Jammu and Kashmir Bank

What is the issue?

\n\n

In J&K, Governor Administration has cleared a proposal to treat J&K Bank as Public Sector Undertaking (PSU).

\n\n

What change does the proposal make to the J&K Bank?

\n\n

- After the state assembly was dissolved recently, the State Administrative Council under Governor’s chairmanship approved a proposal for treating Jammu and Kashmir Bank (J&K Bank) Ltd as a public-sector undertaking.
- If J&K bank becomes a PSU, it will be accountable to the state legislature.
- The Finance Department of the J&K will be required to place the bank’s annual report before the Assembly.
- Also J&K Right to Information Act, 2009, shall be applicable to the bank just like other state-owned undertakings.
- It will have to follow guidelines of the Central Vigilance Commission.

\n\n

What are the unique features of the bank?

\n\n

- It is the only bank in India in which a state government holds a majority stake.
- In fact, akin to RBI for all other states and the Centre, J&K Bank was the lender of last resort in the state.

- Though the state government holds 59.3% in J&K Bank, it is not considered a public-sector bank.
\n
- This unique status needs to be seen in the context of Article 370 of the Constitution, which gives special autonomous status to the state of Jammu & Kashmir.
\n
- J&K Bank is the largest employer among all state-promoted entities with a workforce of 9,190 in 2015-16.
\n

\n\n

Why was the decision taken?

\n\n

\n
- As the state government holds a majority stake of 59.3% in J&K Bank a need was felt that it should have the character of a PSU.
\n
- As a PSU the bank should subject to general supervision and access for enhanced transparency in transaction of business to promote public trust.
\n
- Extension of the RTI Act and CVC guidelines is only aimed at promoting good governance and transparency in the functioning of the bank.
\n
- The purpose of the SAC decision is not to question the day-to-day activities of the bank management but a step towards strengthening better corporate governance.
\n

\n\n

What are the concerns regarding the move?

\n\n

\n
- In existence even before Independence, the bank has been a part of J&K people’s lives for generations.
\n
- Once it becomes a PSU, there are concerns that it will be open to interference by the political executive on recruitment, lending, and loan settlement.
\n
- The timing of the move is also an issue as there is no elected government in

place.
\n
- Also the decision was taken particularly a day after the Assembly was dissolved.
\n

\n\n

How does the J&K bank perform?

\n\n

\n
- The bank’s bad loans had risen in the last few years, from Rs 2,746 crore (6% of total advances) in 2014-15 to Rs 6,232 crore (10%) as on December 31, 2017.
\n
- There were complaints that the bank was not responding to RBI queries on time, and its internal checks and balances had weakened.
\n
- RBI slapped a Rs 3-crore fine for non-compliance with its directions on Income Recognition and Asset Classification norms and Know Your Customer/ Anti-Money Laundering norms.
\n

\n\n

Quick Fact

\n\n

J&K Bank

\n\n

\n
- The bank was incorporated on October 1, 1938 as a limited liability company to offer banking facilities in the state.
\n
- The bank is licensed as an “old private-sector bank” under Section 22 of the Banking Regulation Act, 1949.
\n
- It is classified as a state government company; it is registered with Registrar of Companies, Jammu.
\n

\n\n

\n\n

Source: Indian Express

\n\n

\n