

## Speech of

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J&K GOVERNMENT

CHAIRMAN, J&K STATE FINANCIAL CORPORATION  
AT ITS 55<sup>TH</sup> ANNUAL GENERAL MEETING  
HELD ON 17<sup>TH</sup> SEPTEMBER, 2015

Dear Shareholders,

1. We are today attending the 55<sup>th</sup> Annual General Meeting of the J&K State Financial Corporation. More than half a century has passed since this institution came into being purportedly to finance industrial growth in the State. While the Corporation has been instrumental in providing institutional finance to many enterprises in its early days, it has, over the years accumulated losses to such an extent that that it has, as of now, Net Worth of less than Rs27crore. As a result the Corporation has become completely unviable and all its activities have come to a virtual halt. Even as about Rs 90 crores were given to the Corporation by the State Government from Feb 2010 to March 2013, the Corporation has not covered much ground and is still deeply in red.
2. In this scenario, it is imperative for the Corporation to reinvent itself and earmark for itself an exclusive place in the financial intermediation space in J&K. The State Government is currently looking at creating a new Financial Architecture in the State for a financially well-intermediated economic structure. In the proposed

financial architecture, the financial institutions operating in the State shall be placed synergistically so that every sector of the economy is adequately intermediated through specialist institutions. Enlightened self interest, if nothing else, should steer the Corporation to work towards becoming part of that financial architecture.

3. To become relevant in the proposed architecture, The Corporation shall have to change its method and manner of operations and develop robust strategies and working models. The Corporation needs to find out the right mix of strategy and space for itself so that it can relate to, compete with and complement the activities of other FI's operating in J&K. And in doing so the Corporation shall have to become a specialist Institution, focussed on a particular sector. For that purpose, it shall have to develop certain competencies and engage in such activities which are exclusive to it.
4. The Corporation has, thus, a job cut out for itself. It shall have to reframe its organisational structure, re-engineer its work processes, rework its business model and build an operational plan that does not only focus on specialist lending but on "add-on lending" activities as well. Simultaneously the Corporation shall have to develop and implement policies as per the Corporate Governance Code and build a robust Board that meets frequently

to deliberate upon the future course of action and to review the progress on the above mentioned goals.

5. I would, ideally, want the organisation to first come up with a broad-based Strategic plan enunciating therein the Vision and Mission of the organisation, its Strategic Goals and Core Values. From there, the Corporation should draw a proper Organisational Structure commensurate with its Objectives and then prepare a Business Plan for a specific timeline defining therein the set of activities the organisation plans to take up during that period, to build its balance sheet incrementally. The business plan should aim at improving all the efficiency parameters of the organisation and cleaning up its balance sheet within a defined time frame.
6. There is also a need to rationalise the physical foot print and human resources of the organisation. Instead of having its offices, out of rented buildings, in all the districts of the state, the Corporation should operate from three or four regional offices catering to specific geographic regions of the state. The corporation should also put in place proper strategies for effective utilisation of its manpower especially in the subordinate cadre and redefine job roles of its operational and managerial staff in the light of its reworked business strategy.
7. For an immediate turnaround and as a future business strategy, the Corporation has a golden opportunity which it should explore

taking benefit of. By virtue of its constitution, the State Financial Corporation can directly bring to sale the mortgaged assets of defaulters; something which other lending institutions cannot. By exploiting its this inherent strength, the Corporation can not only speed track its own recovery processes but can also reinvent itself as an Asset Reconstruction Company and purchase bad loans of about 45 banks and financial institutions operating in J&K. By doing so, the Corporation shall become the only ARC operating in the State of J&K and shall have an exclusive access to a sustainable non-fund based income model. Some of the State Financial Corporations like that of Karnataka have successfully implemented this model already.

8. The corporation can also enter into strategic alliances with other FI's for on-lending to carefully selected sectors, for providing non-fund based and para-banking services to enterprises and for offering non-financial Business Development services to start-ups.
9. I am sure the management of the corporation shall, without losing any further time, sit around the drawing board and create a roadmap for a glorious future for the organisation. Once the Corporation starts becoming viable, the Government will step in to augment the efforts of the management to create an institution of global standards out of the corporation.

