

POLICY ON INCENTIVISING BUSINESS UNITS / EMPLOYEES FOR CUSTOMER SERVICES IN THE J&K Bank.

1. Backdrop

Financial services and systems across the globe are under tremendous pressure- both external and internal in terms of qualitative changes due to higher expectations of stakeholders (mainly customers) and quantitative because of peer pressure and competition in top line and bottom-line. Indian financial system of which banking is one of the strong pillars, too has transformed at a fast pace owing to various factors.

Today, the Indian banking industry is operating in a highly competitive market - both within and outside India. The supply side of banking industry suffers from plenty of banks – in public sector, private sector, cooperative sector and other specialized institutions. The banks in India further get segregated in terms of new private sector banks and old generation banks.

Change in demographic and financial profile of customers and steady rise in the affluent segment of population are major drivers of this shift on the demand side. Today, customers expect and demand instant banking at finger tip. E-banking, Mobile Banking, ATM, Credit card, Debit card facilities are just a few examples of the new banking habits and need of Indian banking customers. Though, tremendous opportunities for business growth are available in the market, the winner in long run will be the one who aligns its products and services according to the requirements of the customers, to take advantage of these growth opportunities.

In present banking arena, while most of the banking services and products are easy to replicate and when most of the Banks provide nearly identical products, they can primarily be distinguished on the basis of the quality of service only. Excellent and exemplary customer service as such is the key performance indicator as also key differentiator in today's banking. The issue has assumed critical importance now a days when the customers have become more informed of different options and service providers and resultantly are more demanding, expecting for speedy, accurate, timely and seamless services.

2. The Human Touch

Organizations are made of people and the success of any organization depends on the people working therein. The crucial role of Human Resources (HR) in an organization's progress is by and large acknowledged by all stakeholders. It has been established that HR systems and processes which are properly aligned to the organization's strategy help the organization function effectively and create value for all its stakeholders.

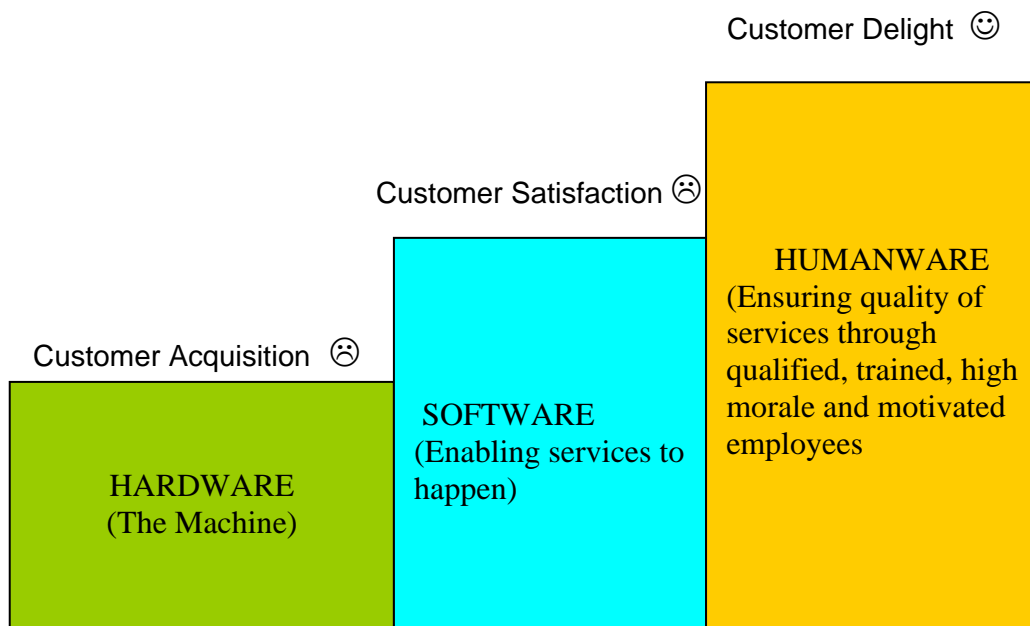
The HR function has to work towards building employee capabilities, which can help the organization compete in the present and future, and to match employed skills and abilities with the changing requirements of the organization. HR also ensures that the organization's practices and policies are congruent with the demands of the market and helps employees bring out their best, thereby improving the organization's competitiveness. With suitable HR strategies and practices, an organization can stand in good stead.

Although technology has been taking big strides in banking, Jammu & Kashmir Bank is still people-intensive and is mostly focused on personalized service deliveries. This highlights the significance of the HR function in the bank.

In a bank like J & K Bank which is technology driven, work involves mainly following wares -

- Software
- Hardware
- Humanware

Humanware is a bridge between software and hardware. Although service is provided through computer, other machines and software, it is the humanware which provide links between these and make the service delivery possible.



3. J & K Bank: Customer Centric Approach

Given the same product range, same rate of interest, timing norms of services and other parameters of banking, it is the quality of service that would leave an astounding difference in banking bench marks, something which J & K Bank strives to imbibe upon by focusing on 'Customer Services' through this policy. The focus of J & K Bank is to have excellent customer services at its basic foundation itself so that it is able to build up and attain the real objective of banking services.

The objective of the bank is to continue building sound customer relationships across distinct businesses so as to be preferred provider of banking services for its target retail and wholesale customer segments, and to achieve a healthy growth in profitability, consistent with the Bank's risk appetite. A good customer service would also facilitate increase its market share in India's expanding banking and financial services industry by following a disciplined growth strategy focusing on balancing quality and volume growth while ensure delivering high quality customer service. Various departments of the Bank shall be empowered to deliver superior customer experience through improvements in products, processes and people skills.

The management of the bank fairly believes to achieve a high level of service quality for all its customers. Therefore, the desirable quality control in servicing must always be oriented towards identification of what the customer needs. Quality control system is important because as a process, management need to focus services so that customers can be delighted of the services offered by bank.

J & K Bank's focus is on understanding our customers' financial needs and providing them with appropriate banking solutions. This has been an integral part of bank's ethos since inception. It is with this commitment and vision that it seeks to satisfy and delight a wide spectrum of customers, by meeting their diverse needs, time and again. As a pioneer in the banking industry, the bank believes in leveraging technology to make banking more accessible and convenient to our customers. Offering convenience through technology-led solution is a reinforcement of Bank's commitment towards continuously improving and deepening of bank's relationship with its customers.

Customers are clearly the most important part of a bank and provide the raw materials of deposits and the demand for loans, which are the revenue streams of net interest income and avail other ancillary services, which provide the fee income. The success of a bank depends on its ability to attract and retain its customers and the business it attracts. The future of banking is a complex task of transforming banks into agile organizations that delivers financial services and generates value for customers.

4. Customer Services- (Employee – Incentives): J & K Bank's Plans

The Customer Service Committee of the Board has given direction that the staff members who provide excellent and efficient services to our customers and sustain the customer delight be recognized and incentivized.

The Business Units / Employees which do not provide satisfactory customer service and are complaint- prone and where the number of complaints emanates on the basis of misbehavior or indifferent attitude besides other deficient service related issues are disincentivized.

Business units of the Bank have been impressed upon time and again to render efficient and courteous service to the clients. There are instances where employees have provided efficient and exemplary service to customers but there are also instances where a number of complaints have been received regarding deficiency in various aspects of service. The bank has to take cognizance of these complaints and devise a suitable mechanism to curb this menace.

J & K bank seeks to nurture a mutually beneficial relationship with its employees. This relationship is characterized by the investment which the Bank makes in its employees by providing challenging roles and assignments, opportunities for personal growth, relevant and timely performance support, training and an enabling environment. The Bank seeks to create a workplace which combines achievement orientation with care for employees as also to offer incentive for outstanding services to customers.

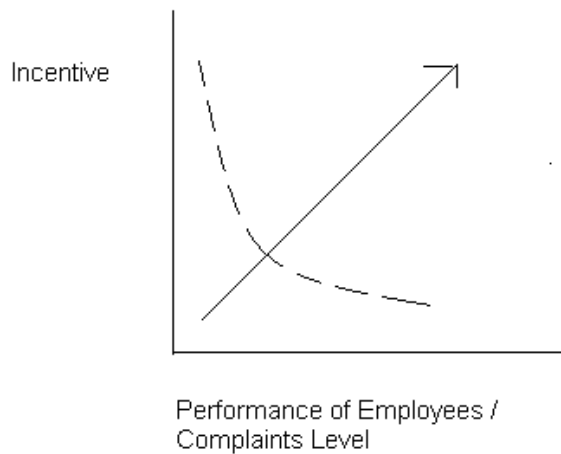
To further augment the Bank's efforts in providing best-in-class service to its customers, the Bank has ensured that more experienced and seasoned employees are placed in leadership roles at branches. The Bank has also ensured that the average banking experience and vintage of customer service staff at branches are enhanced, despite an increase in the number of branches. The bank also continued its efforts in training its branch staff and other employees to increase their banking related knowledge.

A hope for a reward in itself is a powerful incentive to motivate employees. Besides monetary incentive, there are some other stimuli which can drive a person to better. This may include job satisfaction, choice of jobs, security, promotions. Therefore, incentives really can sometimes work to accomplish the goals of an organization, more so in a banking industry.

4.7 The need of incentives can be manifold:-

- i. to increase productivity,
- ii. to drive or arouse a stimulus work,
- iii. to enhance commitment in work performance,
- iv. to psychologically satisfy a person which leads to job satisfaction,
- v. to shape the behavior or outlook of subordinate towards work,
- vi. to inculcate zeal and enthusiasm towards work,
- vii. to get the maximum of their capabilities so that they are encouraged to perform more/ better.

Relationship between Incentive and Performance of Employees



- Incentive - Performance Curve
- Incentive - Complaints curve

5. Dimensions of Customer Grievances in Banking

5.1 Where there is a service, there is an element of relative qualitative aspects, more so when service involves interference. In a banking industry, experience suggests that Indian customers face problems leading to their dissatisfaction in the services received from a bank. Their dissatisfactions, if termed as customers' grievances could be any one or more of the following illustrative grievances:

- 1) Non collection or inordinate delay in the collection of cheques, drafts, bills etc.
- 2) Delay in remittance / transfer of funds
- 3) Delay in furnishing of statement of accounts or delay in completion of pass book
- 4) Difficulties experienced in issuance of duplicate drafts
- 5) Difficulties experienced in opening of accounts
- 6) Difficulties experienced in operation of accounts
- 7) Delay in transfer of accounts
- 8) Non reconciliation of accounts
- 9) Delay in payment of TDRs and drafts
- 10) TDS related issues (excess deduction, non consideration of 15G / 15H forms, TDS certificate etc.)
- 11) Non Compliance of standing instructions
- 12) Excess bank charges
- 13) Short payment of interest
- 14) Delay in settlement of claims including payment of balance in deceased accounts
- 15) Difficulties experienced in cash department (cash handling etc.)
- 16) Delay in sanctioning of loans
- 17) Misbehavior of staff

5.2 Identification of Complaints can also be done at various levels in the bank

- Individual level
- Business Unit level
- Administrative level

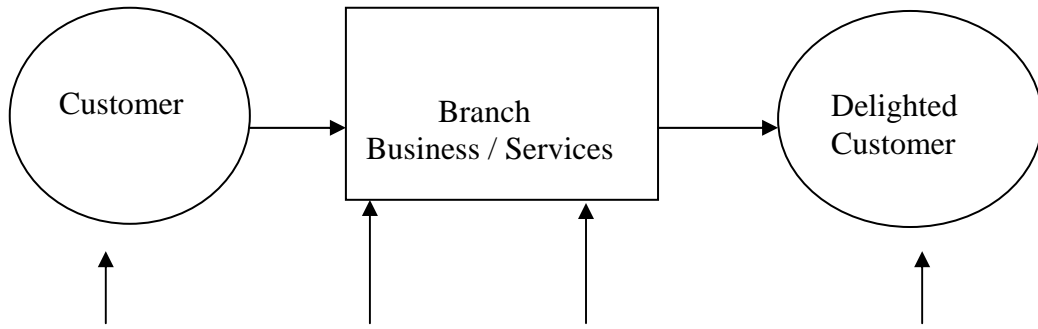
6. Customer Grievance Resolution

6.1 J & K Bank needs to take various steps to improve the effectiveness of its grievance re-dressal mechanism across its delivery channels. Some key measures would include a three layered grievance re-dressal mechanism, bank-wide online complaint resolution system, customer service committees at the branch level and at the corporate headquarters level with representation from customers. While the levels of customer service are also periodically reviewed by the board of directors of the Bank, the efforts would have to be inter -weaved with employee's efforts and incentives.

6.2 Steps towards Delivering Superior Customer Services:

J & K Bank would strive to:

- Understanding the opinion of customer experience in letter , spirit and its implications.
- Appreciating that internal or external processes including audits are not substitutes for active customer feedback.
- Establishing the link between 'Superior customer experience' and a tangible business outcome such as customer retention.
- Bridging the gap between top management vision and actual implementation.
- Understanding that selling to the customer is different from serving the customers.
- Making effective uses of internal customer profile/history data
- Keeping front line staff engaged, motivated, and incentivised
- Using learning's from customer's experiences
- Identifying customer choices and customizing products/services



Customer and vision	Focus	Process Management and Effective use of Technology (Services / Products)	Training Employee Empowerment	/	Incentives Employee to motivate performers and warn the non performance
Process of Continual Improvement in Services					

7. Incentives Mechanism

7.1 Incentive is an act or promise for greater action. It is also called as a stimulus to greater action. Incentives are something which is given in addition to wages. It means additional remuneration or benefit to an employee in recognition of achievement or better performance. Incentives provide a spur or zeal in the employees to outperform in the in the interest of organization.

7.2 A staff incentive scheme, also known as preferred compensation, is a policy designed to provide to the employees who have special skills, training or experience, and whom you wish to reward, with a cash benefit for better performance.

7.3 Management can offer the following two types of incentives to motivate employees -

Monetary incentives- Those incentives which could satisfy the employees by providing them rewards in monetary terms.

Non monetary incentives- Besides the monetary incentives, there can be certain non-financial incentives which can satisfy the ego and self- actualization needs of employees. The incentives which cannot be measured in terms of money are often considered as more powerful than the monetary incentives. Non- financial incentives can take the following forms -

- (a) Security of service- Job security is an incentive which provides great motivation to employees. If his job is secured, he will put maximum efforts to achieve the objectives of the Bank. This also helps since he is very far off from mental tension and he can give his best to the Bank.
- (b) Praise or recognition- The praise or recognition is another non-financial incentive which satisfies the ego needs of the employees. Sometimes praise becomes more effective than any other incentive. The employees will respond more to praise and try to give the best of their abilities to Bank.
- (c) Suggestion scheme- The Bank should look forward to taking suggestions and inviting suggestion schemes from the employees. This inculcates a spirit of participation in the employees.

- (d) Job enrichment- Job enrichment is another non- monetary incentive in which the job of a worker can be enriched. This can be done by increasing his responsibilities, giving him an important designation, increasing the content and nature of the work. This way efficient worker can get challenging jobs in which they can prove their worth. This also helps in the greatest motivation of the efficient employees.
- (e) Choice of posting – As an incentive to good performers, bank may reward them, by exception, with place of posing of their choice, subject to other parameters such as qualification, experience etc.

The above non- financial tools can be framed effectively by giving due weightage to the role of employees. A combination of financial and non- financial incentives help together in bringing motivation and zeal to work in a Bank.

7.4 As an alternative mode, incentives could be both – positive and negative.

Positive incentives are those incentives which provide a positive assurance for fulfilling the needs and wants. Positive incentives generally have an optimistic attitude behind and they are generally given to satisfy the psychological requirements of employees. For example- praise, recognition, training, foreign visits , perks and allowances, etc. These are positive by nature.

Negative incentives are those whose purpose is to correct the mistakes or defaults of employees. The purpose is to rectify mistakes in order to get effective results. Negative incentive is generally resorted to when positive incentive does not work and a psychological set back has to be given to employees. These are negative by nature. For example- demotion, transfer to Hard Area, fines, penalties.

8. Incentive Methodology

8.1 Incentive Methodology can be worked out for business units as well as employees:

In case of Business Unit, basis of incentive to Business Units could be:

- Housekeeping
- Business growth
 - In advances
 - In deposits
- New Accounts opened
- Lowest NPA level
- Recovery of NPA's
- Achievements of targets
- Non existence of Frauds and Embezzlement
- Absence of Customer Complaints
- Closure of Audit Reports
- Expenditure Control
- Branch / audit Ratings

In case of Individual Employees, basis of incentive to individual employees could be :

- Non indulgence in frauds and embezzlement etc.
- Punctuality and discipline
- Excellent behavior
- Compliance with guidelines
- Achievement of targets
- Growth in deposits / advances
- New account obtained
- No customer complaints
- Customer feed back

9. Parameters for Complaint Redressal / Ratings

9.1 Customer Care Department (CCD) has introduced several customer care initiatives to bring about improvement in Customer Service. Parameters for the purpose of rating the Business Units in different categories are selected from within the framework of these Customer Care initiatives. Broad Policy guidelines for incentivizing or dis-incentivizing the Business Unit's staff as per ratings assigned shall cover the following aspects:

1. Database of Complaints, and
2. Analysis / Referral of Complaints – this would, inter alia, cover -
 - Frequency of complaints
 - Meetings of Customer Advisory Forum
 - Displaying of Signboards, B.O schemes & BCSBI Codes etc.
 - Complaint box / Suggestion box
 - Assessment of Customer Satisfaction Level
 - Surprise Visits to Business Units

Database of Complaints and its Redressal - A complete database of the complaints will be compiled at the end of quarter at business unit level, Zonal office level and Head Quarter level. The Business Units and Zonal offices will be given a time-frame of 30 days for redressal of these complaints before sending it to the next higher level. Each Business Unit will submit a Quarterly statement of complaints received, resolved, escalated to its concerned zonal office which in turn will consolidate and submit the same to Head Quarter on a quarterly basis before the end of the fortnight following the month of quarter, as the case may be. At HQ level, complaints will be consolidated before the end of the succeeding month of every quarter and appropriate action taken.

Analysis and Referral of Complaints - All complaints received at Corporate Office would be first screened at the Vice President level to assess the nature and gravity of the complaints and thereafter, all complaints referred to the relevant Department such as Vigilance, S&C, CCD or Law Department etc. Complaints of serious nature like embezzlement, fraud and forgery will be referred to the Vigilance Department for in-depth Investigation and necessary reporting. Likewise, complaints of legal complications will be referred to Law Department for expert legal consultation and opinion and where the complaints relate to non-adherence to system and procedures, rules and regulations envisaged under the banking norms, RBI circulars or MOF guidelines it would be referred to S&C Department for examination and report. All customer service related complaints will be forwarded to Customer Care Division for appropriate redressal. Each complaint after proper examination and Investigation and establishment of allegations/charges or otherwise will be referred back to Customer Care Division for final remedial actions as well as maintenance of records for rating purposes. All service related complaints would be examined and investigated either through the concerned Cluster Head, Zonal Head or Incharge of S&C Department depending upon the nature and gravity of the complaint. Branch Head would be relied upon for reports where the grievance is of trivial importance.

Serious complaints which are in the nature of fraud, embezzlement etc. or which requires investigation from the vigilance angle shall be flagged off and dealt with separately as exceptional cases. Similarly, complaints leading to reporting to agencies such as RBI, CBI, SVC etc. and / or those emanating from Banking ombudsman shall be specially dealt with and carry the highest negative rating.

10. Rating of Business Units / individual employees

10.1 The Business Units shall be generally rated on the rating score of 120 on the following parameters :-

- Frequency of Complaints
- Meetings of Customer Advisory Forum
- Displaying of Signboards, Banking Ombudsman Schemes and BCSBI Codes
- Complaint Box / Suggestion Box
- Assessment of Customer Satisfaction Level
- Surprise Visits to Business Units

S.No.	Parameters	Scores
1.	Frequency of Complaints	30
2.	Meetings of Customer Advisory Forum	30
3.	Displaying of Signboards, Banking Ombudsman Schemes and BCSBI Codes	6
4.	Complaint Box / Suggestion Box	12
5.	Assessment of Customer Satisfaction Level	30
6.	Surprise Visits to Business Units	12
	Total	120

Frequency of Complaints

Business Units with no complaint during a financial year will earn a total score of 30 whereas each complaint whether written, telephonic and through email will carry a negative score of 3 (assuming as per past experience that Business Units on an average do not face lodgment of more than 5 to 10 complaints per year). If number of complaints at a particular Business Units exceeds 10, it will score negative 3 for each complaint which will offset its positive scores obtained in other parameters of rating. The proposed step will strengthen the complaint redressal mechanism at the level of Business Units.

Meetings of Customer Advisory Forum

This parameter will carry a score of 30 points. Each monthly Customer Advisory Forum meeting held will score 2 points. If in any month, any Customer Advisory Forum meeting is not held, it will score zero points. Periodicity of these meetings will be verified by Customer Care Division (CCD) from the minutes received from Business units. Delay in meetings beyond a month will score half negative point for each delay. There could be 6 points for qualitative aspects of the meeting conduct.

Displaying of Signboards, Banking Ombudsman Schemes and BCSBI Codes

Each Business Unit is mandatorily required to install signboards providing guidance to the customers and displaying interest rates as well as products and services offered by the Bank. Banking Ombudsman Schemes, BCSBI code of Bank's commitment to customers and code of Bank's commitment to Micro & Small Enterprises has also to be displayed on the notice board. Compliance to these mandatory guidelines will earn Business Unit a score of 6 points. Inputs in this regard will be provided by S&C Department to CCD on the basis of the observations made in snap inspection reports, at least once in a quarter.

Complaint Box / Suggestion Box

Each Business Unit is required to have a complaint Box / Suggestion Box which has to be opened by the Branch Head on monthly basis to ascertain the status of complaints. Compliance of the said requirement will carry a score of 12 points. The complaint box will mandatorily be opened at the time of snap inspection, if any it is found to contain complaints older than two months, a negative score 2 will be awarded to such Business Unit. Feed back in this regard would be provided by S&C Department.

Assessment of Customer Satisfaction Level (Through Questionnaire)

Customer satisfaction is an abstract concept and actual manifestation of state of satisfaction will vary from person to person. Assessment of customer satisfaction level as such is a difficult exercise. J & K Bank has framed a questionnaire with focus on a few key areas of service which will capture positive or negative experience of a customer in these key areas. The Questionnaire contains 15 questions carrying 2 points each for positive answers. A sample of 5 customers will be selected randomly for customer satisfaction survey through this questionnaire from each Business Unit. Average score of positive responses of the 5 respondents will be considered for rating of the Business Units. The sample of respondents will be taken from different Asset and Liability Segments. In case of negative feed back of more than 50% question (8 question) shall reduce the total score by 50%.

Surprise Visits to Business Units

Feedback regarding the level of customer service at Business Units will also be obtained from Executives visiting branches for snap inspections or surprise visits. Positive feedback in this relation would earn 12 points for the Business Unit whereas negative feedback will earn zero (0) point. This feedback shall be based on structured parameters such as housekeeping, business growth, reconciliation etc.

The incentive base on the performance evaluations of business units shall be generally distributed equally among the team members as may be decided by team leader (BU head) in consultation with Zone office. He may have discretion to incentivise more to performers who have significantly contributed to earn such ratings / score.

11. Bench Marking / Evaluation of Rated Scores

11.1 The Business Unit will be rated as Excellent; Very Good, Satisfactory and Poor based on the scores earned by the Business unit. The bench marking of scores will be done in the following manner:-

- Excellent :- Business Unit scoring 90 points and above
- Very good:-Business Unit scoring 75 points and above but less than 90 points
- Satisfactory :- Business Unit scoring 60 points and above but less than 75 points
- Poor:- Business Unit scoring points below 60

11.2 Incentives for rating –

Subject to para 10 above, following incentives could be offered -

Excellent

- Monetary Incentive: - Each staff member of Business unit under Excellent category with highest score will get a cash reward of Rs.15000/-.
- Non Monetary Incentive: - Certificate of Quality Service by Chairman of the Bank will also be issued to the Business unit in acknowledgement of the good work done by the team with reference to HRDD for record in service books of employees posted at the said Business Units besides putting it on banks Intranet. Further training will also be given to employees who perform very well.

Very Good

- Monetary Incentive: -Each staff member of Business unit under Very Good category with highest score will get a cash reward of Rs. 5000/-
- Non Monetary Incentive: -Certificate of Quality Service by Chairman of the Bank will also be issued to the Business unit in acknowledgement of the vey good work done by the team. Such Certificate of Quality Service by Chairman of the Bank will also be displayed on Bank's Intranet & recorded in the service-books of staff posted at such Business unit.

Satisfactory

Non Monetary Incentive: - Certificate of Quality Service by Chairman of the Bank will be issued to the Business unit in acknowledgement of the good work done by it.

Poor

Business unit rated as Poor shall invite Management's displeasure by display of circular on Bank's Intranet. A noting in this regard will be recorded in the service-books of the staff posted at such Business Units.

11.3 Dis-incentivization of Employees

Some employees may be habitual of improper behavior or their conduct or performance which results in repeated complaints from customers. Some punitive action may be initiated against such employees, which can be done in the following manner.

- Issuance of Yellow Cards

Yellow cards will be issued as a first chance / warning to such employees against whom two consecutive complaints are received and established. This shall serve as a warning to him/her for mending his/her way and improve upon.

- Issuance of Red Card

Red card will be issued to an employee against whom more than 2 complaints are received and established during a year. At this stage, variable pay of the employee will initially be stopped for a period of three months which can be further extended by three months in case he/she does not improve his/her behavior. Record of such punishment will be maintained in his/her service-books which will be taken note of at the time of promotions. This may also be put on Bank's Intranet. All The above mentioned measures taken together will evolve a strong grievance redressal mechanism at Business Unit and improve the customer satisfaction level for the Bank as a whole. The exercise will be repeated annually so that the redressal mechanism emerges as an institutional arrangement at all levels to be discharged by every staff-member.

- Withholding of promotions
- Job transfers to hard areas
- Posting in non- public dealing positions

12. Review: The policy on incentivising business units / employees for customer services in the Jammu & Kashmir Bank shall be subject to annual review.
13. The report of the implementation of the policy on incentivising business units / employees for customer services in the Bank will be submitted to the Customer Service Committee of the board in every year.

QUESTIONNAIRE

1. Name of the Business Unit : _____
2. Name of customer/account holder: _____
3. Type of Account : _____
4. Account No : _____
5. Full residential/business address : _____
6. Mobile No. : _____

Answer the following questions on the customer service of the business unit by ticking the relevant option:

1. Are you satisfied with the services offered at the business unit? YES NO
2. Are the services offered with promptness, courtesy and decency? YES NO
3. Does the BU work as per the time schedule declared by the Bank? YES NO
4. Are you satisfied with the internal ambiance of the BU like cleanliness, lighting, drinking water etc? YES NO
5. Do you feel that the staff members are conversant with deposit and loan products offered by the bank? YES NO
6. Do you feel that all types of deposit and loan schemes are offered at the BU? YES NO
7. Is the staff responsive to enquiries? YES NO
8. Do you feel that staff members are helpful while you feel difficulty in opening the account or making a transaction? YES NO
9. In case of difficulty , is access to Branch Head or the concerned official of the BU easy? YES NO
10. Does the Branch Head or the concerned official help in overcoming such difficulty? YES NO

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|--|-----|----|
| 11. Do you feel that your account information is kept secret / confidential and no information is leaked? | YES | NO |
| 12. Are you satisfied with the delivery mechanism of facilities like ATM/Debit card/Credit card offered at the BU? | YES | NO |
| 13. Is the Buiness Unit transparent in service charges Issues ? | YES | NO |
| 14. Are you satisfied with the complaint redressal mechanisim of the BU ? | YES | NO |
| 15. Would you recommend J&K Bank as banker to your friends and relatives? | YES | NO |

16. Suggestions, if any _____

