETATION:**

The table above shows that among 200 customers 50% of customers were dealing with shawls, 17.5% are dealing with carpet, and 15% are dealing with walnuts, 10% dealing with crewel and Embroidery works and 7.5% with cutting and tailoring.

**INFERENCES:**

Shawl business is the leading one among small scale business on which J&K Bank should concentrate more and then carpets and soon.

We all know that this segment of Kashmir is famous all over the world so the banks thrust on this very segment should fetch them more and also develop the economy of the valley

Thus according to the different views of the people in Anantnag, the Banks most target customers are those who are dealing with shawl and carpet.

**2. NUMBERS OF EMPLOYEES WORKING IN THESE BUSINESS UNITS:**

This question was posed to know the employee strength in these different business units. This would assist us to know the extent of their business process.

**Table No. 2**

S.No.	No. of Employees	% of Business Unit
1.	1 to 5	15
2.	5 to10	55
3.	10 to 20	13
4.	20 to 30	5
5.	30 to 40	7
6.	40 to 50	5
7.	50 to 60	3
	<b>Total</b>	<b>100</b>

Source: Primary data

**INTERPRETATION:**

From the table above, it is interpreted that 55% of the business units have employees’ strength ranges from 5-10. This shows that these are very small business units and their needs can be fulfilled by the micro-credit. Rest of the respondents have given their employee strength as, 15% has 1-5, 13% has 10-20, 5% has 20-30 and soon.

**INFERENCES:**

The J&K bank has a great scope for financing these businesses. Only one thing is needed there, i.e. to communicate that to these business owners.

**3. SOURCES OF FINANCING FOR BUSINESS UNITS:**

By this question, an effort was made to point out the most common source of finance used by these business owners to finance their business units.

**Table No. 3**

S.No.	Particulars	% of Respondents
1.	Banks	25
2.	Self Financing	44
3.	Intermediaries and Others	31
	<b>Total</b>	<b>100</b>

Source: Primary data

**INTERPRETATION:**

On analysing the above table, it reveals that only 25% of the people are financing their business units through banks. The major portion (i.e. 44%) of the sample (respondents) was financed by the intermediaries to run their business units. The other respondents were financing by self-financing and other means.

**INFERENCES:**

The most of the portion of the population are unaware about the benefits of the banks. Therefore the bank has to market their products in very proper way.

**4.AWARENESS AMONG THE BUSINESS UNIT HOLDERS ABOUT VARIOUS LOANS PROVIDED BY BANK:**

Through this question, an attempt was made to figure out the respondents’ awareness about the loans available at the various banks in the valley, especially at J&K Bank.

**Table No. 4**

S.No.	Particulars	% of Respondents
1.	Unaware	57
2.	Aware	43
	<b>Total</b>	<b>100</b>

Source: Primary data

**INTERPRETATION:**

From the above table, it can be interpreted that majority of the respondent are unaware about the loans provided by the banks to them. Only 43% of the respondents are aware about various small-scale business loans, while, as 57% of respondents were unaware about the various small-scale business loans.

**INFERENCES:**

Majority of the people are still unaware about the loans available at the various banks in the valley, especially at J&K Bank.

**5. WHETHER RESPONDENTS HAVE VISITED J&K BANK BRANCH FOR AVAILING SUCH LOAN FACILITIES:**

**Table No. 5**

S.No.	Particulars	% of Respondents
1.	Yes	59
2.	No	41
	<b>Total</b>	<b>100</b>

Source: Primary data

**INTERPRETATION:**

The table above shows that out of 85 respondents who are aware about the loans provided by the banks 50(59%) of the respondent have visited at least a branch of J&K bank.

**INFERENCES:**

Most of the respondents have visited J&K bank branches.

**6. RANKING BY RESPONDENTS OF VARIOUS BANKS WHO WERE AWARE ABOUT THE LOANS PROVIDED BY BANKS:**

An attempt has been made to figure out the respondent’s priority to various banks operating in valley especially in district Anantnag. **Rank 1** was used for highly preferred and **Rank 5** for least preferred.

**Table No. 6**

S.No.	Particulars	Ranking by Respondents
1.	JKB	1.34
2.	SBI	3.45
3.	CCB	2.05
4.	EDB	3.9
5.	PNB	4.41

Source: Primary data

**INTERPRETATION:**

It may be depicted from the above table that the (JKB) *J&K Bank* has been ranked at near about **1**. It means that the respondents who have visited and are aware about the loans provided by Banks prefer this bank. The CCB (*Central Cooperative Bank*) is ranked at number **2**. The second, third, fourth, and fifth ranks are given to SBI (*State Bank of India*), EDB (*Ellaqui Dehati Bank*) and PNB (*Panjab National Bank*) respectively.

**7. HOW DO THE RESPONDENTS RATE THE PERFORMANCE OF J&K BANK?**

An attempt has been made to find out the rate at which the respondents rate the performance of J&K Bank.

**Table No. 7**

S.No.	Particulars	% of Respondents
1.	Excellent	50
2.	Good	23
3.	Average	11
4.	poor	16
	Total	100

Source: Primary data

**INTERPRETATION:**

It can be easily depicted from the above table that about 50% respondents rated performance of J&K Bank as Excellent, and 20% of respondents rated it as good, 10% rated it as average. Rest of the respondent’s rate it as poor and very poor.

**INFERENCES:**

Majority of the respondents are satisfied with the performance of the bank.

**8. IF J&K BANK MARKETS THE PRODUCTS OF THESE BUSINESS UNITS THE PEOPLE COOPERATE OR NOT:**

The main thing behind this question was to check the trust and belief Bank of the respondents on the J&K. Through this question an attempt was made to figure out that if the products of these small business units are marketed by the bank what will be the attitude of the owners of these units i.e. whether they will cooperate or not.

**Table No. 8**

S.No.	Particulars	% of Respondents
1.	Yes	75
2.	No	25
	Total	100

Source: Primary data

**INTERPRETATION:**

It is clear from that above table that majority of the respondents are willing to sell their products through J&K Bank. **75%** of the respondents are ready to cooperate with the bank if the bank markets their products. Only **25%** of the respondents responded negative.

**INFERENCES:**

The customers who are well-known about J&K Bank are having a great degree of trust and belief in this very organisation.

**9. WHAT ARE THE FACTORS WHICH ARE CONSIDERED WHILE APPLYING FOR LOANS AND RANKING OF THESE FACTORS BY RESPONDENTS ACCORDING TO THEIR PREFERENCES?**

Through this Question an attempt was made to figure out the factors, which are highly considered while applying for loans and their role in respondent’s decisions

**Table No. 9**

S.No.	Particulars	Ranking by Respondents
1.	Low Interest Rate	2.19
2.	Quick Sanction	1.65
3.	Maximum time for repayment	2.76
4.	reasonable mortgage	3.26

Source: Primary data

**INTERPRETATION:**

The above table shows that the factor quick sanctioning of loans is ranked first and low interest Rate is ranked at second. The factors Maximum time for repayment and reasonable mortgage are ranked at third and fourth respectively.

**INFERENCES:**

The respondents are highly concerned about quick sanctioning of loans so as to invest at right time to earn profits.

**CONCLUSIONS:**

- Shawl is the main component of small-scale business in Anantnag District. As majority of the respondents i.e. 50% are dealing with shawls. Also the business units are of medium size employing 5-10 employees in their units.
- The most common source of finance for these businesses is financing by intermediaries. The local forwarding agents who finance these units at very high rate of interest finance these units. This could be because of unawareness among respondents regarding the facility of availability of loans from banks for such businesses. As 55% of respondents are not aware of the loans provided to them by various banks in the Valley. This unveils the weak promotion planning of the banks in valley.
- Most of the business unit owners have visited branches of J&K Bank i.e. 50 respondents out of total 85 who are aware about loans provided by banks to this segment. This shows that in the Valley, the J&K Bank is the most famous bank and is the leading one. Because the J&K Bank has been rated at the excellent rank of 1.34 that is close to one. The bank is the most preferred bank among its competitors like SBI, CCB, EDB and PNB.
- The overall performance of the J&K Bank was rated as excellent. This shows that the persons are very much satisfied with the overall performance of the bank, although it needs to improve in some fields.
- There is an opportunity for the bank to diversify its business. This is because the most of the respondents desire that the bank itself should market their products. The respondents have given surety that they will totally cooperate.
- Quick sanctioning of the loans has been preferred by the most of the respondents. After quick sanctioning, low interest rates are highly considered by respondents by applying for such loans. Monitoring of the functioning of these units, reasonable mortgage are considered secondarily.
- In the segment of shawl, carpet and walnut there is an opportunity for the bank to implement the total market orientation programme, which shall include both service as well as proactive orientation.
- It has been found the J&K bank is not monitoring the activities of Branch managers especially of the branches of Larkipora, Shangas, Mattan and Aishajipora.

**RECOMMENDATIONS:**

The J&K Bank is one of the most vibrant banking institutions and is performing well. The skilled and motivated manpower is its advantage over other. The micro-financial market share is increasing day by day but is still low as compared to intermediaries and need to appreciate further. The J&K Bank from last few decades has been performing well. The bank is the only institution whose contribution towards J&K economy is the most. Still there is the scope of improvement in the different fields. Below given are some recommendations, which may help the bank.

- The bank needs to look at its advertising operations. In today’s environment advertising is the media to reach the public faster. The bank should adopt strategic audit of its advertising. It should arrange visits to trade fairs, display advertising, road shows etc to aware people for small-scale business loans i.e. micro-finances.

- The staff should also give information about these loans to the customers, so that the customers apply for loan to bank rather than other intermediaries.
- The bank has recruited the various Relationship Executives/ Financial Service Executives for promoting its business, but they are not having proper direction of what they have to do and also the branches are not coordinating with them fully.
- The customers committee meetings/customers relation programs should be conducted at the branch level once in a quarter. This will assist them to serve in a very better manner.
- The bank should develop potential customer database and the calls should make on the basis of that for the promotion of these business loans.
- The bank should focus on the segment of shawls and carpet as their market orientation programme can be implemented that will serve the customers expressed needs like the financing of their business unit and customer latent need like the marketing of their products.

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