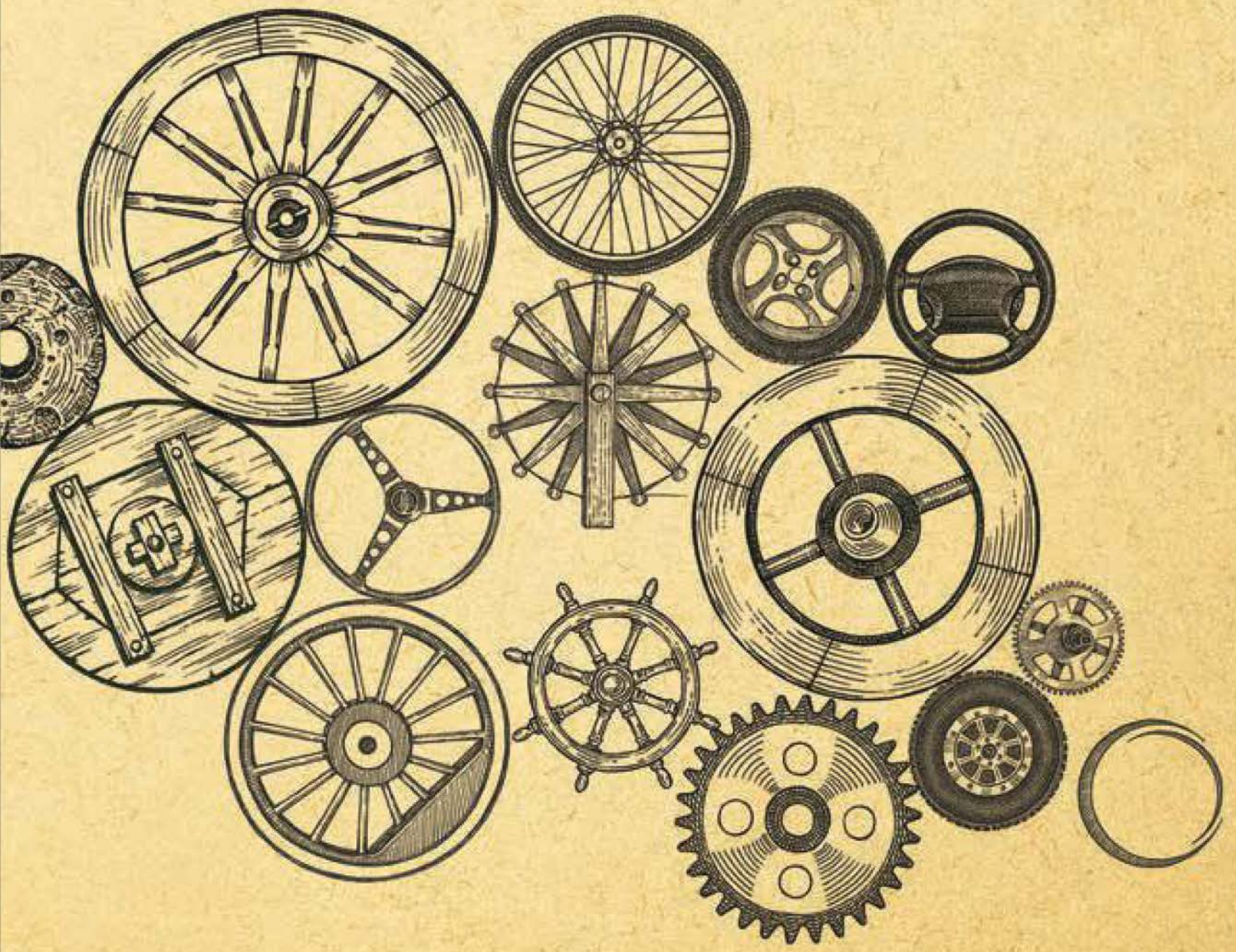
KVB 100 YEARS OF SMART BANKING

AN UNBEATEN CENTURY

CHRONICLING A 100 YEARS OF KARUR VYSYA BANK



SRIRAM V

KVB Karur Vysya Bank
Smart way to bank

The story of Karur Vysya Bank is a forseeing example of Make In India. While this may not be an organisation that manufactures products in the conventional sense, it is in every way a bank that is rooted to Indian values and strives for excellence within that framework. In the process, the bank has grown, keeping alive its culture and becoming a top-ranking business institution.

Begun in Karur by MA Venkatarama Chettiar and Athi Krishna Chettiar in 1916, KVB initially catered to the clientele in its immediate surroundings. Within a few years it began expanding, to set up branches in business and agricultural centres in the southern districts of the erstwhile Madras Presidency. With the coming of Indian Independence, the bank aligned itself to national mainstream economic interests and modified its style of working to suit the legislations of the times and the guidelines issued by the Reserve Bank of India. Beginning with the 1960s, it grew out of its southern bastions, a journey that culminated in the bank becoming an all India institution. It was also at this time that KVB made the transition from being an owner-run to a professionally-managed bank.

The liberalisation of the Indian economy saw the bank's management take steps to cater to the requirements of the changed environment. KVB invested heavily in technology and implemented all of it most effectively, thereby reaping great dividends. The thrust it gave to modernisation made India sit up and take notice. The bank has since continued on its journey of excellence. In its 100th year, KVB rededicates itself to the ideals of its founders.

This book chronicles the 100-year journey of KVB.



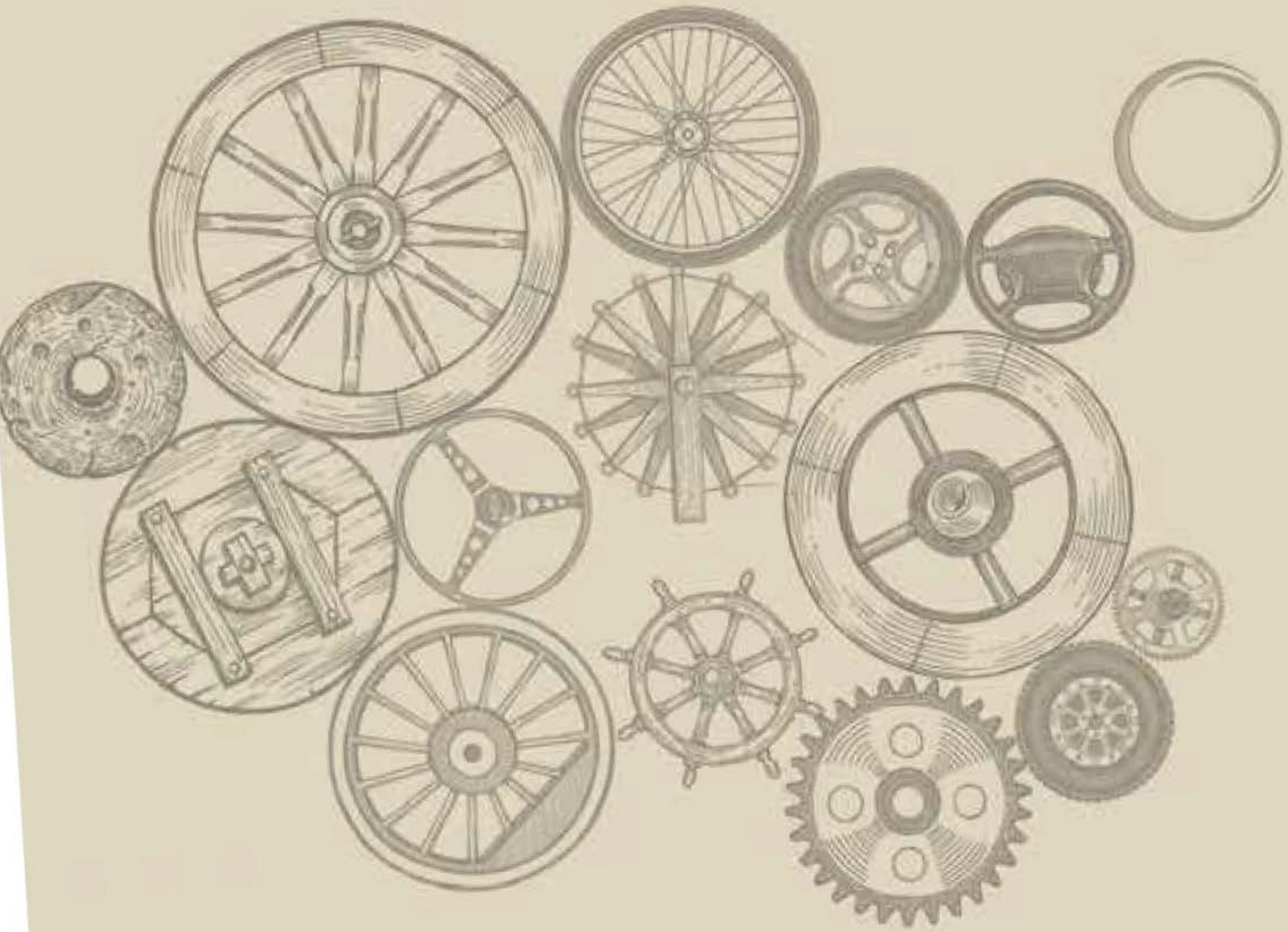
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भूर्भुव स्वः

तत् सवितुर्वरेण्यम्

भर्गो देवस्य धी महि

धियो यो नः प्रचोदयात्

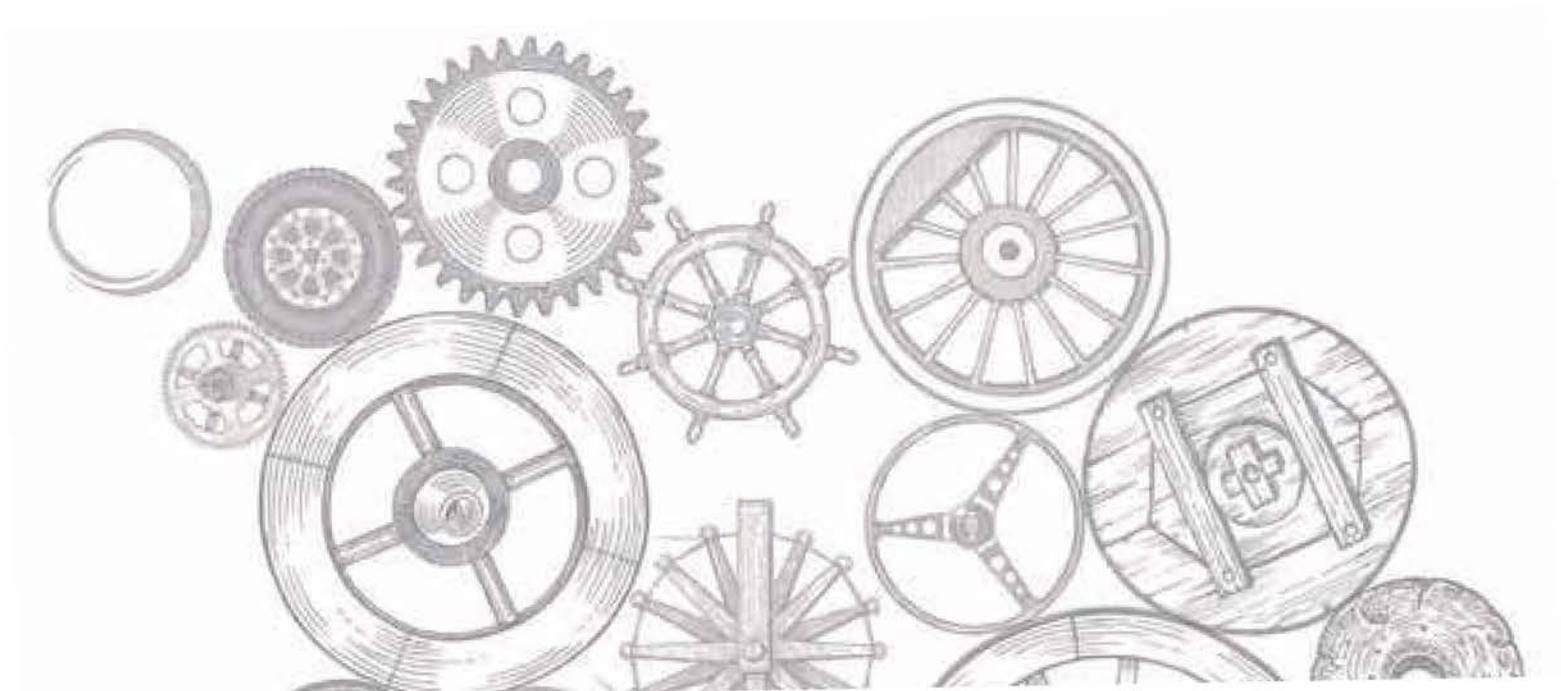


THE KARUR VYSYA BANK

CENTENARY BOOK

SINCE 1916

SRIRAM V



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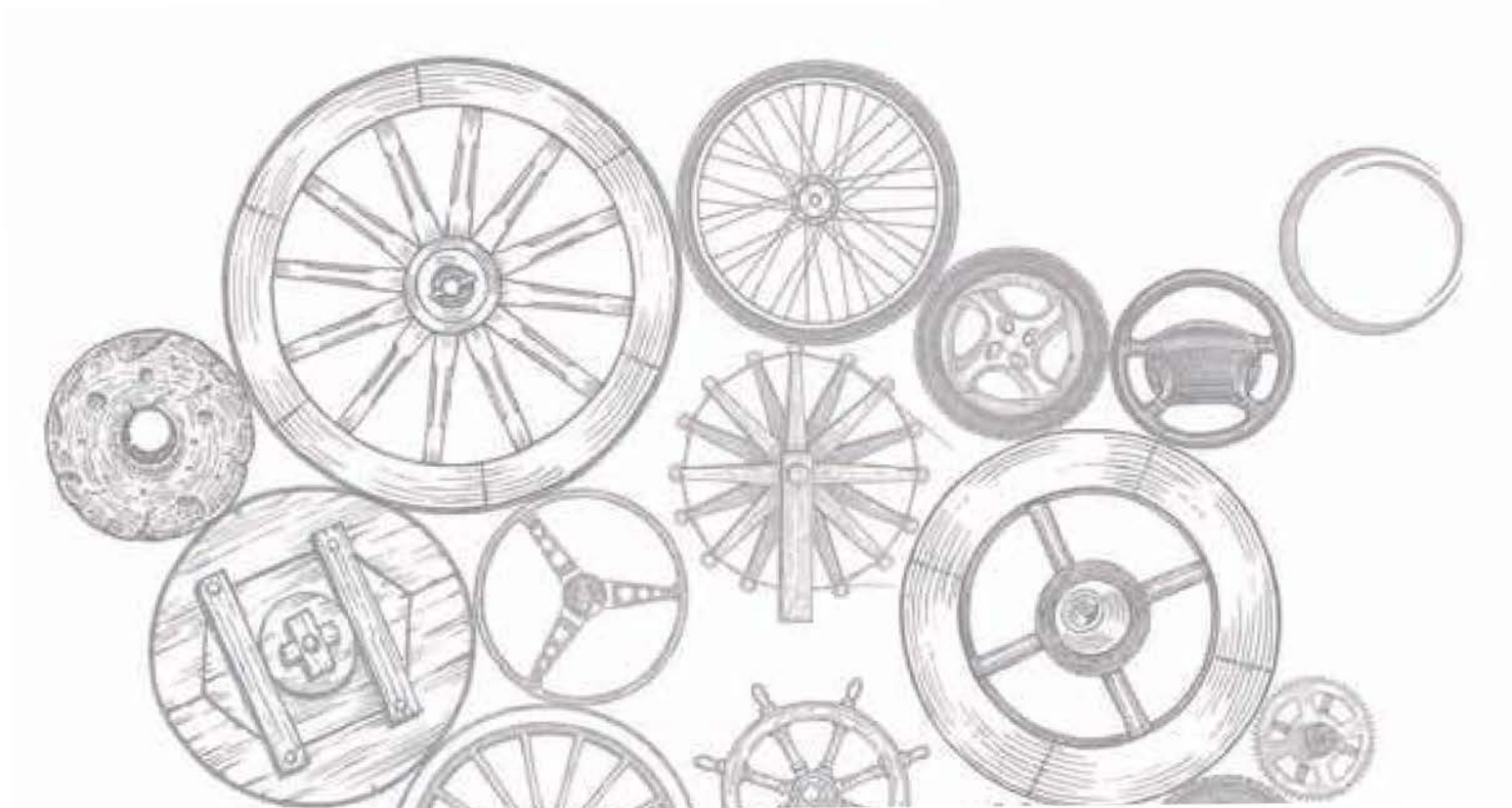
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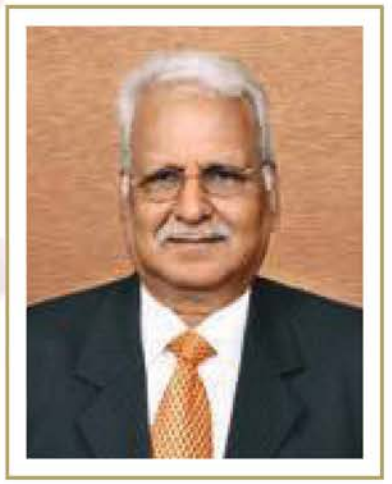
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Message from the Chairman



It gives me immense pleasure to write this note as Chairman of Karur Vysya Bank, in its centenary year. This is the story of a bank that has retained its traditional roots even as it has kept pace with the demands of a rapidly changing environment.

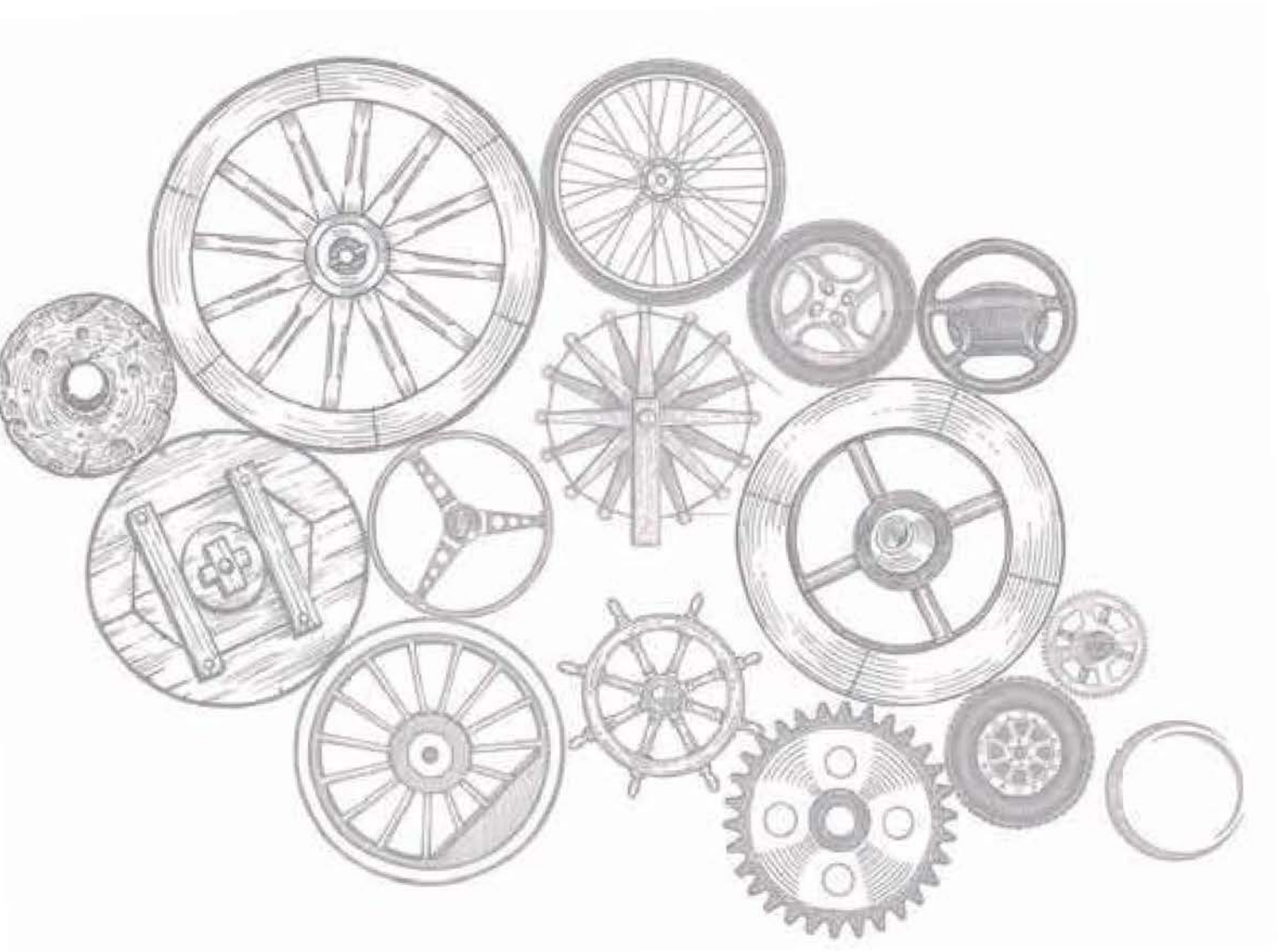
Starting off as a small bank that catered to the needs of Karur and its surroundings, KVB began expanding even within the first few decades of its existence. At each step, it had the fortune to be guided by right-thinking people, be it those from the promoters' families or the professionals who chose to make a career, and a self-actualising life here.

In this past century I feel we made several correct moves at the right time to be successful. Our beginnings may have been conservative but when needed, especially in the 1990s, we moved in an aggressive manner to get into new business areas and also open branches all over the country. In the first decade of this millennium, we embraced technology, going at full steam to install ATMs and later embrace core banking initiatives. All this was done without diluting our core principles of sound banking. We also made sure that we never compromised on our human policies. KVB has remained a place that people like to work in and where their minds are engaged and challenged to the maximum extent possible.

I believe we had quite a story to tell of the first hundred years and in the hands of corporate biographer and historian Sriram V, this has emerged as a fine book. Many thanks to him and the team at our advertising agency R K SWAMY BBDO for putting this together. It is also a great honour for us that this book is being released by Shri Pranab Mukherjee, Hon'ble President of India, who in the course of a distinguished career in public service, was involved in the financial and commercial aspects of our nation's economy. In our 100th year, I wish the KVB team led by Managing Director Shri K. Venkataraman all the very best for the future. I am certain that the blessings of Goddess Gayathri, our tutelary deity will always be upon us.

B SWAMINATHAN
Chairman
September 10, 2016.

KVB 100 YEARS OF SMART BANKING





From the Managing Director and Chief Executive Officer's Desk

A 100 years have passed! The Bank started off as a small player, remained a regional player for long, and has blossomed to be a national level player with strong fundamentals, growing for a 100 years in the private sector with its original identity. As Managing Director and CEO on this momentous occasion, it is with a sense of great excitement and immense feeling of responsibility that I put down my thoughts in this note.

As we look back at the journey of a 100 years, the Bank's great history enormously inspires us. The bank has travelled through the impact of two World Wars, Great Depression, famines and epidemics and has navigated successfully out of all the adversities, utilised all the opportunities and evolved to prosperity as a strong institution. The vision and dedication of the Founding Fathers and the determination of all the forefathers who built the bank brick by brick, gives us huge inspiration and confidence.

When we look back at their contributions, I am filled with a sense of awe. The bank firmly believed on strong financials and balance sheet, safety of operations and very high standards of customer service quality. These strong values and ethos of business which are fundamental strengths of the bank, and the foresight and vision shown by our predecessors, have to be carried forward.

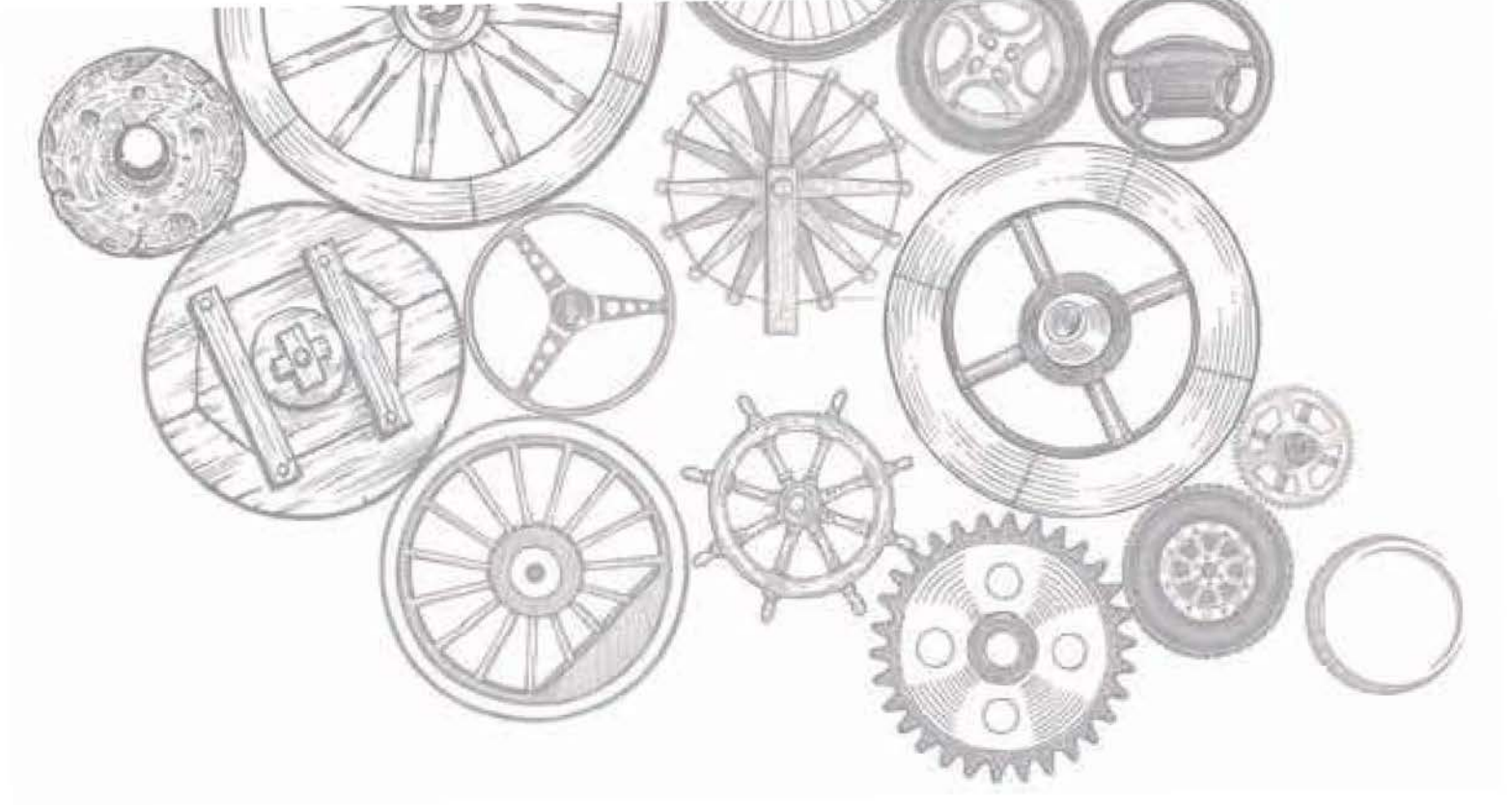
Our large investments in technology and a development of strong professionalism have helped the bank maintain its excellent standing in the industry today. Banking has been changing rapidly, and in the future, the banking landscape is set to transform completely. In this fast changing scenario, to remain at the top of the growth curve, we need to be in constant search of excellence in all areas.

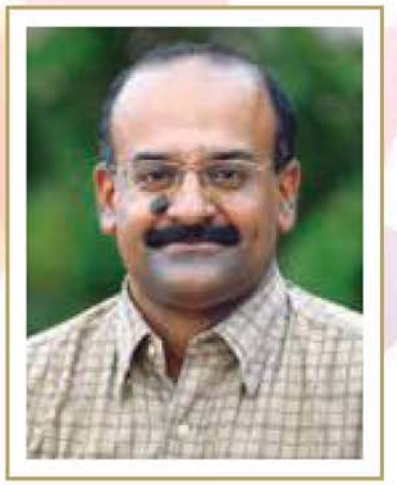
In our centenary year, I would like to thank all our staff members who have made our excellent record possible. All organisations depend on their people, more so the banks; and KVB's record in this area has, I am happy to say, been exemplary. I also place on record our deep gratitude to generations of our customers, for their hundred years of trust on the bank.

And as we begin our innings for a second century, may the blessings of Goddess Gayathri and the founders always be with us.

K VENKATARAMAN
Managing Director & Chief Executive Officer
September 10, 2016.

KVB 100 YEARS OF SMART BANKING





Author's Note

I first came to know of Karur Vysya Bank in 1972 or so when some of its officials came to Vidya Mandir School, Mylapore and distributed piggy banks that were shaped like elephants to all primary school students. I too received one, being in the first standard. Little did I know then that several years later I would be writing the centenary volume of the bank.

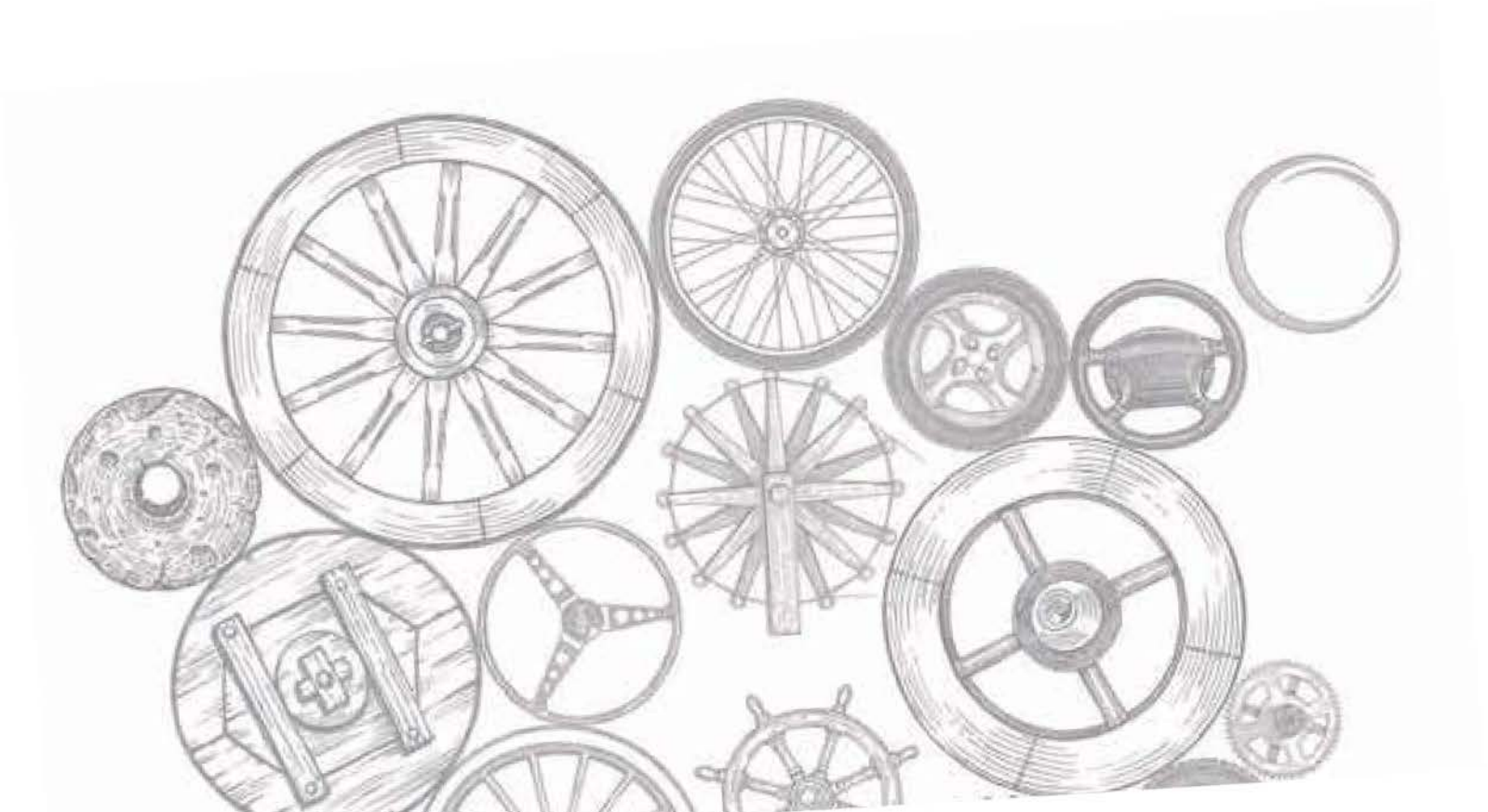
Having begun the work, one of my earliest discoveries was that the bank's date of registration was the same as my date of birth, 22nd June, though fifty years separated both of us! That established quite a bond, apart from the one created by my entire family being account holders with the bank. I must, however, confess that I did have some trepidation when I took up this task, for documenting 100 years of a bank can be daunting.

However, I need not have worried. The warmth and courtesy with which I was received by A.S. Janarthanan, the Mentor of KVB, put me at ease. He proved to be a storehouse of information on the bank, especially its early years. The bank's Silver Jubilee commemorative volume and the souvenir released on the occasion of the inauguration of its Central Office in Karur in 1983, both preserved most carefully by A.S. Janarthanan, proved to be of immense value. I was also received and treated with the traditional courtesy characteristic of Karur by all the Directors and officials of the bank.

Working on this book, I was very impressed by the amount of pride that the KVB employees take in their bank. This was reflected in the ready manner in which they recounted its many achievements. In a day and age when India keeps looking to the western world for role models, I think KVB provides enough inspiration locally. There is certainly a lesson in this history for all organisations that seek to do business in India and grow.

Sriram V.
September 10, 2016

KVB 100 YEARS OF SMART BANKING





Central Office, Karur

1916-1947

22/6/1916
Bank registered at Tiruchirapalli

1923
Bank shifts temporarily to
Trichy owing to outbreak of plague

17/1/1927
Bank opens its first branch, at Dindigul

25/8/1929
Bank opens branch at Kulithalai

1/7/1916
Bank opens for business in Karur

27/10/1926
M.A. Venkatarama Chettiar
steps down as President and is
succeeded by Athi Krishna Chettiar

11/2/1929
Bank opens branch at Dharapuram

1930-1932
Branches opened at Erode,
Namakkal and Gobichettipalayam

(CHAPTERS 1-5)

10/8/1932
Karur branch opens

1935
Trichy branch inaugurated

1937
Thanjavur branch starts operations

30/8/1941
Bank celebrates its silver jubilee

1943
Opening of Madurai branch

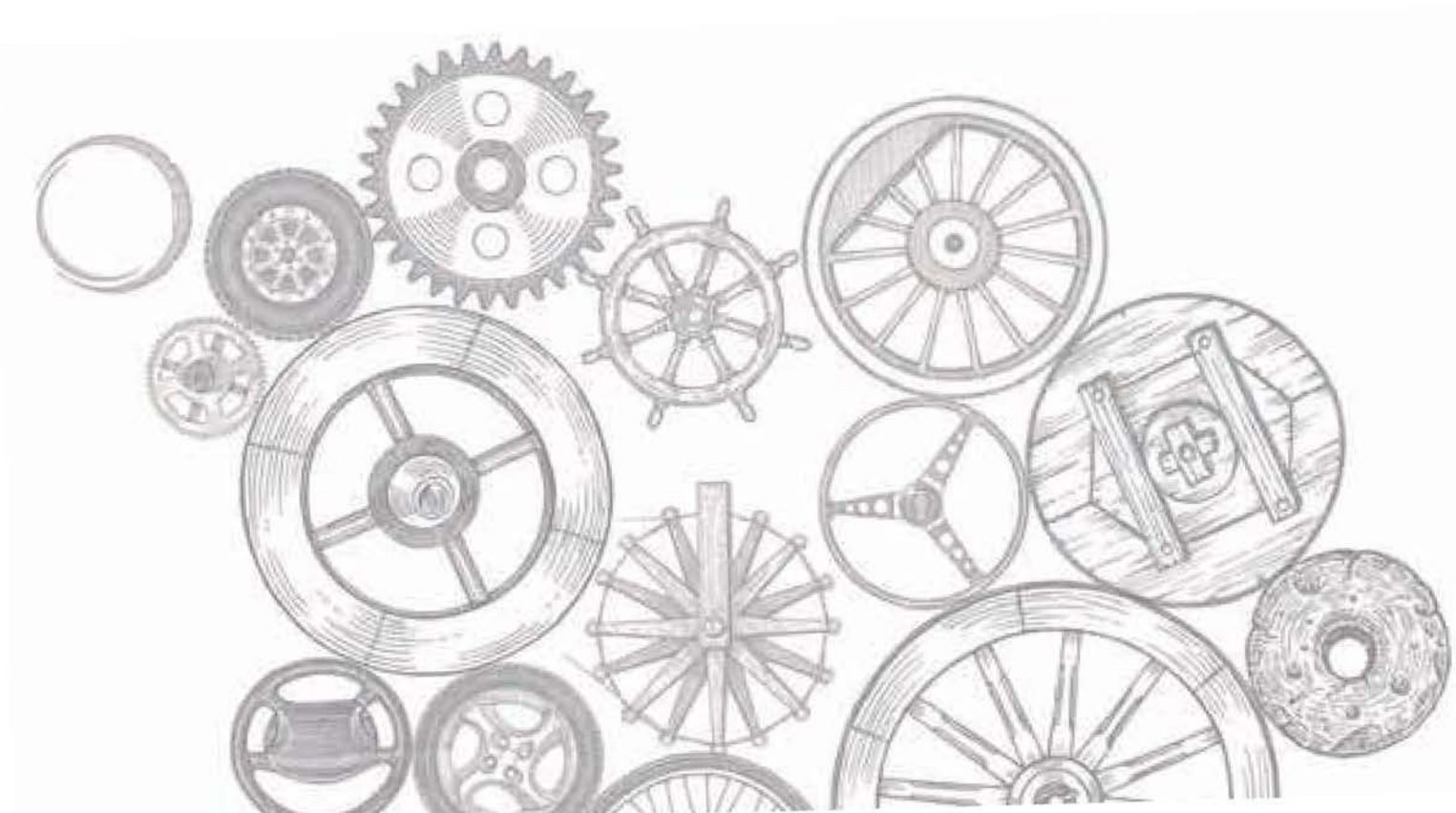
1934
M.A. Venkatarama Chettiar passes away

1936
Branch begun in Kumbakonam

1940
Opening of Coimbatore branch

1942
Salem branch opens

1946
President Athi Krishna Chettiar passes away and is succeeded by M.G. Rajagopala Chettiar



CHAPTER - 1

OUR FOUNDERS



Shri M A Venkatarama Chettiar



Shri Athi Krishna Chettiar

The Idea of a Bank

Banking can be regarded as one of the oldest business activities in South India, as gleaned from relevant historical records. However, banking in the modern sense, was perhaps first introduced to the Madras Presidency in the 1640s and remained British-dominated for long. By the end of the 1860s, there were at least three banks in the township of Madras – the Bank of Madras, the Chartered Bank and the Mercantile Bank, besides the big commercial firms of Arbuthnot's, Binny's and Parry's, who were also providing banking services.

Indians too were not far behind and soon began setting up banks on organised lines. Six banks were set up in the early years of the 20th century - the Tanjore Permanent Fund that later grew into the Thanjavur Bank was established in 1901; the South Indian Bank, Tirunelveli in 1903; the Kumbakonam City Union Bank in 1904; the Madras Central Union Cooperative Bank in 1905 (which was the first Indian bank to be incorporated in Madras city); the Canara Banking Corporation, Udipi (now the Corporation Bank) and the Canara Hindu Permanent Fund, Mangalore (now the Canara Bank) both in 1906. The collapse of the firm of Arbuthnot's in 1906, chiefly owing to the reckless speculations indulged in by its managing partners, was to change the way Indians looked at foreign banks and businesses. Considered one of the most stable companies ever, its collapse came as a shock. The loss of confidence in British banking firms resulted in V. Krishnaswamy Iyer, then a top-ranking vakil of Madras, getting together like-minded Indians to form a bank run by Indians. The Indian Bank was registered on March 5, 1907. Beginning with that, an increasing number of Indians began to look at banking as a business venture. Not everyone was to succeed however. Among the few that did was a duo – M A Venkatarama Chettiar and Athi Krishna Chettiar of Karur. And Karur Vysya Bank (KVB), the bank they founded in 1916, is now celebrating a century.



Map of South India, showing Karur's central location

"Karur, the Karoora of Ptolemy, 226 miles from Madras (Egmore), is situated in the Karur Taluk of Trichinopoly district, on the left bank of the Amaravati near its confluence with the Cauvery" – thus runs a note in the *Illustrated Guide to the South Indian Railway*, published in 1926. The population then was 18,249 and we may safely assume that it was, if anything, somewhat smaller ten years earlier when KVB began to function there. Just the description presents an appearance that this was hardly a propitious place to start a bank.

But the truth is that Karur had once enjoyed a status far larger than its size. Given that in 150 CE, Ptolemy the Greek had mentioned its name; it is evident that the town is of considerable antiquity. Legend has it that Brahma, the Creator as per the Hindu pantheon, began his task here and hence the place acquired the names Adi (original) Puri (town). It is for the same reason that the place is also known as Karu (womb) Ur (town) in Tamil, which became Karur over time. It also acquired the Sanskrit name of Garbha Puri which means the same as Karu Ur. It is believed today that Karur in the *Sangam era was the capital of the* Chera kings and was known as Vanji. The inscription of several of these rulers' names on a rock at Aaru Nattar Malai, near Karur, lends credence to this. The *Silappadikaram* of Ilango Adigal (2nd century CE) states that the author's brother Cheran Senguttuvan ruled from Karur.

Karur became a flourishing trading centre from early on. It was known throughout the ancient world and the Romans, in particular, appear to have had very strong connections with the place. A number of Roman coins and amphorae have been discovered during excavations in the neighbourhood. It also appears to have been a centre for gems and jewellery, the gold probably coming in owing to the Roman trade. It was no wonder that its fame had spread far and wide and even in 150 CE, Ptolemy considered it a bustling inland trading centre.

Given that Pallava coins have also been unearthed here, it would appear that they conquered the Cheras and occupied Karur in the 5th century CE. Two hundred years later, around 775CE, a fierce but indecisive battle for control of the region was fought between the Pandyas and the Pallavas. Karur passed into the hands of the Cholas by the 9th century CE. The *Periya Puranam* of Sekkizhar states that Karur was the birthplace of Eripatha Nayanar, one of the 63 devotees of Shiva who lived sometime in the 8th century CE. It is clear that by then, this was a thriving centre of Shaivism, though the Jains too appear to have had settlements in the neighbourhood, given the number of rock carvings that have been discovered.



The Kalyana Venkataramana Swamy Temple at Thanthondri Malai



The Kalyana Pasupathiswara Temple, Karur

Of greater antiquity probably, is the temple at Thanthondri Malai, a small rocky outcrop on the outskirts of Karur. The temple's sanctum has a 10 foot bas-relief of Vishnu carved on the rock face itself. This is dated to the 8th century CE. The Kalyana Pasupathiswara Swami Temple, which today dominates the city centre, probably acquired its present shape during the time of Chola kings of the 13th century. But it must have existed even in an earlier age. Certainly, the resting place of Saint Karuvurar that is within the temple precinct, points to a strong connection with the mighty emperor Raja Raja Chola who built the Big Temple at Thanjavur in the 12th century. Karuvurar, who was his preceptor, is honoured in the Big Temple as well. Interestingly, he also has a sanctum to himself at Vennaimalai, a suburb of Karur, where a temple to Balasubramaniya is located on a slight elevation. A large part of the surrounding shrine dates to the period of the Madurai Nayaks, the Viceroys of the Vijayanagar Empire who declared themselves independent after the year 1565. Karur came under their control in the 17th century.

Its strategic location meant that it could not remain at peace for long. In 1736, Chanda Sahib, the pretender to the Arcot throne besieged it at the instigation of the French. The Nayaks defended it successfully but in 1760 it was captured by the British only to have Hyder Ali of Mysore snatch it from them in 1768. Strife came once again to Karur in 1783 when, as part of the second Anglo-Mysore war, it witnessed action. It was then a walled town and early in the year, the British, led by Colonel Lang captured it, but not for long. Hyder Ali was soon back. On April 2, the soldiers of the East India Company's 102nd Regiment were forced to evacuate. In the skirmish that followed, one lieutenant, 19 European soldiers and 30 sepoys were killed. The carnage was colossal enough to merit a monument that stands as a mortar obelisk at Rayanur, a short distance from Karur. In 1790, the British once again took Karur, and their possession of it was confirmed by the treaty signed with Tipu Sultan in 1792. It is ironic that it was during these unsettling times that Sadasiva Brahmendra, the mystic who composed songs advocating inner peace, chose Nerur near Karur as his final resting place. His Samadhi is now a popular shrine.

The British maintained a garrison in Karur till 1801 and then handed it over to civil administration. The fort walls were dismantled to facilitate expansion of the settlement. It was designated the headquarters of a sub-collectorate with a tahsildar, a district munsiff and a sub-magistrate. Peace ensured that the red and black soil of Karur could be developed for cultivation and soon it became a rice-growing area. The town's prospects changed further when the Great South Indian Railway Company put up a feeder line in 1868 between Erode and Trichy. With Karur being midway, connectivity was enhanced. Aspirants could travel out for education, farm produce could be transported and business could be conducted with some degree of ease. More potential was to be revealed when the Madras Railway Company established its line from Madras city to Calicut via Erode. Karur found itself on a busy feeder route that connected the two major railway systems – one headquartered at Trichy and the other having a line going through Erode. The railway line necessitated the construction of a bridge across the Amaravati. This was a first for Karur.



The Balasubramaniya Swamy Temple at Vennaimalai



Samadhi of Sadasiva Brahmendra at Nerur

By 1874, the town had become a municipality. A club for the gentry came up in 1887 and still exists. This was named the Karur Jubilee Literary Association, the jubilee being the completion of Queen Victoria's fifty years of reign. By the first decade of the 20th century, a road bridge across the Amaravati was built, thereby restoring the town to its ancient status of an inland trading centre. Several grain and spice dealers set up wholesale shops referred to as mandis here, and chief among these dealers were members of the Arya Vysya community. It was but a question of time before they constructed a temple for their patron goddess Vasavi Kanyaka Parameswari, which still stands near the more famous Karur Mariamman Temple, off the principal market area of Jawahar Bazaar. It would not be correct to assume that the principal community was that of the Arya Vysyas. While they did control certain business interests, there were other communities, some of whom were into trade while others dominated agricultural activity. There was a small Muslim presence that worked in leather and cloth tailoring.

It was not long before the banking initiatives in Madras, Thanjavur and Kumbakonam began to kindle the imagination of people in Karur and its neighbourhood. It was chiefly to cater to the small businesses within their geographical area that several local banks began to be set up. One among these was the Karur Vysya Bank (KVB). The idea for such an entity was that of G. Chakrapani Chettiar of Coimbatore. The First World War had begun and there was widespread depression and a deep-rooted glut in business, particularly for the smaller establishments. There was a requirement for liquidity. G. Chakrapani Chettiar mooted his idea to several prominent members of the Arya Vysya community of Karur and it found a ready response in M A Venkatarama Chettiar, a wholesale mandi and ghee merchant of the town who had been in business since the 1880s. Having decided to start a bank he sought the blessings of Lord Sri Kalyana Venkataramana Swami at the Thanthondri Malai Temple. To propitiate the gods, flowers were placed at the feet of the deity, a ritual known as *pookatty sammadam*. The omens were auspicious and M A Venkatarama Chettiar began approaching the members of his community, all of whom had come together in 1913 for another cause – collecting funds to assist Mahatma Gandhi in his Satyagraha in South Africa. Then just a simple lawyer, Gandhi was determined to fight discrimination against coloured people, especially the hated Asiatic Registration Act and the invalidation of marriages among non-Christians, and had launched what would be his final battle in South Africa. G. Subramania Iyer, one of the founders of *The Hindu* and by then the founder and editor of the *Swadesamitran* sent out an appeal through his newspaper that every town in the Madras Presidency ought to set up a committee to collect funds for the struggle against apartheid. At Karur, several of the Arya Vysya community were in the forefront of this effort and it was perhaps no coincidence that these people would become the first directors of the proposed bank.



St. Teresa's Church at Karur



War Memorial, Rayanur



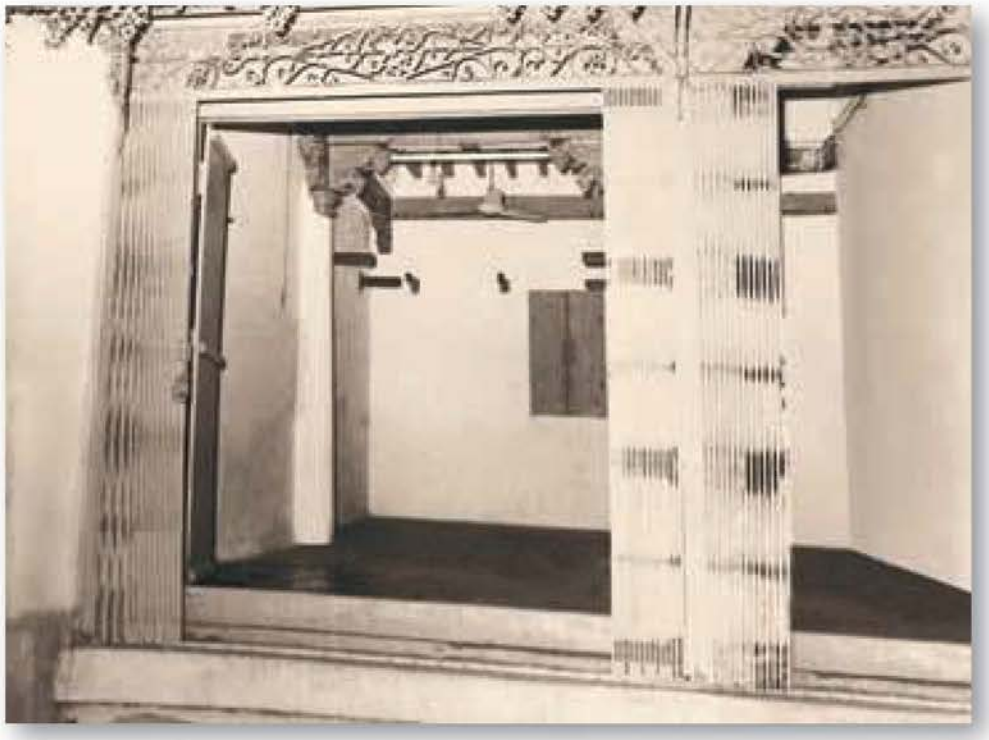
Mariamman Temple at Karur



The Kanyaka Parameswari Temple at Karur

M A Venkatarama Chettiar had a difficult task ahead with little success in the beginning, though he canvassed actively for the bank among businessmen, local worthies and the common people. G. Chakrapani Chettiar had kindled the spark in 1914 or thereabouts but a couple of years later, the total amount of money collected was just about Rs 70,000 while M A Venkatarama Chettiar was of the view that the bank could begin only when the paid-up capital was one lakh of rupees. It was then that, rather propitiously for him and the planned bank, Athi Krishna Chettiar joined him in his efforts. He too came from a family that was into wholesale trading in grain and oil seeds but he had opted to strike out in a different direction – becoming a vendor of stamped paper, Government stationery that could be purchased for certain transactions and therefore represented the tax component of the value of the deal being struck. India was and continues to remain a heavy user of stamped paper and Karur, being a Taluk headquarters then, was no different. Athi Krishna Chettiar had a wide clientele and he put this to good use, canvassing investors for the bank. Information handed down within the families of both founders indicates that they travelled far and wide to attract investors. The bridge across the Amaravati was yet to come up and each outstation visit meant fording the river in a coracle.

The memory of Arbuthnot's crash was still fresh and not all financial institutions begun by Indians had survived either. Among the potential investors tapped for the new bank at Karur, the mirasdars (landholders) of Sendamangalam expressed their apprehensions to M A Venkatarama Chettiar and Athi Krishna Chettiar. This prompted the promoters to give a personal guarantee to each of the prospective investors that their capital would be protected in the event of the bank/venture failing. These efforts bore fruit and by mid-1916, the necessary rupees one lakh had been garnered. All was set for the formation of the bank. Buoyed by the confidence of the guarantees given by M A Venkatarama Chettiar and Athi Krishna Chettiar, the investors had agreed to the bank being set up as a joint stock company, a rather unique choice for a bank. This was in many ways a private limited or equity based company where investors held shares, but with one small difference. Unlike the private limited companies of today where the liabilities of the firm were limited to the firm itself



The first premises of KVB

thereby providing immunity to the promoters, the joint stock company meant total liability for its investors. In the event of the bank failing, the investors would have to bear the brunt of it in full. KVB was to be promoted as a joint stock company and so the investors committed themselves in full. In reality though, this wasn't quite the case. It was essentially just two of them – M A Venkatarama Chettiar and Athi Krishna Chettiar who bore the full risk. The two men clearly had to make the bank a success.

In the event, they did better than what they hoped, for even in the formation of the bank, the paid-up capital at inauguration was Rs 1.20 lakhs – more than the rupees one lakh they had planned to begin with. The bank was registered at Tiruchirapalli on June 22, 1916. It had a unique record even to start with, for it was the first joint stock company approved by the Assistant Registrar at Trichy for the financial year 1916-1917. The first meeting of the shareholders of the bank was at the forecourt of the Thanthondri Malai Sri Kalyana Venkataramana Swami temple. The first share was allotted to Goddess Gayathri Devi as per the wishes of the promoters and to this day this divine personage remains the tutelary deity of the bank. The rest of the shares were then allotted and the first Board of Directors was duly elected.

By virtue of being the man from whose vision KVB had evolved, M A Venkatarama Chettiar was made President of the Board and for having seen the processes through, Athi Krishna Chettiar became the Vice President. The rest of the Board comprised local businessmen – B.V. Bangaru Sundaram Chettiar, M.G. Sriramulu Chettiar, V.S.N. Ramalingam Chettiar, M.R. Lakshminarayana Chettiar, M.R. Venugopala Chettiar, T.N. Ananthapadmanabha Chettiar, T.V. Sundararajulu Chettiar, K.N. Viswanatha Chettiar, K.R. Venkatarama Chettiar, V.K. Vengopala Chettiar and R.M. Kesava Venkatarama Chettiar. The last named was to be the first Secretary of the bank. In today's parlance, he was the equivalent of the Chief Executive, for the day-to-day operational running of the bank was to be his responsibility. The records describe him as a 'very cultured gentleman'. In keeping with his onerous duties, he had a fixed salary – Rs 35 per month, a fairly big sum for those days.

The first office of the bank was the front room of M A Venkatarama Chettiar's residence in Bazaar Street, Karur. The first meeting of the Directors after the formation of the Board took place on June 28,1916 at its registered office, and present on the occasion were the President, the Vice President, four Directors and the Secretary. The meeting had a one-point agenda – the appointments of peons, head clerks, and a valuer, and fixing of their salaries. From the old records it is possible to decipher that a peon received Rs 7 per month and the head clerk, Rs 20.

In sharp contrast to today's world, where publicity for such events is paramount, the founders evidently preferred to keep KVB's inauguration a quiet affair. They were clearly men who preferred that posterity laud their efforts. Much of their vision for the bank was incorporated in the Memorandum and Articles of Association. Some of the clauses incorporated therein are startlingly ahead of the times in which they were thought of.

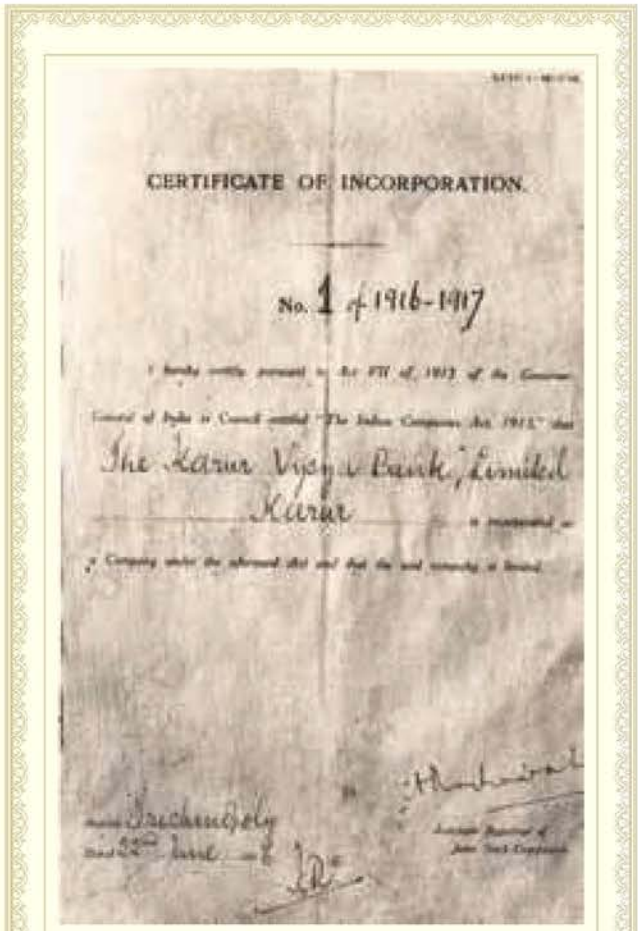
"The foresight of the founders never ceases to amaze," says A.S. Janarthanan, former Chairman of the bank and a grandson of Athi Krishna Chettiar. "The Banking Regulation Act came into force only in 1949, but in 1916 itself they were careful enough to incorporate a clause preventing Directors from taking loans from the bank. It was only 33 years later that such a clause was put into the statute. This apart, they also thought that the employees too should have a stake in the working of the bank and that they too should be totally involved and participatory in the future of the bank. They thus planned stock options long before the term became fashionable. Every manager was to have 50 shares, all the officers 20 and the cashiers, in particular, were supposed to have 40 shares!"

With such visionary ideals, Karur Vysya Bank, to be popularly referred to as KVB got down to work. The bank opened for business on July 1, 1916.


THE KARUR VYSYA BANK, "LIMITED."

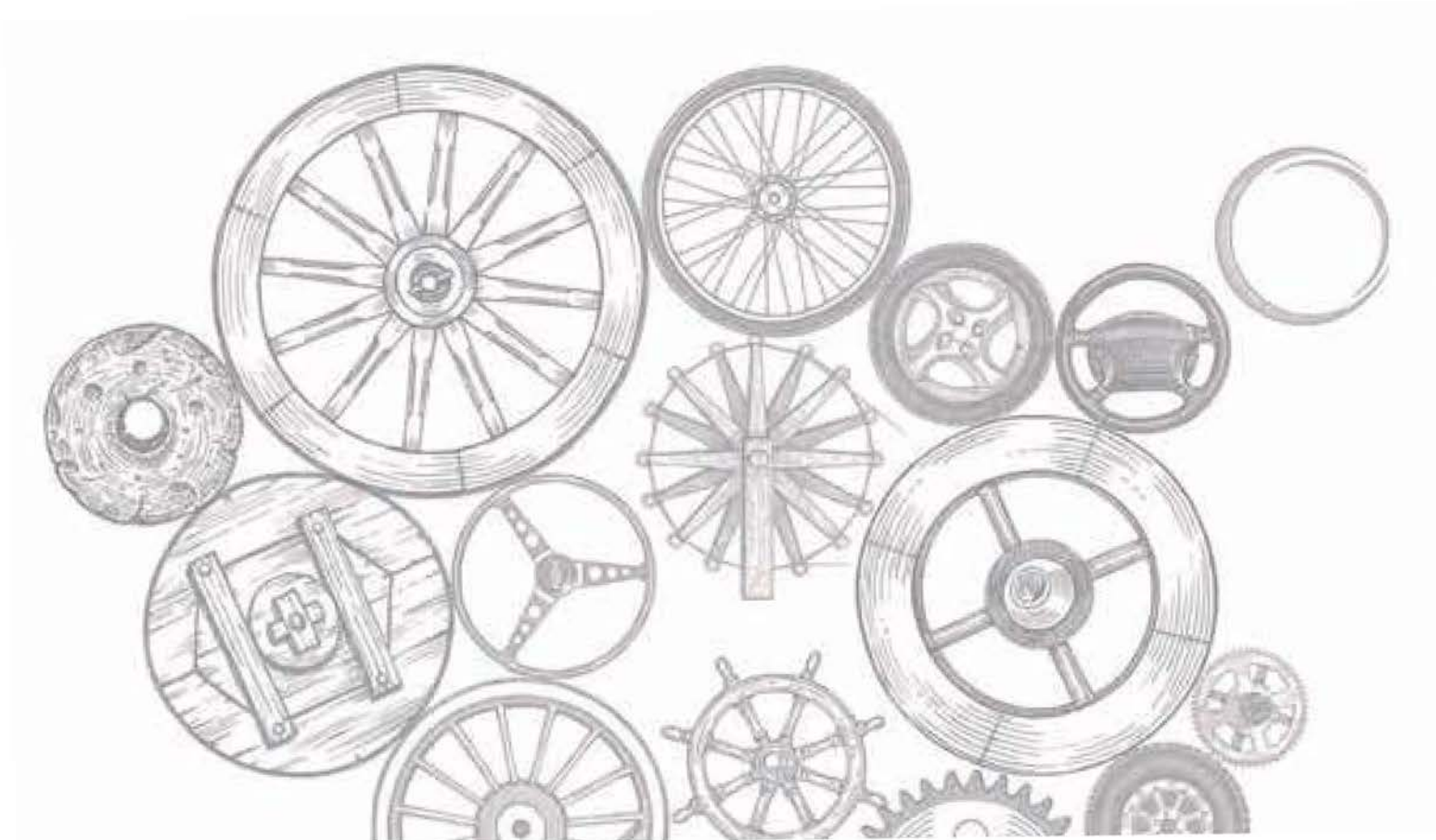
(Established, 1st July 1916.)

The first share certificate


CERTIFICATE OF INCORPORATION.

No. 1 of 1916-1917

KVB's certificate of incorporation



CHAPTER - 2



Special Postal Cover brought out in honour of our Founders

The First Years

Looking back at the initial phase of the bank, the institution's Silver Jubilee souvenir had this to say:

"The present position of the Bank bears ample testimony to (the Founders') breadth, vision and foresight. Usual nervousness of the people at that time to invest money in such ventures, and the economic chaos brought about by the Great War which was being fought with great fury, and the reverses the allies suffered at that time of the year 1916 made their task of establishing the institution an uphill one." This was no understatement. While the direct impact of the Great War (now referred to as the First World War) was negligible in remote Karur, there were other issues to contend with, some generic and others more specific to the place.



B.V. Bangarusundaram Chettiar, Founding Director



M.G. Sreeramulu Chettiar, Founding Director

At a macro level, there was the task of educating people as to what banking was all about and emphasising the difference between money lending and banking. On the one hand, people were appreciative of the fact that a bank would necessarily be fair-minded in its interest charges, and borrowing from it would mean the collateral offered as security was safe. On the other hand, there was a fundamental aversion among borrowers to involve themselves in the paperwork that was a necessary part of the process when it came to availing loans from a bank. The truth was that most businesses of the small scale variety, and those that came to KVB were invariably of this kind, and lacked the formal systems that could generate the data the bank needed before it parted with its money. KVB had to, perforce, become an evangelist of sorts for the banking industry in and around Karur. M.G. Vivekanandan, former Director at KVB and whose family has been involved with the bank from inception recalls how banking was done at the grass roots level in those days – "We accepted a slip of paper, and we would advance a loan. This would be returned in the evening. It was unofficial banking. That is how our banking developed. Our community had moneyed people; our main business was mandi (jaggery and other commodities). We collected these from villagers and sold them in Karur. We had money. We had to benefit, we had to get interest, but not high; it was done with compassion". Clearly with the establishment of KVB, matters would move on to a more organised plane.

For this, there had to be a proper system of evaluation of depositors and lenders. To facilitate their selection, due diligence was conducted in a home-grown style. Any potential borrower was assessed, based on market intelligence and background checks. In this, the knowledge that the bank's Board had of the customer became paramount. That defined the kind of borrowers' portfolio that the bank had in the initial years – these were largely merchants in the retail trade, farmers who were given money against gold and wholesale grain traders.

Native intelligence was brought to play when it came to judging a potential borrower. The manager would never be swayed by the visitor's appearance or his mode of conveyance, as these were not true indicators of his worth. It helped, of course, that most of those who came to transact with the bank were known people and in any case the bank was familiar with most of the background information on them. But even then, some standard questions would be asked that would help gauge the soundness of the party. The topics around which seemingly innocent queries would be made would be health, family happenings, the weather and local news. For instance, if the Manager asked after the customer's health and he got a response that he had been ill or was just recovering from an illness, he would be alerted. Similar was the case, if in response to queries on the family, the customer let drop some hint of property litigation or disputes with siblings. These were red flags as far as the bank was concerned. Similarly, if the officials came to know of a prolonged drought in an area or of a flood, they would be cautious. These were, no doubt, not fool proof methods of verification but rarely was a wrong assessment ever made.



K.N. Viswanatha Chettiar, Founding Director

The Minutes books of the period reveal some interesting facts. The bank's Board met regularly each month and the accounts were reviewed at every meeting – an indication of the caution with which the Directors proceeded. There was no sitting fee for the Directors until 1919, when it became mandatory as per law and even then, the amount was Re 1! The upper limit for loans was Rs 1,000, though on occasion, when the collateral was good, as when land or buildings were offered, this could be increased to Rs 1,500. The security offered, though, was rarely of the immovable kind and what KVB appears to have taken in was largely commodities – cotton seeds in gunny bags and plenty of turmeric. The latter appears to have been preferred by the bank – it lasted for long and was buried deep in the ground for safe custody! Even here, there were gradations in the quality of turmeric – thus 50 bags from Karur were more valued than 150 from neighbouring Pasupathipalayam!

If a borrower defaulted repeatedly, his collateral was auctioned. In 1920, we read of cotton seeds in gunny bags belonging to a defaulter being given to the highest bidder. By then, it had become mandatory for every loan to have a guarantor as well. While the Directors of the bank were barred from availing loans on a matter of principle, other shareholders could do so. A delicate situation arose when a shareholder was found to be in default in 1921. Notwithstanding his status at the bank, it was decided that his shares could be auctioned to settle his dues. The highest bidder was V.S.N. Ramalingam Chettiar who would remain a Director of the bank for a long period of time.

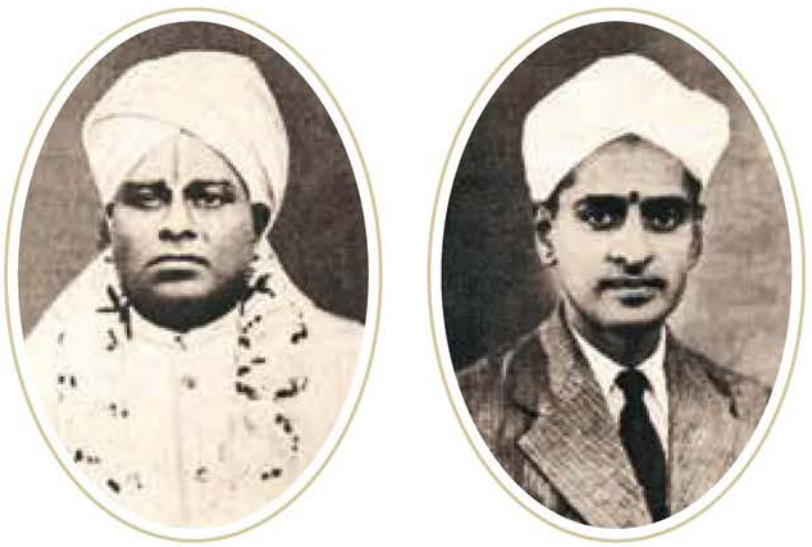
If these were the common practices while dealing with retail and wholesale trade, the agriculturists resorted to borrowings against gold jewellery as collateral. Every Board Meeting from inception records approval of loans after the valuing of the gold jewellery. This was a sensitive matter, for much depended on the knowledge of the bank's evaluator who therefore became an important functionary. While the official's name is sadly unrecorded, we do know that he ran into trouble with the Board in the initial years of operation, for its members proved to be sharper than he was. In 1918, it was found that the weight of the gold was measured correctly but the valuation was wrong. A few months later, an instance of overvaluation by Rs 3,000 was detected and the official was cautioned. That KVB always had a humane side to it is made evident when studying instances of default owing to unforeseen circumstances. Thus when a borrower from Nicholsonpettai, a suburb of Karur, died within four months of availing of a loan, it was decided to return to his wife the goods offered as collateral, without charges, provided she could pay back the money borrowed.



V.S.N. Ramalingam Chettiar,
Founding Director



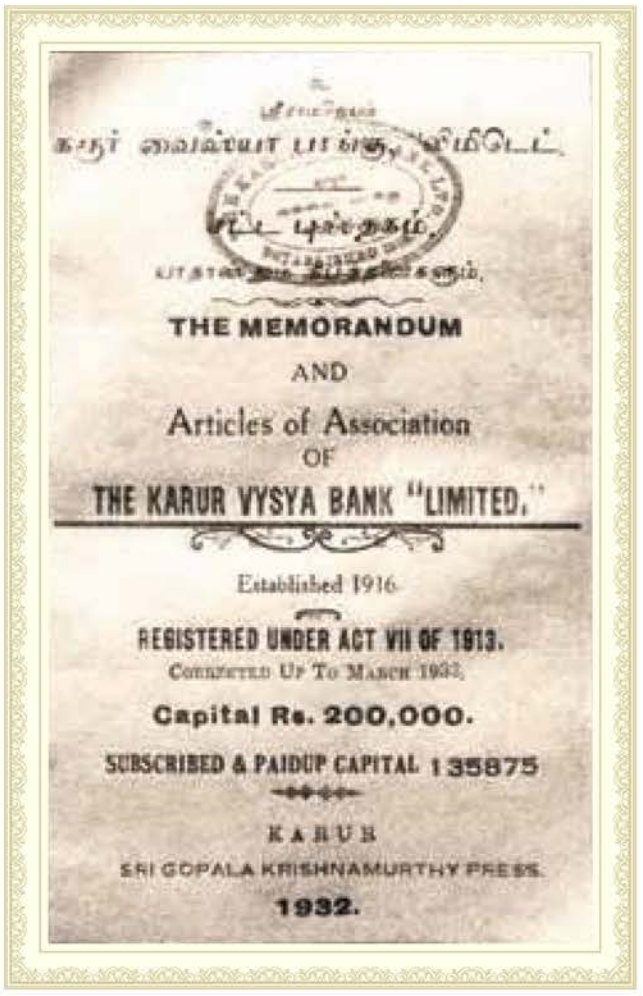
V.K. Venugopala Chettiar,
Founding Director



The first Secretaries of the bank, left: R.M. Kesava Venkatarama Chettiar (1916-1918) and right: K.S. Venkatasubramania Iyer (1918 – 1932)

We have looked at the way the bank extended credit facilities in its initial years. But what of deposits with which it could fund such activities? This was a far more challenging area for KVB. R.K. Seshadri, in his book *A Swadeshi Bank from South India*, that records the history of the Indian Bank on the occasion of its Platinum Jubilee, writes, "It was not unknown in those days for newly-floated banks to pay substantially higher rates for deposits. Half a percent more on current accounts and anything up to one and a half per cent more on fixed deposits seem to have been offered by the more venturesome units." With caution being a mantra of sorts at KVB, this was not something they wished to do. But even before this, there was the matter of Government approval for becoming eligible to accept public deposits. This was for some reason not that easily forthcoming. Owing to this, the bank was faced with a piquant situation in 1918 – it had to return the deposits it had taken in, with interest. KVB thus needed funds for loans and also to refund deposits. This could have resulted in a potential run on the bank had it not been for a call to shareholders who were yet to pay their committed capital. This saved the day and shortly thereafter, the permission from the Government did come in, thereby enabling the bank to call for public deposits.

In the interim, anticipating such a situation, it was deemed best that KVB applied for an overdraft facility with the Bank of Madras. This was easier said than done, for that venerable institution, run entirely by and for British interests, was extremely finicky when it came to doing business with, what were rather deprecatingly termed. 'native banks'. However, Venkatarama Chettiar, having been on the district-level advisory board of the bank may have helped and the overdraft was arranged, the limit fixed at Rs 10,000 and the President and Vice President authorised to avail it. This was however, discontinued in 1923, by when the funds position became comfortable.


THE MEMORANDUM
AND
Articles of Association
OF
THE KARUR VYSYA BANK "LIMITED."
Established 1916
REGISTERED UNDER ACT VII OF 1913.
Corrected Up To March 1932.
Capital Rs. 200,000.
SUBSCRIBED & PAIDUP CAPITAL 135875
KARUR
SRI GOPALA KRISHNAMURTHY PRESS
1932.

The Memorandum and Articles of Association of KVB

In an era when there was no central bank watching over the interests of the depositors, financial institutions operated pretty much on their own. The more ambitious and unscrupulous ones took plenty of risks such as speculating in shares, bullions and commodities, all of which gave great returns when the going was good and invariably resulted in a spectacular crash sooner than later. People were therefore wary of banks in general and the "preferred investments in those days were in the order of jewels, English sovereigns and half sovereigns, the weight and fineness of which were known and certain, silver, agricultural lands, real estate and Government paper that yielded 3 ½ per cent returns. Deposits in commercial banks, many of which were perhaps not very sound, probably came last; and in a mofussil town without banking facilities, they could not of course be considered at all" – thus wrote R.K. Seshadri in his survey of banks in the first decade of the 20th century. It was in such circumstances that the founders of KVB solicited investors.

The avenues for investment for a conservative bank were also very limited. Surplus funds, if any, were placed in Government securities. This was a necessity as in the case of a crisis, this was the only collateral that the Bank of Madras accepted in order to lend money to any bank needing it. Government bonds or Gilts, as they are known, have traditionally been secure but low yielding investments. A bank that believed in playing it safe, and certainly KVB was among them, had to maintain a cash reserve of at least 25 per cent. This may seem very high today but in those days this was the norm. Despite all these restrictions, banks had to earn profits and it was perhaps no wonder that in the first year, KVB posted modest but positive results. The first year of operation saw a dividend of 13 annas and four paise per share of face value Rs 100, being announced. The second year was sensational for the times – dividend was Rs 10 per share – the founders had been true to their commitment to the shareholders.

That did not mean that it would be an untroubled journey from then on. Firstly, there were changes in the executive level – Kesava Venkatarama Chettiar stepped down from the post of Secretary for a year in 1918 and was replaced by T.V. Sundararajulu Chettiar, another Director. This was however a temporary transition, for we find the previous incumbent returning to his post within a few months. However, he stepped down permanently a year later and was replaced by K.S. Venkatasubramania Iyer. He was to be with the bank till 1932, a tenure that was later recorded as one in which the institution made great progress and opened several branches. What is significant for those times is that while Venkatasubramania Iyer's salary was to be a fairly high Rs 60 per month, a part of it was dependent on the bank making profits – an instance of performance linked rewards that are so common today. More interestingly, when the Secretary took leave for two months owing to some personal commitments at a time when the bank needed his presence, he was sanctioned absence without pay!



The Karur Branch in 1921 opposite Vasavi Temple

By 1918, the bank was a busy place and it was felt that the front room of M A Venkatarama Chettiar's residence was too cramped for comfort. The bank was shifted to another building taken on rent. In 1921 when even this was found to be too small, another premises was identified and the shift effected. A year later, the bank would face one of its toughest challenges though not one that it was responsible for – the bubonic plague. This was a frequently occurring epidemic in the area; indeed Karur and its environs were earmarked by the Government as places particularly prone to the scourge. The outbreak in 1922 was severe enough for the Board to anxiously monitor its impact on the bank's business.

By March, a decision was taken in principle that in case the situation worsened, the bank would have to shift operations to Trichy. By December, with copious rains flooding the Amaravati, what was feared came to pass and the Board pressed the panic button. It was decided that no more loans would be given against commodities till the epidemic abated and the Secretary was asked to foreclose all existing borrowings of that kind. Fearing the viability of the bank in such a situation, four Directors – Lakshminarayana Chettiar who also doubled as godown keeper, Ananthapadmanabha Chettiar, Venugopala Chettiar and Sundararajulu Chettiar filed for a return of their deposits. This was accepted and the commitment was honoured while they stepped down from the Board. In January, the plague began spreading even more virulently and the bank had to shift the pledged gold and its papers to Trichy. The Secretary and B.S. Gopalakrishna Chettiar, one of the Directors, were given an allowance of Rs 20 and Rs 15 respectively to carry out the task. The bank practically ceased functioning for a period of five months as can be seen from the absence of any records in the Minutes books.

The two years that followed were tough ones. The bank returned to Karur by May but business conditions were deeply impacted by the plague that had just about receded. Tough measures were called for and one among these was to take on apprentices without salary. The first of these, M. Gopalakrishnan was to work for free from August 1923 till the end of the year; when impressed with his diligence, the bank appointed him as a second clerk on a Rs 17 As 8 per month salary. Lending rates were hiked, from 12 annas to Re 1 per Rs 100 borrowed. Rules were amended to attract more deposits – Directors had to keep a cash deposit of Rs 1,250 with the bank. A new scheme – recurring deposits where Rs 2, if paid every month, would yield Rs 50 at the end of two years – was announced. These deposits could, if needed, be closed prematurely as well. A cap was placed on the amount that could be withdrawn from any deposit – anything more than Rs 300 was disallowed. Fixed deposits, which earlier had to be placed for a minimum term of 12 months, were now available for six months too. It was also decided to borrow money at the rate of 13 annas per Rs 100.

(b) ஒவ்வொரு வயதிலும் தேருகடையாகும் லாபத்தில் ரூபாய் நூற்றுக்கு. ரூபாய் ஒன்று வீதம் தர்மத்திற்கு ஒதிக்கு தர்மபண்டுடன் சேர்க்கவேண்டியது

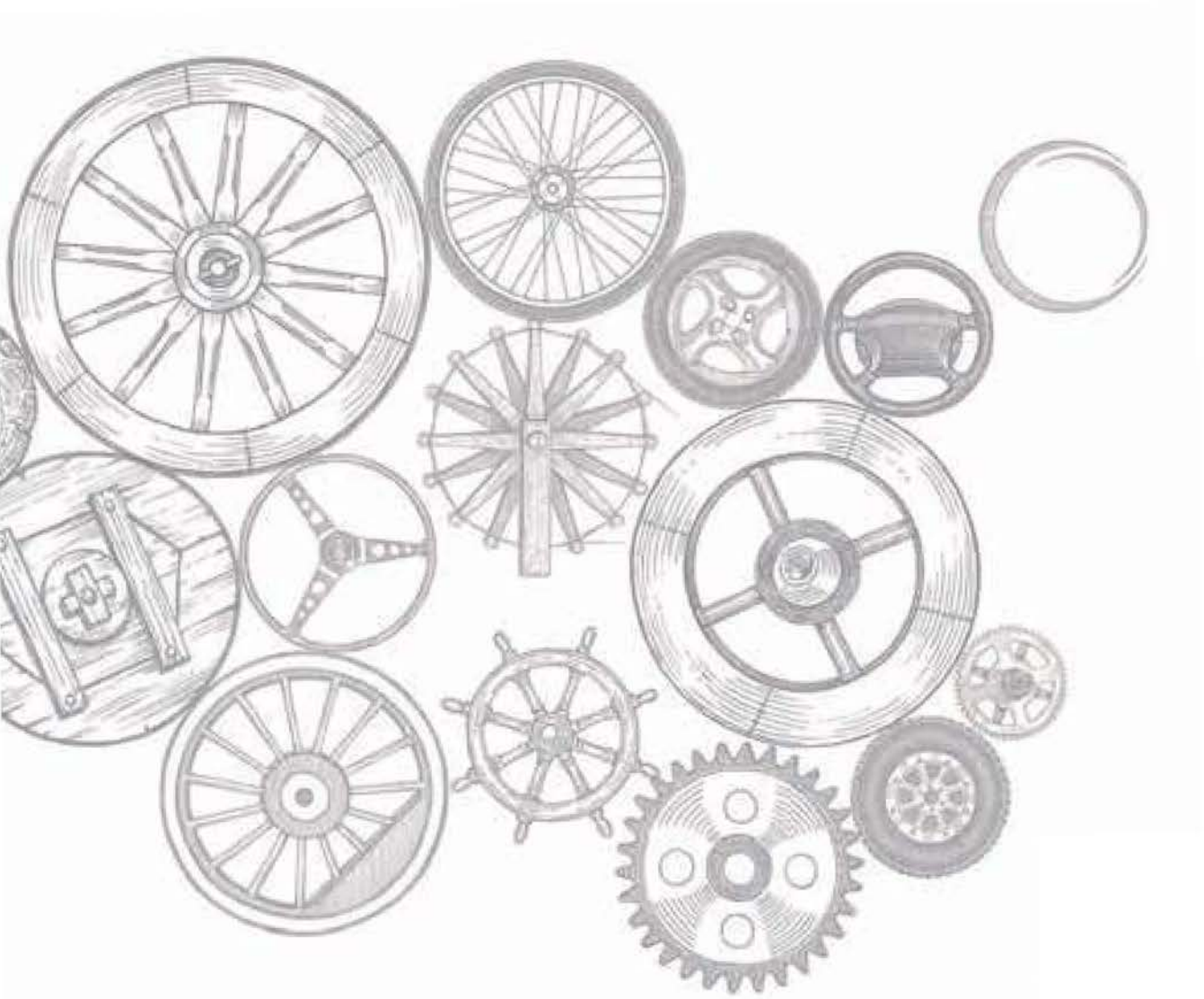
தர்ம பண்டிலிருக்கும் நிதியை நிர்வாக சபையார் அபிப்ராயப்படி தர்ம காரியங்களுக்கு சிலவு செய்யலாம்.

Extract about Dharma Fund from the Memorandam and Articles of Association

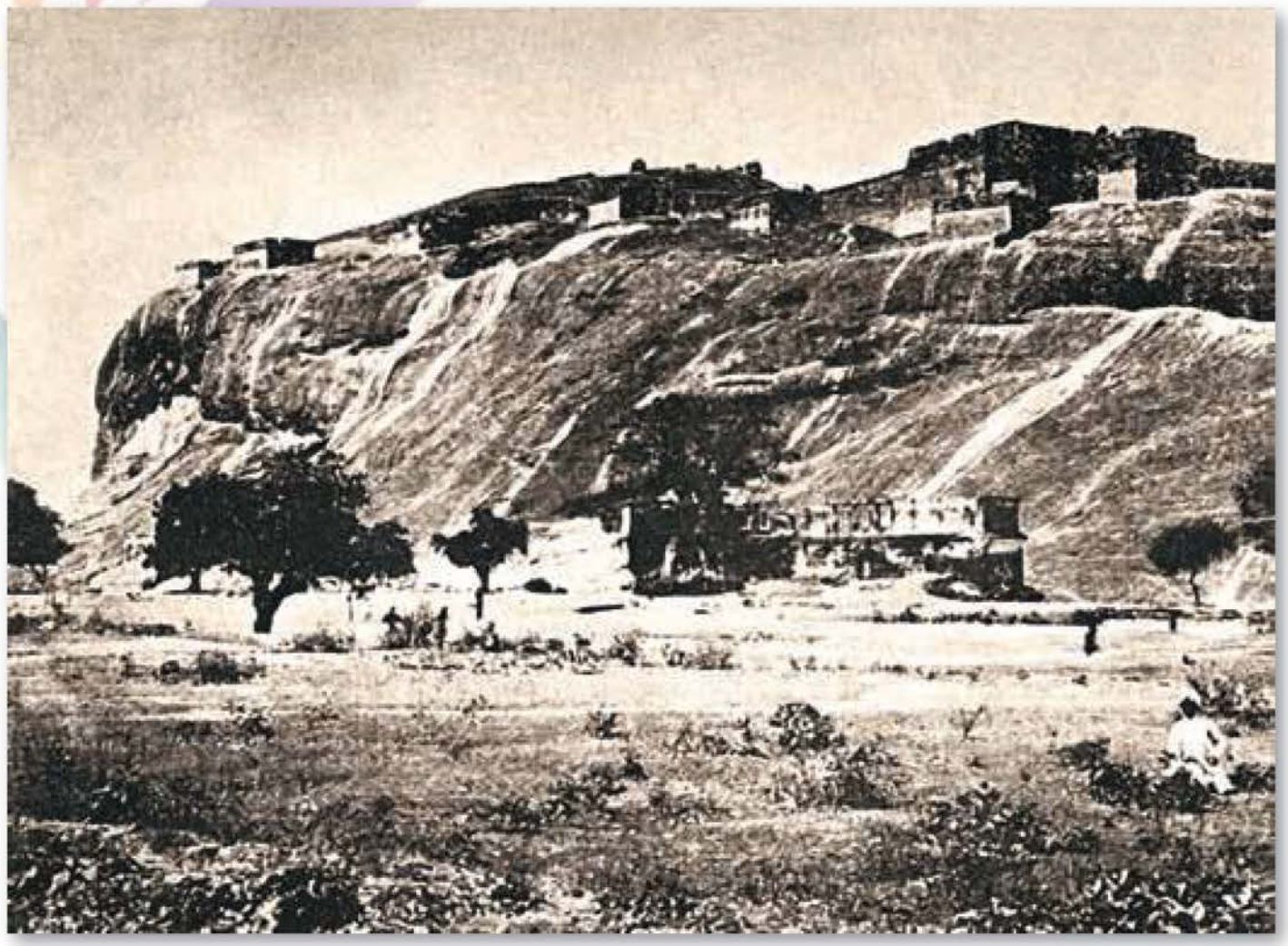
Despite the hardships it faced, the bank did not overlook the claims of those less well-placed. It had been decreed by the Founders even at inception in the Memorandum and Articles of Association of the Bank that one per cent of the bank's profit had to be spent on charity, a form of Corporate Social Responsibility (CSR) that has now become fashionable post the new Companies Act of 2013. During the height of the crisis, in October 1923, bonuses were paid to staff. In addition, Rs 604 As 8 was allotted to a loss compensation fund from the interest of which staff were given ex gratia payments. In 1925, by when more prosperous times had come about, a thanneer pandal – a temporary pavilion where water and buttermilk is dispensed to the thirsty during peak summer – was sanctioned at a cost of Rs 50. A Dharma Fund was set up from the proceeds, of which scholarships were to be given to students of the Municipal School on the basis of the Headmaster's recommendations. The first beneficiaries were M.R. Rangaswami of Form VI (equivalent to today's Standard 11 and then the final year in school), S.S. Gopalan and R. Venkataraman of Form IV (Standard 9) and G. Balasubramanian of Form II (Standard 7). In subsequent years, the Dharma Fund was to be a regular feature.

By 1926, the bank was back on track – the first signs of which were a sharp reduction in lending rates – they were back to 13 annas per Rs 100 from the earlier Re 1. Interest on jewel loans was reduced to 10 As for Rs 100. By then funds were becoming cheaper and it was decided to impose caps on fixed deposits.

In this manner, a whole decade had gone by since the inception of the bank. The outside world had however not been at a standstill and many developments had taken place in the same decade, all of which would affect the way KVB would function. Clearly, if the bank had to survive, it needed to be flexible and responsive to the environment.



CHAPTER - 3



The fortress at Dindigul, photographed in 1924

The Interwar Years

During the years that KVB was still finding its feet, developments that would eventually have a powerful impact on the Indian banking industry were afoot. The first of these, and one that would set off many subsequent events, was the amalgamation of the three Presidency Banks to form one common entity.

We have already noted that each of the three Presidencies – Bengal, Bombay and Madras, had their own banks and the jurisdiction of each was jealously guarded.

Efforts to amalgamate them had begun in the 1870s but did not meet with sustained success. In 1913, a Royal Commission on Indian Finance and Currency was set up and at a very early stage, it was felt by its members that India needed a Central or State bank. Two of the Commission's members, Sir Ernest Cable (later Lord) and John Maynard Keynes (later Lord), the eminent economist, were asked to study this issue. Keynes came up with a comprehensive scheme for what he called the Imperial Bank of India. He envisaged this to be formed by the merger of the three Presidency Banks. Its functions, according to him, would be issue of notes, management of India's public debt, effecting remittance for the Secretary of State through the London office and acceptance of payments and making disbursements on behalf of the Government.

The First World War broke out shortly thereafter and as bankers to the Government, the three Presidency Banks had to work in close collaboration. This made them realise that it made sense to amalgamate, and there existed a persistent fear that some powerful banking interest abroad may secure control over Indian banking. A proposal for amalgamation was put together by the banks and forwarded to the Government shortly after the declaration of the Armistice in November 1918. The decision to amalgamate the Presidency Banks was announced in the Indian Legislative Council in September 1919. The Bill was passed in the Legislative Council in September 1920 and the Imperial Bank of India came into existence early in 1921 with the mandate that it had to set up 100 branches in the country within five years.



K.N.V. Ramaswami Chettiar,
Director 1934-1946
Vice President 1946-1960

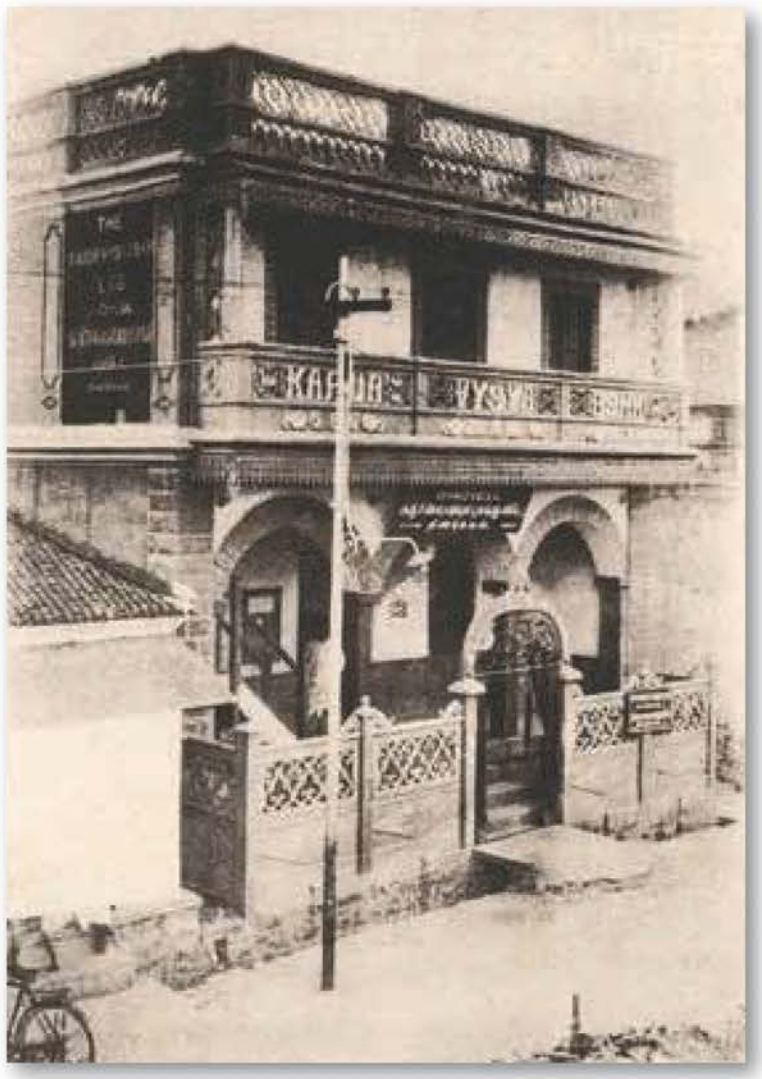
Almost immediately thereafter, the debate began on the necessity for a central bank that was non-commercial in nature. The creation of the Imperial Bank had led to a situation where it was controlling the credit in the economy while the Government was controlling the supply of money. To overcome this it was felt that India needed an institution on the lines of the Bank of England. This argument received a boost when the Hilton-Young Committee, set up in 1925 to study India's currency problems, recommended that what the country needed were two entities – a strong central bank and great commercial bank. The latter was of course the Imperial Bank and to fulfil the former requirements, a Reserve Bank of India was proposed.

A Bill to this effect was introduced in the Central Legislative Council in 1927. This was modified repeatedly owing to recommendations from various sources and also the constitutional reforms that were being debated simultaneously. In 1933, the Government of India brought forward the Reserve Bank of India Bill and the institution came into existence on April 1, 1935.

We find echoes of these developments in the KVB Minutes books. But before we go into that it would be good to see how the bank fared in the second decade of its existence. In 1926, KVB was healthy enough for the build up of reserves in the balance sheet, the amount transferred that year from the profits being Rs 77 As 7 P 7. From then on, there was never to be a year when the reserves were not built up. Another sign of the bank doing well was its decision to open a branch at Dindigul. At around this time, M A Venkatarama Chettiar decided to step down from the post of President at the General Meeting on October 27, 1926. He believed that having been at the helm of affairs, his work had been completed and the bank was on a sound footing. The Board urged him to reconsider but he was quite clear that his age would not allow him to take on such an onerous responsibility any longer. He requested that the Board focus on electing his successor rather than asking him to change his mind. Fortunately for the Directors, the choice was clear. Athi Krishna Chettiar, the co-founder, was immediately elected President, his name being proposed by K.R. Venkatarama Chettiar and seconded by Bangaru Sundaram Chettiar.
M A Venkatarama Chettiar continued on the Board and served as Vice President till his passing in 1934.
On March 30 that year, the Board convened to mourn his death and sanctioned funds for the commissioning of his portrait, which would be placed at a prominent position at the Head Office. K.N.V. Ramaswamy Chettiar, son of K.N. Viswanatha Chettiar, one of the founding Directors, filled the vacancy caused by his father's demise. Ramaswamy Chettiar was a Board member from 1934 to 1946 and thereafter served as the Vice-President of the bank until his demise in 1960.



The first safe of KVB



The First Branch of KVB opened at Dindigul in 1927, in premises owned by the bank

Athi Krishna Chettiar was to be President for a long period of time. Among his first activities was to get the Dindigul branch going. Compared to Karur, this was a prosperous town with plenty of business activity. *Illustrated Guide to the South Indian Railway* for 1926 referred to earlier, lists cigars, safes, locks, bell-metal vessels, country cloth and leather, apart from paddy and dry grains as its chief produce. This was apart from the coffee and cardamom that came from the surrounding hills. An interesting aside is that KVB's first iron safe, in which it kept all its documents and cash, was made in Dindigul and survived for long. A historic town, Dindigul acquired importance because of its strategic location – it commanded passes between Coimbatore and Madurai. It was a stronghold and favourite location of Hyder Ali who strengthened the Nayak period fortress at its hilltop, that which continues to dominate the town. The British were to repeatedly conquer it only to lose it but eventually become its masters in 1790. A few years later, Dindigul became well known for its cigars. The setting up of a Spencer & Co cigar factory here meant employment in the industry for hundreds of workers. Soon some Indian companies set up cigar rolling facilities here as well. This led to some of India's earliest patent battles. The ownership of the Dindigul brand would be severely contested with several names such as Cigarro de Dindigul and Flor de Dindigul being launched. In planning a branch here, KVB had displayed a good knowledge of its market. Significantly, in 1927, there were no scheduled banks in the town, the existing financial institutions all being cooperatives. KVB would thus score a first.

The decision was no ordinary one and required resolutions from the General Body for which an Extraordinary Meeting was called on December 2, 1926. The Asadharana Maha Sabhai as it is referred to in the Minutes, wholeheartedly approved. A team comprising Ramalinga Chettiar, Balagurumurthy Chettiar, Athi Krishna Chettiar, U.R. Subramania Iyer, the Auditor and B.S. Gopalakrishna Chettiar, the Valuer, was entrusted with the task of making the branch a reality. The four Directors referred to above would eventually become the Executive Committee that was responsible for the working of the Dindigul branch. A new recruit, I.S. Rangaswamy was the Assistant Secretary who would report to Venkatasubramania Iyer. Finding a Valuer at Dindigul proved difficult and Gopalakrishna Chettiar was asked to function from there till further notice. The branch came into existence on January 17, 1927 with an initial investment of Rs 15,025 As 11 P 5. The lack of a suitable Valuer for gold proved a major deterrent especially after Gopalakrishna Chettiar returned to Karur. The Minutes books continually lament the fact that the funds allotted for jewel loans remained unspent owing to there being no suitable person to value gold. In February 1928, a Valuer was finally appointed. As though in thanksgiving, we find the bank organising a special worship at the Thanthondri Perumal temple.

By then, the Head Office in Karur had sizeable staff strength – the Secretary, the Valuer, a Shroff (the functionary who monitored lending operations), a head clerk, several clerks, a number of peons, a watchman, a night watchman and a godown keeper. Both the clerks and peons were graded on seniority and were designated First Clerk, Second Clerk, etc. The peons too had the same hierarchy. The branch followed the same staffing pattern and this led to a great benefit – each time a vacancy occurred at one office, the immediate task of filling it was done by transferring a person of the same designation from the other location. This kept the staff rotated between the Head Office and the branch and soon they were to become familiar with operations at both locations. At the same time, employees who served both offices were suitably compensated.



Staff of the early branches - Dindigul and Dharapuram





Staff of the early branches - Erode and Kulithalai

That operating a branch at Dindigul was a happy experience is made clear from the Silver Jubilee souvenir of the bank – "The ready support we received from the public by way of demand for loans, of course on good securities, and the confidence they reposed in us by depositing in various accounts and the successful working of our Dindigul branch pointed to the potential of branch banking and encouraged the management to open other branches." The pace of setting up new offices in other locations was rapid indeed. The Dharapuram branch opened on February 11, 1929 without the fanfare that had accompanied the Dindigul inauguration. Six months later, on August 25, KVB struck roots at Kulithalai, a fertile town on the banks of the Cauvery. Offices came up in Erode, Namakkal and Gobichettipalayam between 1930 and 1932. It was also felt that at Karur there ought to be a branch that was distinct from the Head Office. This was inaugurated in the market area of the town on August 10, 1932. This branch would peregrinate to a couple of other locations, before shifting in 1983 to premises owned by KVB, which until then had been the Head Office of the bank.

The bank began an interesting tradition in its Kulithalai branch. The Head Office sanctioned funds amounting to Rs 5,555 As 11 P 55, as seed money for the Kulithalai office to begin business. This perhaps worked well, for thereafter this sum was considered an auspicious amount and the same was invested in every new branch that was started! Each branch had an Advisory Committee comprising four prominent personalities from the locality. Their function was to help the bank assess the creditworthiness of borrowers and introduce the staff to high net worth individuals in the immediate vicinity.

The mid 1920s were a period of relative prosperity – the Tamil cultivators had, in particular, switched to cash crops, a large percentage of which was being exported. The demand was for sugarcane, oilseeds, groundnut, tobacco and cotton as compared to food grains. Investment in agricultural land was proceeding apace and credit was in demand. To gather the funds needed to finance these requirements, KVB came up with prize schemes. Known as Prize Settu (set), it envisaged a draw of lots each month when the prize-winning depositor would receive Rs 5. This was to meet with such an enthusiastic response that the schemes were repeated several times in a year.

Such a scorching pace for the times meant that the staff at KVB was continually stretched in the early days. The hiring of apprentices without salary, to be confirmed within a short period if found to be good, became a regular practice. Allowances were also regularly paid to staff under the head of 'excess work load'. There were errors in judgement as well that at least in one case, caused much trouble for the bank. This is a tale that needs to be told in some detail chiefly to illustrate the way such issues were handled. A lady to whom the bank had loaned money on the basis of the surety given by a gentleman, died on August 15, 1927. It was learnt that the woman had been borrowing freely from several people and in order to recover its dues KVB applied to the Trichy court for an attachment order on the guarantor's property. Unfortunately for the bank, all the other creditors followed suit and this became the subject of protracted litigation, compounded further as the guarantor declared insolvency. The case lasted two years and at the end of it the bank was not satisfied with the compensation it received. The Board debated filing an appeal in the High Court of Madras stating that this would have to be funded by the Secretary K.S. Venkatasubramania Iyer, as the whole problem had been the result of his carelessness. This prompted a spirited rejoinder from the latter, and he furnished enough evidence to prove that he had been most diligent as far as the litigation was concerned. The idea of going on appeal was dropped thereafter.



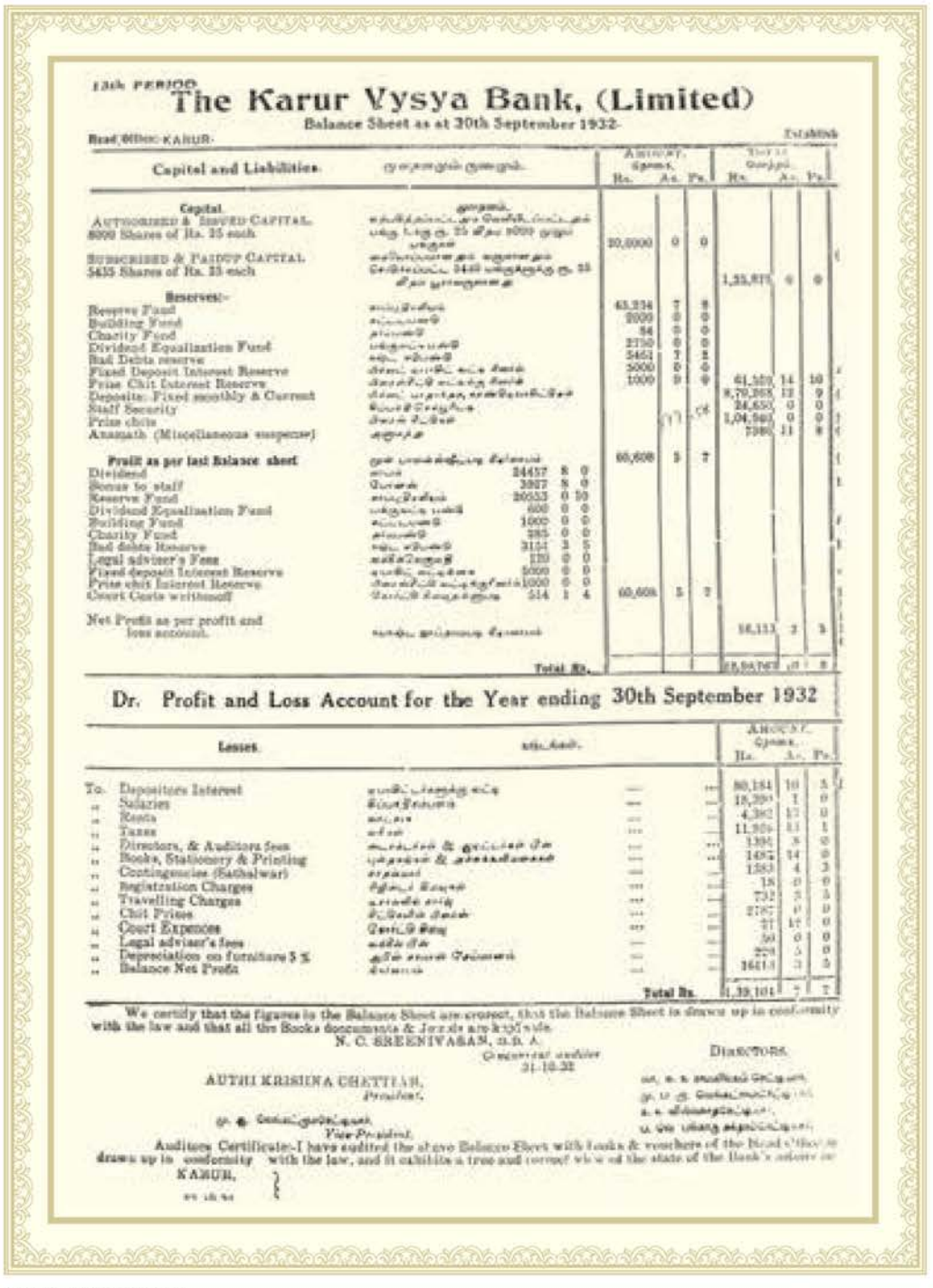


Staff of the early branches - Namakkal and Gobichettypalayam

A decision was taken in 1929 to open a branch in Trichy but this was soon put off, with very good reason. The Great Depression, which had begun in the United States of America with a crash of the stock exchange, had its impact all across Europe. The Madras Presidency though an insignificant player in the world scheme of things was to feel the effect chiefly in the agricultural sector which had as seen earlier, become increasingly based on cash crops. Exports from Madras fell by 31 per cent within a year, leading to a glut in the domestic market and an immediate fall in prices. The worst affected were oilseeds, spices, grain and cotton. The Trichy-Karur belt being essentially dependent on the same commodities was most adversely impacted. The freefall had its echoes in the performance of KVB as well.

The profits of the bank, which had been climbing steadily since 1927, reaching a peak of Rs 60,608 As 5 P 7 in 1931 resulting in a 12 per cent dividend to shareholders and a bonus of four months wages to staff, fell sharply in 1932 to one third of the previous year's value. There was also an accounting discovery that contributed to this – the interest to be paid out on long-term fixed deposits had not been taken into account for several years while calculating the profits. This needed correction and provisions for payments to the tune of Rs 56,700 had to be made in 1932. Belts were tightened and it is clear that tempers were also frayed for there was a considerable shake up among the staff that year. Early in January, the Secretary, the cashier and the Valuer resigned en masse. The Board quickly moved in to salvage the situation – M. Lakshminarayana Chettiar was appointed Secretary at a salary of Rs 75. The Valuer and cashier posts were also filled in. It is quite likely that the Board foresaw such a situation coming up, for just a month previously it created the post of a Relieving Officer whose sole responsibility was to travel immediately to any location where a vacancy had arisen and temporarily fulfil the responsibilities of the post that necessitated a recruitment. He was expected to double as an Inspection Officer and when not occupied with these responsibilities had to serve at the Head Office. Given the importance of the post and that the official would be privy to sensitive information, he was asked to pay a caution deposit of Rs 4,000 before taking on the job. The first incumbent was M.K. Ramachandra Chettiar but in September 1932, within nine months of his appointment, he opted to step down, wanting to join the Law College, Madras. The Board not only accepted his resignation but also sanctioned Rs 40 from its Dharma Fund for him to pursue his education! Realising that the post of Secretary was the most important, it was decided that one of the Directors would take on the responsibility each time the salaried incumbent had to go on leave. The Board also began to have its Directors go regularly on inspection to the branches.

"No director would dream of unnecessarily spending the bank's money while on these inspection tours", reminisces A.S. Janarthanan the Chief Mentor of KVB who recalls, as a child, accompanying his father Athi Suryanarayana Chettiar on some of these visits. "There were no big hotels anyway. The visiting Director would make do with the toilet and bathroom facilities in the bank premises and also sleep on one of the benches at night. It was on such spartan foundations that the bank's present prosperity was built." The tours were to reveal errant behaviour on the part of some staff and action was immediate.



13th PERIOD

The Karur Vysya Bank, (Limited)

Balance Sheet as at 30th September 1932.

Head Office: KARUR.

Capital and Liabilities		Amount Rs.	As.	Ps.	Total Rs.	As.	Ps.
Capital							
Authorised & Issued Capital 8000 Shares of Rs. 25 each		20,0000	0	0			
Subscribed & Paidup Capital 5435 Shares of Rs. 25 each					1,35,875	0	0
Reserves:-							
Reserve Fund		45,234	7	8			
Building Fund		2000	0	0			
Charity Fund		84	0	0			
Dividend Equalization Fund		2750	0	0			
Bad Debts reserve		5461	7	8			
Fixed Deposit Interest Reserve		5000	0	0			
Prize Chit Interest Reserve		1000	0	0	61,329	14	10
Deposits: Fixed monthly & Current					8,79,263	12	9
Staff Security					24,650	0	0
Prize chits					1,04,503	0	0
Anamath (Miscellaneous suspense)					7980	11	8
Profit as per last Balance sheet		60,608	3	7			
Dividend	24457 8 0						
Bonus to staff	3927 8 0						
Reserve Fund	20553 0 10						
Dividend Equalization Fund	600 0 0						
Building Fund	1000 0 0						
Charity Fund	285 0 0						
Bad debts Reserve	3134 3 5						
Legal adviser's Fees	150 0 0						
Fixed deposit Interest Reserve	5000 0 0						
Prize chit Interest Reserve	1000 0 0						
Court Chits written off	514 1 4	60,608	3	7			
Net Profit as per profit and loss account.					16,113	3	5
	Total Rs.				18,84,867	15	8

Dr. Profit and Loss Account for the Year ending 30th September 1932

Losses		Amount Rs.	As.	Ps.
To. Depositors Interest		80,184	10	5
" Salaries		18,200	1	0
" Rents		4,382	13	0
" Taxes		11,926	11	1
" Directors, & Auditors fees		1395	8	0
" Books, Stationery & Printing		1482	14	0
" Contingencies (Sathalwari)		1583	4	3
" Registration Charges		18	0	0
" Travelling Charges		732	3	3
" Chit Prizes		2787	0	0
" Court Expenses		21	15	0
" Legal adviser's fees		50	0	0
" Depreciation on furniture 5 %		228	5	0
" Balance Net Profit		16113	3	5
	Total Rs.	1,39,101	7	7

We certify that the figures in the Balance Sheet are correct, that the Balance Sheet is drawn up in conformity with the law and that all the Books documents & Jornals are kept up.

N. C. SREENIVASAM, B.A.
Chartered Auditor
21.10.32

AUTHI KRISHNA CHETTIAR,
President.

Vice President.

DIRECTORS.

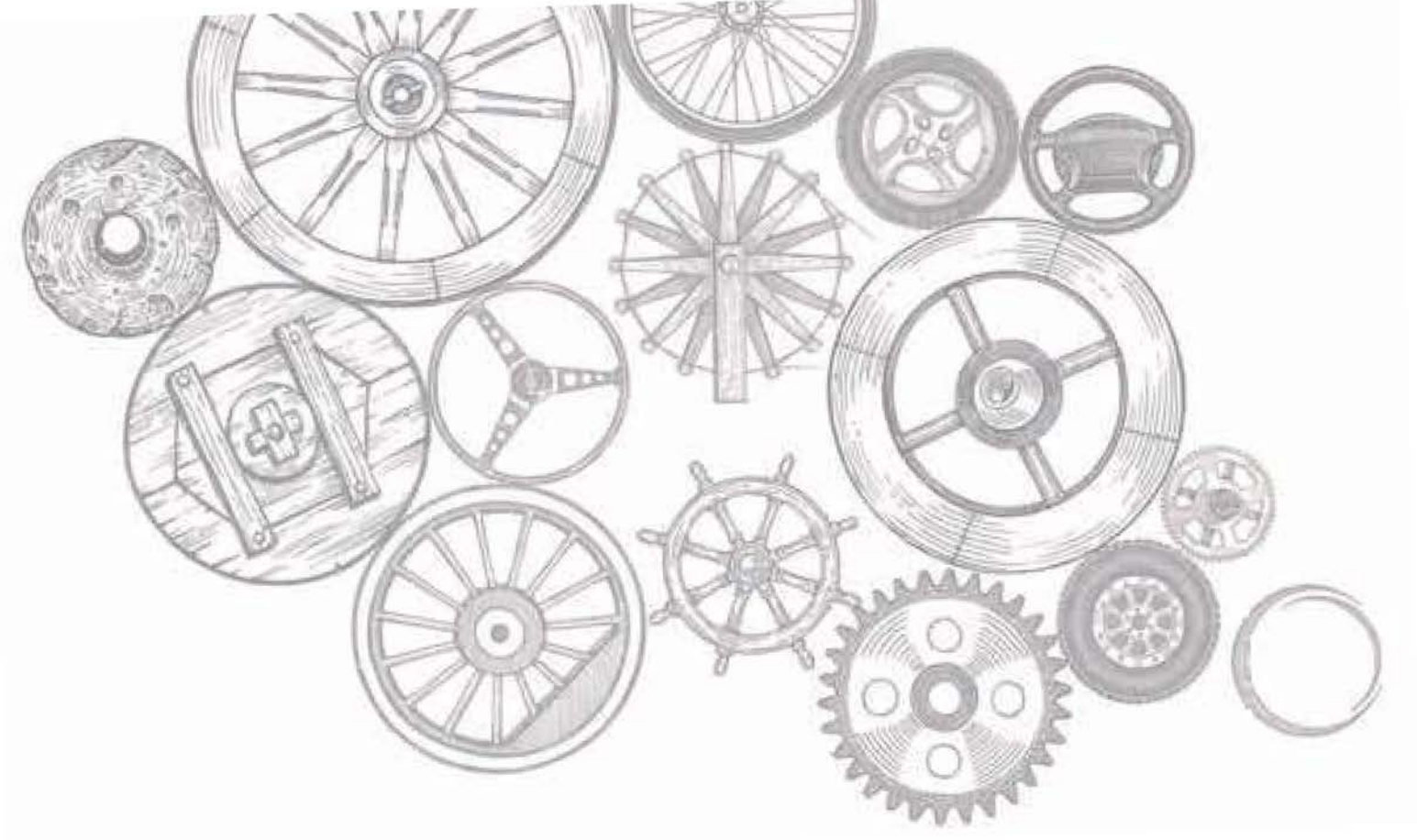
Auditors Certificate:-I have audited the above Balance Sheet with books & vouchers of the Head Office & drawn up in conformity with the law, and it exhibits a true and correct view of the state of the Bank's affairs at KARUR,

The Balance Sheet of 1932

The Depression retained its stranglehold on agricultural business till 1935. With wholesale prices continuing to decline and with very few traditional avenues to invest money in, the bank began to look at new opportunities. While the slump had played havoc with agriculture, it was to ironically spur Indian industry – banks began to come up as did textile mills, sugar factories and cement plants. While KVB was to take its time in supporting the industrial establishments, it began to look at fellow banks as suitable opportunities for investment. The Board approved the purchase of shares in the Imperial Bank of India and Government bonds in 1932. It built relationships with other banks floated by members of the Arya Vysya community – thus it placed some of its money in fixed deposits with the Arya Vysya Bank of Coimbatore. It also sanctioned loans to Lakshmi Vilas Bank, which was established in Karur in 1926, and the Dindigul Sri Kannika Parameswari Bank. The two institutions also had current accounts with KVB. Between 1933 and 1935, there was a sharp increase in the number of banks that KVB began transacting with – names such the Kumbakonam City Union Bank, the Indian Bank, the Salem Kannika Parameswari Bank and the Bank of Hindustan began making their appearance in the records.



M. Lakshminarayana Chettiar,
Secretary 1932-1962
Director 1962-1975



CHAPTER - 4



An advertisement in The Hindu *for the Silver Jubilee*

The Second World War and Its Aftermath





In the 1920s, a Committee had recommended the setting up of a Central Bank in India that would not concern itself with commercial activities. It would deal with the then prevalent problem of currency control by the Government while the Imperial Bank controlled the credit situation. The Committee felt that a strong central bank (the future Reserve Bank) and a great commercial bank (the Imperial Bank) were both needed in the country. The Gold Standard and the Reserve Bank of India Bill were both introduced in the Legislative Council in 1927. This was modified repeatedly owing to recommendations from various sources and also the constitutional reforms that were also being debated simultaneously. In 1933, the Government of India brought forward the Reserve Bank of India Bill. In 1935, with the announcement of the formation of the Reserve Bank of India (RBI), to be constituted as a shareholders' bank, KVB decided to invest in the new institution. It must however be remembered that much of the RBI's regulations of the early years were not binding on KVB as the latter was then not a scheduled bank – an institution included in a listing of banks in the RBI Act. Its decision to acquire shares in RBI must therefore be attributed to farsightedness. A sum of Rs 1,000 was allotted for this. Among the first actions of the new central bank was the announcement of the Bank Rate – 3.5 per cent – the rate at which it would provide money as a lender of the last resort. In November this rate was brought down to 3 per cent. The impact of this was felt across the banking industry. All banks, including KVB, fixed interest rates by locality – at times a group of institutions would jointly fix the rates for a particular town. This practice was to die out and variations, if any, were to become minimal thereafter.





That year, with the economy showing signs of revival, the bank went ahead with its plans to open a branch in Trichy. Kumbakonam followed in 1936, Thanjavur in 1937 and Coimbatore in 1940. A series of measures including the Madras Agriculturists Relief Act of 1937, brought in by the newly-elected Congress Government led by C. Rajagopalachari was to help in the revival of agriculture. "This was a key factor that spurred growth and also made banks such as KVB look at agriculture with renewed interest," says T.R. Ramanathan, a lawyer by qualification and agriculturist by profession, who was a Director of KVB from the 1970s onwards. "This however again meant a gold loan, for that was the security against which money was lent." There was also evidently a revival of interest in real estate – chiefly for farming purposes. The bank thus resolved to give what it termed as zamin loans, but only to Government employees drawing a minimum salary of Rs 30 a month. The same year, a chit fund scheme was introduced at the Erode branch, restricted to a maximum of 100 participants and a cap of Rs 1,000. This was a great success. Personal loans at six paise

Staff from various branches. Clockwise from left bottom: Coimbatore, Thanjavur, Tiruchirapalli and Kumbakonam

interest for every Rs 100 borrowed were granted on the execution of a promissory note. This facility was however soon withdrawn chiefly owing to difficulties in recovery. It soon made its reappearance, this time with the proviso that borrowers needed to be vetted by the Board and one of the Directors had to stand personal guarantee.

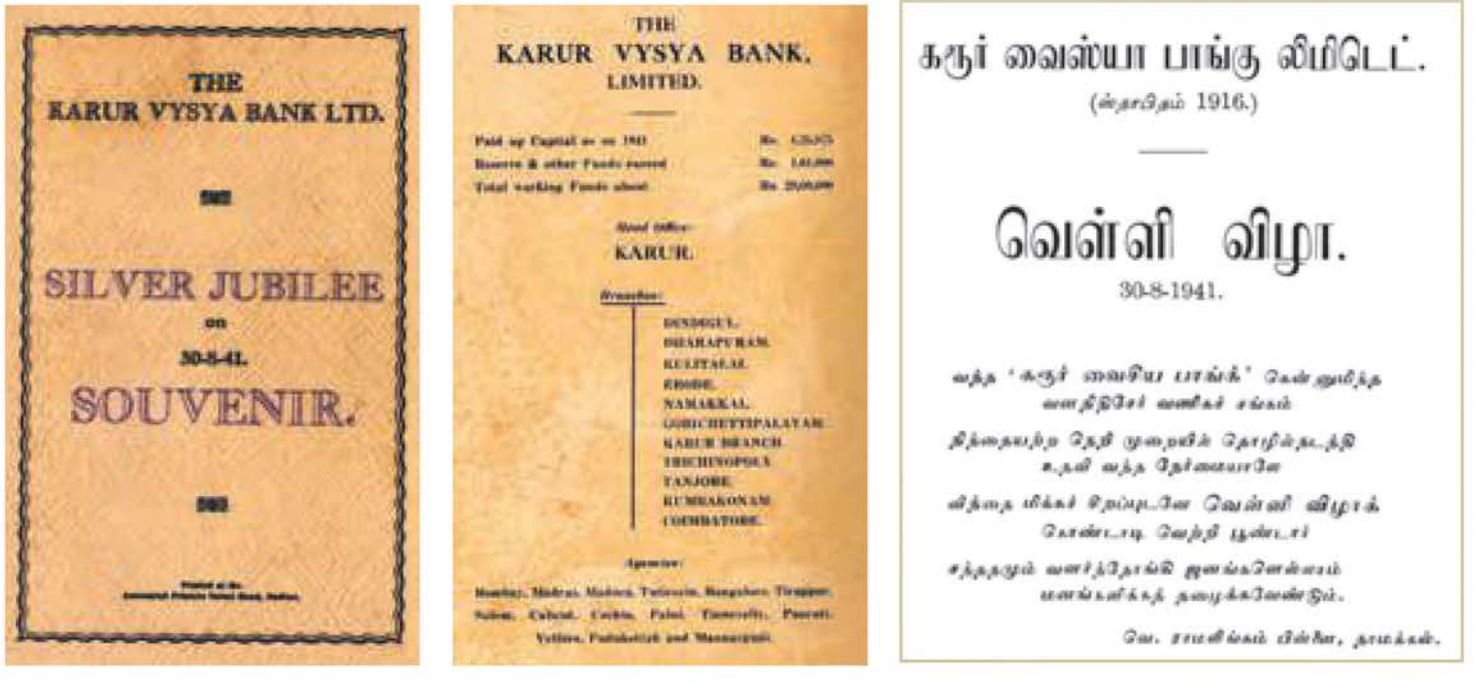
With the Second World War breaking out in 1939, Indian industry went through a boom phase. Madras was the only port city that was untouched by the advance of the Axis powers; the famine in the east did not impact the south and it was not much affected by the intensification of the freedom struggle. The region was to actually do well out of the war. There were of course great shortages. With rice being exported to meet the war effort, the south had its first interaction with wheat as a staple diet. Not many were happy with that. But more serious was the scarcity and rationing of petrol. There were blackouts and great fear that Japanese planes would bomb Indian towns. That threat too became real with Vishakhapatnam and Kakinada being shelled. Fortunately for KVB, the deep South where it operated remained relatively untouched.

It was in this mixed atmosphere that KVB began its branch in Coimbatore. The drastic decline in land value owing to the Great Depression, protective duties, low wages and hydroelectricity from the Pykara scheme all resulted in that town becoming a major cotton-processing centre. As many as 29 mills and ginning factories were set up in the area between 1929 and 1937. The adjoining town of Tirupur became a major cotton mart. Karur too would benefit – its present day status as an exporter of cotton quilts and bed sheets began then when a local businessman abandoned the traditional looms and set up modern facilities for mass production. The town soon had a large warehouse for yarn as well. Gradually, many textile units began to be set up in Karur, some of the entrepreneurs who embarked on such activities having made money through film distribution and deciding that cloth was a safe venue to park their surplus cash in. This was also when a weaving and knitting factory came up in Karur. All of these units sold their wares by sending out salesmen with samples to tour the length and breadth of the country. The orders booked along with sample numbers would be telegraphed and the consignments would be despatched accordingly. Suddenly, Karur began evolving as a textile centre. By the early 1940s, most of the Coimbatore mills were into their second phase of expansion and KVB became a banker of choice for several mill owners.





Above: Staff at the Head Office, and Below: At the Karur branch


THE
KARUR VYSYA BANK LTD.

SILVER JUBILEE
on
30-8-41.
SOUVENIR.

THE
KARUR VYSYA BANK,
LIMITED.

Head office:
KARUR.

Branches:
DINDIGUL
SIVAKASI
KULITTALAI
ERODE
NAMAKKAL
GOBICHETTIPALAYAM
KARUR BRANCH
TRICHINOPOLY
TANJORE
KUMBAKONAM
COIMBATORE.

Agencies:
Bombay, Madras, Madura, Tuticorin, Bangalore, Tiruppur, Salem, Calicut, Cochin, Palni, Tinnevelly, Panruti, Vellore, Pattukottai and Mannargudi.

கரூர் வைஸ்யா பாங்கு லிமிடெட்.
(ஸ்தாபிதம் 1916.)

வெள்ளி விழா.
30-8-1941.

வந்த 'கரூர் வைசிய பாங்க்' கென்றுரித்த
வளர்நிதிசேர் வணிகச் சங்கம்
திங்களைந்த நெறி முறையிற் றொழில்நடத்தி
உருவி வந்த தேர்வையாலே
விந்தை மிக்கச் சிறப்புடனே வெள்ளி விழாக்
கொண்டாடி யேற்றி யுள்ளார்
சந்ததமும் வளர்ந்தோங்கி ஜனங்களெல்லாம்
மனங்களிக்கத் தழைக்கவேண்டுமே.

வெ. ராமலிங்கம் பிள்ளை, நாமக்கல்.

Left to Right: The cover of the Silver Jubilee Souvenir, the bank at a glance in 1941, and a poem in praise of the bank by Namakkal V. Ramalingam Pillai

What was to be a prosperous period for the bank was tempered by a shock – the collapse of the Travancore National & Quilon Bank Ltd. This was a very prosperous bank in the then princely state of Travancore and its collapse had a sensational impact. In the immediate aftermath, confidence in private banks was shaken. There was a view that others too would default and KVB, having as it did extensive business transactions with the Travancore National & Quilon Bank, was considered particularly vulnerable. But there was really no cause for worry. The Directors fanned out to the various branches and began reassuring investors that their money was safe. This had the desired effect and confidence was soon restored.

In its Silver Jubilee souvenir, KVB was to refer to what it had been through – "The Bank has not been without its vicissitudes, which however were temporary. Failure of a prominent West-coast bank a few years ago, had had its repercussions on banks in general. It is a matter for great satisfaction that the Bank emerged unscathed from the ordeal testifying to its vitality and strength."

There was, however, no doubt that the crash of the Travancore National & Quilon Bank was one of the biggest that India had seen till then. With 80 branches in India and Ceylon and an operating capital of Rs 4.32 crores, the bank's failure underlined the need for comprehensive banking reform and legislation. The RBI would begin working on that and that in turn would impact the functioning of banks such as KVB. That, however, was still in the future.

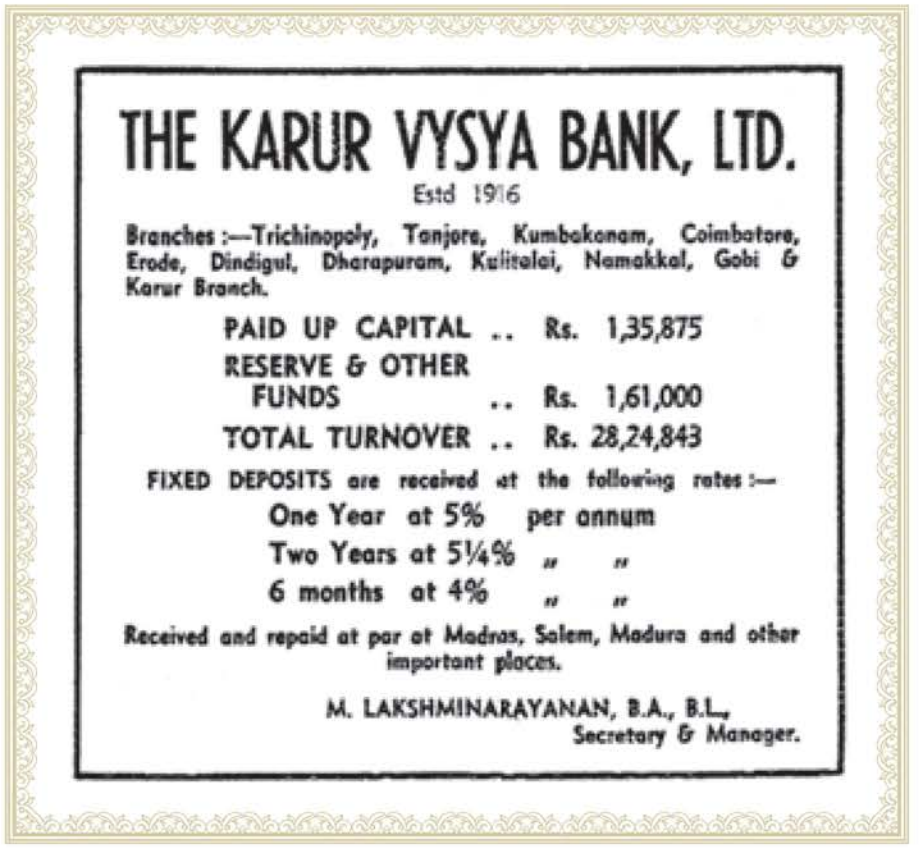
The year 1941 was to see KVB observe its Silver Jubilee. It had been an arduous journey till then and there were uncertainties in the near future what with the Allied reverses still continuing unabated. Still, it was celebration time in Karur. Who could have imagined that a small banking venture begun at the forecourt of the Thanthondri Perumal Temple could have grown to this extent? The record was impressive – the paid up capital had grown from Rs 1.28 lakhs in 1924 to Rs 1.35 lakhs in 1941. More importantly, the reserves had grown during the same period from Rs 5,751 to Rs 1,61,000, the deposits from Rs 52,401 to Rs 24,26,594, and the turnover from Rs 2,06,000 to Rs 28,24,843. The shareholders had been receiving a dividend of 12 per cent, except for the worst years of the Depression when it had still been given but at a reduced rate.

The souvenir released on the occasion noted with satisfaction that the "success of this institution and handsome dividends it is paying have stimulated further indigenous banking enterprises in the surrounding districts. During the last decade and a half, more than a dozen banks have opened in the districts of Trichinopoly, Coimbatore and Salem and they are all working well".

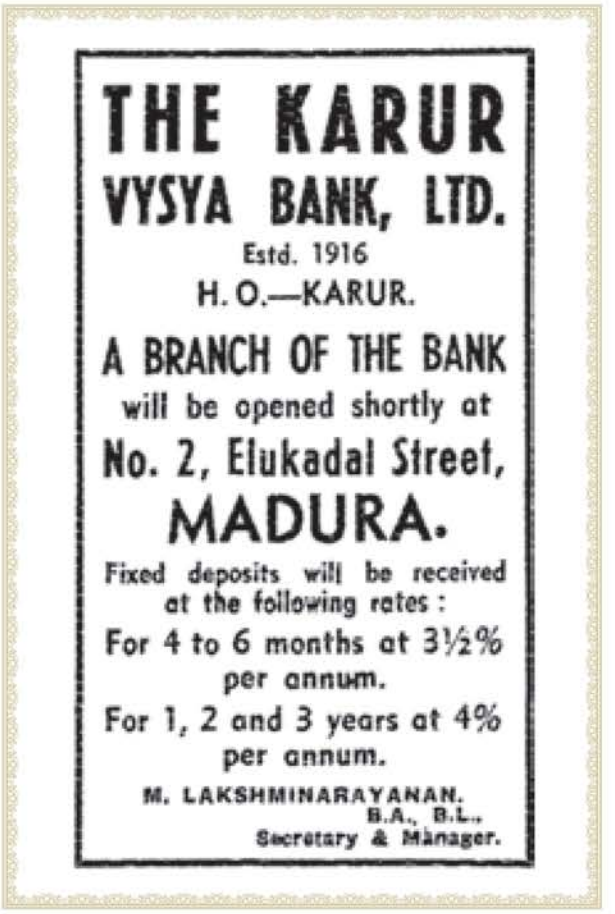
The publication also has several passages on the bank's working, which are worth quoting:

"We have more than 40,000 constituents either as borrowers or investors. Our constituents are of poor or middle class people who have to be obliged with loans for small amounts for various purposes. Our borrowers or investors, however small the amount may be, always receive prompt and courteous attention at the hands of the staff which make them consider it their own Bank and resort to it whenever necessary.

One important test by which the efficiency of a bank is judged is the proportion of its capital and reserves to its total deposits. In the case of our Bank this proportion is about 12%, which is quite high and compares very favourably with that of many of the great leading banks.



An advertisement in The Hindu *dated 1941*



An advertisement announcing the opening of the Madurai Branch

(The Bank) has withstood keen competition from more powerful banks with very vast resources… and it may be said it has done good to the Bank. It has brought out our defects in working to the forefront and has goaded us to rectify the same. Keen competition and force of circumstances have brought out a revolutionary change in our methods of working and accounting. We are glad to say that the Bank has always been able to adjust itself to changing conditions without great difficulty."

On the occasion of its Silver Jubilee, KVB resolved to upgrade itself to the status of a Scheduled Bank, and for this its paid up capital had to increase. The call went out to Directors and shareholders to subscribe. The value amounted to Rs 64, 125 for shares of face value Rs 25, each quoting a premium of Rs 10. The money however was slow in coming in and the desired increase in capital was reached only in 1946.

The celebrations were held on August 30, 1941 at the Sree Krishna Vinodha Vilas Theatre – an auditorium promoted by Athi Krishna Chettiar's family. Dewan Bahadur K. Sundaram Chettiar, retired Judge of the High Court of Madras and a long-term depositor with KVB, *presided*. The Chief Guest was C.R. Srinivasan, editor of the *Swadesamitran* and also a Director on the Board of the RBI. Guests had light refreshments at a specially erected pandal before moving into the auditorium where the programme began at 5.00 pm. After the prayer and the ceremonial lighting of a lamp, welcome addresses to the two honoured guests were read out and presented to them in silver caskets. Messages of congratulations from various parts of South India were then read out. Notable among these was a four-line verse in praise of the bank by the poet Namakkal Ramalingam Pillai.

Athi Krishna Chettiar then welcomed the gathering and in the course of his speech traced the history of the bank. Dewan Bahadur K. Sundaram Chettiar and C.R. Srinivasan spoke, after which the meeting ended. A handsome souvenir commemorating the 25 years of the bank and giving details of the celebrations, printed at Associated Printers, Mount Road, Madras, was released on the occasion. The memory of M.A. Venkatarama Chettiar was still fresh in the minds of those attending, for though he had passed away 15 years earlier, his contribution to the bank was immense. He had been its founder, had served on its Board for 18 years in various capacities and it was his vision that continued to guide the bank.





BANKING IN INDIA

MR. C. R. SRINIVASAN'S ADDRESS

(FROM OUR CORRESPONDENT.)

KARUR, Aug. 31.

Mr. C. R. Srinivasan, Editor of *Swadesamitran*, delivered an address on "Banking Developments in India," last evening, on the occasion of the Silver Jubilee of the Karur Vysya Bank, which was celebrated here under the presidency of Dewan Bahadur K. Sundaram Chettiar, retired High Court Judge.

A large gathering was present at Sri Krishna Vinodha Vilas Theatre, on Dindigul Road, where the Silver Jubilee celebrations were held, and a number of messages from the leading banks and public men were received on the occasion.

After the presentation of addresses to the President and Mr. C. R. Srinivasan respectively, Mr Athi Krishna Chettiar, President of the Bank, gave the history of the growth and progress of the Bank during the last quarter of a century.

Above: The principal invitees for the Silver Jubilee function - C.R. Srinivasan and Dewan Bahadur Sundaram Chettiar.
Below: A news report from The Hindu *on the Silver Jubilee function*

The euphoria of the Silver Jubilee being over, it was back to business. Branches at Salem and Madurai (then known as Madura), were opened in 1942 and 1943 respectively. A description of the bank in 1944 emerges from a speech given by K.V. Raghavachari, Secretary at KVB from 1970 to 1977 and Chairman from 1977 to 1981:

"It was in April 1944 that I found myself sitting before the despatch counter, my first day in the Head Office of the Karur Vysya Bank Limited. There was silence becoming an office of a bank but not without the noise of the confabulations due to the transactions across the counter, crowned further by the voice of the Secretary and Chief Executive Officer of the bank Sri M. Lakshminarayana Chettiar. He was, as his wont, scanning the day's correspondence so to say, beginning from the beginning with a voice which exhibited authority during the process of absorption of the contents of the various letters.

For a freshman this vociferation evoked some curiosity with a sense of respect for authority. But as days passed, this phenomenon became natural, for in its absence there arose a sense of eerie feeling that something was wrong somewhere!

Sri M. Lakshminarayana Chettiar, a graduate in Law, was a fatherly figure who commanded respect by his simplicity and devotion to his duties as a banker. It may be said the whole policy of the bank emanated from his appearance which was one of robust conservatism, which was looked upon as a basic virtue in any endeavour where the venture involved handling other's money, both of the shareholders and depositors of course, for the universal benefit ultimately.

Those were golden days, for the bank's advances were mostly on gold jewels, and winding up affairs of the year we used to exhibit nil 'bad debts' with a sense of pride, though we even then used to hear murmurs from the knowledgeable few that advances must be more broad based!

The Board of Directors was a devoted band of gentlemen each drawn from a well known family reposing complete confidence in the President of the Bank Sri Athi Krishna Chettiar, who was himself one of the Founders of the bank. Educated up to the Intermediate level, he was, so to say, a banker by instinct. The other founder, the late lamented M.A. Venkatarama Chettiar was represented in the Board by his illustrious son Sri M.V. Lakshminarayana Guptha, who at a later stage presided over the destinies of the bank as the President of the Board of Directors. With his colleagues Athi V. Suryanarayana Chettiar and M.S. Govindarajulu Chettiar, they formed a triumvirate in shaping the policy of the bank. Their sense of severe discipline, exacting in their demands as to the bank's welfare, with an eagerness to do well, stood in good stead and with the willing co-operation of their colleagues and executives below them, the banking affairs were looked after with smooth precision and it functioned like a well-oiled engine.



M.V. Lakshminarayana Guptha,
Director 1937-1971
Vice President 1959-1962
President 1962-1970



M.G. Rajagopala Chettiar,
Vice President 1936-1946
President 1946-1962



The Karur Vysya Bank Limited, Karur.
கரூர் வைச்யா பாங்க் லிமிடெட், கரூர்.

	— ரூ.	1,100	0 0
	—	9,393	6 4
	—	30,000	0 0
	—	31,000	0 0
	—	350	0 0
	—	450	0 0
	—	450	0 0
	—	22,428	12 0
	—	10,002	3 0
	மு மொத்தம் ரூ.	1,15,174	5 4

(By Order of the Board)
(Sd.) M. G. Rajagopal Chettiar.
President.

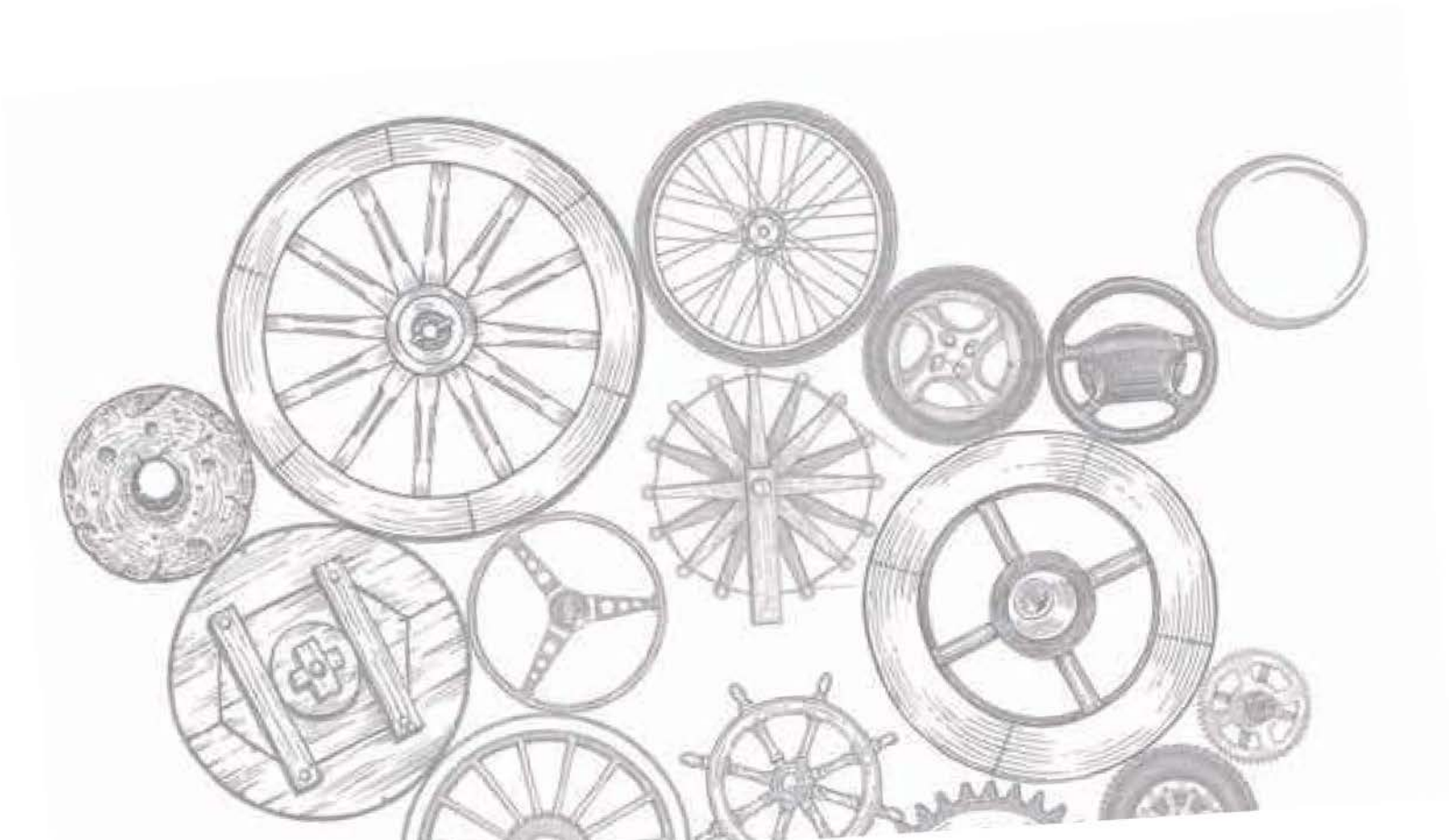
The bank's annual report for 1948 mentioning the unveiling of Athi Krishna Chettiar's portrait

Advances were kept to the maximum with the cost of maintenance being fairly low and the bank's profit at the end of the year was quite decent. The staff was provided with a bonus as high as five month salary and the shareholders too were quite happy as the dividend declared usually was in the range of 18% to 24%".

M.V. Lakshminarayana Guptha, referred to above, came onto the Board in 1937 as a Director and remained one till 1971. During this period, he served as the Vice-President of the Bank from 1959 to 1962 and then as President till 1970.

Athi Krishna Chettiar passed away in 1946 and was succeeded to the post of President by the Vice President M.G. Rajagopala Chettiar. He was to remain at the helm till 1962. His elevation meant further changes at the Board level. Succeeding him as Vice President was K.N.V. Ramaswamy Chettiar, son of one of the founding Directors, K.N. Viswanatha Chettiar. The passing of Athi Krishna Chettiar also meant that his family's representation on the Board would have to be taken up by his kinsmen. He was childless and so was succeeded first by his nephew Athi K. Venkatasubbaraya Chettiar as a Director on the Board, to be followed soon after by another nephew Athi V. Suryanarayana Chettiar. It will be remembered that at the time of the Silver Jubilee, just two of the early Directors, Athi Krishna Chettiar, one of the founders and V.S.N. Ramalingam Chettiar, were surviving. In 1947, the latter too passed away, bringing to an end the first line of representation on the Board, so to speak. It was now up to the next generation to make a success of the bank.

Coinciding with these changes was a complete transformation in the environment. The radio had come to Karur in 1939 and by 1946 a public broadcasting facility, set up by the municipality, had been erected near the arch that had been built in 1919 by the Zamindar of Andipatti in honour of a visiting Governor of Madras – Lord Willingdon and his lady. Each evening, the populace of the town gathered around the loudspeaker near the arch to hear the daily news. Matters were picking up pace. The Second World War had come to an end. True, the Axis Powers had been defeated but the holocaust had also revealed that England was not the super power that it once was. With Mahatma Gandhi and the freedom movement relentlessly keeping up the pressure, it was but a question of time before Independence would come. Expectations rose when Viceroy Lord Wavell got the Congress and the Muslim League to form an interim cabinet, in preparation for a hand over of power. Many European business houses had begun winding up their Indian presence even from 1944 onwards. Their companies in India were either closed or sold, often at throwaway prices to Indian entrepreneurs who eagerly snapped them up. The world of people who put up arches for visiting Governors was rapidly drawing to a close. For banks like KVB, it meant a whole new world to operate, survive and grow in.



CHAPTER - 5



THE KARUR VYSYA BANK LIMITED, KARUR.

Independence Day Celebrations 15th August '47.

SITTING LEFT TO RIGHT:-

1. Sri M. Lakshminarayanan, B. A., B. L., Secretary & Manager. 2. Sri Athi K. Venkatasubbaraya Chettiar, Director. 3. Sri V. S. N. R. Narasimha Chettiar, Director. 4. Sri Athi V. Suryanarayana Chettiar, Director. 5. Sri V. Rathnam Mudaliar, B. A., B. L., Dt. Munsif, President of the Function. 6. Sri M. G. Rajagopal Chettiar, President. 7. Sri K. N. V. Ramaswamy Chettiar Vice-President. 8. Sri M. V. Lakshminarayana Gupta, Director. 9. Sri M. R. Venkatrama Chettiar, Director. 10. Sri M. S. Govindarajulu Chettiar, Director.

In the Wake of Independence

August 15, 1947, the day India became independent, was celebrated by all the branches of KVB. The bank also sanctioned half a month's wages to the staff as bonus to commemorate the occasion. Once the euphoria was over, it was business as usual. It appeared that little had changed. Raghavachari continues his reminiscences of the 1940s –

"Those days banking was the monopoly of the moneyed few and the modern concepts like deposit mobilisation and advances to the priority sectors were all unknown commodities. A. Krishna Iyengar will quietly wend his way into the bank, with a bundle of currency tucked inside his *angavastram*, go straightaway to the Secretary or Assistant Secretary and hand over the cash for being deposited. The lesser mortals like my poor self will not even be looked upon. Such was the secrecy cultivated and the monopoly enjoyed!"

The RBI was still busy at a pan Indian level, divesting itself of all activities in areas that had become Pakistan. Banks such as KVB continued to remain self-governing to a great extent. We turn to Raghavachari again –

"In those days, the bank's year was between October and the subsequent September. Internal accounts were always kept fairly up to date as there were checking clerks doing concurrent work under close follow up. The system is now extinct as it is considered archaic. But all the same, it did keep the internal accounting fairly perfect. Striking the balance sheet and the final accounts were always marked by the arrival of the Statutory Auditor N.C. Srinivasan, a gentleman of much bonhomie, genial in temperament and spirits. He was always welcomed by the staff as he was the forerunner of a substantial bonus! N.C. Srinivasan had great respect for M.S. Sadagopachariar, the head clerk of the bank, who was obliging, sincere and enjoyed the confidence of the Board, and the President, to be precise. But it was a sight to watch the auditor enjoying at the expense of the head clerk. For when a slip was pointed out he would be so flabbergasted that with a dip into the ink bottle with his steel pen he would make a correction where in fact none was necessary! From this position, banking underwent remarkable changes enforced one by one slowly and steadily commensurate with the modern concept of a socialistic pattern of society."



Athi K. Venkatasubbaraya Chettiar, Director 1946-1972

ஆகஸ்ட்டீ 15 தேதி சுதந்திர விழா ஹெட்டாபீசிலும், பிராஞ்சுகளிலும் விமரிசையாகக் கொண்டாடப்பட்டது. மேடி தினத்தின் ஞாபகார்த்தமாக நமது பாங்க் சிப்பந்திகள் எல்லோருக்கும் அரைமாத சம்பளம் போனஸாகக் கொடுக்கப்பட்டது.

An extract from KVB's annual report of 1947, declaring an Independence bonus to staff

Change was slow in coming but it was certainly taking place. The newly independent country was coming to terms with its rights and responsibilities. Early in April 1948, India began its journey on a socialistic model with the release of the Industrial Policy Resolution that outlined the approach to industrial growth and development. The document envisaged a mixed economy as the suitable basis for India's development and emphasised not only an increase in production but also its equitable distribution. Defence industries, atomic energy, and railway transport were to be monopolies of the Central Government. New ventures in coal, iron and steel, aircraft manufacture, shipbuilding, telephone, telegraph, etc., and mineral oils were to be preserves of the public sector. While stressing on greater participation of the State in economic activities, the document recognised the role played by private capital in the industrial development of the country, and assured it of a significant place in the future endeavours directed to the nation's economic development, though within a framework of regulation and control. Under the provisions of the resolution, the State would have an exclusive right to establish new undertakings in certain specific fields, pertaining mainly to the basic industries and the private sector was free to operate in the remaining spheres. But the Government did not rule out its own entry into the latter category as and when it deemed necessary. Given however that the Government had limited resources at its disposal, it was expected that it would focus on major projects. Based on its policy document, the Government visualised a framework of centralised planning which would oversee a mixed economy.

The Banking Companies (Control) Ordinance was promulgated in September 1948. This was a precursor to the Banking Companies Act, which would be passed a year later. As per the Ordinance, the RBI was authorised to issue directives to banking companies in regard to their lending policies and to call for periodic statements of return from banks. The Board at KVB must have discussed the implications of this when the members met on November 21 on the occasion of the unveiling of a portrait of Athi Krishna Chettiar, the late President. Doing the honours was Rao Saheb S. Virupaksha Chettiar, Deputy Commissioner of Civil Supplies, Government of Madras.



Athi V. Suriyanarayana Chettiar,
Director 1946-1962
Vice-President 1962-1967

The RBI was nationalised on January 1, 1949. It therefore came into public ownership and the Government was empowered to give directions to the bank on matters of policy, which the bank was then obliged to carry out. The Banking Companies Act, 1949, also came into force on January 1, 1949. It entrusted the supervision and control over banks to the RBI. Prior to this, inspection of banks by the RBI was limited to determining their eligibility for inclusion or retention in the second schedule to the RBI Act and to safeguard the interests of depositors. Now with the new Act, the powers of the RBI relating to both scheduled and non-scheduled banks were considerably enlarged; the bank was empowered to conduct inspections for a variety of purposes and on its own initiative. Further, the Banking Companies Act made it necessary for banks to obtain a licence from the RBI to commence or carry on banking business and to open new branches in the country.

At KVB, the compliance was swift and immediate. The bank changed its accounting year from October – September to January – December as stipulated in the Act. It must be remembered that KVB at that time was still not a scheduled bank and so need not have toed the line. It also complied with other directives. The RBI stipulated a statutory liquidity ratio (SLR) effective March 16, 1949. It mandated that any bank needed to maintain liquid assets in cash, gold, or unencumbered approved securities as a proportion of the bank's demand and time liabilities (current accounts and fixed deposits respectively, in contemporary language). This was pegged at 20 per cent. KVB conformed to this as well.

In 1952, the bank was accorded scheduled status, its name being included in the RBI Act. It was among the first of the South Indian based banks to so qualify. It would be almost five years after this that KVB was subject to its first inspection by the RBI. We turn to Raghavachari once more, for the picture he paints of this momentous occasion:



M.S. Govindarajulu Chettiar,
Director 1946-1982
Vice-President 1967-1970

"In 1957, we were confronted by an inspection team of four individuals- an inspecting officer, a junior officer, a clerk and a jawan, the last with a sash across announcing that he was from RBI. Even when they were sighted in the distant west parading towards the bank's office in the east end, news came to us of their approach. It was early July. I happened to be at the bank, signing ledgers in the Brought Forward accounts section. B.J.F. Desouza, the chief of the team accosted me as to how I was in the bank so early. The inspection began and the experience was quite new both to the inspecting team and the inspected institution. As years went by, we gained in experience and such inspections did help us to tone up the administration in general under all counts."

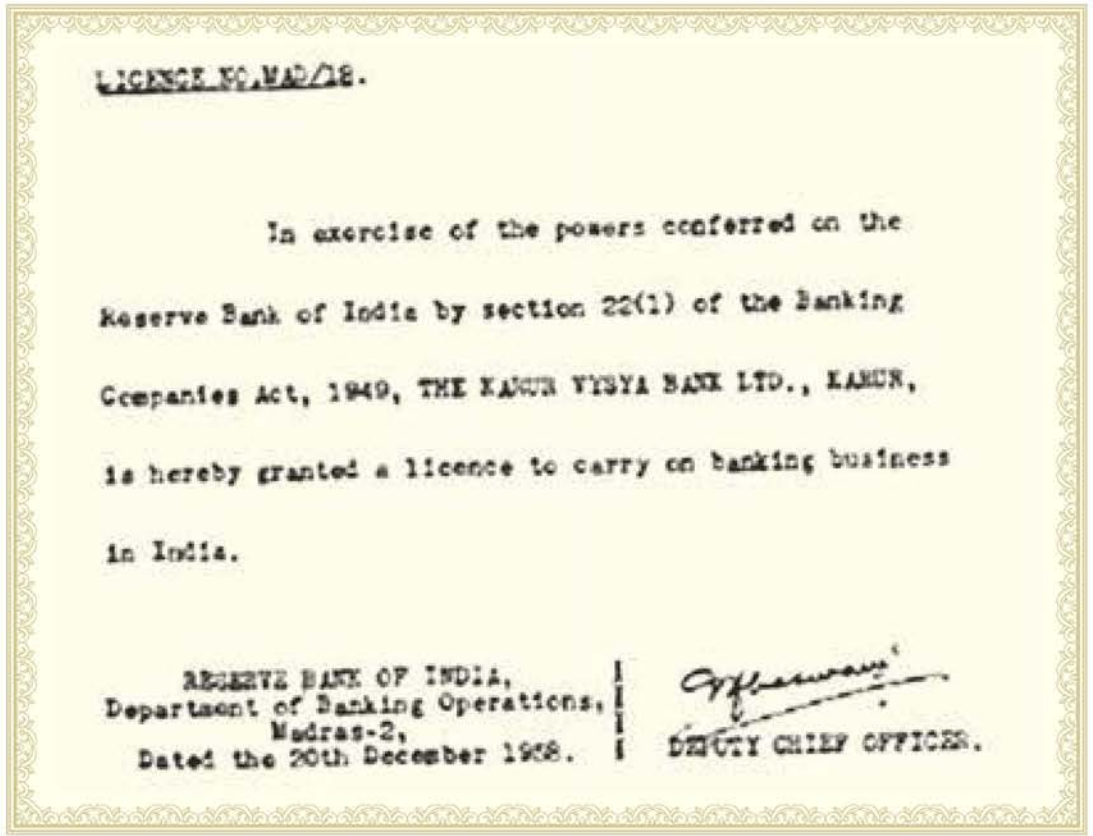
In the early years of working with the RBI, the onus of answering most of the queries fell on C. Ramanatha Chettiar, Assistant Secretary who was of landed gentry stock. It was said of him that he was "quietly capable, wielding influence unseen and unfelt, enjoying the confidence of the Board to a full degree". He was to have a long career at the helm of affairs, becoming in 1961 the Agent of the bank, this being the new title for what was Secretary earlier. Even after his retirement in 1968, he was closely involved with KVB and when he died in 1977, the bank was to mourn his passing.

In terms of banking activity, however, the 1950s were a cautious phase. The country itself was still coming to terms with nationalisation. Opinion was divided on this – while it was felt that it made banking more secure, there was also a view that the Government may push for activities into areas that were not commercially viable. The latter sentiment gained strength when the RBI set up the Department of Banking Development to give concentrated attention to the extension of banking facilities to semi-urban areas. At the same time, there was also a fear that the central bank favoured a consolidation of the industry with the amalgamation of small banks into more manageable entities of a larger size. The first major merger took place, largely at the prodding of the RBI in December 1950 when four small banks in Bengal were brought together to form the United Bank of India.



C. Ramanathan Chettiar,
Secretary 1962-1970
Director 1970-1977

Next came the nationalisation of the Imperial Bank of India. In 1952, T.T. Krishnamachari, shortly after joining the cabinet as Industries and Commerce Minister wrote to the Finance Minister Sir Chintaman Deshmukh, "If I were you, I should put up opposite my seat in the room on the wall a slogan *Delenda est Imperial Bank* ("The Imperial Bank must be destroyed", after Cato the Elder) but luckily for the Imperial Bank it is not so, and a more sober person happens to occupy the chair." Others may not have expressed themselves so forcefully but T.T.K. wrote, "It (the Bank) is cent per cent European-controlled, and packed with Indians whose desire to please the European is psycho-pathological; the shareholders control over the institution is a farce. Even the Government's control over it is unreal". It was in this charged atmosphere that the Minister came down to Madras to address the Madras Chamber of Commerce. In his speech he denied that the "Government was going to nationalise for the fun of nationalisation. We do not believe that nationalisation is a cure for all evils, economic or otherwise. If we feel nationalisation is good we may embark (on it) in regard to new industries. Government would like to start such industries which the private enterprise would not venture into; the future ownership of the industry would be left free. If somebody came at a later stage, it would be handed over to him who wishes to take it over". None in the audience would have believed it, though disinvestment in Government enterprises would come about a good fifty years later. In December the same year, the Imperial Bank was nationalised and became the State Bank of India (SBI). Its character was to be changed overnight – among its first mandates was the opening of not less than 400 branches at "district headquarters and sub-divisional centres. It would also provide considerably larger remittance and other facilities to co-operative and other banks and attempt to mobilise rural savings". In the pre-Independence era, it was unthinkable that the Imperial Bank would even consider opening offices in far-flung outposts. This was where regional institutions such as KVB scored. Now they would face competition from the biggest in the field. There was also SBI's tag of being a Government of India undertaking. It was therefore considered more secure than any of the private banks.



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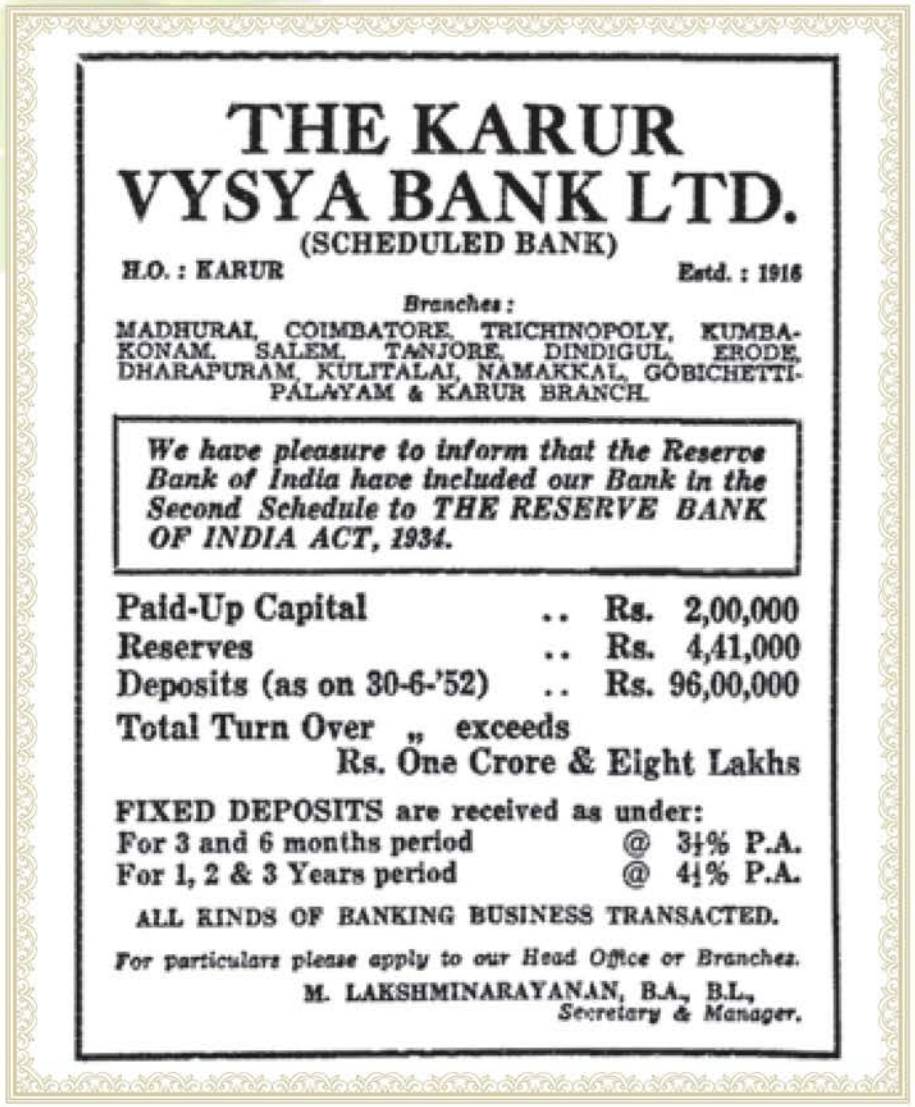
In exercise of the powers conferred on the Reserve Bank of India by section 22(1) of the Banking Companies Act, 1949, THE KARUR VYSYA BANK LTD., KARUR, is hereby granted a licence to carry on banking business in India.

RESERVE BANK OF INDIA,
Department of Banking Operations,
Madras-2,
Dated the 20th December 1958.

DEPUTY CHIEF OFFICER.

Licence issued by RBI to KVB to carry on banking business in 1958

KVB preferred to wait and watch. Its plans to open new branches had to await approval from the RBI. Its application for a banking licence too was pending. It is therefore no wonder that between 1947 and 1957, the bank opened just three new branches – Sathyamangalam and Udumalpet near Coimbatore and Idappadi near Salem. The bank also had its first rights issue in 1954 – 4,000 shares of Rs 25 each, at a premium of Rs 25 with a joining fee of Rs 2 per share.



THE KARUR
VYSYA BANK LTD.
(SCHEDULED BANK)
H.O. : KARUR Estd. : 1916
Branches :
MADHURAI, COIMBATORE, TRICHINOPOLY, KUMBAKONAM, SALEM, TANJORE, DINDIGUL, ERODE, DHARAPURAM, KULITALAI, NAMAKKAL, GOBICHETTIPALAYAM & KARUR BRANCH.
We have pleasure to inform that the Reserve Bank of India have included our Bank in the Second Schedule to THE RESERVE BANK OF INDIA ACT, 1934.
Paid-Up Capital .. Rs. 2,00,000
Reserves .. Rs. 4,41,000
Deposits (as on 30-6-'52) .. Rs. 96,00,000
Total Turn Over „ exceeds
Rs. One Crore & Eight Lakhs
FIXED DEPOSITS are received as under:
For 3 and 6 months period @ 3½% P.A.
For 1, 2 & 3 Years period @ 4½% P.A.
ALL KINDS OF BANKING BUSINESS TRANSACTED.
For particulars please apply to our Head Office or Branches.
M. LAKSHMINARAYANAN, B.A., B.L.,
Secretary & Manager.

An advertisement conveying that KVB had become a scheduled bank

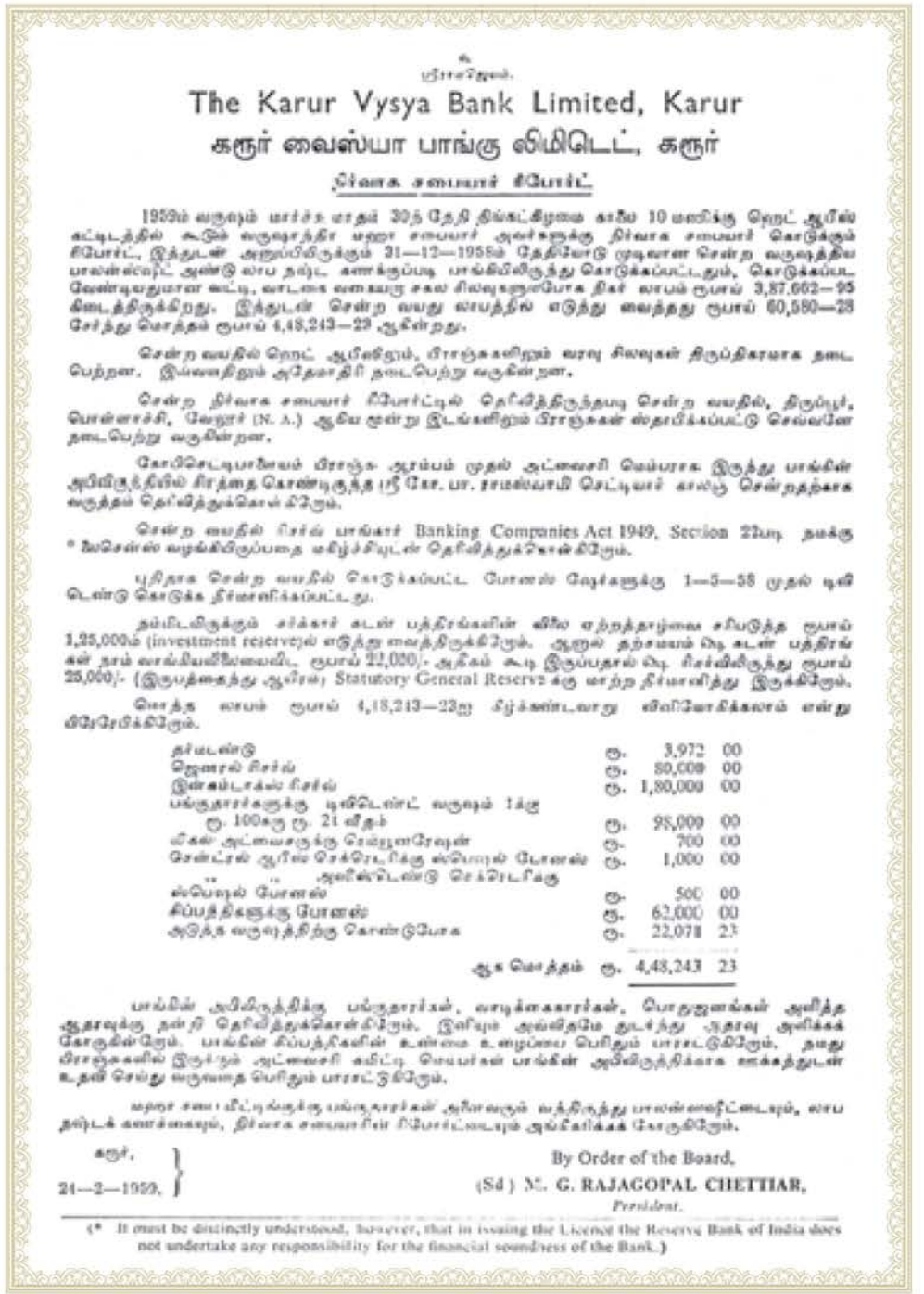
But these were by no means stagnant years as far as its hometown was concerned. Given that Karur was a busy junction for the movement of goods, it had already developed as a transport hub and many bus operators had made it their base. The wave of nationalisation that the country had seen gave rise to rumours that the road transport industry too would soon be taken over. Those in the business decided to diversify their activities so that in the event of being forced to hand over their core enterprise to the Government, they would have something else to fall back upon. Among the first movers in this direction were companies based in Karur. Those who had been into bus operations diversified into bodybuilding – assembling customised bus bodies on imported chassis. The facilities came to be set up in Karur. Very soon others followed suit and the area became known for assembly of bus bodies just as Namakkal, where it will be remembered KVB had a branch from early on, became a centre for truck body building. Happenings in Madras city were to serendipitously add to the impetus. It was in 1948, that a well-known industrial house of Madras experimented with the fitting of a Perkins diesel engine in a truck owned by an operator on Wall Tax Road. That was a success and demand for diesel engines to be retrofit on existing lorries skyrocketed. In Karur, a bus bodybuilding firm made the same attempt with a bus owned by a Salem-based operator. This was to expand the local activities even further. Soon Karur would become a bus body making hub, a status that it continues to enjoy.

Yet another line of activity would transform Karur forever into an export oriented town. It will be recalled that the place had become a centre for textiles, especially bed linen, which was in demand all over the country. Now it was time for the world to take notice. In 1949, some textile companies of Karur sent product samples for display to an exhibition in England. Not everybody benefited from this, but some companies began to see the advantage of exporting to Western countries. Those who had been selling nationally now wished to go global. By 1958, Karur bagged its first international order. It was a great moment for the town when the letter of credit was signed for this deal. Soon many other companies jumped on the bandwagon. All of them faced a similar problem – getting to know the end buyers in foreign countries so that the middlemen could be avoided. In typical Karur fashion, native intelligence found a way out. One of the owners hit upon the winning idea of sponsoring the overseas education of academically successful but impecunious students from Karur. The only proviso was that they had to source contacts for the textile business! It was through such efforts that what is today recognised as the Karur Home Textiles Cluster began to come about. A Government of India study in 2003 pegged the sales value of the 400 or so units that operated in the bed, table and home linen business in this area to be Rs 1,650 crores. Out of this only Rs 300 crores was from the domestic market. The same study also noted that the business had been well supported by nationalised banks and the locally headquartered banks such as KVB.

The traditional lines of lending – jewel loans and retail credit continued. MG Vivekanandan recalls the busy atmosphere at the bank's registered office, at Karur East opposite the Kanyaka Parameswari temple. "Today, it is all commercial, but in the beginning, loans were given to ordinary people pledging jewellery. We had an appraiser; he had the final say in the value of the jewellery. He worked on a commission basis. Sometimes we discussed amongst us whether a certain loan should be advanced. Decisions were taken by a group after careful consideration. Assessment of loans was on status, and the transaction depended on the security offered."

The spate of legislations, much of which would define Indian banking and commerce till the end of the 1980s at least, continued unabated during this period. The Companies Act of 1956 would bring about changes in company promotion, formation and capital structure, meetings and procedures, presentation of accounts, audits, inspection and investigation of corporate affairs, formation of Board of Directors and its powers and the terms and conditions for appointing Managing Directors. The same year saw the passing of the Banking Companies (Amendment) Act that empowered the RBI to "give directions to banks in respect of matters of policy or administration affecting public interest or the interest of the institutions themselves". These powers enabled the Reserve Bank to have wider and more comprehensive control over banks so as to ensure an improvement in their operational methods.

As KVB entered its fifth decade, it would adjust itself to another change – the introduction of the decimal system of coinage. The bank and its employees had till then contended with what would have been daunting to the most brilliant of mathematicians – a bewildering system of rupees, annas and paisa and it was in these that the bank reported its accounts. In 1957, the Government legislated the decimal system of coinage. The anna was dead and 100 paises made a rupee. The earlier world in which 3 pies made a pice; 4 pice an anna and 16 annas a rupee was gone. With hundred paise now making a rupee, life became easier at least on some fronts! But with some of the old annas still in circulation, one, two and three naye (new) paise were introduced to allow for the decimal coinage to add up properly. These were to survive for long before being phased out.



ஸ்ரீராமஜயம்.

The Karur Vysya Bank Limited, Karur

கருர் வைஸ்யா பாங்கு லிமிடெட், கருர்

நிர்வாக சபையார் ரிபோர்ட்

1958ம் வருஷம் மார்ச்சு மாதம் 30ந் தேதி திங்கட்கிழமை காலை 10 மணிக்கு ரெஜட் ஆபீஸ் கட்டிடத்தில் கூடும் வருஷந்திர மஹா சபையார் அவர்களுக்கு நிர்வாக சபையார் கொடுக்கும் ரிபோர்ட், இத்துடன் அநுப்பியிருக்கும் 31—12—1958ம் தேதியோடு முடிவான சென்ற வருஷத்திய பாலன்ஸ்ஷீட் அண்டு லாப நஷ்ட கணக்குப்படி பாங்கியிலிருந்து கொடுக்கப்பட்டதும், கொடுக்கப்பட வேண்டியதுமான வட்டி, வாடகை வகையாக சகல சிலவுகளுமபோக நிகர் லாபம் ரூபாய் 3,87,662—25 கிடைத்திருக்கிறது. இத்துடன் சென்ற வருட லாபத்தில் எடுத்து வைத்தது ரூபாய் 60,580—23 சேர்த்து மொத்தம் ரூபாய் 4,48,243—23 ஆகின்றது.

சென்ற வருஷில் ரெஜட் ஆபீஸிலும், பிராஞ்சுகளிலும் வரவு சிலவுகள் திருப்திகரமாக நடை பெற்றன. இவ்வாறிலும் அதேமாதிரி நடைபெற்று வருகின்றன.

சென்ற நிர்வாக சபையார் ரிபோர்ட்டில் தெரிவித்திருந்தபடி சென்ற வருஷில், திருப்பூர், பொள்ளாச்சி, வேலூர் (N. A.) ஆகிய மூன்று இடங்களிலும் பிராஞ்சுகள் ஸ்தாபிக்கப்பட்டு செவ்வனே நடைபெற்று வருகின்றன.

கோயிலடிபாளையம் பிராஞ்சு ஆரம்பம் முதல் அட்வைசரி கமிட்டியாக இருந்து பாங்கின் அபிவிருத்தியில் சிரத்தை கொண்டிருந்த ஸ்ரீ கோ. பா. ராமஸ்வாமி செட்டியார் காலஞ் சென்றதற்காக வருத்தம் தெரிவித்துக்கொள்கிறோம்.

சென்ற வருஷில் சேர்ந்த பாங்கர் Banking Companies Act 1949, Section 22ன் தனக்கு * மேலெல்லை வழங்கியிருப்பதை மகிழ்ச்சியுடன் தெரிவித்துக்கொள்கிறோம்.

புதிதாக சென்ற வருஷில் கொடுக்கப்பட்ட மோலன் வேர்களுக்கு 1—3—58 முதல் டிவி டென்டு கொடுக்க நிர்ணயிக்கப்பட்டது.

தம்மிடமிருக்கும் சர்க்கார் கடன் பத்திரங்களின் விலை ஏற்றத்தாழ்வை சரிபடுத்த ரூபாய் 1,25,000ம் (investment reserve)ல் எடுத்து வைத்திருக்கிறோம். ஆனல் தற்சமயம் நெ. கடன் பத்திரங் கள் நாம் வாங்கியவிலையில், ரூபாய் 22,000/- அதிகம் கூடி இருப்பதால் நெ. சிர்வினிருந்து ரூபாய் 25,000/- (இருபத்தைந்து ஆயிரம்) Statutory General Reserve க்கு மாற்ற நிர்ணயித்து இருக்கிறோம்.

மொத்த லாபம் ரூபாய் 4,48,243—23ல் நிர்க்கண்டவாறு விலியோகிக்கலாம் என்று வினவுகிறோம்.

நஷ்டவர்டு	ரூ.	3,972 00
ஜெனரல் சர்வ்	ரூ.	50,000 00
இன்வெஸ்ட்மெண்ட் சர்வ்	ரூ.	1,80,000 00
பங்குதாரர்களுக்கு டிவிடென்ட் வருஷம் 1க்கு ரூ. 100க்கு ரூ. 21 வீதம்	ரூ.	95,000 00
மீகல் அட்மைசருக்கு செஷனரேஷன்	ரூ.	700 00
சென்ட்ரல் ஆபீஸ் செக்ரெடரிக்கு ஸ்பெஷல் போனஸ்	ரூ.	1,000 00
,, ,, அலிஸ்டென்டு செக்ரெடரிகு ஸ்பெஷல் போனஸ்	ரூ.	500 00
சிப்பந்திகளுக்கு போனஸ்	ரூ.	62,000 00
அடுத்த வருஷத்திற்கு கொண்டுபோக	ரூ.	22,071 23
ஆக மொத்தம்	ரூ.	4,48,243 23

பாங்கின் அபிவிருத்திக்கு பங்குதார்கள், வாடிக்கைகாரர்கள், பொதுஜனங்கள் அளித்த ஆதரவுக்கு நன்றி தெரிவித்துக்கொள்கிறோம். இவ்வும் அவ்விதமே தொடர்ந்து ஆதரவு அளிக்க கோருகின்றோம். பாங்கின் சிப்பந்திகளின் உன்னை உழைப்பை பெரிதும் பாராட்டுகிறோம். தமது பிராஞ்சுகளில் இருந்தும் அட்வைசரி கமிட்டி செயர்கள் பாங்கின் அபிவிருத்திக்காக மகத்துடன் உதவி செய்து வருவதை பெரிதும் பாராட்டுகிறோம்.

மதராஸ் மாவட்டங்களுக்கு பங்குதார்கள் அனைவரும் வந்திருந்து பாலன்ஸ்ஷீட்டையும், லாப நஷ்டக் கணக்கையும், நிர்வாக சபையாரின் ரிபோர்ட்டையும் அங்கீகரிக்க கோருகிறோம்.

கருர்,
21—2—1959.

By Order of the Board,
(Sd.) M. G. RAJAGOPAL CHETTIAR,
President.

(* It must be distinctly understood, however, that in issuing the Licence the Reserve Bank of India does not undertake any responsibility for the financial soundness of the Bank.)

Annual Report 1958

1947-1971

1952
KVB becomes a scheduled bank

1954
First rights issue of shares

1959
Branches opened in Tirupur, Pollachi and Vellore

3/9/1959
The KVB Employees Union comes into existence

19/11/1961
Bank opens first branch in Madras

1962
M.V. Lakshminarayana Guptha takes over as President of the bank

(CHAPTERS 6-7)

1964
Take over of four small banks completed

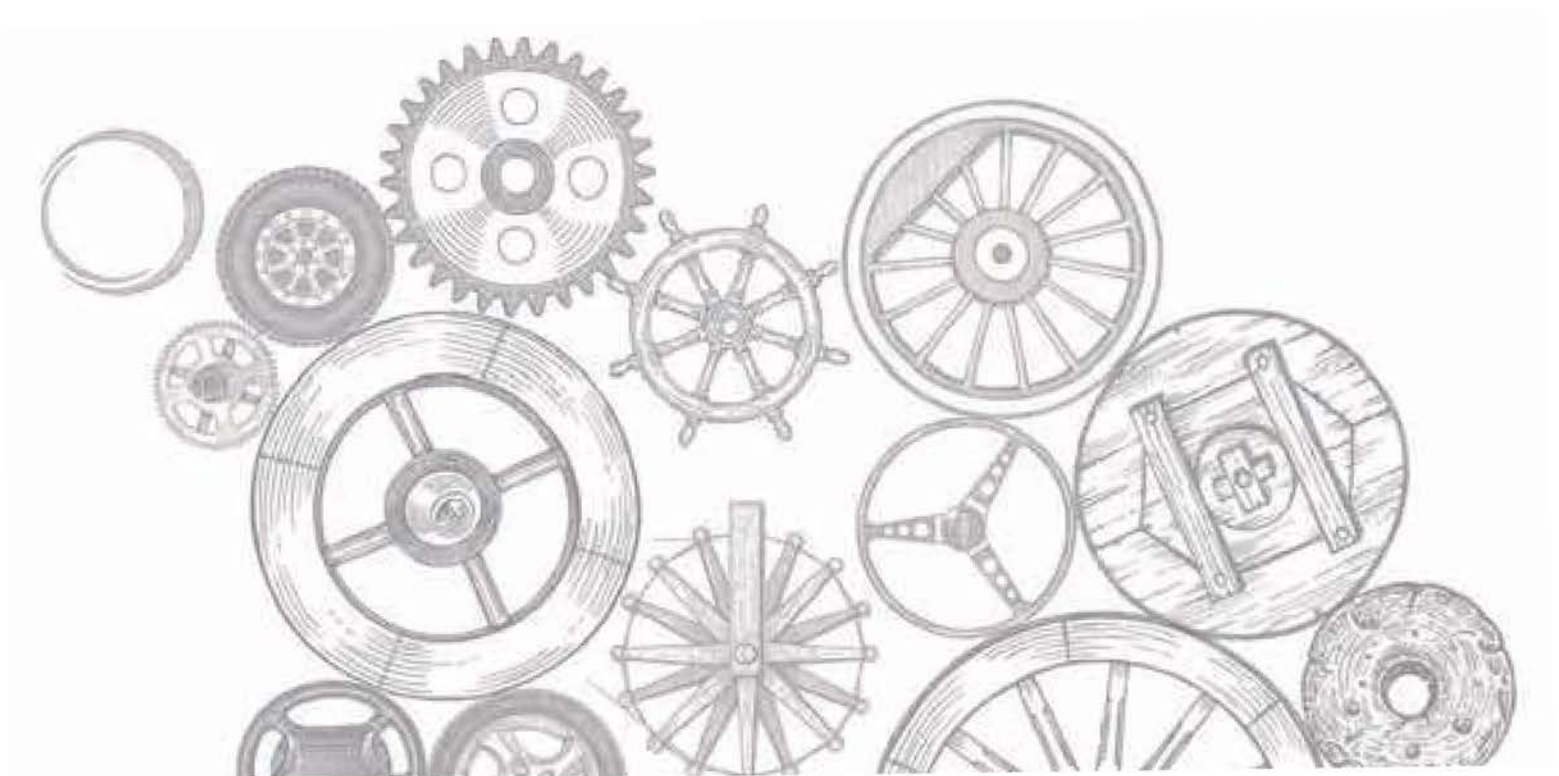
29/4/1965
Bank opens a Central Office in Karur

1969
C. Ramanathan Chettiar becomes Chairman of the bank

11/4/1965
The KVB Officers Association is formed

1966
Bank observes its Golden Jubilee

22/1/1970
G.S. Annaswamy becomes the first professional Chairman of the bank



CHAPTER - 6

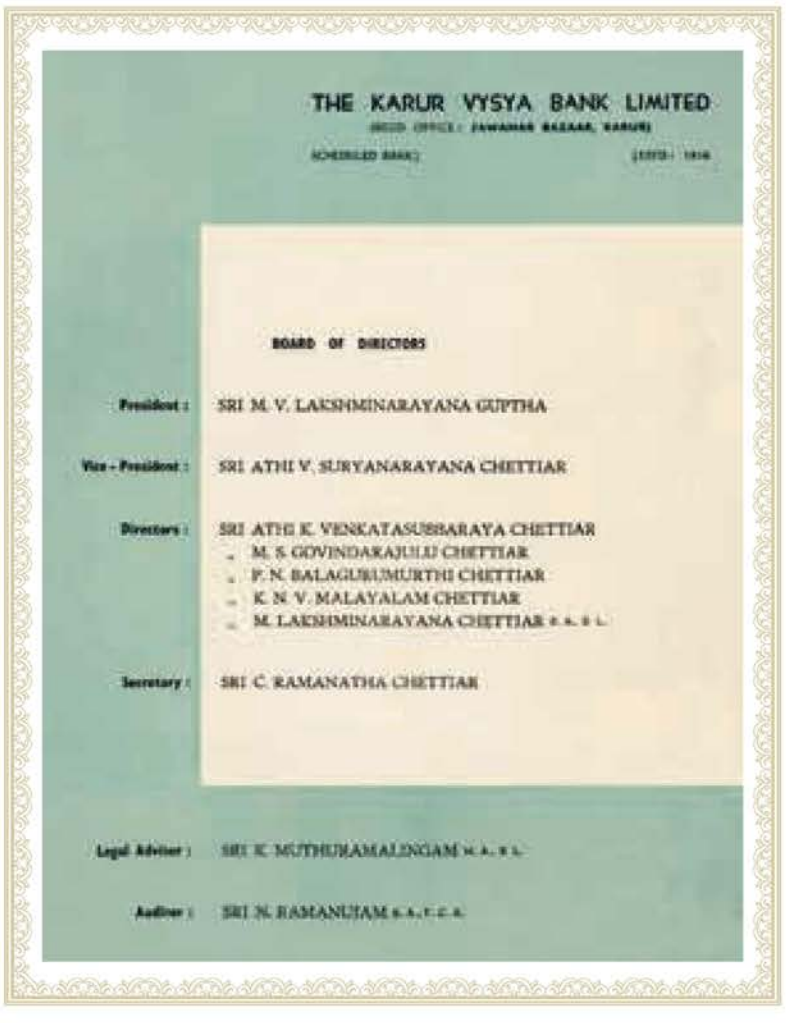


The bank's first logo

Quiet Consolidation

If the decade after Independence was spent in observing and understanding the changed scenario, the succeeding one was that of consolidation. This was when KVB tightened its systems and saw a new generation of the families that exercised control, taking over. It grappled with the formation of a workers' union and finally began to grow out of its rural heartland. Let us look at each of these developments one by one.

Raghavachari is our chief chronicler for this era too and let us see what he has to say about the union. "There was happiness all around and things appeared to be satisfactory, but one fine morning in 1959 there arose a rumour that the employees had formed into a Union, to enforce their rights. To be frank, this was something foreign to the thinking of the management and they honestly wondered as to and in what aspect they had failed to safeguard the interests of the employees."


THE KARUR VYSYA BANK LIMITED

BOARD OF DIRECTORS

President : SRI M. V. LAKSHMINARAYANA GUPTHA

Vice - President : SRI ATHI V. SURYANARAYANA CHETTIAR

Directors : SRI ATHI K. VENKATASUBBARAYA CHETTIAR
" M. S. GOVINDARAJULU CHETTIAR
" P. N. BALAGURUMURTHI CHETTIAR
" K. N. V. MALAYALAM CHETTIAR
" M. LAKSHMINARAYANA CHETTIAR B. A., B. L.

Secretary : SRI C. RAMANATHA CHETTIAR

Legal Adviser : SRI K. MUTHURAMALINGAM M. A., B. L.

Auditor : SRI N. RAMANUJAM B. A., F. C. A.

The bank's Board in the1960s

KVB is, interestingly, one of the few banks where the Union has maintained a history of its own and it is worth looking into it to see the raison d'etre for the formation of such a body. The foremost cause was the quick collapse of several private banks in that era, particularly in neighbouring Kerala. The workers of most of these failed institutions were left with no recourse for compensation and this caused considerable insecurity among the KVB staff. Though KVB itself was not in any danger of such an eventuality, the workers decided to form a representative body. The KVB Employees Union (KVBEU) came into existence in Madurai, on September 3, 1959. In a rather unusual development, the bank managers and senior staff too became members of the Union. The conservative elements in the bank were not too happy about the development. On its part, the management felt that it was duty bound to explain its sense of disquiet over the formation of the Union. Many meetings were held and it is noteworthy to point out that these were conducted with due decorum and respect for the parties being maintained right through. It was mutually agreed that all these would take place only after banking hours so that customers were not, in any way, troubled. Thus the discussions would begin in the evening and continue till the early hours of the subsequent morning. But when the bank opened for business, both members of the management and the Union would be at their desks, all attention to the work at hand!

There were changes at the Board level at this time. K.N.V. Ramaswami Chettiar passed away and his brother K.N.V. Malayalam Chettiar filled his place in 1960. He continued to be on the Board for over two decades, till his passing in 1982. By then, M.G. Rajagopala Chettiar had begun to experience the infirmities of age and expressed a desire to step down. He stopped attending to the bank's work from January 1, 1962 and the responsibilities began to devolve on M.V. Lakshminarayana Guptha who had been Vice-President since 1959. On February 22, following the resignation of Rajagopala Chettiar, Lakshminarayana Guptha formally took over as President of the bank. The line of succession was already in place – Athi V. Suryanarayana Chettiar became Vice-President. Also playing a key role was M.S. Govindarajulu Chettiar who was a Director and of whom it was said that "despite heading various lines of business and establishments, he had a mind and heart towards the welfare of the bank". It was said that his morning prayers included a special one for the bank's continued growth and prosperity!



K.N.V. Malayalam Chettiar,
Director 1960-1982

Athi V. Suryanarayana Chettiar and M.S. Govindarajulu Chettiar worked so closely together that they came to be referred to as the Doubles. It was they who negotiated with the Unions in the formative years. The forthrightness they brought to the table impressed the Union leaders who remarked that "most of the directors, especially Mr. A.V.S. and Mr. M.G.S. were simple men with spotless integrity. It was easier to deal with them even when we disagreed on several issues, because they were transparently honest and had no pretensions". For its part, the bank management learnt how to deal with the Union and recognise its necessity. "We did obtain the necessary experience at bargaining as most of the Directors were merchants of standing; though at the end of a long and arduous session we always were left with the feeling we had conceded more than was necessary," wrote Raghavachari. "We ultimately learnt to live with the Union satisfying its more reasonable demands." But even he was to concede that it bestowed a certain stature on the bank itself. It is to be recorded here that the KVBEU is a monolithic body with no rival Unions destroying the harmony of the bank. It has over the years fulfilled its responsibilities with a mature recognition of the commercial interests of KVB.

In 1965, it was the turn of the officers of the bank, who had earlier been part of the Union, to form an association for themselves. This was created not with a view to confront the management but with a desire for better rapport and the creation of a suitable representative body that would ensure redress as and when officers felt their interests were not taken into account. Prior to its formation, matters concerning officers' service conditions were settled by the Board in consultation with the Union. This was now to change.

It is worthwhile recording here that there was no All India association across all banks at this time. The KVB Officers' Association (KVBOA), born on April 11, 1965 was thus the first of its kind, its ideals coming in handy for officers associations when they were formed in several large banks in the country. The inaugural General Body meeting of the KVBOA was held at TELC Elementary School, Trichy. About 45 members representing the majority of the officers' strength attended it and showed their solidarity for a common cause. The Association was registered as a Trade Union in September, 1966. With the nationalisation of many banks, the number of officers associations began to increase and in 1972 the All India Confederation of Bank Officers' Organisations (AICOBOO) was formed. This in 1985 became the All India Bank Officers' Confederation (AIBOC). KVBOA became affiliated with AIBOC in 1987. That year, the AIBOC negotiated a nation-wide wage settlement for all public sector banks. KVB became the first private sector bank to implement the same for its officers with retrospective effect from November 1, 1987. The bank's management had shown that while the institution was still small, the vision behind it was big. It had also since early on introduced a concept of overtime for staff who stayed beyond office hours to complete tasks with a tight deadline.

The Founder Secretary of KVBOA, K.N. Bhujanga Rao later became Chairman of the bank. R. Nandagopal, a Founder-member, became General Manager even as K. Ananthapadmanabhan, another Founder-member, became a Deputy General Manager. Two others, K. Gurumoorthy and R. Krishnamurthy rose to become Assistant General Managers. On December 7, 1986, KVBOA constructed its own building with spacious guest rooms, meeting hall and office at Karur. The Association maintains a cordial relationship with the KVBEU and jointly manages the Karur Vysya Bank Staff Co-operative and Thrift and Credit Society at Chennai. In 1993, KVBOA started a school at Karur by setting up an Education Trust. The school has classes upto Standard 12. The Bank has time and again extended a helping hand to enable the school grow, by way of donations for construction of classrooms and for setting up other infrastructure. Perhaps taking a leaf from its employees' book, KVB in 1963 joined the Indian Banks Association, the representative body for organisations of its kind!

During the decade when the KVBEU and the KVBOA came into existence, the Indian banking industry was coming into its own, as was the RBI in its role of governing bank. Legislations beginning from 1959 onwards gave the latter greater control over the banks in the country, by way of right to remove from office chief executives and directors who were found unsatisfactory, determining the dividend that a bank could pay its shareholders, ordering the liquidation of banks that were deemed unviable and reserving unto itself the rights to permit the opening of branches. The immediate consequence of this was the closure of several small banks. In the year 1959-60 nine commercial banks went into liquidation. Five liquidations were voluntary and the courts ordered four. Three liquidations were in Madras, two in Mysore, and one each in Rajasthan, Maharashtra, Uttar Pradesh, and Kerala. The total deposits of the nine banks amounted to Rs. 2,024 crores, representing 0.1 per cent of the total deposits of scheduled and non-scheduled banks in India.

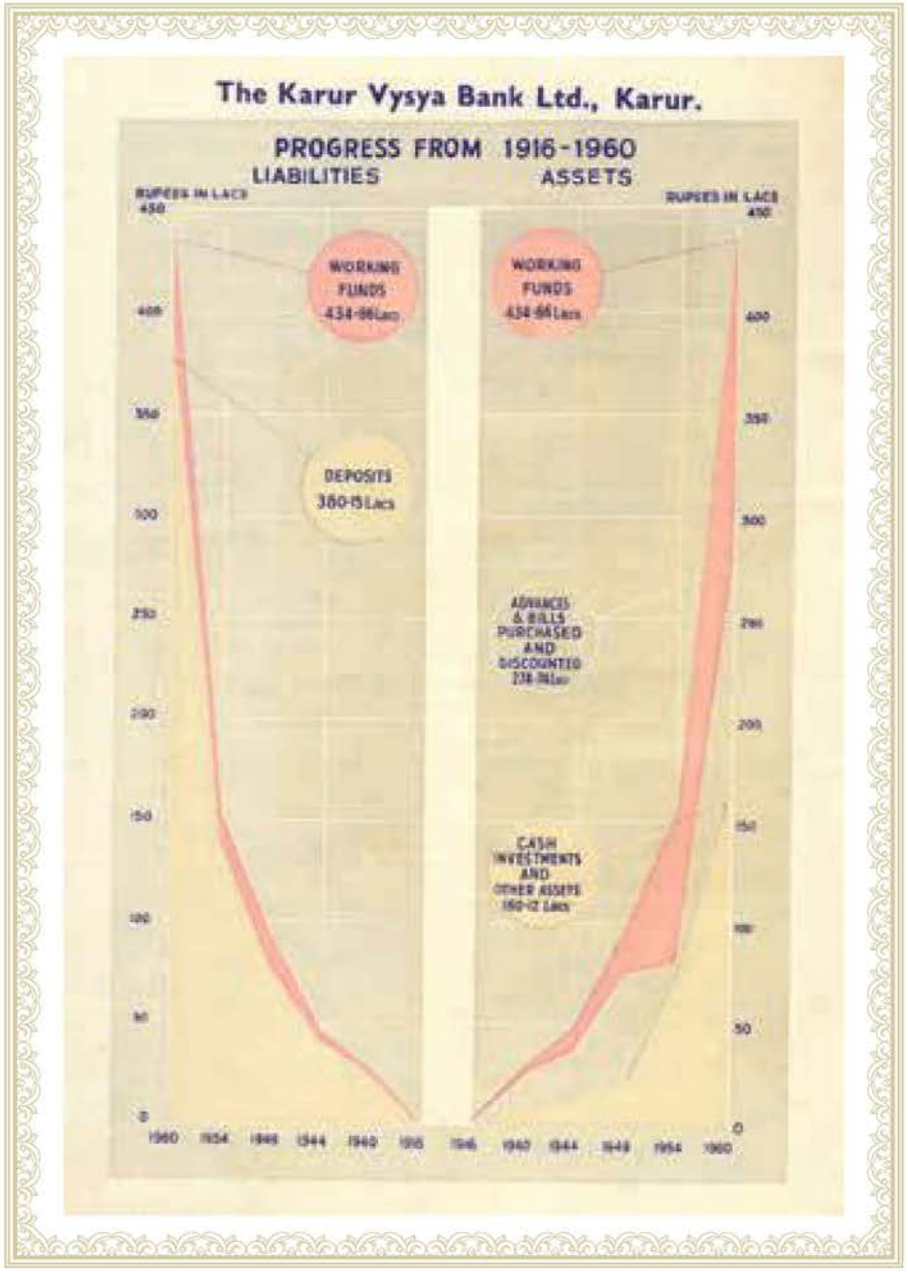




Top: KVB Board Members and KVBOA office bearers at the groundbreaking ceremony for the KVBOA school, Above: View of the school building



Shri Nanjil Manoharan, Finance Minister, Govt. of Tamil Nadu, receives the cheque towards the contribution of Tamil Nadu Chief Minister's Public Relief Fund in 1977, from A.S. Janarthanan and Chairman K.V. Raghavachari



How the bank had fared in 44 years

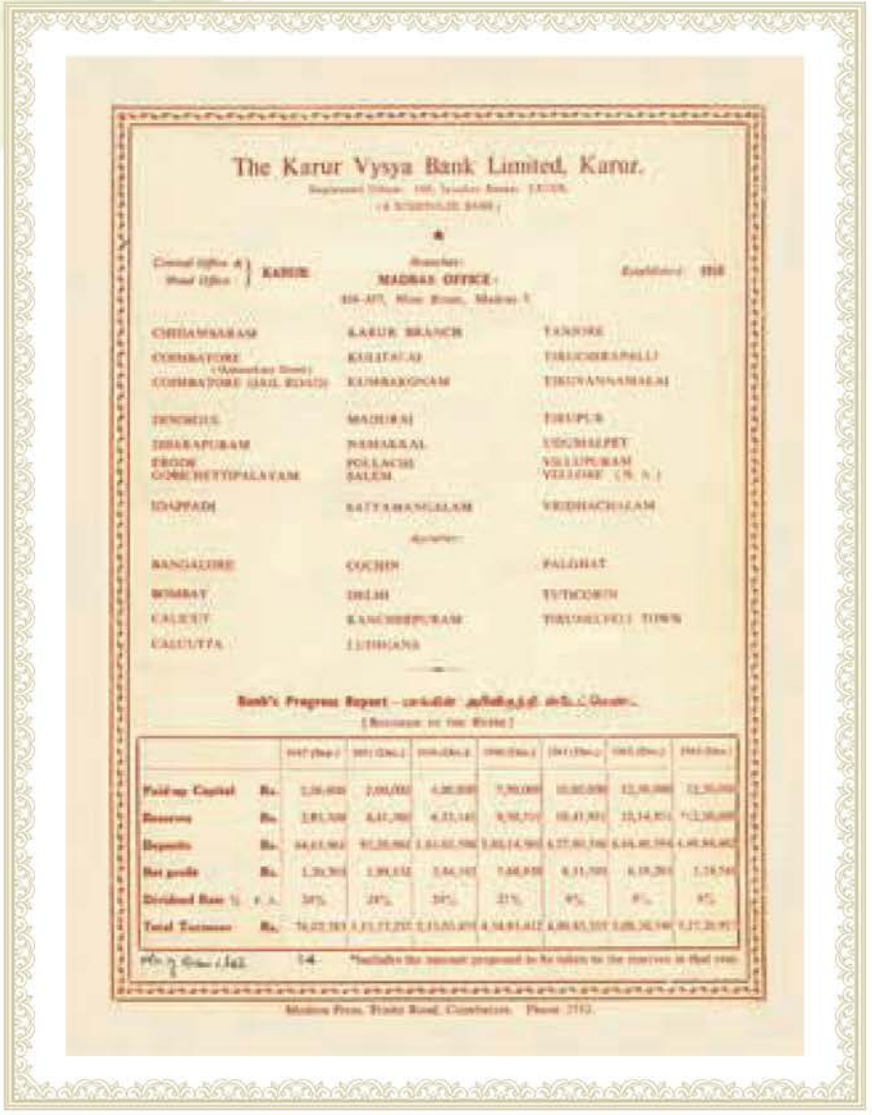
KVB, it would appear, had performed well enough for the RBI to consider it worthy of continued existence. A greater proof would soon make itself manifest – the central bank asked KVB to look into the possibility of taking over four small regional banks, all in the Southern recesses of Madras State. Thus KVB had its initial taste of corporate takeover. The first such exercise, which was probably independent of the RBI, did not end successfully. From the Minutes book we come to know that in July 1961, C.R. Balanagiah, the President of the Salem Sri Ramaswami Bank had approached KVB with the suggestion that it takes over his entity. The Board found this an attractive proposition and sent a three-member team – M.S. Govindarajulu Chettiar, A.V. Suriyanarayana Chettiar and M. Lakshminarayana Chettiar, the Secretary, to undertake what would today be called a due diligence study. This was favourable but for unexplained reasons the deal did not go through. The Salem Sri Ramaswamy Bank was later taken over by another private bank.

It is not clear as to whether the Salem bank's merger offer was at the RBI's prodding but we do know that KVB's subsequent takeovers were all to happen because of that. By 1963, fresh statutory provisions were added, which mandated that no individual could hold more than one per cent of the total voting rights in a banking company. The terms of office of the chairman and managing director could not exceed five years. A bank could no longer grant unsecured loans to companies or firms in which its chairman had direct or indirect stake. The freedom of a bank regarding the quantum of advances to be given to a firm or company was also curbed. In this scenario, many small banks found the going tough. And then, there was the RBI, vigorously implementing its plan of consolidating these institutions through mergers. Thus it was that between 1963 and 1964, KVB found itself being asked to take over four small entities – the Selva Vriddhi Bank, Coimbatore, the Salem Sri Kanyaka Parameswari Bank, the Padinen Grama Arya Vysya Bank of Kombai and the Coimbatore Bhagyalakshmi Bank.

The manner in which KVB became increasingly adept at handling these mergers is evident from the timeline of each. The Selva Vriddhi Bank acquisition was to proceed at a leisurely pace, between the signing of the agreement in 1961 and the actual takeover in 1964. The task was largely entrusted to P.N. Balagurumurthy Chettiar and M. Lakshminarayana Chettiar, both Directors. As compared to this, the takeover of the Padinen Grama Arya Vysya Bank took ten months, the agreement being signed in January 1964 and the actual merger happening in October the same year. The takeover of the Salem Sri Kanyaka Parameswari Bank was done in six months with M.V. Lakshminarayana Guptha taking the lead and setting matters in motion. The merging bank had been placed under a moratorium that would last till June 21, 1964 and it was imperative that the acquisition be completed before that. C. Ramanathan Chettiar, the Agent was to make many journeys to Madras to confer with the officials of the RBI. The merger went ahead and was completed in June. The Bhagyalakshmi Bank takeover probably took even less time for there is hardly any mention of the process in KVB's archives.

With these mergers completed, KVB found itself now having a much larger branch network. In 1959, it had opened branches in Tirupur, Pollachi and Vellore. The Salem Sri Kanyaka Parameswari Bank brought in four branches, all in Salem District, the Padinen Gramam Arya Vysya Bank had 14 branches spread over Madurai, Trichy and Ramanathapuram Districts, the Bhagyalakshmi and Selva Vriddhi Banks had one branch each in Coimbatore. With this, the total number of KVB branches increased to 44.

Perhaps more significant than these acquisitions was the decision in 1961 to open an office in Madras city. It marked a complete shift in priorities for the bank. Hitherto, the business had been chiefly dominated by retail and agricultural sectors, the latter also accounting for advances against gold. Some industrial accounts were there in Coimbatore. But now, with the decision to have a presence in Madras, it was clear that KVB had begun to look at an urban thrust. This would define the way the bank was to move for all time to come. The location of the Madras office was however an indicator that the bank still preferred to operate from an area that had plenty of traditional business interests. Sowcarpet in the George Town district of Madras had acquired its name from the Sahukars – native bankers chiefly belonging to the Arya Vysya, Gujarati and Marwari communities. The branch was located in Thambu Chetty Street.


The Karur Vysya Bank Limited, Karur.

KARUR — MADRAS OFFICE

CHIDAMBARAM · KARUR BRANCH · TANJORE
COIMBATORE · KULITALAI · TIRUCHIRAPALLI
COIMBATORE (GAUL ROAD) · KUMBAKONAM · TIRUVANNAMALAI
DINDIGUL · MADURAI · TIRUPUR
DHARAPURAM · NAMAKKAL · UDUMALPET
ERODE · POLLACHI · VELLUPURAM
GOBICHETTIPALAYAM · SALEM · VELLORE (N. A.)
IDAPPADI · SATTANGULAM · VRIDHACHALAM
BANGALORE · COCHIN · PALGHAT
BOMBAY · DELHI · TUTICORIN
CALICUT · KANCHEEPURAM · TIRUNELVELI TOWN
CALCUTTA · LUDHIANA

Bank's Progress Report – [Reverse to the Front]

Paid-up Capital	Rs.							
Reserves	Rs.							
Deposits	Rs.							
Net profit	Rs.							
Dividend Rate %	p. a.	30%	20%	30%	25%	8%	8%	8%
Total Turnover	Rs.							

From the annual report of 1962, which has the Madras Branch address prominently mentioned



BRANCH OF BANK DECLARED OPEN

MADRAS, Nov. 19.

A branch of the Karur Vysya Bank was declared open this morning at Mint Street, Park Town, by Mr. C. Subramaniam, Finance Minister. Mr. K. Ramunni Menon, President of the local boards of the Reserve Bank and the State Bank of India, presided over the function. Mr. Athi V. Suryanarayana Chettiar, one of the Directors of the Bank, giving a brief history of the institution, said that the bank was serving the needs of more than a lakh of constituents Welcome addresses were presented to the Minister and to Mr. Ramunni Menon. Mr. M. Lakshminarayanan, Secretary, proposed a vote of thanks.

News report on the opening of the Madras branch (Courtesy: The Hindu*)*

Lakshmi and Saraswathi poojas were performed between 9 and 10 a.m on the opening day of the Madras branch. The customary sum of Rs 5,555-75 was taken from the Head Office to Madras and credited to the newly opened branch. K.N. Bhujanga Rao was appointed the Agent-in-Charge of the Madras branch. V.R. Sudarsanam was the cashier with K.A. Venkatachalam as his assistant. Apart from these personnel, there was a Shroff and three clerks appointed. The latter were to work as unpaid probationers for a period of two months. Two peons and a night watchman were also recruited. In keeping with the practice at other branches, an advisory committee comprising local worthies was appointed to guide the new branch. This comprised P. Maruda Pillai, of the Century Flour Mills, S.M. Subramania Chettiar of Madras Automobiles, K. Sundaram Pillai, Commission Agent operating from Govindappa Naicken Street and V. Devarajulu Chettiar, who was an Indenter for the Buckingham and Carnatic Mills. Nathella Sampathu Chettiar, a well-known businessman of the city, was inducted in to the advisory committee in December 1961. On May 26, 1963, Babulal Mehta, Managing Director, Mohanlal & Co. was added to this body. The opening of the Madras branch was to coincide with a bonus issue of shares, in the ratio of one bonus share for every four held.

Perhaps emboldened by the success of its Madras branch and the takeover of the smaller banks, we find KVB widening its network. This was through a system of agency agreements at Bangalore, Bombay, Cochin, Calicut, Kanchipuram, Delhi, Ludhiana, Palghat, Tuticorin and Tirunelveli, with banks that had a presence in those cities. We suddenly find what was essentially a Madras State based bank striking roots in distant Punjab, Maharashtra and the capital of the country. This way, customers in far away locations could deposit KVB cheques with agent banks and receive credit immediately. The reciprocal service too was available. Raghavachari attributes this new found dynamism to the Doubles who always had "a thirst to absorb new ideas, with the result, an impatience followed to hasten the progress of the bank on modern lines". Of them, Athi V. Suriyanarayana Chettiar was a well-known figure in Karur, with diverse business interests including the running of a petrol bunk. He served as Chairman of the municipality as well, developing an entirely new area in the town and naming it Athi Krishnapuram after his uncle. It was said of M.S. Govindarajulu Chettiar that he was "respected for his forthright frankness and sincerity. Even his colleagues, when they differed from him would ultimately see their way to agreeing with M.S.G. His honesty of purpose was so apparent that his word had the ultimate force, as it always had the backing of reason, experience and a high degree of common sense. Erring staff would face M.S.G. with confidence, knowing that they would get justice, even if it meant punishment. Such was the quality of his head and heart that he earned the respect and regard of not only his colleagues on the Board but also the officers and staff of the bank".

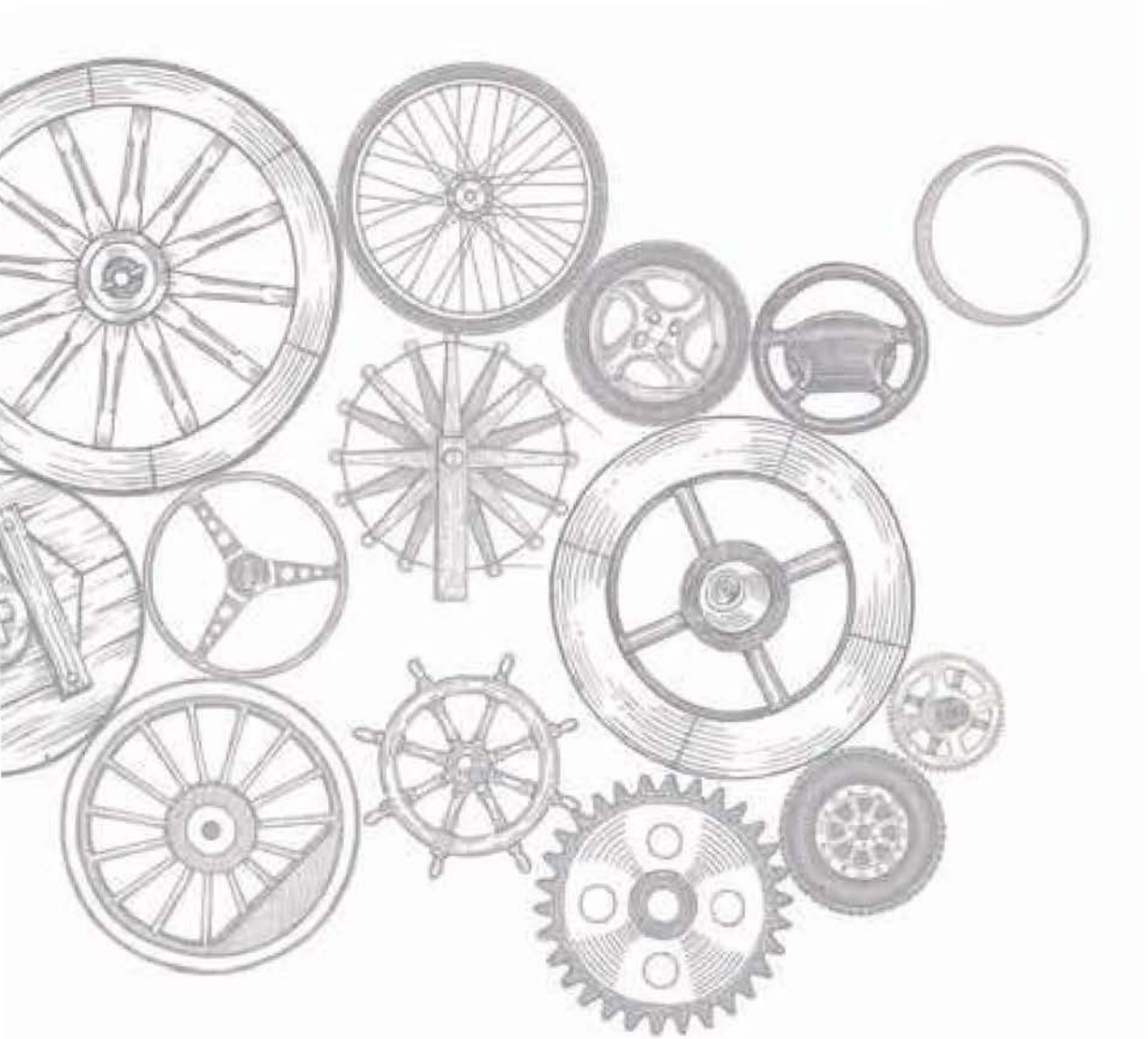


C. Subramaniam, then Minister, Govt. of Madras (standing extreme right) at the opening of the Madras Branch

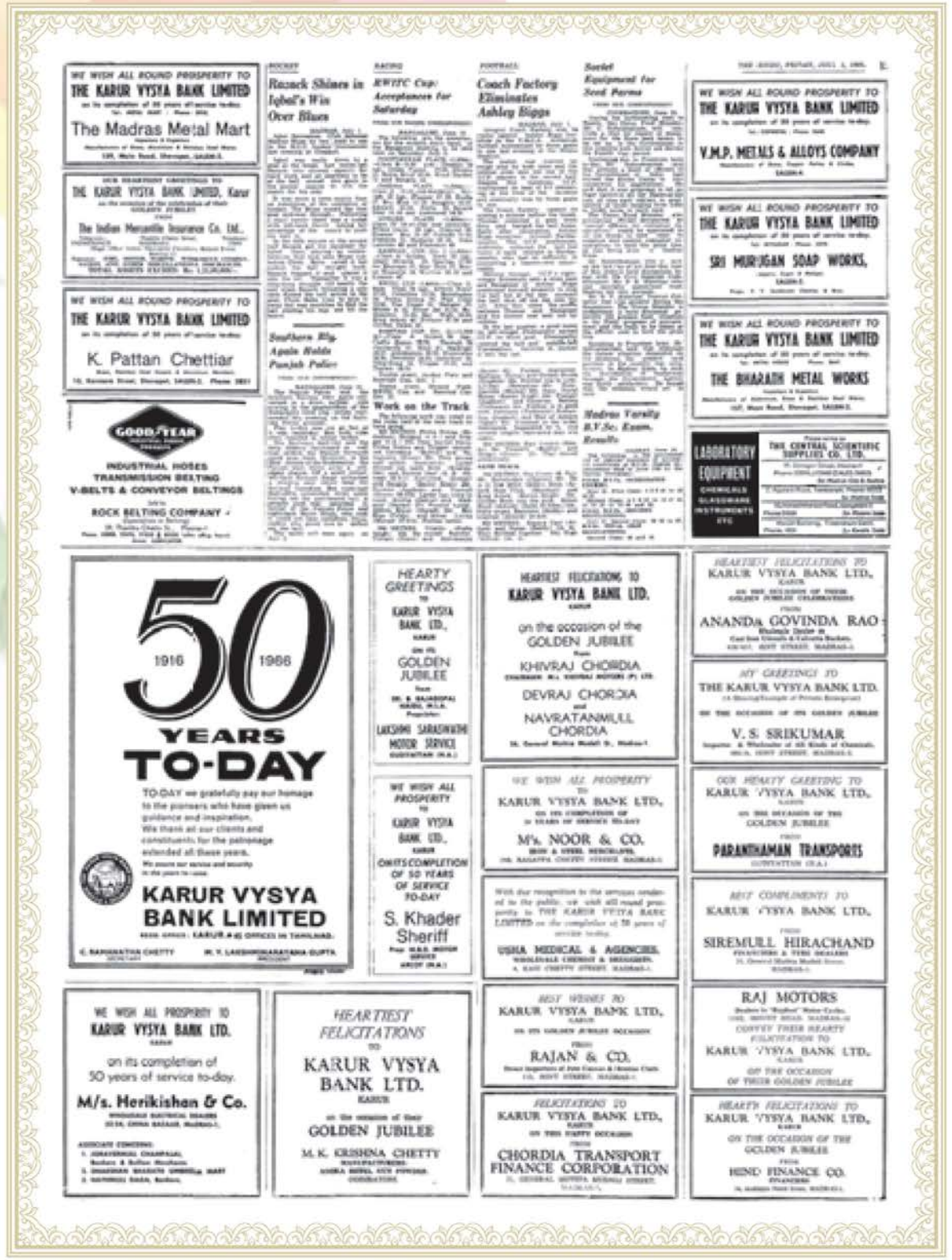
Under this duo, as Raghavachari wrote, "The bank could absorb radical changes in its structure. With the result, it expanded its activities to newer areas. With the sharp increase in the number of employees, KVB had to move to a bigger building, establishing the administrative office separately. The employees were encouraged to equip themselves with banking qualifications and a few were sent for training to the RBI's Staff Training College in Bombay. Even at the decision making level, a certain firmness became evident, having as its aim the progress of the bank. M.S.G. and A.V.S. formed as it were a motive force, to egg the bank onto greater progress, absorbing in its wake a certain amount of modernity."

This dynamic duo was to give KVB its first transformation when it would shed its earlier ways of doing business and move on, but without compromising on its value systems. Suddenly we find the bank investing its funds in fixed deposits with private firms. The first of these was in 1963, the Tirupur Cotton Spinning & Weaving Mills being the recipient. Cinema theatres were considered for advancing money, against security of land, building and equipment. We see the bank moving out of rented premises to its own buildings in towns such as Coimbatore and Tirupur. The registered office too shifted, to the bank's own premises at Jawahar Bazaar in Karur.

But perhaps the biggest step was putting money in fixed deposit with the First National City Bank of New York. Clearly KVB was going places.



CHAPTER - 7

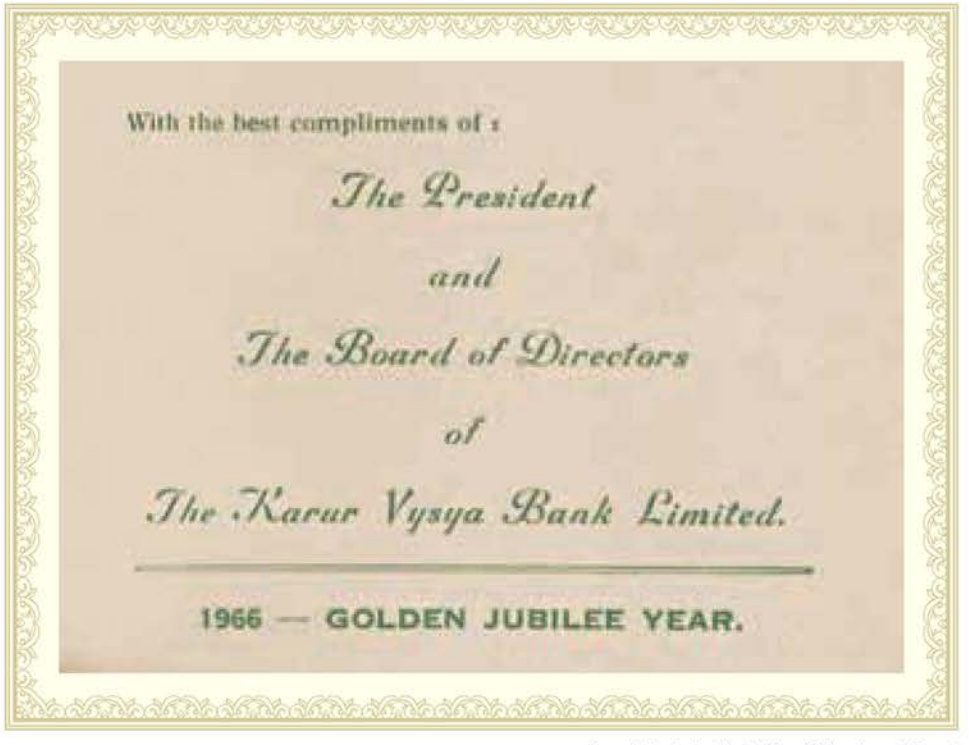


A special supplement to commemorate 50 years of KVB (Courtesy: The Hindu*)*

Golden Jubilee and After

The year 1965 was the Golden Jubilee of the bank, one that merited celebration. But of festivities there were none. The Indo-Pak war cast a shadow. It was however resolved that in view of the healthy performance of the bank a significant sum would be spent on charities – the principal beneficiaries being the Karur Government Arts College, the Narada Gana Sabha and the Dhanushkoti Cyclone Relief Fund. A key change was the creation of a central office for the administrative functions of the bank. This was an idea that arose in the minds of the Doubles team as early as 1962. But it was only in 1964 that a suitable building, located at 305 Jawahar Bazaar Road, Karur was found. The formal pooja was conducted on October 15, which happened to be Vijayadasami, an auspicious day for launching new plans. The central office became fully functional on April 29, 1965. This was also the year when the bank decided to re-designate the post of Secretary as that of Chief Executive Officer. C. Ramanathan Chettiar continued to be the incumbent.

The bank opted to expend its energies in restructuring the way its central office was running and also ensuring that as an institution it was in every way compliant with RBI directives. It was decided to set up various departments for better co-ordination of the work in the central office and to appoint suitable superintendents to hold charge. Additional clerical staff was also sanctioned for the central office and the Secretary was asked to recommend suitable candidates for the 12 vacancies thus created. In May 1965, the Board reviewed the progress in implementing the directions issued to the bank by the RBI and gave suitable instructions to the Secretary for bringing about improvements in the working of the bank in accordance with these. A key concern was that the Secretary, Assistant Secretary and Joint Secretary were required to make surprise visits to branches but this was soon proving to be impossible given the day-to-day responsibilities of these key functionaries. This was when KVB hired its first Inspector of Branches – S. Nilakantan.


With the best compliments of :

The President

and

The Board of Directors

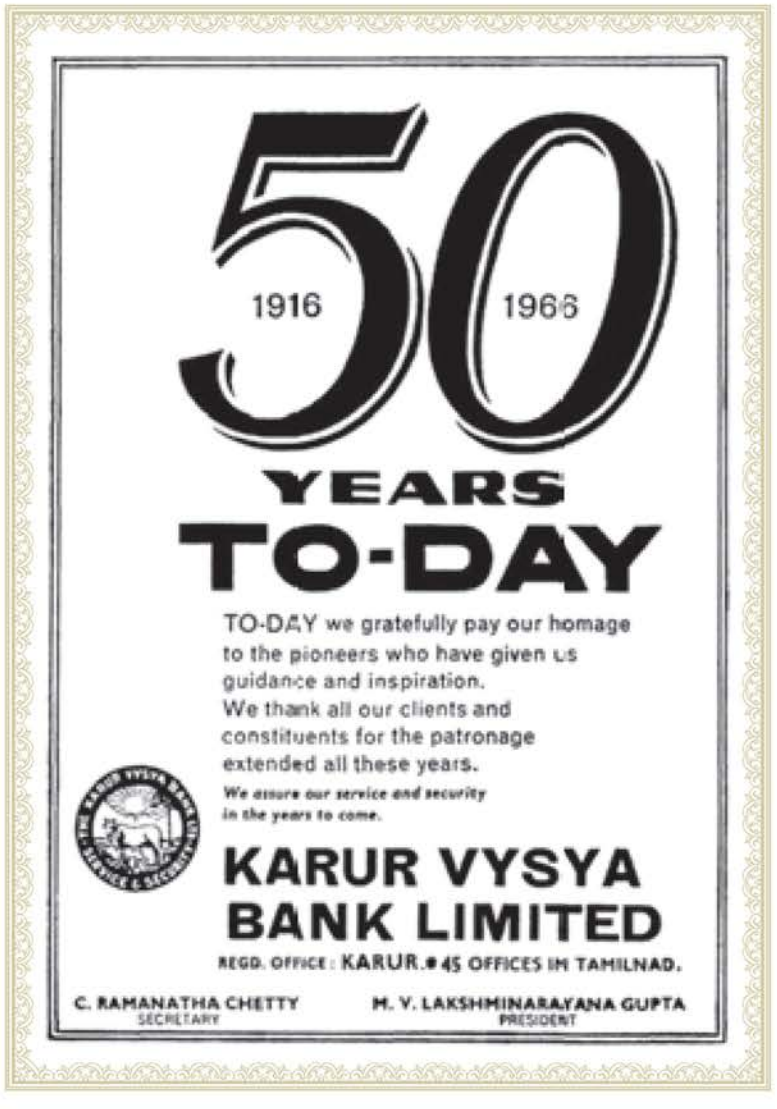
of

The Karur Vysya Bank Limited.

1966 — GOLDEN JUBILEE YEAR.

A special note for the Golden Jubilee Annual Report

Sadly, the Doubles team of M.S. Govindarajulu Chettiar and Athi V. Suriyanarayana Chettiar was to be split when the latter expired suddenly on June 20, 1967, leaving behind the former completely shattered. But he need not have worried unduly. Joining him to fill in the vacancy was Suriyanarayana Chettiar's son A.S. Janarthanan (A.S.J.). Hailed today as the mentor of the bank, A.S. Janarthanan was young but had a balanced head on his shoulders. To quote Raghavachari, "there commenced an association between the two, one so young and enlightened and the other mature with the experience of being a Director for over two decades", with their joint ambition being the furtherance of KVB's interests. The two were to work together till M.S. Govindarajulu Chettiar's retirement in 1970. This was a difficult period, given that the bank had to adapt itself to an increasing number of regulations. A portrait of Suriyanarayana Chettiar was commissioned and unveiled on May 11, 1969.



An advertisement for the Golden Jubilee (The Hindu)

The other scion of the Athi Krishna Chettiar family, Athi Venkata Subbaraya Chettiar, who was on the Board for nearly two and a half decades from 1946 to 1972, passed away at this time. His place on the Board was taken by his son, A.V. Kandasamy, who as we will see later, was instrumental in initiating a discussion on issue of bonus shares. He had three stints on the Board from 1972 to 1983, 1984 to 1987 and again from 1989 to 1997.

This was a period when the RBI was tightening its control over the functioning of all banks in India. There were some potential sources for conflict, all of which eventually were resolved amicably. The first of these was in 1965, when the RBI wrote about its intention of deputing one of its officers to attend the Board Meetings. In response,KVB sent a letter stating that such a move was unwarranted as the bank's affairs were in complete order. But the RBI had its way and a Chief Officer attended the Board Meeting on May 28. From then on, this would be a regular feature. There was relative peace for three years after this, but in 1968 matters came to a head over at least three distinct matters. The first concerned KVB's interest rates – the Deputy Governor wrote to the bank that it ought to reduce its interest rates on advances by ½ per cent. The bank mulled over the matter and replied in September appealing against this, claiming that "it would adversely affect the bank in every respect and particularly affecting the profit seriously". But this explanation was not accepted. The RBI remained firm stating in its reply that it had, as requested, thought over the matter in "earnest and sympathetic consideration of all the practical difficulties", as desired by KVB. The bank agreed to revise the interest rate ½ percent downward, in 80 per cent of the advances from December 1. In January 1969, we see a letter sent to RBI asking it not to reduce the interest rates further.The next matter concerned the declaration of dividends. From 1967, we find that despite the bank making good profits, the RBI was keen on it reducing its dividend keeping in mind the generally depressed sentiments in the Indian economy.



The Namakkal branch retained its traditional look even in the 1970s

At some stage it would appear that the Board at KVB seriously questioned whether it would be worthwhile to continue at its present level of operations or amalgamate with a bank of similar size so that the combined entity could be a much larger one. This appears to have been the thinking in late 1967, when KVB and another bank headquartered in Karur debated on a possible merger. That there was considerable synergy between them and the promoters were connected, may have been strong reasons in favour of such an amalgamation. A meeting of the Directors of the two banks took place on January 18, 1968 and Lakshminarayana Guptha wrote thereafter to the RBI expressing the two banks' desire to become one. But there appears to have been no response.

Another plan, and this came very nearly to fruition, was a proposed takeover of KVB by the Bank of Baroda (BOB). This was a time when the progress of the latter bank appeared unstoppable. Between 1958 and 1965 it grew rapidly. In order to further its interests in Madras State, BOB took over the Tamil Nadu Central Bank. Enthused by this, the bank began looking around for other takeover targets and KVB emerged a possibility. The RBI was willing to look favourably at this idea and the negotiations began. Between January and March 1969, we see plenty of references in the KVB Minutes books to the proposed merger. Given the uncertainty prevailing, it was decided that Ramanathan Chettiar, the CEO, though due for retirement, ought to be elevated and continue as Chairman till further notice. By May 1969, all appeared set for the takeover but it never materialised. At the stroke of midnight on July 19, 1969, the Government promulgated an ordinance that brought 14 large banks under public ownership. This was ratified by legislation within the month, though all of it was challenged in the Courts. The Government however exhibited its steely resolve when a fresh ordinance nullified the Supreme Court order striking down the nationalisation. A new Bill in Parliament soon ratified this second ordinance. The 14 banks became Government of India undertakings. BOB was one of them and thereafter lost interest in taking over KVB. It clearly had other issues on its mind.

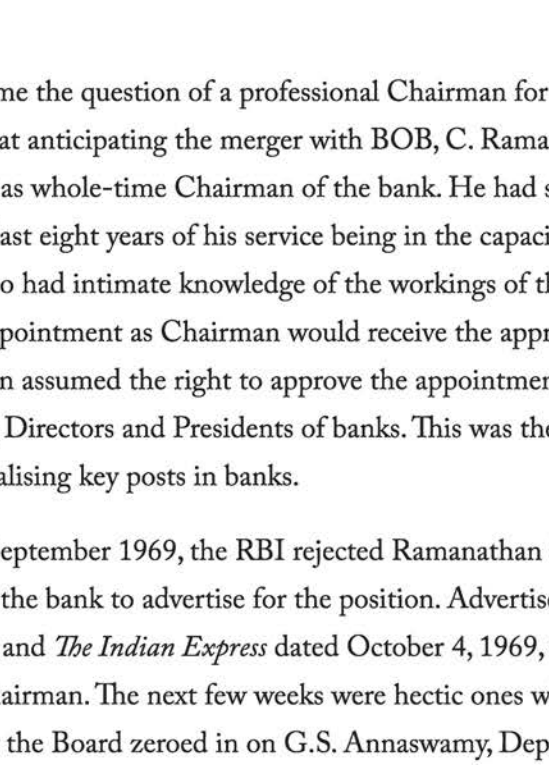


The winds of change. The first professional Chairman, G.S. Annaswamy (in trousers, and seated centre) with members of the Board, circa 1970

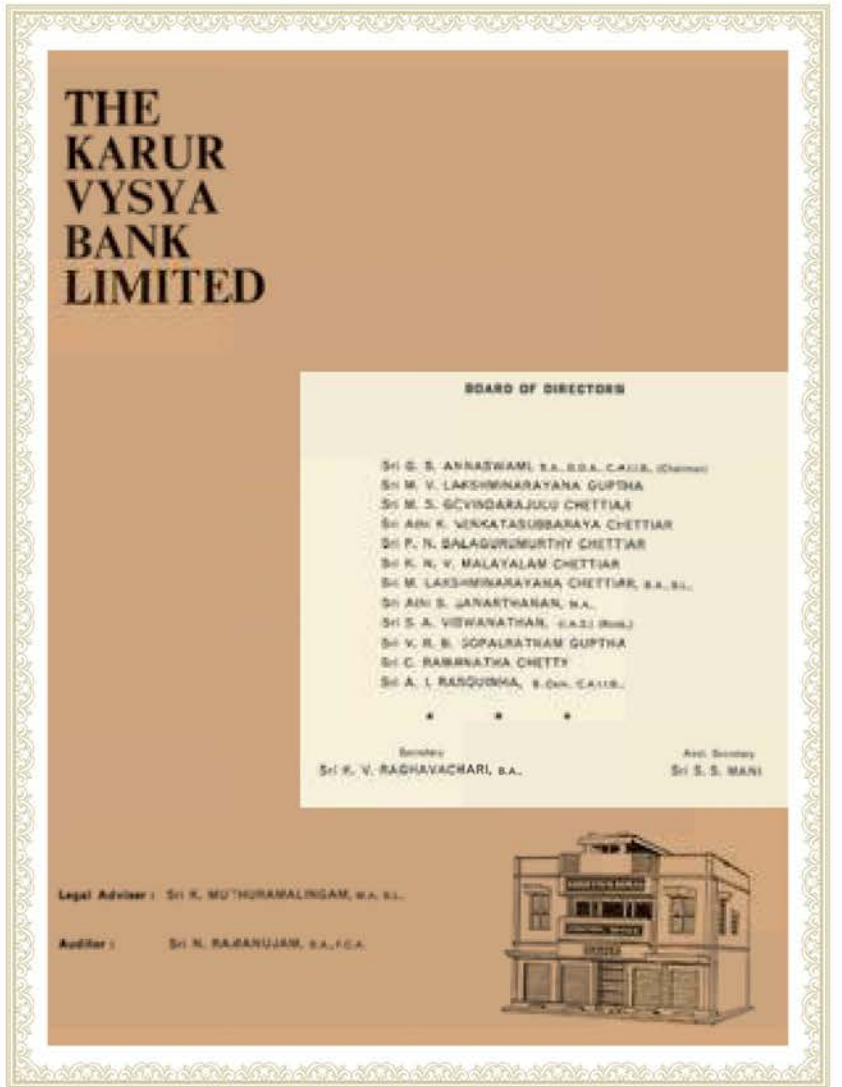
Next came the question of a professional Chairman for the bank. It will be recalled that anticipating the merger with BOB, C. Ramanathan Chettiar had been appointed as whole-time Chairman of the bank. He had served the bank from 1932, the last eight years of his service being in the capacity of the Agent/Secretary. A man who had intimate knowledge of the workings of the bank, it was assumed that his appointment as Chairman would receive the approval of the RBI, which had by then assumed the right to approve the appointments of Chairmen, Managing Directors and Presidents of banks. This was the first step towards professionalising key posts in banks.

But in September 1969, the RBI rejected Ramanathan Chettiar's elevation and instructed the bank to advertise for the position. Advertisements were placed in *The Hindu* and *The Indian Express* dated October 4, 1969, seeking applicants for the post of Chairman. The next few weeks were hectic ones with a spate of interviews and finally the Board zeroed in on G.S. Annaswamy, Deputy Chief Officer, RBI, who was on leave prior to retirement, the date of his superannuation being January 22, 1970. The RBI concurred with the choice and he was designated Chairman and Chief Executive Officer, for a tenure of three years at a salary of Rs 2,000 per month. Ramanathan Chettiar was to continue to officiate in the interim – holding the posts of Chairman, CEO and Secretary/Agent till Annaswamy took over.

January 22, 1970 was a historic day at the bank, for this was when the families managing the day-to-day affairs of the bank handed over charge to a professional banker. With G.S. Annaswamy taking over, M.V. Lakshminarayana Guptha and M.S. Govindarajulu Chettiar relinquished their positions as President and Vice-President. Their contribution was hailed and recorded by the Board. It noted "with pleasure and deep appreciation the very valuable service and guidance offered by them extending over a period of two to three decades which have enabled the bank to develop all around. They continue to remain as Directors on the Board so that their mature experience and knowledge may be available to the bank to the fullest extent".



G.S. Annaswamy,
the first professional Chairman
1970-1974


THE KARUR VYSYA BANK LIMITED

BOARD OF DIRECTORS

Sri G. S. ANNASWAMI, B.A., B.O.L., C.A.I.I.B. (Chairman)
Sri M. V. LAKSHMINARAYANA GUPTHA
Sri M. S. GOVINDARAJULU CHETTIAR
Sri Adhi K. VENKATASUBBARAYA CHETTIAR
Sri P. N. BALAGURUMURTHY CHETTIAR
Sri K. N. V. MALAYALAM CHETTIAR
Sri M. LAKSHMINARAYANA CHETTIAR, B.A., B.L.
Sri Adhi S. JANANTHANAN, M.A.
Sri S. A. VISWANATHAN, C.A.I.I. (Retd.)
Sri V. R. S. GOPALRATNAM GUPTHA
Sri C. RAMANATHA CHETTY
Sri A. I. RASQUINHA, B.Com., C.A.I.I.B.

* * *

Secretary
Sri K. V. RAGHAVACHARI, B.A.

Asst. Secretary
Sri S. S. MANI

Legal Adviser : Sri K. MUTHURAMALINGAM, M.A., B.L.

Auditor : Sri N. RAJANUJAM, B.A., F.C.A.

Annual Report 1969



V.R.B. Gopalarathnam Guptha, Director 1970-1984



S.A. Viswanathan, Director 1970-1984

C. Ramanathan Chettiar too retired the same day and the Board "resolved to place on record deep appreciation of the meritorious services rendered by him to the Bank in his long service of 38 years. During his tenure of 8 years as Secretary and Chief Executive Officer, there has been expansion all round both in the number of offices from 25 to 45 and deposits have increased from Rs. 4.27 crores to Rs. 7.89 crores. This commendable success is praiseworthy". In a departure from precedent, the Board approved payment of gratuity to Ramanathan Chettiar for his entire tenure of service. He was to also be immediately co-opted to the Board as a Director. In 1971, the place of M.V. Lakshminarayana Guptha on the Board was filled in by his brother, M.V. Krishnamurthy Guptha, who remained a Director from 1972 till his death in 1984. The bank was to benefit from M.V. Lakshminarayana Guptha's banking knowledge and acumen, even after his retirement from the Board after a brilliant and long innings of nearly 34 years. He was always available to advise and guide the management whenever his wise counsel was sought.

Another addition to the bank's Board at this time was V.R.B. Gopalarathnam Guptha. He had been Chairman of the Udumalpet Municipality in the 1950s and also a Director on the Board of the Salem Sri Kanyaka Parameswari Bank, one of the four small banks that KVB had taken over in the 1960s. He was invited to become a Director once the RBI made it mandatory that all banks had to have representation of agricultural interests at the Board level. The association has continued with the family, for his son Dr V.G. Mohan Prasad is now a Director of KVB.

Dr Mohan Prasad recalls as to how to his father, KVB was always *mana* (the Telugu word for our) bank. "Father used to take me to some of the events at the bank and I have seen him interacting closely with other Directors such as K.N.V. Malayalam Chettiar and Athi V. Suryanarayana Chettiar. He would always admire the way the Board discussed matters in great detail and always resisted the temptation to spend any money on itself."

With the appointment of a professional Chairman, the senior positions in the bank were to be divided – Annaswamy was Chairman and CEO, Raghavachari, from whose writings we have quoted extensively earlier, became the Secretary and S.S. Mani was designated Assistant Secretary. The Board members were also given independent portfolios to watch over, though they could not perform any executive functions. Thus Ramanathan Chettiar focused on banking while Gopalarathnam Guptha kept an eye on Agriculture and S.A. Viswanathan on Rural Economy and Small Scale Industries.

The emphasis on the latter two sectors was entirely in keeping with the way the Government wanted banking in the country to function. The naysayers had bemoaned the fact that nationalisation would mean the end of banking as per business norms. This was not entirely wrong. But at the same time, it cannot be denied that the Government's move was based on logical analysis. Under traditional banking systems that had prevailed till then, agriculture in spite of the very crucial role it played in the country's economy got a meagre share of two per cent of the credit extended. The need for radical change in the management of banking systems was also necessitated because of wide gaps in the geographical coverage of banks. Several States in the North/North-eastern regions had practically no banks. In other States, the larger banks generally avoided opening branches in remote locations. The few rural branches in existence merely siphoned off funds for investment in urban areas, leaving their neighbourhoods in a perpetual state of under-development.

Banks in the past had exhibited greater concern for security of funds, quantum of return and profitability as per established norms and rightfully so. But this also meant that the problems of rural credit and credit for weaker/neglected sectors remained outside their province. The National Credit Council formed in 1968 paved the way for identifying credit gaps and recommending suitable measures for provision of credit to small borrowers, and in particular what it termed as priority sectors. Agriculture, Small Scale Industry and Exports were classified under this head, while transport operators, retail traders, small businessmen, professionals and self-employed came under what were termed weaker/ neglected sectors.

The newly nationalised banks were expected to meet all these requirements. In addition they were to meet the credit needs of public sector projects, co-operative sector and the food procurement operations of the country. The last named was then a major source of worry, for India was then not self-sufficient in food, the Green Revolution being a few years in the future. KVB, and other private banks of its kind were yet to be tasked with these requirements but it was clear that sooner or later, the social obligations of nationalised banks would be extended to the private ones as well. In its 1968 Annual Report, KVB was careful enough to highlight that in keeping with the Banking Laws Amendment Act that mandated social responsibility, it had sanctioned loans worth Rs 2.25 crores to the priority sectors.

If these tectonic shifts in the industry were not troubles enough, contending with the vastly increased staff on account of the mergers and acquisitions was no easy matter. Considering the request of the staff of the four erstwhile banks that had become a part of KVB dated August 28, 1965, the Board resolved that an ex gratia payment in dearness allowance would be paid to them with retrospective effect from January 1, 1965. On October 10, 1965, officers requested for greater emoluments in the view of the variations in the scales of pay existing for a very long time between them and the staff in other banks. The Board duly debated the matter and sanctioned increments to the Chief Executive Officer, Assistant Secretary, Joint Assistant Secretary and to all officers of the bank, with effect from July 1, 1966, in keeping with the Government's Wages Act. This was however not applicable to employees from the four erstwhile banks that had joined the KVB rolls post merger. The net result of all this generosity was that the wage bill went up to Rs 5 lakhs, causing fresh worries over long-term sustainability.

The Batlagundu branch



T.S. Santhanam (seated right) and 'Chitra' Narayanaswami (standing) at the Mylapore branch inauguration



The Tirupur branch in a modern setting

The branch network was to expand further during this decade. In 1970, three branches in rural areas around Coimbatore, Salem and Trichy came up. Plans were submitted to the RBI for the opening of offices in T Nagar and Mylapore areas of Madras. In 1972, KVB planned its move into Andhra Pradesh, the first branch coming up at Chittoor. That the bank was planning to go pan India even in 1972 is evident from the fact that the Annual Report for that year was bilingual – English and Tamil, while those of all erstwhile years had been in the latter language.

Life in the branches was spartan to the extreme. Many recruits of that period recall that in some of the remote locations there was no lodging facility even if they were willing to pay. Many slept in the branch itself and made do with its toilet and wash facilities. This was of course very much in keeping with the way the Directors conducted themselves. But progress was made. The Namakkal branch sanctioned its first mega loan (Rs 10,000) in 1972 and an abhishekam for the giant Anjaneya statue in the historic temple of that town was performed. At Ramanathapuram, the erstwhile royal family became account holders and that brought in many of the common folk. Jewel loans were in demand here as were loans against wholesale commodities – chillies, onions and Bengal gram–being exported to Sri Lanka under rupee trade agreements. The time had however come to expand the horizons – to move across India and into hitherto unknown territories.

1972-1992

1972
KVB inaugurates first branch in Andhra Pradesh, at Chittoor

1973
Thirumagal Thirumana Thittam, one of KVB's most enduring products, launched

1974
P.G. Saranyan becomes Chairman

1975
First branch in Karnataka, at Malleswaram, Bangalore

1976
Bank establishes Staff Training College, in Salem

1977
K.V. Raghavachari becomes Chairman

1980
First branches in Bombay and Calcutta opened

1981
G. Venkatesam becomes Chairman

(CHAPTERS 8-10)

1983
Inauguration of Delhi branch and new Central Office in Karur

1985
K.N. Bhujanga Rao becomes Chairman

1986
Bank forays into Treasury operations. It also begins computerisation in a small way

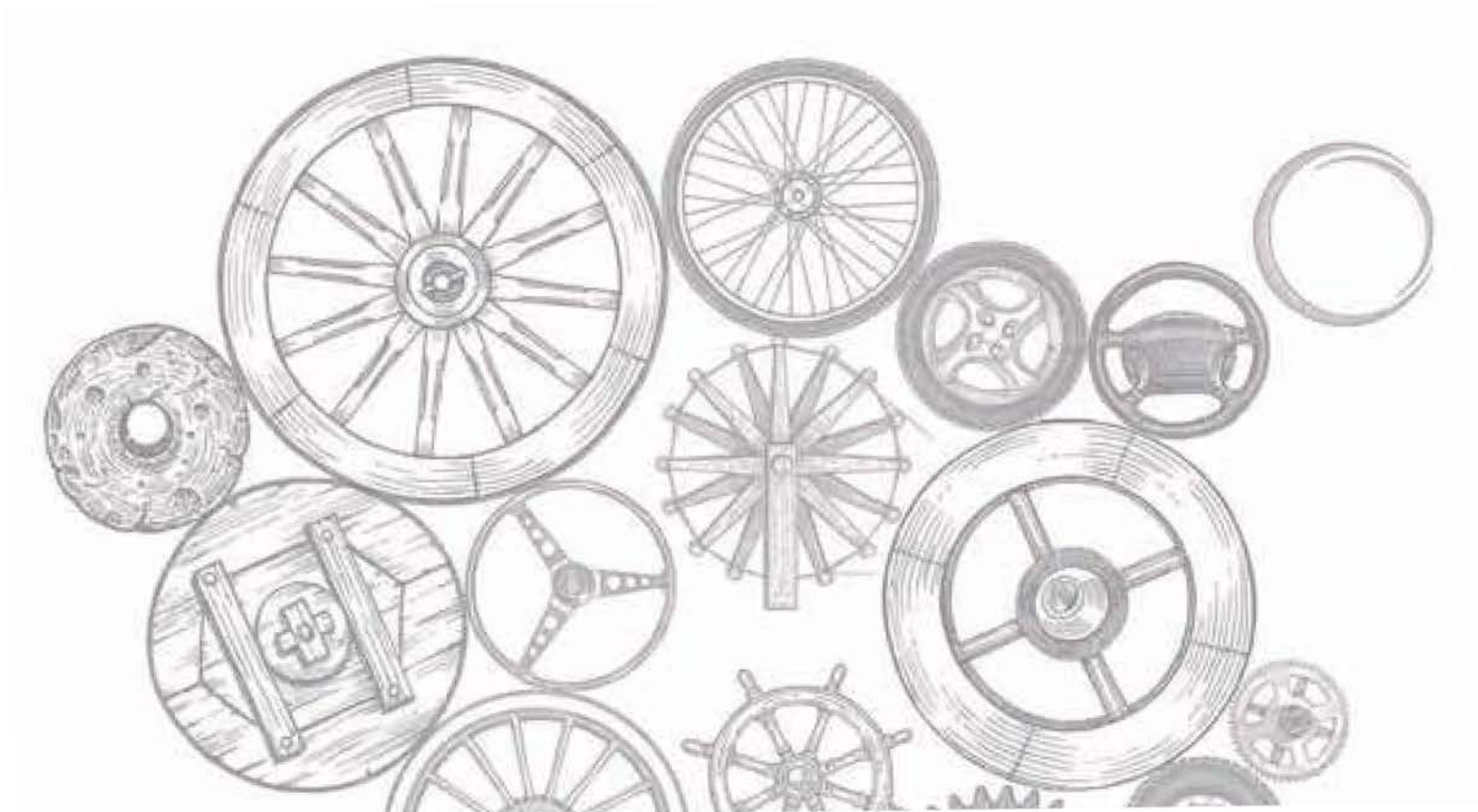
1987
Bank invests in Vysya Bank Leasing Limited

1988
B. Bhaskaran becomes Chairman, ex gratia payments as share of profits for staff launched

1991
Platinum Jubilee celebrations of Bank

1992
Fast tracked opening of branches all over the country begins.

1993
Bank gets into merchant banking



CHAPTER - 8

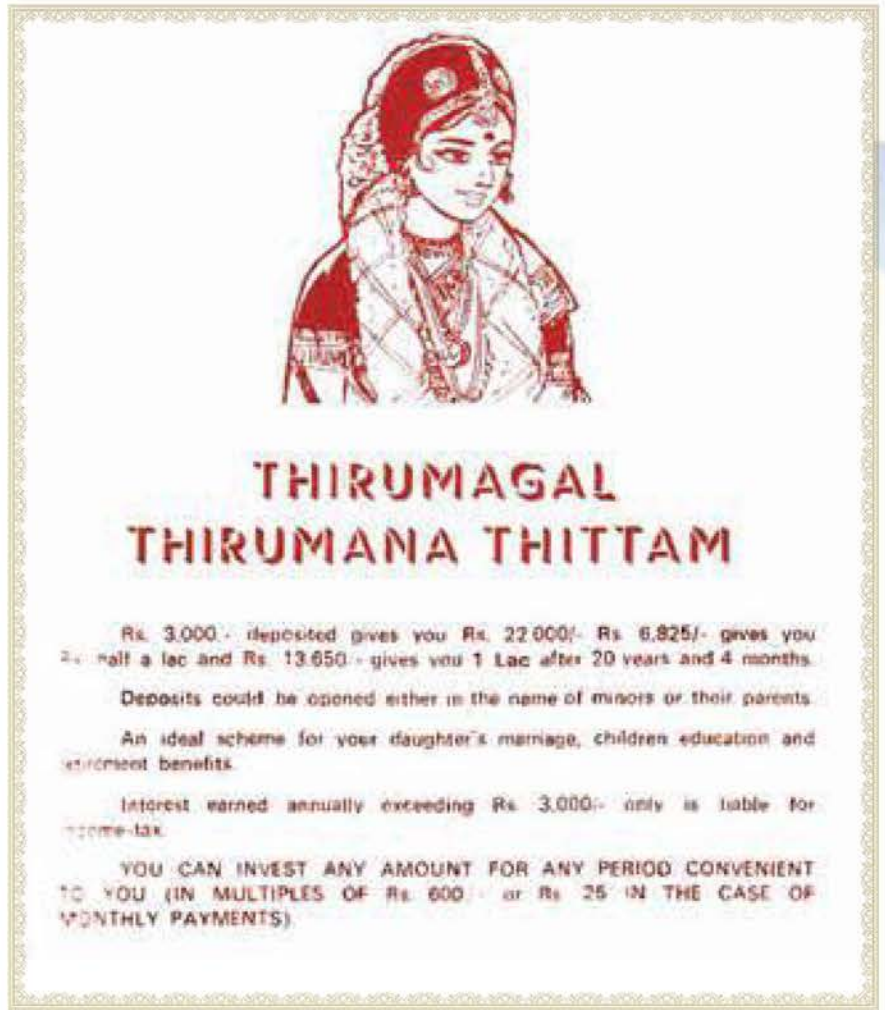


The Central Office at its old building, Karur

Expanding Across India

The early 1970s were also when many banks began launching innovative schemes to attract public savings. The Syndicate Bank, formed in 1925 and nationalised in 1969, was one of the pioneers in this, having launched early in its existence what it branded as the Pigmy Deposit Scheme. As per this, the banks appointed Deposit Collectors who would go to the house or the work place of the customers and collect a daily deposit, which was credited to the account of the customer. This would earn interest and the bank would also augment its resources. It was therefore a win-win situation for the bank as well as the customer. The daily Deposit Collector would earn a commission on the money collected. KVB soon launched its equivalent – the Honeybee Deposit Scheme, which came into existence on Tamil New Year's Day – April 14, in 1971. An insurance-linked savings account scheme had earlier that year been announced by the Government in collaboration with the Life Insurance Corporation of India, as per which insurance cover was made available to account holders of certain banks. KVB too followed suit with its offer, effective September 29, 1971. That was also the year when the bank began offering safe deposit locker facilities – the first coming up in Coimbatore and the service being soon extended to Salem, Trichy and Namakkal.

The bank launched yet another scheme in 1973, one that is perhaps the oldest surviving deposit plan of KVB's till date. This was the Tirumagal Tirumana Thittam- the literal meaning signifying the plan for a daughter's marriage. Since then extended to include a child's education fund, it was open to individuals, HUFs, and other entities and initially meant a lock-in period of 20 years and four months. Rs 3,000 deposited would at the end of the term yield Rs 22,000, Rs 6,825 would give Rs 50,000 and Rs 13,650 would give one lakh of rupees. The scheme has since undergone many changes but it remains a winner till date. Another scheme that was launched in 1977-1978 was the Sri Nidhi Cash Certificate where a discounted amount was deposited and a round figure was realised at maturity. The highlight, however, was a lottery scheme for those who invested in this product. A monthly draw was done and 200 prizes ranging from Rs 100 to Rs 500 were to be won. Those who won once were eliminated in succeeding draws. The scheme was dropped in 1984 when the RBI banned such games of chance. The product was later revived as the Gayathri Cash Certificate, without the lottery aspect.



Financial plan for a daughter's marriage



The opening of the Bangalore branch



A throng to open accounts at the Calcutta branch

These innovations were all conducive to development, but if a bank like KVB needed to survive, it had to become pan Indian. Nationalisation of the 14 largest banks meant that each one of them was now mandated to aggressively open branches in remote rural areas that they would not have even considered in their earlier purely commercial outlook. That meant regional and community-based banks, and of the latter there were plenty in India, would soon have to shake off their limited outlooks if they wanted to survive and grow. At KVB this realisation soon sank in, and the bank geared itself up for the change. It announced a rights issue of Rs 7.45 lakhs in 1973, raising its paid up capital to Rs 20 lakhs. Almost simultaneously, it began expanding its branch network in the neighbouring states of Andhra Pradesh and Karnataka.

Chittoor was the first town in Andhra where the bank established itself. That was in 1972. The Nellore branch was opened in 1973 and the next one in Secunderabad was inaugurated in 1974. Nellore, known as the rice bowl of Andhra had a sizeable trading community. The team there comprised a mix of experienced and raw hands, some having worked in a few other locations before their move to Nellore while others were new recruits. Since KVB did not have any presence in Andhra till then, the branch had to do a lot of groundwork even with respect to having an arrangement with other banks for certain facilities such as demand drafts. Competition was intense – giants such as the State Bank of India and the Indian Overseas Bank were firmly entrenched here and getting a relatively smaller entity such as KVB to become known was quite a task. However, the Chairman had high expectations from the batch of young officers with respect to Nellore and he gave them several insights on how to improve the bank's prospects in the new territory.

A marketing coup of sorts was pulled off when the District Collector agreed to open the 300 sq ft branch office. His speech was to contain several valuable inputs on how to do business in the town. The Chamber of Commerce at Nellore was a pillar of strength as well, with its President being particularly helpful in getting the branch several local key accounts. KVB focused on deposits rather than advances as the prime movers of business, and so the first ports of call were rich farmers in the village of Bucchireddypalayam where landholdings were rarely less than 30 to 40 acres per person. The first two visits yielded nothing. Not willing to give up however, the team made a third journey, hoping to bag a deposit of at least Rs 20,000. To its complete surprise, the first farmer they met gave them Rupees one lakh. The team was overjoyed because it was December, the month the accounts closed for the year. With that one sign-up, they had managed to achieve their annual target. The Head Office was quick with its praise – a special letter commending the effort arrived along with gifts from Karur.

The experience at Secunderabad was different. This was a retail centre and the branch was at Rashtrapati Street, a prime location in the town. Here, KVB made its mark by good service at the counter – a bank tradition that was followed at all its locations. No customer needed to stand in the queue for more than a minute. Through such measures, several retail accounts were won. Buoyed by its successes at Nellore and Secunderabad, KVB was to aggressively plan further locations in Andhra. Chittoor was opened in 1972 itself. A survey of other towns then began – Guntur, Vijayawada, Kakinada, Rajamundry and Hyderabad. Soon Chirala, Kurnool and Sulurpet were added to the list. The results of the study are not traceable today, but from a published list in 1983, we find that branches were opened in Vijayawada, Kurnool, Rajamundry, Hyderabad, Sathrawada, Tirupati, Warangal and Cuddappah by then.

The foray into Karnataka began the same time as the one in Andhra. The first office was at Malleswaram in Bangalore in 1975. This was to be upgraded into a Regional Office within two years – an indication of how fast the branches in Karnataka were coming up. Mysore, Davangere and Kolar Gold Fields were the first locations outside of Bangalore where branches were opened. By 1978, Bangalore city had its second branch at JC Road. The bank was to make its mark in Kerala by 1980, opening offices there in Thiruvananthapuram and Kozhikode. It was not as though Tamil Nadu was neglected during these years – the total number of branches had jumped to 109 in the State by then. The results of such aggressive expansion were soon manifested – deposits crossed the Rs 25 crore mark in 1975. The bank's Board expressed its delight at the results and at the same time advised caution in opening new branches – new ones could "be opened in 1976 only after consolidation of the newly opened branches and after strengthening the machinery required for exercising supervision and control, and also managing the branches. The expansion must be slow and commensurate with the availability of staff. Hence only 25 branches can be opened, including the places for which licences have already been received. Further it is agreed that we may consider opening of the Bombay branch in the second half of the year and Calcutta later on". But the momentum was not to be contained. Deposits grew to Rs 50 crores in 1979 and within two years it reached Rs 75 crores!



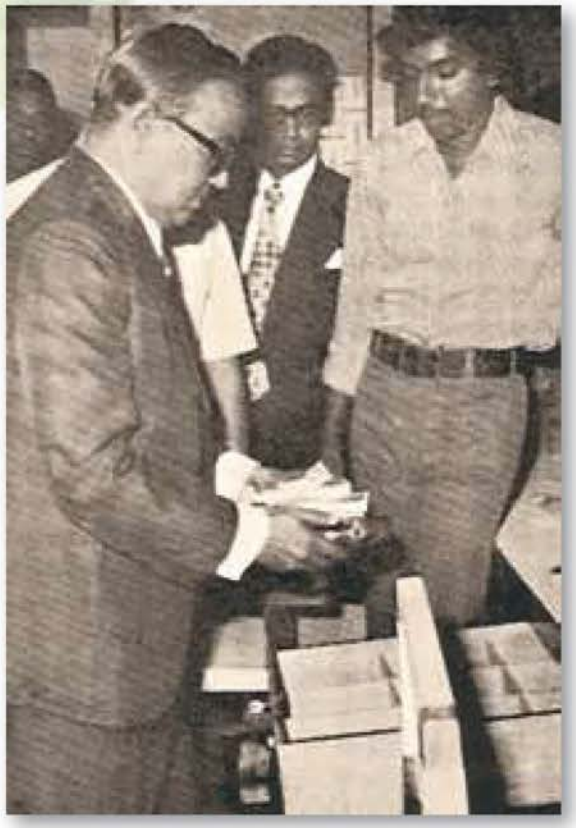
Marthanda Varma, Ilaya Raja of Travancore, visits the Central Office, Karur



Sri Obaiah, Dt. Collector, Sri C.C. Subbarayadu, Chamber of Commerce President and Sri R. Lakshminarasa Reddy at Nellore Branch inauguration

The aggressive expansion meant there needed to be stability at the top and in 1972, when Annaswami was due to retire from his post as Chairman, the Board was strongly in favour of granting him an extension. This required RBI's approval, which was not easy to obtain and the bank was to defend its decision strongly. The Board Minute recommending his extension was clear. "At the time of considering the renewal of the term of appointment of G.S. Annaswamy, the Chairman, the Board took into account the spadework done so far, the considerable progress made and the work taken up and underway for streamlining the accounts and systems, before deciding that at least two more years would be required to complete the same. Taking the institution's interest into consideration, it was decided to reappoint him for two years." The RBI was happy to sanction the request.

Annaswamy's extended term ended in 1974 and the bank recruited P.G. Saranyan as his successor, with the approval of the RBI. This was also the time when T.R. Ramanathan, referred to earlier, came on board as a Director. Also joining as Director was the well-known income tax lawyer G. Sarangan, whose advice was to come in handy for the bank in later years especially when it ventured into merchant banking. P.G. Saranyan's tenure ended in 1977 and his successor was to be an old KVB hand – Raghavachari – our cicerone of the 1950s and 1960s. His appointment was to fortunately be approved by RBI and he was to serve as Chairman till 1981. The new incumbent was a man who had come up the ranks and was used to the old ways of banking. He records that he was most apprehensive about taking on the new responsibility but M.S. Govindarajulu Chettiar greatly encouraged him to accept it.



The opening of the Bombay branch



At the Calcutta branch inauguration



T.R. Ramanathan,
Director
1975-1983; 1984-1986; 1995-2003; 2005-2010

The 2nd Logo of KVB

The Raghavachari regime was one of consolidation wherein many of the systems that had begun to be stretched owing to aggressive expansion of the previous decade, were strengthened. The bank cracked its whip on the inspection of branches and when these began revealing some problem accounts, each was taken up for a satisfactory resolution. In many instances, what started off as a problem, ended up as a success. The story of an oil mill is one such instance which was to occupy the venerable minds of the bank for long and it goes to the credit of KVB that the end was a happy one. The Board was very unhappy that money had been advanced to this customer in the mid-1970s and legal action was contemplated. But wiser counsel evidently led to the conclusion that it would be better off focusing its attention on turning around the problematic account – in others words an exercise that would today be called corporate debt restructuring. Another bank was also a creditor and so a joint strategy was worked out. The Company Law Board was moved for getting new management into the company and when this came through in 1979, the two banks jointly helped in finding a full-time Chairman and a Technical Director. Unutilised machinery and surplus lands with the mills were disposed of. The Board then fixed fresh terms. By end of 1980, we find from the records that the mill was fully into production, and KVB was happy to extend a cash credit key loan of Rs 5 lakhs in addition to an existing limit of Rs 20 lakhs on the security of "fully paid stocks of cotton, kapas, yarn and hosiery cloth". From the records it is also possible to see that the turnaround was subject to the close supervision of Raghavachari.

The 1970s Minutes record several instances of such deviant action all of which could have adversely impacted the bank had prompt action not been taken. When Raghavachari retired in 1981, the Board "placed on record his valuable services to the Bank, as Chairman for a period of four years and 33 years of dedicated and loyal service to the Bank in various capacities, before he assumed the august office as Chairman and wished him long years of happy retired life". It must not however be assumed that Raghavachari's tenure did not focus on expanding the branch network. By 1977, KVB was planning an office in Bombay – its first move north of the Vindhyas. The branch came into existence on January 28, 1980. The bank also made some valuable real estate acquisitions in that space-starved city at the same time – two flats for its officers were purchased one each in Pestom Sagar, Chembur and Bhandup. From Bombay, the journey continued further west, with branches being opened in Ahmedabad and Surat respectively in 1981 and 1982. The east too was not neglected, for the Calcutta branch was inaugurated on October 11, 1980. Raghavachari may have joined the bank in the 1940s when the business was fairly localised but when he retired, he had the satisfaction of seeing it become a pan-Indian institution.



KV Raghavachari,
Chairman, 1977-1981



Ahmedabad branch inauguration



Prabhudas Patwari, then Governor of Tamil Nadu at the shifting of Erode branch

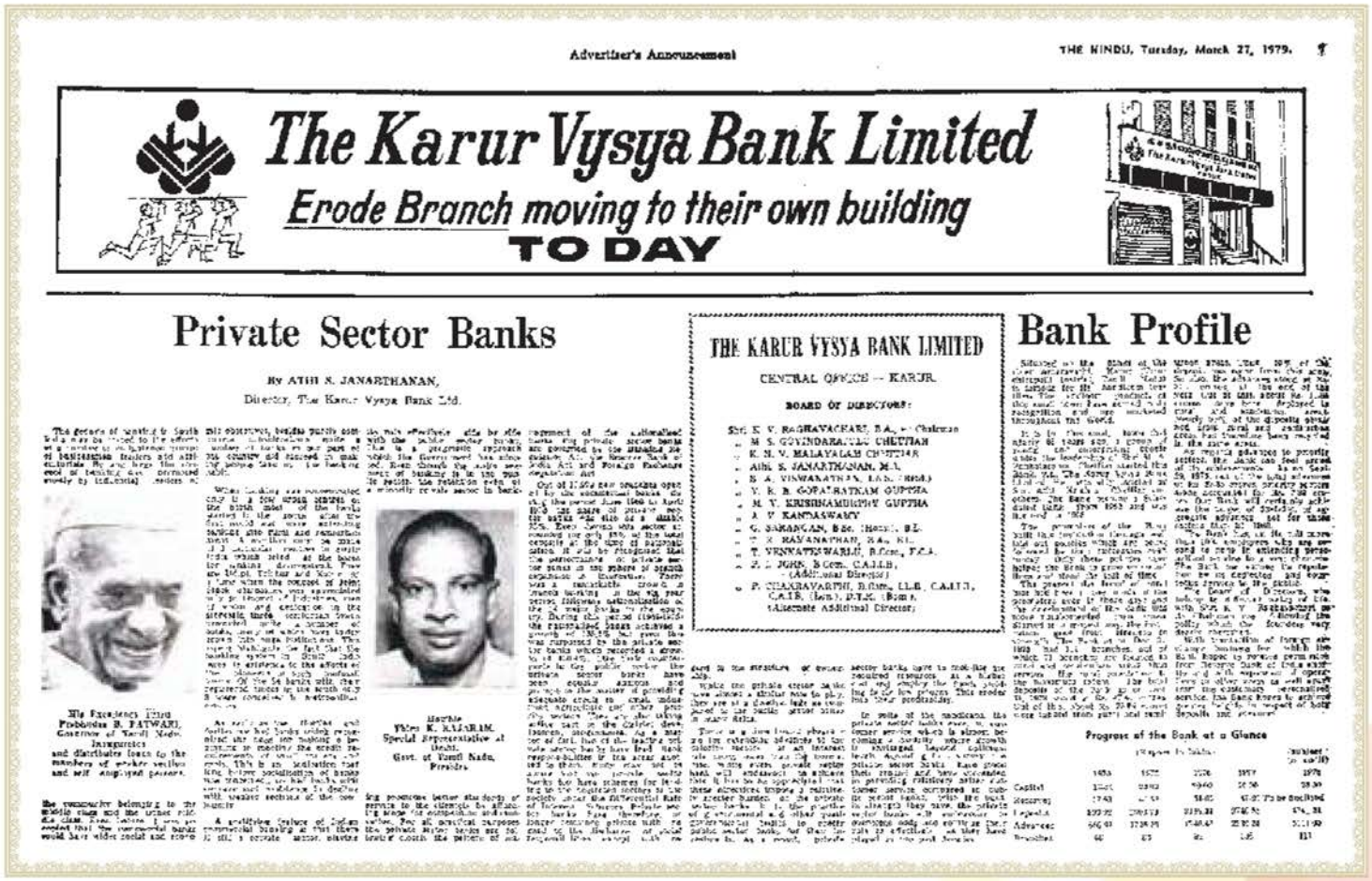
We have thus far confined ourselves to what happened within KVB during the 1970s. It would now be appropriate to see the developments in the banking industry at large during the same period. The Indian banking system had changed drastically during the same decade. Deposits as percentage of national income moved up from 15 per cent in 1969 to 35 percent in 1981. Deposits moved up from Rs. 4,646 crores in June 1969 to Rs. 80,000 crores in 1981. The branch network had also increased in leaps and bounds with much of the regional disparity seen earlier being removed. On the credit side, while the industrial clients were being catered to as earlier, new categories of borrowers such as public sector projects, priority sectors, weaker and neglected sectors, etc., were making their appearance.

The concept of the priority sector and weaker sections had as we saw earlier emerged in 1967 in the context of social control of banks. In November 1974, the Government had advised public sector banks that priority sector lending should be at least 33 and 1/3 per cent of outstanding credit by March 1979. In 1978, the RBI advised private sector banks that they had a formal obligation to lend the same percentage of their total advances to the priority sector by end March 1980. G. Venkatesam, who took over as Chairman from Raghavachari recorded how KVB rose to this challenge.



Rickshaw financed by KVB at Erode

"In the matter of priority sector lending, the bank is second to none in catering to the needs of the weaker sections. The bank with its innovative approach has identified several new schemes as well as new categories of borrowers. In the matter of lending to the agricultural sector, the bank has undertaken various schemes such as financing seed production, irrigation, sericulture, grape vine cultivation, financing sugarcane growers under tie-up arrangements, cashew nut development, etc. Similarly, the bank's advances to the small-scale sector are quite substantial. It accounts for 39.2 per cent of the total priority sector advances of the bank. The next major beneficiaries in the priority sector are transport operators. The bank has been extending assistance to professionals and the self-employed, as well as retail traders and businessmen. It is also participating in various schemes intended for uplifting the downtrodden and weaker sections of the community."



Advertiser's Announcement — THE HINDU, Tuesday, March 27, 1979.

The Karur Vysya Bank Limited

Erode Branch moving to their own building TO DAY

Private Sector Banks

By ATHI S. JANARTHANAN,
Director, The Karur Vysya Bank Ltd.

His Excellency Shri Pobbolou B. PATWARI, Governor of Tamil Nadu, Inaugurates and distributes loans to the members of weaker sections and self employed persons.

Marble
Shri K. RAJARAM,
Special Representative of Deshi,
Govt. of Tamil Nadu,
Presides.

THE KARUR VYSYA BANK LIMITED

CENTRAL OFFICE — KARUR.

BOARD OF DIRECTORS:

Shri K. V. RAGHAVACHARI, B.A., — Chairman
" M. S. GOVINDARAJULU CHETTIAR
" K. M. V. MALAYALAM CHETTIAR
" Athi S. JANARTHANAN, M.L.
" S. A. VISWANATHAN, B.Sc. (Hons.)
" V. R. B. GOPALRATNAM GUPTHA
" M. V. KRISHNAMURTHY GUPTHA
" A. V. KANDASWAMY
" G. SARANGAN, B.Sc. (Hons.), B.L.
" T. V. RAVANAPPAN, B.A., B.L.
" T. VENKATESWARLU, B.Com., F.C.A.
" J. C. JOHN, B.Com., C.A.I.I.B.,
(Additional Director)
" P. CHAKRAVARTHI, B.Com., LL.B., C.A.I.I.B., C.A.I.B. (Lon.), D.T.C. (Bom.),
(Alternate Additional Director)

Bank Profile

Progress of the Bank at a Glance

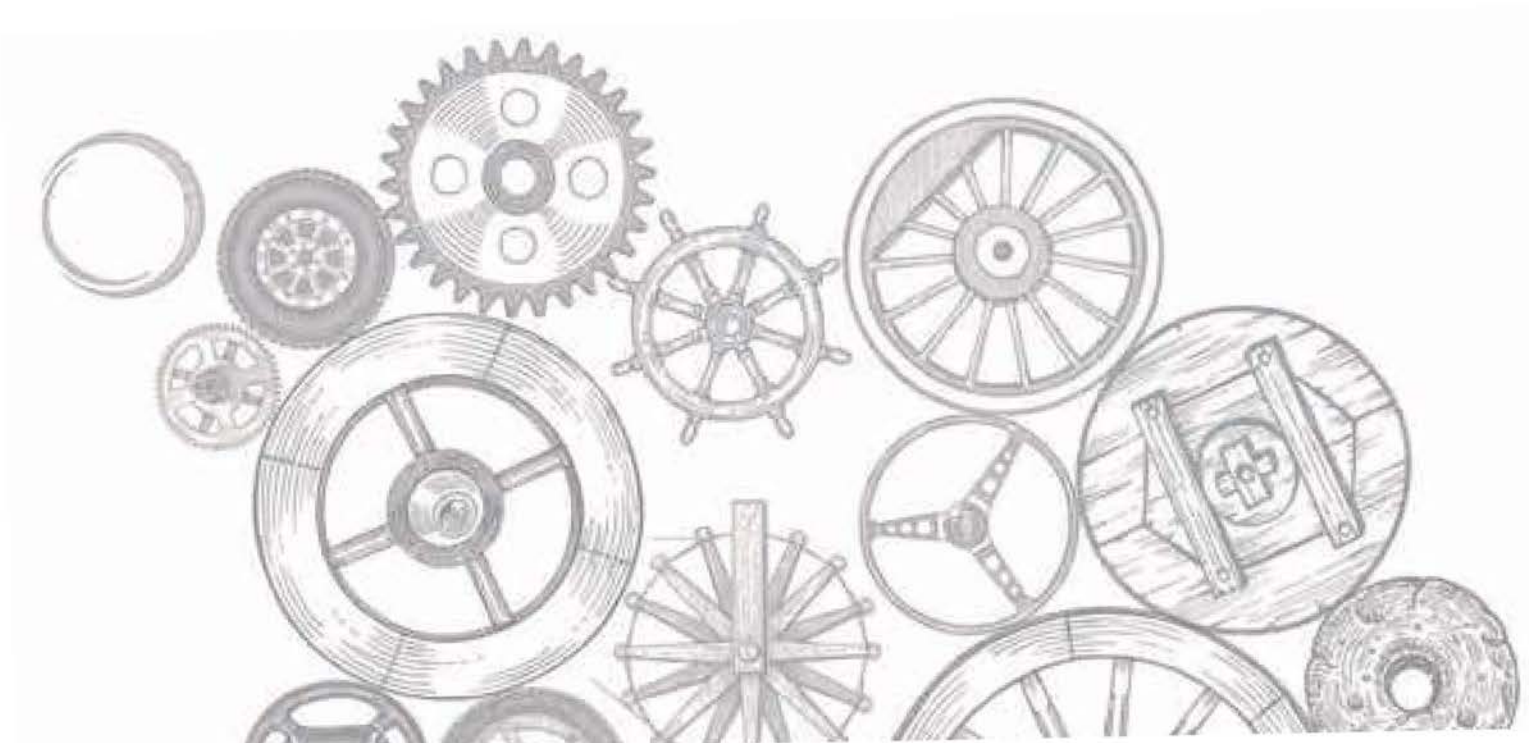
A special supplement for the opening of the bank's own premises at Erode (Courtesy: The Hindu*)*



A project financed by KVB

Those were the heydays of socialism when banks were considered to be tools of social upliftment. Priority sector lending became a key element of bank lending and banks were expected to advance money to beneficiaries, for agricultural and commercial activities which would provide for their livelihood. Both public and private sector banks had to meet the targets meant for such lending without fail. This lending principle continues to be in force even now.

This was, inevitably to cast a shadow on banking and finance. But changes for the better were already afoot.



CHAPTER - 9



The new Central Office, Karur, inaugurated in 1983

A Central Office at Karur

September 21, 1983 was a red letter day in the history of the bank. On that significant date it moved into a spacious and specially designed corporate office of its own. The journey that had begun in the front room of M A Venkatarama Chettiar's residence had reached an important milestone. The grandeur of the inauguration ceremony was meant to impress, as befitting KVB's stature and its achievements.

What should have been an event of unlimited happiness was tempered by the fact that the man whose dearest wish it was, that such a building be put up, was no longer alive. This was M.S. Govindarajulu Chettiar. "Amidst such progress, M.S.G. along with his colleagues cultivated an insatiable desire that the Bank should have an administrative office complex at Karur, celebrating the fact of its having attained maturity and status. Hence a project was planned by the Board by way of fulfilling its sentimental ambition to establish itself at its place of birth, resisting the temptation to move over to bigger towns as advised by some well-wishers. M.S.G. had the satisfaction of seeing his ambition bearing fruit, though an illness unseen and unfelt asserted itself and snatched him away from us all, to deprive him of the pleasure of seeing his lifelong ambition fulfilled," wrote Raghavachari. Another departure, early in 1982 was that of K.N.V. Malayalam Chettiar, after 22 years on the Board. However, the family, which was one of the founding families of KVB, was to be represented thereafter by his nephew R. Gopalakrishnan who had two stints with the Board – from1982 to 1990 and 1998 to 2000. His son G. Rajasekaran is now a Director with the bank.

M.S.G's passing on January 19, 1982 was a blow to the bank and the Board mourned his death. At its meeting in February, the Board stood up and observed a two-minute silence and prayed for the departed soul. It noted that "With deep regret and sorrow the passing away of Shri M. S. Govindarajulu Chettiar on 19.1.1982. He was Director of our bank for about four decades. He loved the institution immensely, gave utmost attention to the welfare and growth of the Bank. His wisdom, practical approach, guidance and inspiration were of great benefit to the Bank. He was loved by the rank and file of the institution. The Bank in his death has lost a philosopher and a true guide. The Board places on record the invaluable, selfless and meritorious services rendered by him to the Bank during his long tenure of directorship." Two of the Directors, V.R.B. Gopalarathnam Guptha and G. Sarangan, spoke about the sterling qualities of their departed colleague.





Inauguration of new Central office premises by Shri R. Venkataraman, then Union Defence Minister

M.S. Govindarajulu Chettiar's place in the Board was taken up by his younger son, M.G. Sankaranarayanan. He went on to serve with distinction on the Board for two terms, the first being from 1982 to 1990 and the second from 1998 to 2006. During the intervening period of eight years between the two terms, his elder brother, M.G. Vivekanandan was the Director.

The seventh decade of the bank had in fact seen quite a few of the old guard taking their last bow. We have already recorded the passing of its long-standing Secretary M. Lakshminarayana Chettiar. This was followed by the resignation of stalwarts such as P.N. Balagurumurthy Chettiar in 1975 and K.N.V. Malayalam Chettiar in 1982, the latter having been a Director for two decades. Among the other stalwarts who were no longer present to advise when needed was C. Ramanathan Chettiar, who too died in 1982. Representing the family of founder M.A. Venkatarama Chettiar was his younger son, M.V. Krishnamurthy Guptha. The bank was to now be guided by a younger Board of which A.S. Janarthanan (A.S.J.) was the senior-most, and its new Chairman – G. Venkatesam.

G. Venkatesam took over the Chairmanship of the Bank in 1981 after the eventful tenure of K.V. Raghavachari. In many ways, the term of Mr. Venkatesam that lasted up to 1985, witnessed all-round progress in the Bank. The new Central Office building was inaugurated during his term. He was the driving force who initiated several radical changes in the functioning of the bank to take it into the new age. There was consolidation of businesses. New thought processes emerged and were implemented.

The Central Office Complex, Karur, as it was referred to, had come up at Lakshminarayana Samudram, a locality just outside the municipal limits of Karur town where the road to Erode cut the Trichy-Coimbatore highway. The property itself spanned four acres and was destined to remain a landmark in the region. Originally meant to include the residences of the Chairman, the General Manager and the Assistant General Managers as well, an idea that was later given up, the campus when complete included the central office, a branch building, a guesthouse, staff canteen and residences for the sub-staff. Also on the anvil was the staff training college but it was later decided that this would be better off elsewhere.

An interesting fact was that the net-owned funds of the bank and the construction estimate of the building were almost the same - at about Rs. 80 lakhs. Hence special permission from RBI had to be obtained to commence the work. It is to the credit of the inherent strengths of KVB that RBI was convinced that the bank could go ahead with the construction and suitable approvals were given.

It had been a long while since the bank had celebrated any anniversary on a gala scale. If the Golden Jubilee had been a muted event because of the Indo-Pak conflict, the 60th birthday in 1976 was observed in a purely business-like fashion – the launch of the bank's Diamond Jubilee Cash Certificate scheme, which was declared a huge success within four months. But now in 1983, nothing really was wanting in the scale and grandeur of the inauguration of the new office complex. If at all there was a disappointment, it was the absence of Raja Sir M.A. Muthiah Chettiar of Chettinad who did not make it to the event owing to his indisposition. He had been a keen observer of KVB's performance since the 1930s and had also given it advice on occasion.



M.V. Krishnamurthy Guptha, Director 1972-1984

The inauguration of the Central Office was in many ways an appropriate moment for a celebration, for the record of the past years was particularly impressive. By then, KVB had 138 branches nation-wide, with the most recent one being opened in New Delhi. In keeping with the *Industrial Economist's* commendation that the Karur Vysya Bank was in the forefront of opening branches in rural unbanked areas, 40 out of the 138 were in rural areas while 49 were in semi-urban locations. Out of these 31 were classified as urban branches while18 were in metropolitan locations. By then, deposits with the bank totalled Rs 95 crores while advances for the first time breached the Rs 50 crore mark in 1982. Out of the total advances, as much as 32 per cent was to the priority sector, defined as loans to small scale industries, transport operators, agriculturists, retail traders and small businesses, professionals and self-employed people, housing and education finance. A small beginning had been made in foreign exchange as well, when in 1980 the bank obtained the necessary permits from the RBI and opened its International Division at Cathedral Road, Madras. The bank had also established itself as a caring employer for by then it had 1,548 people on its rolls. A staff training centre had come up in Salem in 1976 and by 1980, the bank also had its internal newsletter – in keeping with the fact that the first shareholder was Goddess Gayathri, this was named after her. Computers too had made their appearance – the first steps being in tallying branch accounts and maintaining payroll. Taking everything into account, KVB's record was impressive and it was no wonder that G. Venkatesam felt that the new office was a "shining monument to the spectacular progress achieved by the Bank since its inception".

T.S. Ramani Shankar of the architects firm of Shankar, Rajaram and Associates of Coimbatore had designed the entire complex. The architect, who would later serve as a Director on the Board of KVB penned a descriptive account of the salient features of the buildings, most of which survive intact even after the structures have been modernised in keeping with current trends in design. The central office when inaugurated had a cellar, ground, first and second floors. The ground floor was designed to have an auditorium to seat 250 people on its eastern wing and this continues to fulfil the same purpose. Fronting it is a portrait gallery that commemorates the men who made the bank the institution that it is today. The western wing in the original design housed the offices of the Chairman's secretariat, the Board Room, the VIP lounge and offices for the General Manager and his staff. The first and second floors were given over to various departments even as the cellar came to be occupied by the data processing department – the name by which the first steps in computerisation were generally known. The guesthouse complex, which stood independent of the main building, was designed as a Spanish villa comprising three air-conditioned suites on the first floor and car parking facilities below it. The guesthouse had its own kitchen that could cater to the requirements of the bank's invitees who could stay there. The staff took their lunch in a separate facility of 1,600 sq. ft. that was a detached building within the premises.



R. Gopalakrishnan,
Director 1982-1990; 1998-2000

Little has changed today in the main building barring modernisation and the construction of additional floors. The top most storey is now occupied by the offices of the Chairman, the President and the Board, those that were once in the western wing of the ground floor. Moving along with them to the third floor was the statuette of Goddess Gayathri gifted in 1972 by M.V. Lakshminarayana Guptha. It continues to occupy a prominent position there.

The inauguration of the bank's new building was originally scheduled for May 18, 1983. This was later shifted to September 21. The Chief Guest was R. Venkataraman, then the Defence Minister, Government of India. R.V. as he was known to most, was a singularly appropriate choice. He would of course go on to occupy the highest office of the land but in the 1980s he was best remembered for his tenure as Finance Minister at the Centre. Tamil Nadu would however recall with reverence his role in making it an industrial hub. As Minister for Labour and Industries under the redoubtable K. Kamaraj in the 1950s, he had greatly encouraged the setting up of manufacturing entities all across the State, thereby transforming its profile forever. KVB and banks of its kind had played their role in this revolution and had in turn been benefited. Presiding over the inauguration was L.G. Varadaraj, noted industrialist and Chairman of the Elgi Group of companies.

Welcoming the guests for the event was the Board, led by A.S.J. and Venkatesam, as well as K.N. Bhujanga Rao who was by then General Manager of the bank. The events of the evening began with A.S.J. formally welcoming R.V. and L.G. Varadaraj. Venkatesam in his speech traced the history of the bank. Varadaraj recalled that KVB "in the early days used to specialise more in gold loans and smaller commodity advances. But when the pattern of advances to industries started changing two decades ago, they quickly adapted themselves to such changing conditions and it is gratifying to note that they now have an excellent pattern of advances, particularly to the priority sector".



G. Venkatesam,
Chairman 1981-1985



K.N. Bhujanga Rao,
Chairman 1986-1988

R.V's speech was in every way in keeping with someone who had seen Indian industry and the financial sector grow with time. "Industry and banking are interlinked. Neither can industry grow without banking nor can banking prosper without industry. It is true that in an agricultural country like ours, the greater part of the advance is given to the development of industry. But this is only in numbers. That is, if you take the quantum of the volume of advance of banks it will be understood that industry has a priority. It is very necessary because modern industry cannot be developed either by individuals or by their own sources. Gone are the days when a private person with his own personal resources can come forward in the field of industry. Today, you have to take enormous financial assistance from all sources, from the people, from investors and from financial institutions and banks. If industry is to develop and to get the best out of the projects of the country, it is very necessary that banking should also develop at an equal pace with the industrial development. Banks have a great role to play. They are the people who oil the machinery of industry. I am happy to find that Karur Vysya Bank has a good infrastructure and it is almost a unique example for others to follow. From inception, I find that the bank's advances to the industrial sector has grown. They have financed small scale industries and a number of other ancillaries and this to an extent has enabled the bank to make profit. That a bank with an equity capital of Rs 40 lakhs has made Rs 32 lakhs profit is a matter of great bank management."

For its part, the bank's Board expressed its gratitude towards everyone who had contributed to its growth till then. "The founders of this great institution conceived the noble idea of starting a commercial bank in a small place like Karur. Today the institution has attained an all-India stature and has grown into a mighty organisation. The bank has been fortunate enough to have a band of enlightened Directors on the Board who could give a positive lead all through, to manage its affairs on sound and efficient lines. The success of the institution is in no small measure due to the efficient services rendered by the Executives, Officers and Workers. On this happy occasion, the bank rededicates itself to serve the community with renewed energy and redoubled vigour and enthusiasm. The bank also takes this opportunity to thank all the people who have been responsible for giving a concrete shape to this mighty edifice."



M.G. Sankaranarayanan,
Director 1982-1990; 1998-2006

The central office in Karur remains a landmark, one that is known to practically everyone in the city. On the occasion of its inauguration, a commemorative souvenir recording the bank's progress over the years was also released. There were messages of congratulations received from Giani Zail Singh, the President of India, Pranab Mukherjee, then the Union Minister for Finance, the Governors and Chief Ministers of the four Southern states of Tamil Nadu, Karnataka, Andhra Pradesh and Kerala, besides several noted industrialists from the south. If the Silver Jubilee souvenir carried a verse in praise of the bank by Namakkal Ramalingam Pillai, the central office souvenir had benedictions by way of a verse from Kripananda Variar and messages from the pontiffs of the Kanchipuram and Ahobilam Mutt. Noted Tamil scholar Ki.Va. Jagannathan had penned a poem commending the good work done by the bank. Reading the souvenir today, we get the feeling that the general opinion was that while KVB had achieved much, lot more would be expected out of it in the years to come. Closing his reminiscences of his tenure with the bank, penned exclusively for the souvenir, Raghavachari had this to say –

"With satisfied staff and officers, with improved infrastructure in the office built up to tackle any problem, with a Chief Executive Officer ardently devoted to the healthy growth of the bank, and with a mature and enlightened Board of Directors, the Bank, I dare say, is in a stage from which it must take off to further heights in its fame and name, offering to the public greater and satisfactory service, adhering to the Gandhian precept for a bank – the customer is the most important person and will be accorded the first priority and attention."





Central Office Auditorium and Board room

At a fundamental level, Gandhiji's maxim would remain immortal and relevant for all commercial institutions and not just banks. It was however, the nature of the service demanded that would keep changing incessantly. And 1983, the year when the central office was inaugurated, would in many ways redefine the way Indian business would be run. A new car was to be made somewhere near Delhi. And what was revolutionary was that it would be made with Japanese know-how. "Made in Japan" was the new mantra the world over and as a contemporary author wrote, "The Japanese were beating the brains of everyone the world over with their products", chief among which, was the automobile. But those were days of poor connectivity and so India was still fairly isolated from what was happening in Japan. There was also mutual suspicion. The Indian business community knew very little about the way the Japanese worked. The Japanese had hardly any idea as to what India was like. And yet, it was in this rather unclear environment that a revolutionary link was forged – the tie-up between Suzuki Motor Corporation (SMC) and Maruti Udyog Limited. The protagonists involved would not have known of it, but they were taking the first steps to India becoming an economic superpower. When launched, the car would take India by storm, revealing the latent potential for consumption among the general public.

This was largely owing to the Indian middle class. This was evident from the increase in the number of scooters/motorcycles and cars – the sales figures rose respectively by 25 and 52 per cent in 1984-1985. As the historian Ramachandra Guha wrote – "New trades and businesses were opening all the time. There was a boom in the housing and real estate market, and ever more restaurants and shopping complexes". "The rising middle class" wrote one observer, "had become the most visible sign of a rapidly progressing economy." Observing this phenomenon, Nitish Sengupta, a senior bureaucrat of the times, attributed it to two blocks of people. India's Green Revolution of the 1970s had given rise to an entire generation of prosperous farmers who had surplus cash to invest. Beginning with 1982, another group joined the investor brigade – Non Resident Indians, whose population was then reaching a critical mass, were allowed to directly invest in Indian equities.

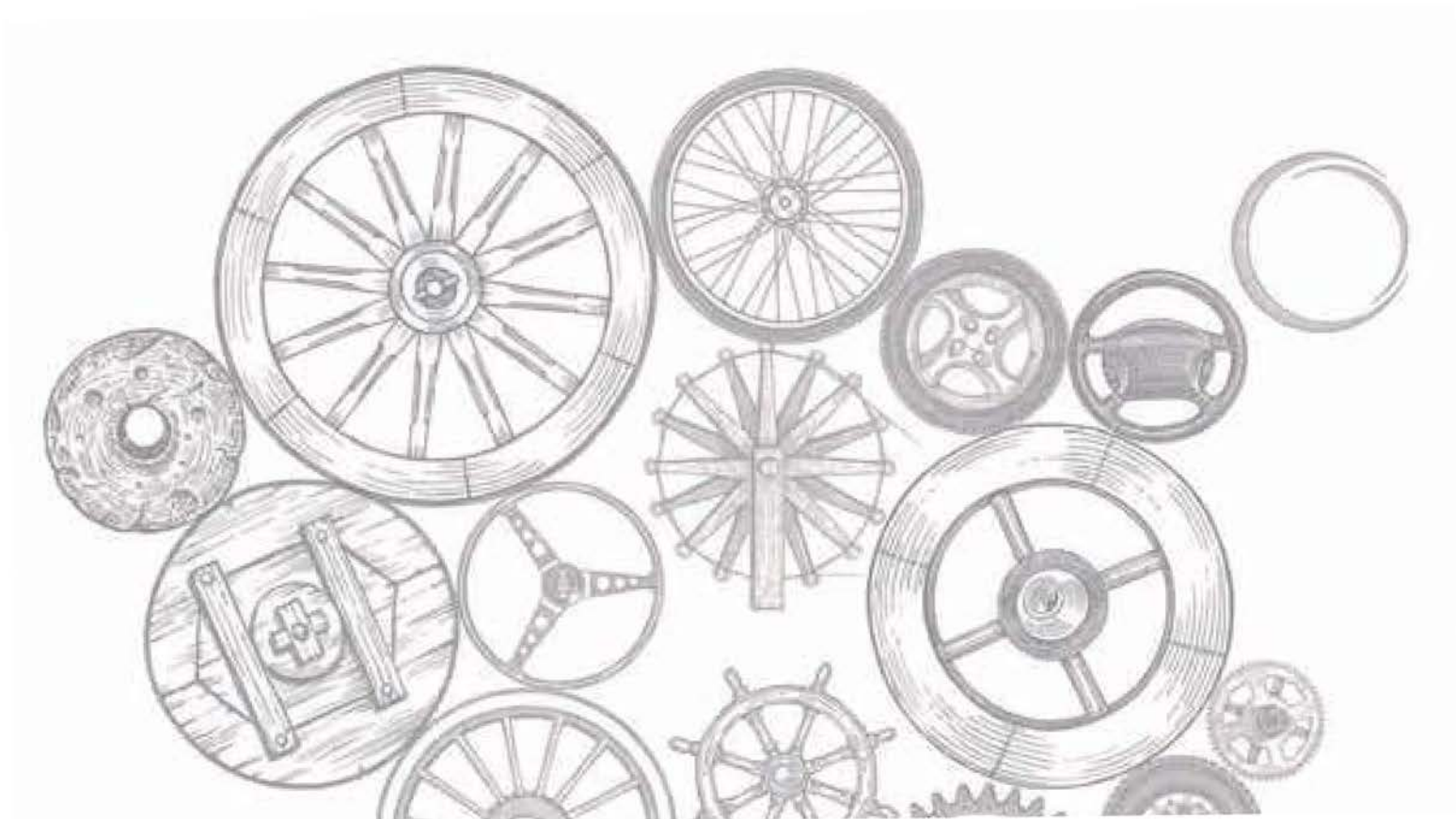
Clearly, the business of banking too would change. At the corporate level, G. Venkatesam was succeeded by K.N. Bhujanga Rao as the Chairman and he held the position for a period of two years. Bhujanga Rao was a home grown talent who rose from the ranks of an officer to the highest position in the bank.



The idol of Goddess Gayathri gifted by M.V. Lakshminarayana Guptha



The marble idol of Goddess Gayathri in the Central Office



CHAPTER - 10

Conquering new frontiers in banking for 75 years

THE KARUR VYSYA BANK LIMITED

Glorious Past, Great Future.

Seventy-five years ago, two men of vision, Shri M.A. Venkatrama Chettiar and Shri Athi Krishna Chettiar, got together to set up a bank to serve the business community. That it was a wartime (1916) and hardly an encouraging time, economically, to plunge into such a bold venture did not deter them. Today, we see that they and those who succeeded them amply justified that brave beginning. The Bank can justifiably feel proud and look back with satisfaction the steady and continuous growth registered by it over the last seven and a half decades.

KVB started with its eyes fixed on an expanding horizon, building up for itself the means to venture into new areas of banking with each succeeding decade, to offer more and more services to increasing numbers of people in many walks of life. One of the earliest banks in South India to obtain a licence for banking business from the RBI, KVB is now the second largest bank in Tamilnadu in the private sector, with deposits swelling over Rs.300 crores.

There are many small town banks in India. What is different about KVB is that it started as a small town bank but did not long remain just that. Today, it has a national network of 156 branches spread across seven States and two Union Territories, including Delhi, the capital city of our country. And its reach stretches across the oceans through its growing foreign exchange business, import and export and correspondent relationships with banks in many countries, all over the world.

In 1916, KVB's initial paid-up capital was less than Rs. 1 lakh. Today, it can boast of a paid-up capital of more than Rs.1.50 crores as well as reserves and surplus totalling Rs.8.56 crores.

KVB's clients cover a wide spectrum from the most affluent corporate bodies to the poorest of the disadvantaged who have benefitted from Government-sponsored schemes. We have schemes to offer to every type of client. For the



Shri S. Baskaran
Chairman

common man harassed by rising prices which make savings difficult, we offer schemes which maximise his capacity to save and savings linked loans which help him to tide over financial crunches. Savings and loan schemes are tailor-made for everybody's need – whether it be child's education or marriage, purchase of a house or household articles, or enhancement of retirement benefits. The popularity of our Thirumagal Thirumana Thittam speaks for itself our capability to innovate and devise new and novel schemes which benefit the community.

In the area of credit, we are now consolidating after a period of very fast growth. But advances in the priority sector continue to grow. KVB is second to none in fulfilling societal aspirations and conforming to social objectives. 63% of our branch offices are in rural and semi-urban areas and among our most important customers are small scale industrialists, transport operators, agriculturists, retail traders, small businesses, professionals and self-employed. In the implementation of the Service Area Approach, 71 of our branches have been allotted the care of 142 villages, to cater to their development needs.

From the smallest to the largest, each of our client receives from us the same meticulous attention.

KVB's merchant banking activities have brought within its ambit, many leading lights in the corporate sector. We have been retained by 150 companies as bankers for public issues and have ourselves underwritten 86 issues. The actual amount mobilised is of the order of Rs.160 crores. We have been authorised by the Securities and Exchange Board, with Category 1 status, for all types of merchant banking activities. In terms of the number of issues handled, we are the first among private sector banks, and one among the top eleven banks in the country.

We have recently, in association with CANCARD, introduced an unique credit card that offers a double benefit to the holder. The KVB Cancard makes available services and facilities with two well known banks and makes possible, limited cash withdrawals from either bank in an emergency, besides providing the facility to avail of credit from over 10,000 member establishments. This is but one example of KVB's innovative and progressive policy of helping the customers.

Today, KVB is happy to announce the inauguration of 'INVESTORS POINT' which will take care of the portfolio management for investing public.

Ready to enter into newer fields of activity, KVB is now a co-promoter with the Vysya Bank Ltd., in promoting the VYSYA BANK LEASING LTD and the VYSYA BANK HOUSING FINANCE LTD, both of which have proved successful in a very short span of time. KVB has also been instrumental in promoting, through contribution to its equity, the BHARAT OVERSEAS BANK LTD which has international affiliation and an overseas branch.

As part of its spectacular growth over the years KVB has established an International Division in Madras which handles clients' import-export deals with speed and maximum efficiency. The range of services offered includes realisation of foreign cheques in the shortest possible time, sale of foreign travellers cheques, issue of foreign currency drafts, import and export financing, instant information about exchange rates and protection of client's interest against rate fluctuations, and issue of international bid bonds. In 1990-91, the Bank registered a growth of 27.6% over the previous year in its export business. KVB also offers portfolio management expertise to NRIs as well as related services like taking care of their remittances, advice on investment, taxation and exchange control regulations.

To grow with the needs of its customers and to keep pace with changing times, KVB has computerised its transactions, making for even greater speed and accuracy. With upgradation of technology, the Bank ensured that the human resources are also developed to their full potential, and has implemented imaginative training programmes at its Staff Training College. The Bank's Central Office complex inaugurated in 1983, by the then Defence Minister, Hon'ble SHRI R. VENKATARAMAN, is an important landmark and is itself a symbol of the Bank's success in the past and the promise it holds for the future.

The Bank has grown in all spheres of operations. On this memorable occasion, I deem it my pleasant duty to recall with gratitude the vision and noble intentions of the founders of the Bank and the commendable contribution of the Board of Directors of the Bank. I also record with appreciation, the contribution of our employees, officers and executives who have always been doing their best to make the Bank useful to the society. The Bank continues its onward march towards further growth and service encouraged by the patronage of its ever increasing customers and well-wishers.

PLATINUM JUBILEE CELEBRATIONS

Venue: Kamaraj Memorial Hall, Anna Salai, Madras
Date: 1st November 1991 Time: 10:00 a.m.



Dr. Manmohan Singh
Hon'ble Minister for Finance
Govt. of India,
will be the Chief Guest
and has kindly agreed to
inaugurate the
Platinum Jubilee Celebrations



Shri Rangarajan Kumaramangalam
Hon'ble Union Minister of State for Law
Justice & Parliamentary Affairs
will preside over and launch
"KVB INVESTORS POINT"



Dr. V. Krishnamurthy
Member, Planning Commission
will release Platinum Jubilee
Deposit Certificates and honour
Past Presidents & Past Chairmen
of the Bank

Sangeetha Kalanidhi
Smt. M.S. Subbulakshmi
will light the Kuthuvilakkus



They Laid The Foundation



The late Shri M.A. Venkatrama Chettiar, one of the founders of the bank. President from 1916 to 1926. Director from 1926 to 1934.

The Late Shri Athi Krishna Chettiar one of the founders of the bank. Vice-President from 1916 to 1926. President from 1926 to 1941.

Best Wishes to KVB on their Platinum Jubilee

A special supplement to mark 75 years of KVB (Courtesy: The Hindu)

Entering a New World

The advent of the Maruti car may have been the most visible among the changes that were taking place in India but there were several other indicators too. In the early 1980s, the Government began relaxing its controls – it delicensed several products, encouraged the two-wheeler industry, set up the Export Import Bank of India (Exim Bank). The effect was almost instantaneous. Investment grew from 19 to 25 per cent of GDP. The GDP itself grew by 7.6 per cent throughout the 1980s. Between 1985 and 1990, exports which had till then been growing at 1.2 per cent shot up by 14.4 per cent. There was a sudden increase in leasing companies. KVB too tried its hand by investing in Vysya Bank Leasing Limited, an entity promoted in 1987 by the Vysya Bank, then headquartered in Bangalore. The interest in that business however proved short-lived for the leasing industry as a whole went through a very troubled decade thereafter. It was around this time that KVB also invested in Vysya Bank Housing Finance Limited to tap the upcoming home loan market. Subsequently, the bank exited from the venture. This was also when the Mutual Fund industry began its growth. The Unit Trust of India had, since 1963, been the sole vehicle for this and sold a range of mutual funds through a network of financial intermediaries. In 1987, the Government permitted public sector banks, the Life Insurance Corporation of India and the General Insurance Corporation, to set up mutual funds. There were rumours that the Government would soon allow private participation in the industry. Above all of these was the sensational performance of the stock market which underwent a boom during those years.

If all this was not enough, India was firmly positioned on the road to information technology and communications by Prime Minister Rajiv Gandhi. The Centre for the Development of Telematics was formed and it began the arduous task of making India's telecommunications systems world-class. The country also experienced the first benefits of computerisation when in 1983, the Computer Maintenance Corporation (CMC) managed to get the Indian Railway's ticket reservation system automated.

It would not be an exaggeration to say that KVB grew exponentially and gained enormous stature as a bank in the late 1980s and early 1990s. This had much to do with two major business areas that it forayed into and did very well in – treasury management and merchant banking. The new initiative coincided with a reshuffle of the Board, for the RBI began to stipulate tenure limits for Directors. Thus in 1987, A.S. Janarthanan and A.V. Kandasamy had to step down and were replaced by P.S. Rangamannar and R. Perumal Chettiar. G. Sarangan too retired from the Board and was replaced by

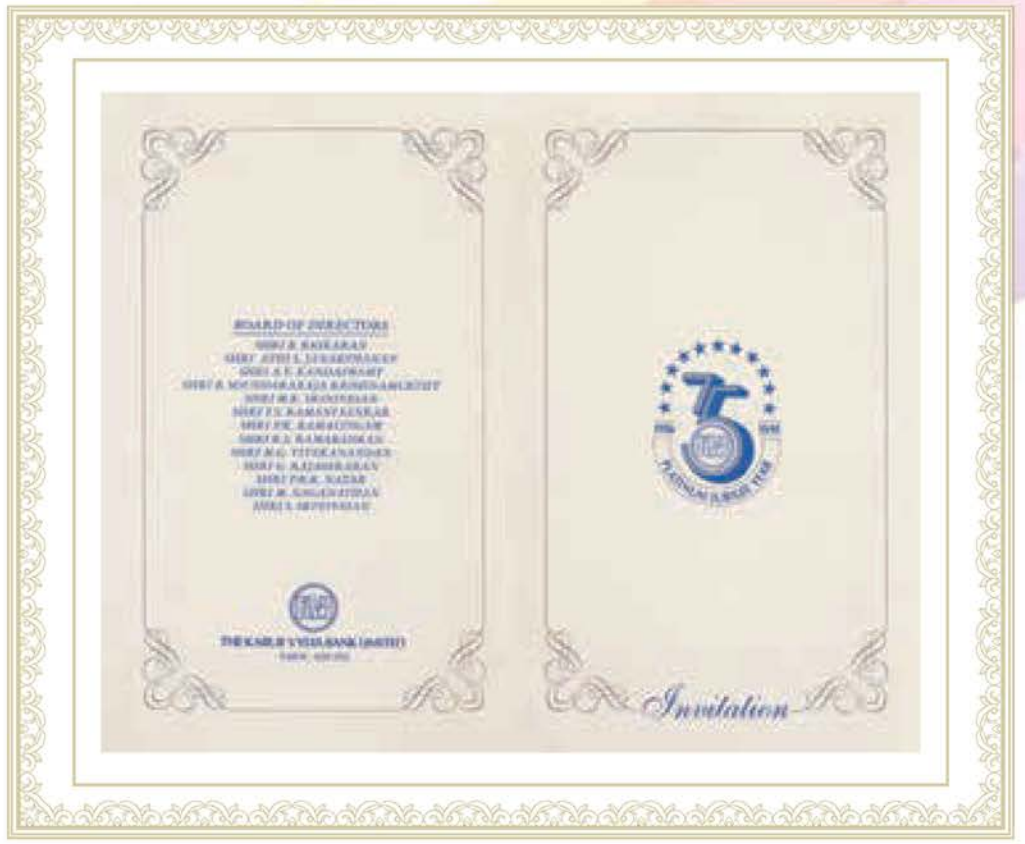


The launch of Vysya Bank Leasing Limited

K.S. Ramabhadran, an auditor. A year earlier, T.R. Ramanathan stepped down and his position was filled by P.K. Ramalingam, who represented the agricultural interest.

Baskaran from State Bank of India assumed the Chairmanship of the bank after Bhujanga Rao retired in 1988. Treasury management was something of a tightrope walk in banking circles then. Banks were and are required to adhere to a statutory liquidity ratio (SLR) norm as per which a certain percentage of their funds had to be maintained in Government securities that are referred to, in banking parlance, as gilts. There were two ways of handling this – a low yielding option was to lock up the funds in long-term Government paper and simply account for the interest. There was however a more professional and exciting option of trading in Government bonds. While their interest rates were fixed, their value fluctuated depending on the cost of borrowing money each time the RBI changed its bank lending rates. A bank with an appetite for treasury management could therefore earmark the SLR component of its funds for trading, as opposed to simply investing in government bonds. This, if handled well, could be extremely profitable. In many ways it gave a high octane twist to what was simply conventional banking. The window available was between Monday and Thursday each week, for Friday was when banks had to furnish a statement of their SLRs to the RBI.

KVB began its treasury operations in a small way in 1986. Prior to that, the bank did not believe in trading in securities and preferred placing its money in gilts thereby treating them as passive investments. Treasury operations began with the Government's 2010 paper, which then commanded 11.5 per cent. Its prices would fluctuate depending on the interest rates. The bank's fledgling treasury department began studying this scrip and traded in it based on its price changes. KVB drew inspiration / lessons from the experiences of peer banks about how the treasury market operated. One of the biggest drawbacks for the bank was its low share capital. At that time, the RBI had not yet brought into force its capital to risk adequacy norms. However, any institution's capability to absorb losses was, and is, defined primarily by its capital and reserves. In the case of KVB, the former was low while the latter, in view of the bank's performance over the years, was impressive. However, market sentiment still weighed against the bank as brokers opined that the bank's capital of Rs 65 lakhs was too small. Thus began an exercise that was to last five years during which the capital would be increased to Rs 200 lakhs. Baskaran gives full credit to the management for willingly agreeing to the plan. What is even more creditable is that this increase was funded entirely through rights issues without tapping the public for funds.





Platinum Jubilee celebrations invitation

In the initial days, when the bank had not yet raised its capital, dealers had to be convinced that treasury management was one of KVB's strengths. This portfolio of activities, of course, did not include just trading in government securities – there were commercial papers, corporate deposits and bill discounting. When it came to government securities, brokers were key – they knew which bank was selling and which others were buying. In a time when technology had not yet touched the bourses (the dematerialised form of scrips was some years away), brokers were necessarily the medium through which banks dealt in bonds. Initially, brokers and other banks did not consider KVB a significant player. But as the bank slowly increased its capital, it began trading in increasing volumes. This new activity was to have a tremendously positive impact on the bank's bottom line, which increased by leaps and bounds.

It was against this backdrop that KVB's Platinum Jubilee was planned at Kamarajar Arangam in Madras. India's most celebrated singer MS Subbulakshmi agreed to light the ceremonial lamp. However, it was felt within the bank that the icing on the cake would be the attendance of Dr Manmohan Singh, the Union Finance Minister. When Dr Singh heard of the rapid strides the bank had taken, he agreed to attend. The celebrations went off very well and in his speech, the Minister said that in the matter of productivity, KVB's record ought to be emulated by the public sector banks.

The 75th year of the bank was commemorated by the launch of a credit card scheme that KVB introduced in collaboration with Canara Bank. This was inaugurated by Bhishma Narain Singh, the Governor of Tamil Nadu, on September 4, 1991. In his speech, the Governor commended the bank for having 176 branches spread over seven States of India.

Meanwhile, with expansion in the branch network, direct administration from the Corporate Office on the day-to-day matters of business became increasingly difficult. This necessitated a change in the administrative setup. Thus the idea of setting up Divisional Offices was mooted. Four Divisional Offices, one each in Chennai, Bangalore, Madurai and Erode (this later moved to Coimbatore) were established in 1987. More number of branches being opened on a pan India basis meant expansion of the Divisional Office network also. Bombay Divisional Office was added in 2001 to cater to the increasing presence in the western and northern parts of the country.

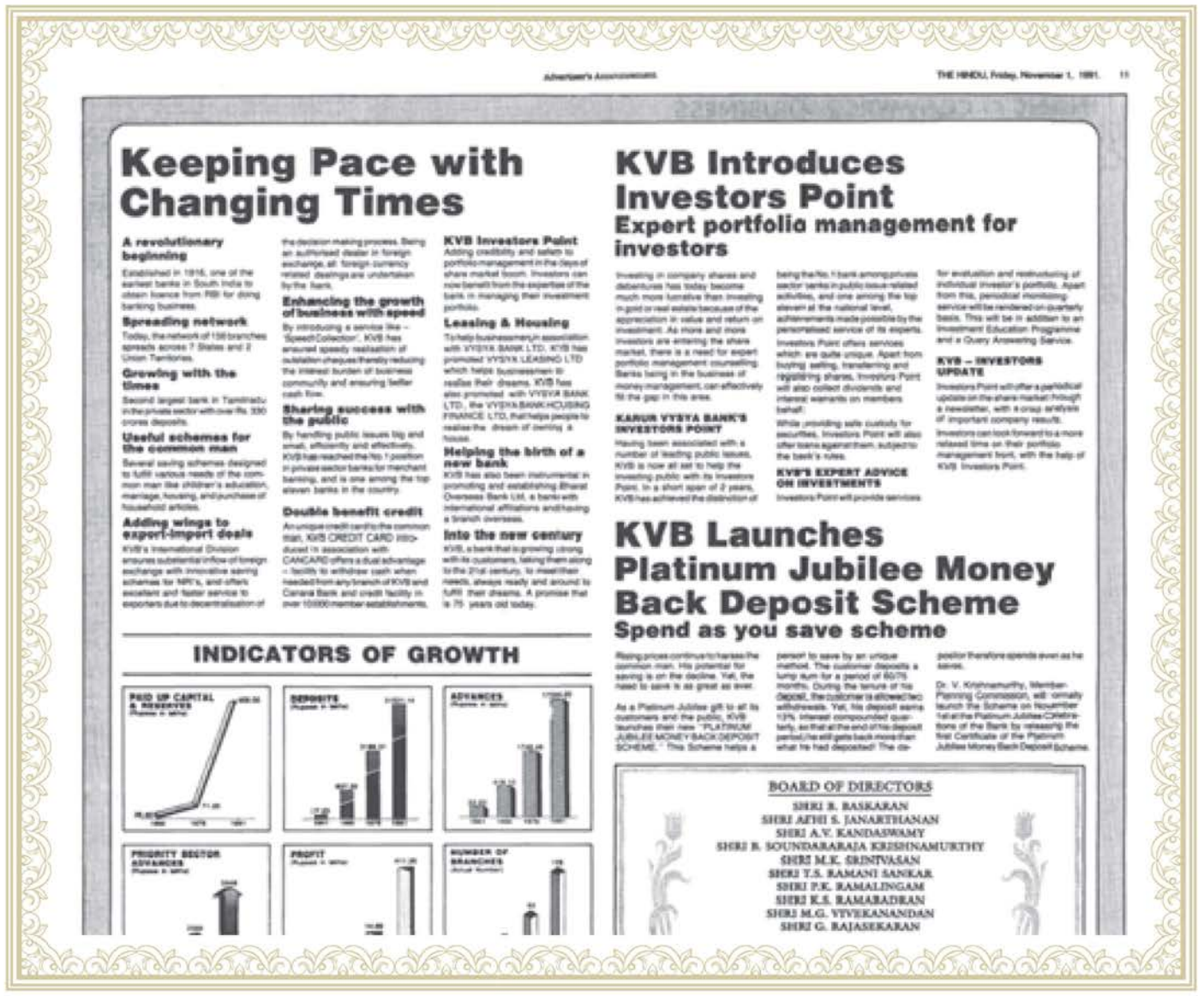
The year 1991 was memorable – this was when KVB was honoured by a visit of the Governor of the Reserve Bank of India. The then incumbent was S. Venkitaramanan and he went around the campus and commended the bank on its good work. It was then that he asked if the bank needed any assistance in furthering its growth. The answer was prompt – KVB needed permission to open branches in Pune and Baroda. The consent was given at once.





M.S. Subbulakshmi lights the ceremonial lamp at the Platinum Jubilee: Dr Manmohan Singh addressing the gathering

In 1992, the stock market scam broke out. Between April, 1991 and April, 1992, the Standard and Poor Bombay Stock Exchange Sensitivity Index (SENSEX), then an index formed by the stock performance of 30 bellwether entities listed on the BSE, returned 274 per cent, moving from 1,194 to 4,467 points. This puzzled many, especially as this was a time when the Indian economy was at its worst. Subsequent enquiries revealed that the system had been manipulated to the extent of Rs. 3,500 crores. As a consequence, the markets entered into a bearish phase that lasted over two years. Unfortunately, KVB, for no fault of its own and eventually to be exonerated, had its name dragged into the scam.



Advertisers' Announcements THE HINDU, Friday, November 1, 1991. 11

Keeping Pace with Changing Times

A revolutionary beginning

Established in 1916, one of the earliest banks in South India to obtain licence from RBI for doing banking business.

Spreading network

Today, the network of 158 branches spreads across 7 States and 2 Union Territories.

Growing with the times

Second largest bank in Tamilnadu in the private sector with over Rs. 330 crores deposits.

Useful schemes for the common man

Several saving schemes designed to fulfill various needs of the common man like children's education, marriage, housing, and purchase of household articles.

Adding wings to export-import deals

KVB's International Division ensures substantial inflow of foreign exchange with innovative saving schemes for NRI's, and offers excellent and faster service to exporters due to decentralisation of the decision making process. Being an authorised dealer in foreign exchange, all foreign currency related dealings are undertaken by the bank.

Enhancing the growth of business with speed

By introducing a service like – 'Speed Collection', KVB has ensured speedy realisation of outstation cheques thereby reducing the interest burden of business community and ensuring better cash flow.

Sharing success with the public

By handling public issues big and small, efficiently and effectively, KVB has reached the No.1 position in private sector banks for merchant banking, and is one among the top eleven banks in the country.

Double benefit credit

An unique credit card to the common man, KVB CREDIT CARD ||| introduced in association with CANCARD offers a dual advantage – facility to withdraw cash when needed from any branch of KVB and Canara Bank and credit facility in over 10,000 member establishments.

KVB Investors Point

Adding credibility and safety to portfolio management in the days of share market boom. Investors can now benefit from the expertise of the bank in managing their investment portfolio.

Leasing & Housing

To help businessmen/in association with VYSYA BANK LTD. KVB has promoted VYSYA LEASING LTD which helps businessmen to realise their dreams. KVB has also promoted with VYSYA BANK LTD., the VYSYA BANK HOUSING FINANCE LTD. that helps people to realise the dream of owning a house.

Helping the birth of a new bank

KVB has also been instrumental in promoting and establishing Bharat Overseas Bank Ltd. a bank with international affiliations and having a branch overseas.

Into the new century

KVB, a bank that is growing strong with its customers, taking them along to the 21st century, to meet their needs, always ready and around to fulfill their dreams. A promise that is 75 years old today.

INDICATORS OF GROWTH

KVB Introduces Investors Point

Expert portfolio management for investors

Investing in company shares and debentures has today become much more lucrative than investing in gold or real estate because of the appreciation in value and return on investment. As more and more investors are entering the share market, there is a need for expert portfolio management counselling. Banks being in the business of money management, can effectively fill the gap in this area.

KARUR VYSYA BANK'S INVESTORS POINT

Having been associated with a number of leading public issues, KVB is now all set to help the investing public with its Investors Point. In a short span of 2 years, KVB has achieved the distinction of being the No.1 bank among private sector banks in public issue related activities, and one among the top eleven at the national level, achievements made possible by the personalised service of its experts.

Investors Point offers services which are quite unique. Apart from buying, selling, transferring and registering shares, Investors Point will also collect dividends and interest warrants on members behalf.

While providing safe custody for securities, Investors Point will also offer loans against them, subject to the bank's rules.

KVB'S EXPERT ADVICE ON INVESTMENTS

Investors Point will provide services for evaluation and restructuring of individual investor's portfolio. Apart from this, periodical monitoring service will be rendered on quarterly basis. This will be in addition to an Investment Education Programme and a Query Answering Service.

KVB – INVESTORS UPDATE

Investors Point will offer a periodical update on the share market through a newsletter, with a crisp analysis of important company results.

Investors can look forward to a more relaxed time on their portfolio management front, with the help of KVB Investors Point.

KVB Launches Platinum Jubilee Money Back Deposit Scheme

Spend as you save scheme

Rising prices continue to harass the common man. His potential for saving is on the decline. Yet, the need to save is as great as ever.

As a Platinum Jubilee gift to all its customers and the public, KVB launches their new "PLATINUM JUBILEE MONEY BACK DEPOSIT SCHEME." This Scheme helps a person to save by an unique method. The customer deposits a lump sum for a period of 60/75 months. During the tenure of his Deposit, the customer is allowed two withdrawals. Yet, his deposit earns 13% interest compounded quarterly, so that at the end of his deposit period, he will get back more than what he had deposited! The depositor therefore spends even as he saves.

Dr. V. Krishnamurthy, Member-Planning Commission, will formally launch the Scheme on November 1st at the Platinum Jubilee Celebrations of the Bank by releasing the first Certificate of the Platinum Jubilee Money Back Deposit Scheme.

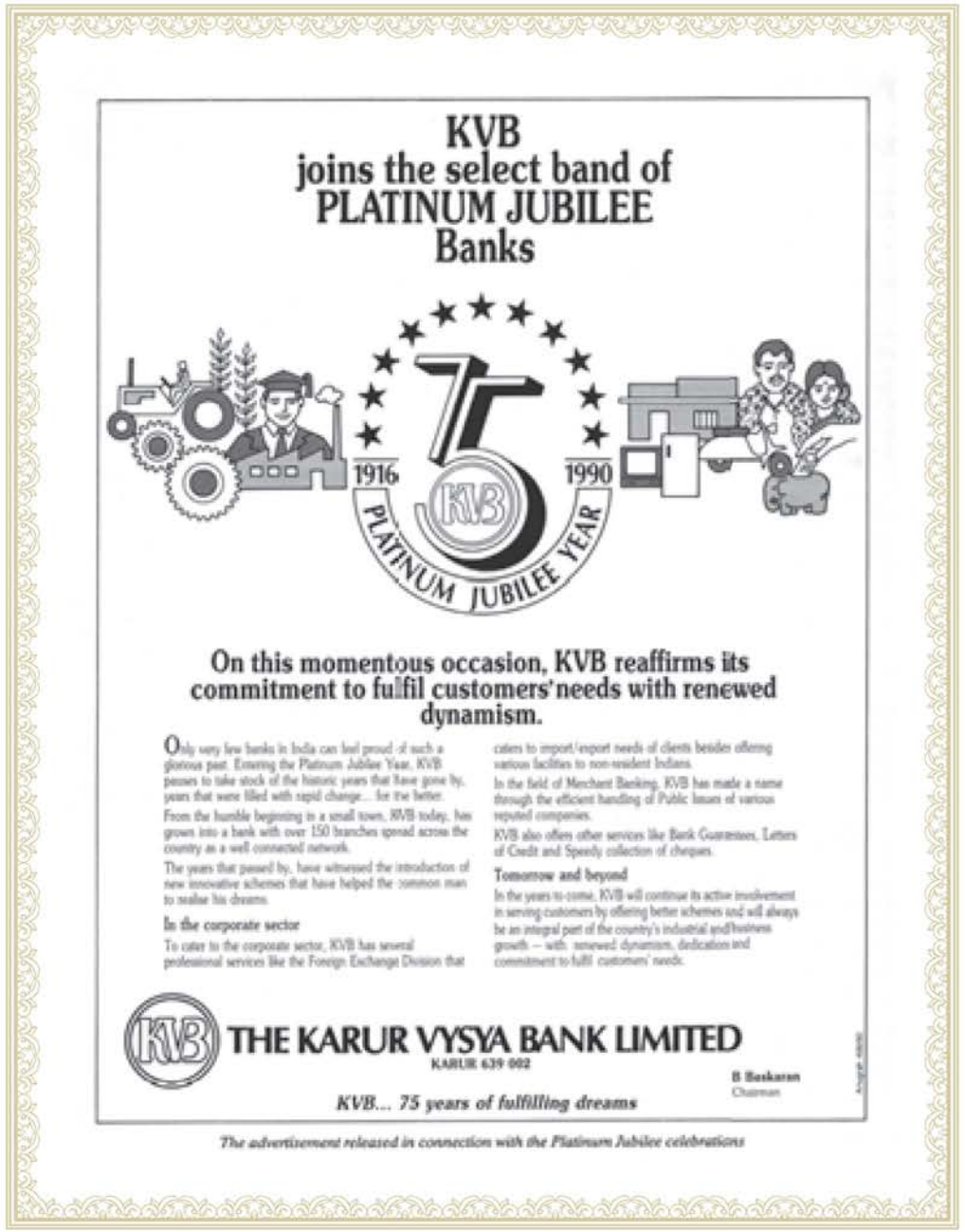
BOARD OF DIRECTORS

SHRI R. BASKARAN
SHRI ATHI S. JANARTHANAN
SHRI A.V. KANDASWAMY
SHRI R. SOUNDARARAJA KRISHNAMURTHY
SHRI M.K. SRINIVASAN
SHRI T.S. RAMANI SANKAR
SHRI P.K. RAMALINGAM
SHRI K.S. RAMABADRAN
SHRI M.G. VIVEKANANDAN
SHRI G. RAJASEKARAN

Another page from the Platinum Jubilee supplement (Courtesy: The Hindu*)*

The RBI-appointed Janakiraman Committee that was probing the involvement of banks in the scam, named KVB in its second report for taking too much of an exposure in the securities trading activity. Two rounds of inspection by RBI followed by an external audit revealed that the bank was in the clear. Though RBI insisted on providing for a large sum as a contingent liability, which would have meant that KVB would not declare dividend for the first time in its history, wiser counsel prevailed and the bank's arguments strongly put forth by G. Sarangan, who had earlier served on the Board, were accepted. A final hurdle in the matter was settled, when the Company Law Board too ruled in favour of the bank.

Treasury management was, as said, not just trading in bonds, though that was perhaps the most visible of the various options. In any case, this was no longer a safe area to be involved in once the stock market scandal broke. During this time, KVB looked at other avenues and one of the lucrative ones was a product launched in the bank's 75th year, and one that would prove long-lasting. This was an arrangement with Citibank. The latter had then introduced its Speed Collect suite of offerings that made it a one-point source for all cash management solutions for its customers. Aimed chiefly at reducing the DSO (Day Sales Outstanding), it worked through a system whereby debtors of a Citibank customer could deposit their cheques at 4,200 locations across India – all of these being the branches of over 500 correspondent banks that Citibank had entered into agreements with. KVB was one of them.



KVB
joins the select band of
PLATINUM JUBILEE
Banks

1916 1990

PLATINUM JUBILEE YEAR

On this momentous occasion, KVB reaffirms its commitment to fulfil customers' needs with renewed dynamism.

Only very few banks in India can feel proud of such a glorious past. Entering the Platinum Jubilee Year, KVB pauses to take stock of the historic years that have gone by, years that were filled with rapid change... for the better.

From the humble beginning in a small town, KVB today, has grown into a bank with over 150 branches spread across the country as a well connected network.

The years that passed by, have witnessed the introduction of new innovative schemes that have helped the common man to realise his dreams.

In the corporate sector

To cater to the corporate sector, KVB has several professional services like the Foreign Exchange Division that caters to import/export needs of clients besides offering various facilities to non-resident Indians.

In the field of Merchant Banking, KVB has made a name through the efficient handling of Public Issues of various reputed companies.

KVB also offers other services like Bank Guarantees, Letters of Credit and Speedy collection of cheques.

Tomorrow and beyond

In the years to come, KVB will continue its active involvement in serving customers by offering better schemes and will always be an integral part of the country's industrial and business growth — with renewed dynamism, dedication and commitment to fulfil customers' needs.

THE KARUR VYSYA BANK LIMITED
KARUR 639 002

B Baskaran
Chairman

KVB... 75 years of fulfilling dreams

The advertisement released in connection with the Platinum Jubilee celebrations

An advertisement to mark 75 years of KVB

In January 1991, the country's Balance of Payments situation came under severe strain. A newly elected coalition government led by P.V. Narasimha Rao with Dr Manmohan Singh as Finance Minister had its task cut out in reviving the economy. A slew of measures were brought in to liberalise the country and one of these was the setting up of the Securities and Exchanges Board of India (SEBI). In 1992, Parliament passed the SEBI Act and that gave the body the statutory powers – quasi-legislative, quasi-judicial and quasi-executive – that it needed. The office of the Controller of Capital Issues, which had till then managed such matters, was abolished. SEBI moved quickly thereafter, becoming the co-ordinating body between the issuers of securities, the investors and the market intermediaries. This was also when the concept of merchant banking came of age in the country. As defined, this would mean any financial institution that handles corporate share issues, provides corporate finance, manages bills of exchange and does portfolio management. Its most visible function till then had always been the underwriting of stock issues. With the establishment of SEBI, many restrictions were to be lifted, leading to a flood of initial public offers (IPO) in the market, each having to fight for its own space in the investors' mind and purse. An IPO wave began in 1993 and lasted till 1996. A record 1,597 offers were to approach the market during this period. The IPO boom kept the markets busy at a time when the system had taken a beating following the Harshad Mehta scam. Underwriting was no longer a matter of formality, for public issues could devolve. Those hoping to tap the stock market also knew that they needed the support of merchant bankers for ensuring success. Suddenly, banks providing these services were much in demand. It was propitious that KVB entered this activity at the same time.

The bank took pains to convince the merchant bankers that it had the wherewithal to underwrite share subscriptions. Thus started small participations of around Rs. 10 lakhs in issues where the total value was over Rs. 3 crores and small centres were allotted to KVB. The benefits however were many. Firstly, the activity provided free publicity to KVB. All the prospectus documents carried the name of KVB as one of the bankers to the issue even if it was managing just about two or three centres. The bank got good visibility and was able to win some accounts as well. More importantly, it provided the bank with funds. Those were the days when the actual allotment of shares after a public issue would take three months. The money received from the investors remained in a current account with the bank. Later, regulations came about which stipulated that the money ought to be kept as a fixed deposit, but even then, the funds were available to the bank. As KVB needed to shore up its performance at this time on Current and Savings accounts norms stipulated by RBI (referred to in banking circles as CASA), this was to come as a boon.



KVB makes a splash with its merchant banking activities

Some of the key issues that KVB handled were Reliance, Nirma, Essar Gujarat and Essar Shipping. The Nirma issue in particular was a great success. An interesting outcome of the merchant banking activity was that KVB became a very popular name in the western parts of India where the investor population was high. Eventually, the bank found itself well recognised in all parts of India. At around this time, the Government woke up to the fact that the funds remained with the companies for over three months, and decided to come up with some alternatives so that the investors' interest was protected. A product launched for this was StockInvest. As per this, investors had to open fixed deposits with banks against which the latter issued StockInvest instruments that were like cheque books. Each time an investor wanted to put money in an IPO, he/she needed to fill in the value of their investment in a leaf of the StockInvest book and hand it over. The lead banker for the IPO then sent the instrument to the bank where the investor had his StockInvest account from where the funds would be released. That way, the money that was earlier with the IPO for three months now remained with the investor until the allotment was done. KVB was one of the banks that issued StockInvests and with this its name became hugely popular among investors. It also meant that the bank received funds from investors, as they had to park the money by way of fixed deposits before availing the StockInvest. In those days, corporate houses could also avail StockInvests and that meant several large value accounts came to KVB.

Baskaran retired from the bank in 1994. The merchant banking activity was then at its peak and Prime Database, a research publication, listed banks on their underwriting volumes. This was not to do with the quantum of money involved, but just the number of issues the banks had participated in as underwriters. KVB was ranked first. The bank underwrote 300 to 400 issues in five years. What is remarkable is that only one of these issues devolved, leading to KVB having to make up for the shortfall. Even then, the bank did not lose money. When the issue was completed and the shares began to be traded, the bank was able to sell its stake in the open market at par and recover its investment in full.

By mid 1996, the markets started to tank and KVB slowly wound up its IPO activities thereafter. But the benefits to the bank – its national presence and the shoring up of its bottom line thanks to these new pursuits – were to be long-lasting. The Baskaran years were marked by other changes as well, according to M.K. Venkatesan. The culture of the organisation changed. In keeping with the changes in the corporate world, formal dressing became the order of the day for the bank's employees. There were other changes too – computerisation and HR practices, both of which require detailed narrations in separate chapters. Another key initiative came owing to lessons learnt from a small bank which then had a network of around 60 branches chiefly in western India. Whenever executives from KVB visited any branch of that bank, they found that it was invariably housed in its own property. This was true even for prime locations such as Mumbai.

This triggered KVB's initiative to begin seriously looking at purchasing properties at various key cities, chiefly to house its branches and the residential quarters of its executives and officers. The RBI's permission was needed for such purchases and there were stringent stipulations that mandated only a certain percentage of profits could be spent in the acquisition of real estate by commercial banks. This was chiefly to ensure that such entities did not become involved in real estate speculations. The Board embarked on a detailed exercise breaking up its purchase allocations for semi-urban, urban, and metro property acquisitions. The RBI gave its nod and thereafter buildings were acquired in Mumbai and other centres. While this was to have a positive impact on the bank's image overall, the real boost was in rural centres where depositors looked at these purchases as symbolic of the financial status of the bank. More accounts began coming in.



Governor of Tamil Nadu, Bhishma Narain Singh (extreme right) and dancer Chitra Visweswaran (centre) at the launch of KVB CANCARD



M K Srinivasan,
Director 1984-1992; 2000-2002

1993-Present

1993
A.D. Navaneethan becomes Chairman

1995
KVB becomes first Indian bank to issue bonus shares. Total Bank Automation with in house software Gayathri launched

1996
Bank gets permanent license to deal in Foreign Exchange. It also celebrates its 80th birthday

1998
Business Today-KPMG study ranks KVB number 1 among old private sector banks

2001
Bank launches its first ATM. KVB Towers inaugurated at Teynampet, Chennai

2002
Founders Day celebration introduced. P.T. Kuppuswamy becomes Chairman

2003
KVB begins marketing insurance products through tie-ups with Bajaj Allianz General Insurance and Birla Sun Life Insurance

2004
Birla Sun Life Insurance inks agreement to sell its products through KVB channels

(CHAPTERS 11-17)

2005
KVB migrates entirely to Core Banking platform

2006
Launch of KVB Ninety Techie campaign and 90th birthday celebrations

2007
KVB launches Depository Services

2008
Employee Stock Option Programme launched in bank. KVB ties up with Religare to provide integrated financial services. Bank begins selling mutual funds. Position of Chairman and Managing Director bifurcated into non-executive Chairman and Managing Director. A.S. Janarthanan becomes Chairman.

2009
Golden Vision – the transformation journey of KVB begins

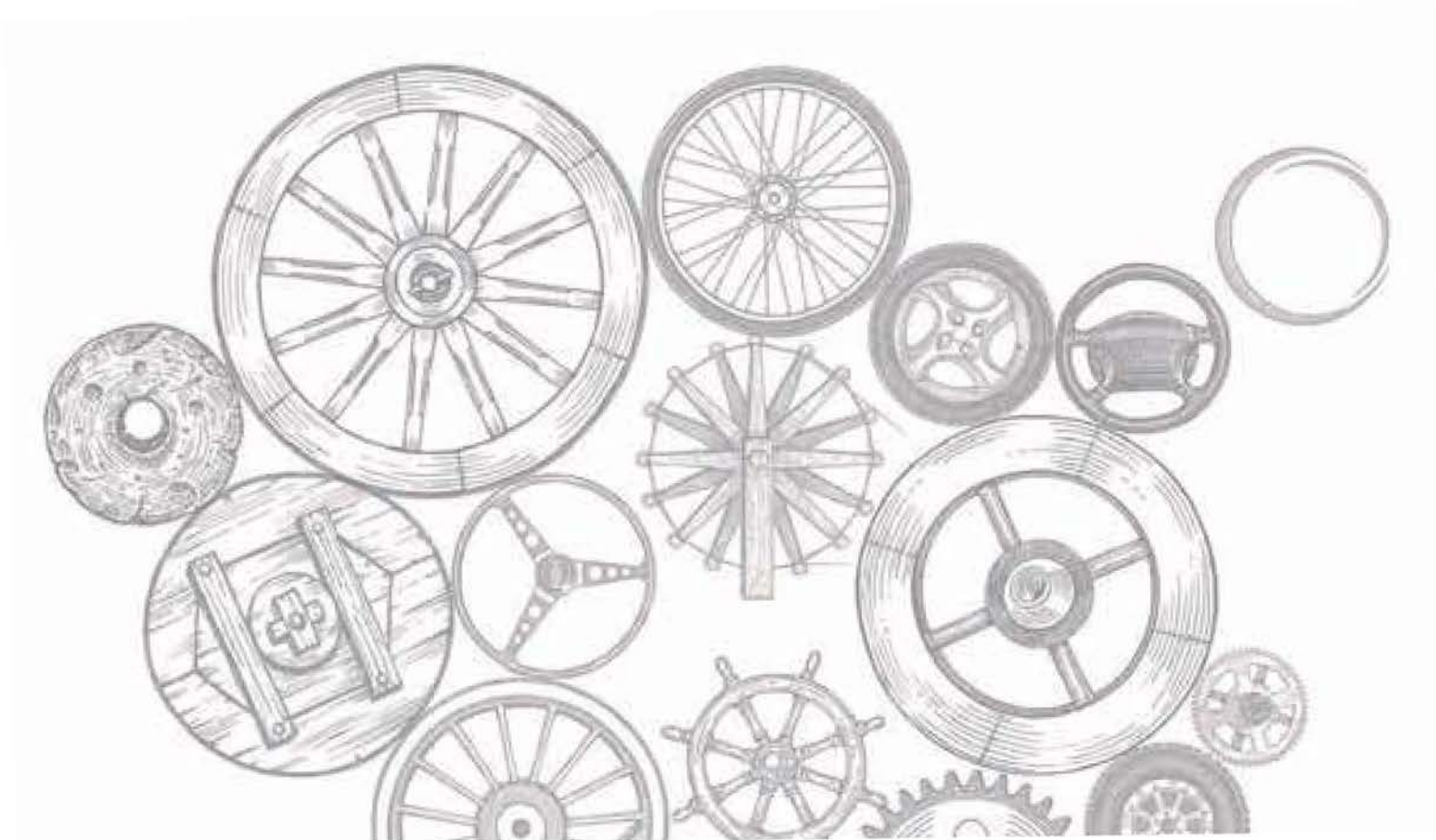
2010
K.P. Kumar becomes non-executive Chairman

2011
K. Venkataraman becomes Managing Director

2012
Bank launches co-branded Visa credit cards with SBI

2013
Bank begins signing up with vehicle manufacturers to become preferred financier. Begins offering products tailor-made for NRI customers

2015
B. Swaminathan becomes non-executive Chairman. Bank begins its centenary year.



CHAPTER - 11

80th ANNIVERSARY KVB CELEBRATIONS

KARUR VYSYA BANK LTD.

KARUR - 639 002.

Karur Vysya Bank Limited founded by the foresighted pioneers of Karur, (Tamil Nadu) Shri M A Venkatarama Chettiar and Shri Athi Krishna Chettiar in 1916, celebrates today the landmark event of its 80th Anniversary.

KVB has 187 branches spread over 9 States and one Union Territory including a Specialised Savings Branch in Rajkot and an Overseas Branch in Tirupur.

Over the years, KVB has grown from strength to strength to emerge as one of the top most banks in the private sector drawing strength from the highly satisfied customers.

KVB has adopted and adjusted itself to the demands of the post financial reforms in the market driven scenario.

KVB has geared itself in the technology front to meet the growing demands of the customers. KVB believes that there is no excuse as such in customer service.

KVB with its 2300 plus committed employees and with the enlightened Board of Directors to guide them, is in the twilight years to reach the end of the Millennium by when it will be riding high with towering business volume and emerging as a model bank with a pre-eminent position.

- One of the earliest banks to be accorded the status of a Scheduled Commercial Bank in the 1950s.
- First Bank in the recent decades to get RBI's permission for a Bonus Issue.
- It could achieve the Capital Adequacy Ratio in March 1993 itself well ahead of the timeframe stipulated by RBI.
- No.1 Private Sector Bank in the country as per the Business Today - CRISIL STUDY (1994-95).
- First position in terms of Income to Assets Ratio (1995-96) among the Indian Scheduled Commercial Banks as per the study of Business India.
- One among the 7 Banks listed under the 500 most valuable Corporates in the country.

Inauguration
TODAY
by

Shri. P. CHIDAMBARAM
Hon'ble Minister for Finance
Government of India

Shri. K. NATRAYAN
Member of Parliament
Felicitates

Venue : *Prem Mahal*
New Salem Bye Pass Road
KARUR

Time : *10.00 a.m.*

BOARD OF DIRECTORS

Shri A.D. Navaneethan	*Chairman*
Shri Athi. S. Janarthanan	*Director*
Shri A.V. Kandaswamy	*Director*
Shri M.G. Vivekanandan	*Director*
Shri G. Rajasekaran	*Director*
Shri R. Chandrasekaran	*Director*
Shri. M.K. Venkatesan	*Director*
Shri M. Naganathan	*Director*
Shri T.R. Ramanathan	*Director*
Shri G. Sarangan	*Director*
Shri R. Sahadeva	*Addl. Director (RBI)*
Shri Sathyan David	*Alternate Addl. Director*

With Best Compliments

An advertisement for the 80th Anniversary of KVB (Courtesy: The Hindu*)*

In the Face of Competition

Baskaran's successor at the bank was A.D. Navaneethan, another veteran in the banking industry who had joined the RBI in 1961, and later had moved to the Syndicate Bank where he had worked for 15 years. M.K. Venkatesan recalls going with A.S. Janarthanan to the National Institute of Bank Management in Pune, where Navaneethan was then attending a training programme. "We met and had a long conversation with him at the end of which we felt that he would be the right person to head our bank," he says. Navaneethan came on board by the end of 1993. "Under Navaneethan, the bank won many laurels," says M.K. Venkatesan.

This was a period of extraordinary flux in the banking world. *Mint Road Milestones*, a history of the RBI, sums up the scenario as follows – "Banking sector reforms focused on strengthening banks and making them more competitive. The content, pace and sequencing was calibrated by the RBI. The reforms essentially focused on three issues: deregulation of the banking sector and relaxation of entry barriers to banks to foster greater competition; the introduction of accounting standards and income recognition and asset classification norms to bring about greater transparency in bank accounts, along with prudential measures and provisioning norms; and capital adequacy for the risks seen to have been incurred by the banks.

The regulatory and supervisory structures were suitably revamped to meet the challenges of the new environment. A Board for Financial Supervision (BFS) was set up for consolidated supervision of the financial sector and the CAMELS (Capital Adequacy, Asset Quality, Management Earnings, Liquidity, and Systems and Control) model for assessing any bank adopted; an Advisory Board for Bank Frauds was set up; a Credit Information Bureau was established; banks were allowed to undertake insurance business; guidelines for the entry of private sector banks were framed; and the Banking Ombudsman Scheme was introduced. Interest rates were largely deregulated and, with the withdrawal of credit monitoring arrangements, the last vestiges of credit authorisation were phased out.

The capital adequacy standards of the Basel Accord were adopted to bring India's regulatory framework close to international standards."



A.D. Navaneethan, Chairman 1993-2002

By October 1992, the branch licensing policy in respect of commercial banks was further liberalised. Banks were now permitted to shift their existing branches within the same locality, open specialized branches such an industrial finance/ Small Scale Industry (SSI)/ Non Resident Indian (NRI)/ Treasury branches, open extension counters, provide safe deposit lockers at these counters, and convert existing rural branches into satellite offices if the existing branches were found non-viable, after complying with certain minimum formalities. Gone were the days when it needed a Governor of the RBI to visit Karur before KVB could get permission to open offices in Surat or Baroda. But if all this were for the good, the flip side was that competition would intensify. The RBI freed up the process for the establishment of new banks in the private sector. The minimum paid-up capital of a new private sector bank was to be Rs 100 crores and it would have to observe prudential norms and capital adequacy of 80 per cent from its inception.





Inauguration of Central Branch Premises and Staff Training College, Karur

A.D. Navaneethan recollects the challenges of that period: "The 1990s were times when the prevailing sentiment was that small banks would not be capable of surviving the rapid growth phase and that there was no future for them. As KVB started its process of expansion and began making good strides, there were covert and even overt attempts to take it over. This used to be discussed frequently in the board meetings. We held the view that 'small is beautiful' and strongly resisted all moves to give up the institution. Many of our shareholders transcended generations and it would have any way been a tough task to convince them to give up their stake!

Yet another challenge we were faced with came about as a side effect of the changes in the regulatory framework. All along, private sector banks had operated in a protected environment. With the changes coming into force, it opened up the sector and brought about intense competition. It was however, not backed by proper support from the regulators. All banks were said to be equal, but some were more equal than others. While on the one hand we had to follow the prudential norms, on the other we were discriminated against when it came to things such as mobilisation of deposits from PSUs and Government undertakings, who dealt only with nationalised banks. We pointed out this discrimination at every available forum. The representative body of banks, the Indian Bankers' Association, frequently presented these matters to the regulators and was partly successful in its endeavours.

A private sector institution always comes with its own share of operating issues. I had always held the view that it was my duty, as the Chairman, to lead from the front. I was lucky to have had the support of a very dynamic and a visionary board, who were receptive to the changes and the challenges that the bank was faced with. I am happy to state that the bank won the A rating from the Reserve Bank of India for many years in succession and was written about as a reliable bank by many financial journals.

The changes in the economy and the banking sector in particular brought about challenges in both the liabilities and the assets side of the balance sheet. With more claimants to the funds, it was imperative that our rates were competitive enough to draw business to us. With almost every bank offering the same bouquet of services, it was decided that customer service would be our USP to give us the edge over competitors. Similarly, though there was immense pressure on getting borrowers, the bank was very choosy so as to ensure that the risk of running bad loans was minimised.

The oft-quoted saying that in a market economy, the customer is king is not a cliché but a fact. "Take care of the customer, the bottom line will take care of itself," was made our tag line. We went all out to ensure steps were in place to provide the best possible service to them. At all training programmes of the bank, the need was impressed upon the staff. Customer Meets were organised frequently to enable them to air their views and grievances regarding the service they were receiving and a feedback was sought from them later to see if they have been properly addressed. Members of the Board were present at these meets, to re-emphasise our commitment to them. We are proud today that many customers from the steel, textile and other industries have grown with us".

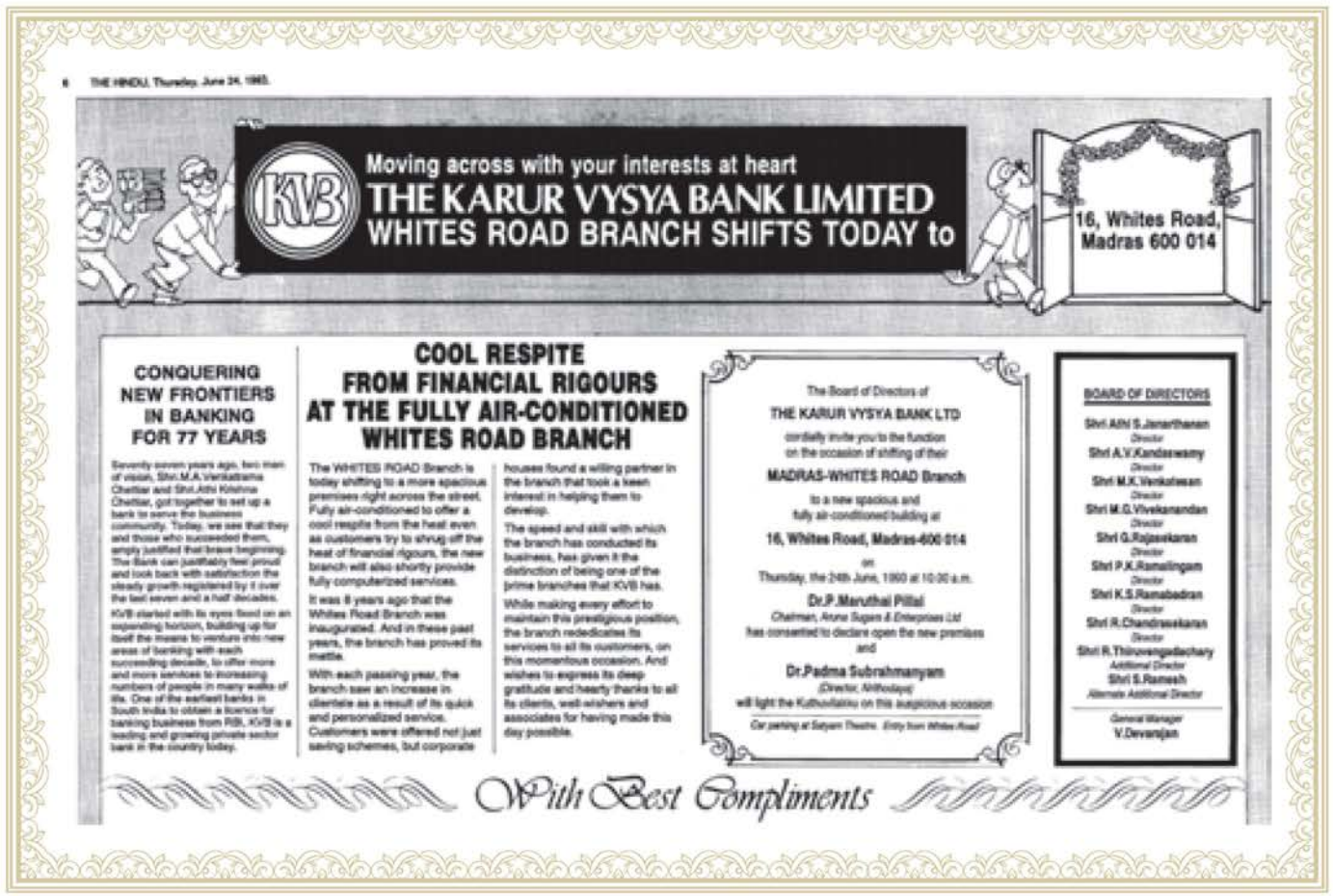




P. Chidambaram, then Union Minister for Finance, being honoured at the 80th Anniversary Celebrations

The most immediate of challenges was to make KVB a familiar name to customers all across the country. True, branches had been opened but these were few and far removed from each other. The newly begun private banks, flush with funds were setting a cracking pace and rapidly expanding their network. If KVB had to compete, it needed to speed up its branch expansion plans. "When I took over, the bank was primarily known as a regional player," says Navaneethan. "Making it a pan India presence was my first major project. It was essential for us if we wanted to expand our operations. The process was kick-started by the most basic of methods – opening more branches in places such as Calcutta, Mumbai and Delhi. It was however easier said than done, as the biggest challenge we faced initially was to find the right human resources."

It was in the midst of these challenging times, that Mr G. Rajasekaran, the fourth generation representative from the family of K.N. Viswanatha Chettiar became a Director of the bank. He filled in the slot vacated by his father R. Gopalakrishnan. Rajasekaran was to remain on the Board for a period of eight years at the end of which, in 1998, his father would return to the Board. Rajasekaran returned to the Board for another eight-year term in 2000. He came back again to the Board in 2010 and continues to be a Director to date. His contribution in the area of Human Resources is immense.



THE HINDU, Thursday, June 24, 1965.

Moving across with your interests at heart

THE KARUR VYSYA BANK LIMITED

WHITES ROAD BRANCH SHIFTS TODAY to

16, Whites Road, Madras 600 014

CONQUERING NEW FRONTIERS IN BANKING FOR 77 YEARS

Seventy-seven years ago, two men of vision, Shri.M.A.Venkatrama Chettiar and Shri.Athi Krishna Chettiar, got together to set up a bank to serve the business community. Today, we see that they and those who succeeded them, amply justified that brave beginning. The Bank can justifiably feel proud and look back with satisfaction the steady growth registered by it over the last seven and a half decades.

KVB started with its eyes fixed on an expanding horizon, building up for itself the means to venture into new areas of banking with each succeeding decade, to offer more and more services to increasing numbers of people in many walks of life. One of the earliest banks in South India to obtain a licence for banking business from RBI, KVB is a leading and growing private sector bank in the country today.

COOL RESPITE FROM FINANCIAL RIGOURS AT THE FULLY AIR-CONDITIONED WHITES ROAD BRANCH

The WHITES ROAD Branch is today shifting to a more spacious premises right across the street. Fully air-conditioned to offer a cool respite from the heat even as customers try to shrug off the heat of financial rigours, the new branch will also shortly provide fully computerized services.

It was 8 years ago that the Whites Road Branch was inaugurated. And in these past years, the branch has proved its mettle.

With each passing year, the branch saw an increase in clientele as a result of its quick and personalized service. Customers were offered not just saving schemes, but corporate houses found a willing partner in the branch that took a keen interest in helping them to develop.

The speed and skill with which the branch has conducted its business, has given it the distinction of being one of the prime branches that KVB has.

While making every effort to maintain this prestigious position, the branch rededicates its services to all its customers, on this momentous occasion. And wishes to express its deep gratitude and hearty thanks to all its clients, well-wishers and associates for having made this day possible.

The Board of Directors of
THE KARUR VYSYA BANK LTD
cordially invite you to the function on the occasion of shifting of their
MADRAS-WHITES ROAD Branch
to a new spacious and fully air-conditioned building at
16, Whites Road, Madras-600 014
on
Thursday, the 24th June, 1965 at 10.00 a.m.
Dr.P.Maruthai Pillai
Chairman, Arcot Sugars & Enterprises Ltd
has consented to declare open the new premises and
Dr.Padma Subrahmanyam
(Director, Abhinaya)
will light the Kuthuvilakku on this auspicious occasion
Car parking at Satyam Theatre. Entry from Whites Road

BOARD OF DIRECTORS
Shri Athi S.Janarthanan, Director
Shri A.V.Kandaswamy, Director
Shri M.K.Venkatesan, Director
Shri M.G.Vivekanandan, Director
Shri G.Rajasekaran, Director
Shri P.K.Ramalingam, Director
Shri K.S.Ramabadran, Director
Shri R.Chandrasekaran, Director
Shri R.Thiruvengadachary, Additional Director
Shri S.Ramesh, Alternate Additional Director
General Manager
V.Devarajan

With Best Compliments

The bank begins modernising its branches; Announcing the shift to new premises at Whites Road, Chennai

Another member to enter the Board in 1992 from the family of M.A. Venkatarama Chettiar was M.K. Venkatesan. Dealing in agricultural produce, he also brought into the Board his wide knowledge in the area of computerisation of operations and skills of negotiation. After an initial stint in the Board for eight years, Venkatesan returned to the Board in 2003. He remained Director till 2009. He became a Director again in 2014 and remains on the Board.

The story of the human resources is told elsewhere but it must be mentioned here that it was at this time that the bank embarked on a huge recruitment drive, a unique feature in its history. For the first time, people of all languages and regions of India were drawn in and placed at diverse locations across the country. Familiarity with local language was an important consideration but more important was the culture of service the bank was known for. This had to be transmitted in a hurry, bringing into sharp focus the role of the bank's staff training college, of which more in a later chapter. Let us, by taking up a few case studies, see how branches made an impact in their respective areas.

The initial going was very tough in North India. There was close coordination between the Divisional Office and the branches and this resulted in the targets being met. In Delhi, the branch network was low and therefore customer reach was low. As a result retail business reach was limited. The team worked hard but only managed to get business by way of current and saving accounts and that meant modest growth. It then began to actively participate in community well-being and that made a difference. Events at Gurudwaras were good opportunities and KVB

put up banners on Guru Nanak's teachings with its name at the bottom, sponsored religious events and associated itself with the local society. Advertisements were then put up at public places as well. Billboards were set up in dense population clusters and this resulted in improved visibility. At Faridabad, the focus was on visiting small and medium enterprises. Banking from the South was well-accepted, and in many ways KVB's speed of service really helped. The staff was polite, courteous, and fast. It is an axiom at KVB that the reputation of the oldest branch in an area makes or breaks the business. Fortunately for it, the first office in Delhi had a good image and that made yet another difference. Initially, people in areas such as Punjab could not even pronounce the name of the bank, referring to it as Crore Vysya and thinking of it as a co-operative venture. Gradually however, the word spread that the service given at the counter at KVB was unmatched by any other bank. Ninety per cent of the newer North Indian branches did good business just within the first six months.

The story in Calcutta was not very different. The bank took care to fill its human resource requirements here with a mixture of South Indians and Bengalis. The front offices were all manned by people who could speak the local language well. This way, the customers could interact easily with the staff when they came into the branch. Even though KVB was a South-based bank, it found that there was a strong business link between Karur and Calcutta. Cotton/yarn kept moving from Calcutta to the South. Many small/medium enterprises (SMEs) trading in this commodity referred customers to the bank. The business potential proved enormous. Sometime in 1999 or thereabouts, the Kolkata office discovered that it was not tapping wholesale merchants, the traditional commodity business from which KVB itself had had its origins in 1916! This was soon corrected and further boosted the business. Large corporate customer accounts came to the bank.



Own premises of the bank at Ahmedabad

Given that Calcutta was a city steeped in tradition, the bank followed a conservative approach. The managers went to company offices, sat across tables, introduced themselves, and told the prospective clients what the bank had to offer. As in Delhi, the bank had its staff attend seminars, placed advertisements in public places, took phone numbers wherever they were given in public and contacted people. Veterans recall that the senior management in Karur gave its unstinted support. Over the decades the regional network grew and Kolkata (the city having changed its name in 1999), is now a divisional office for KVB, a far cry from the one branch in Burra Bazaar.

Gujarat was a different story altogether. By the time KVB began ramping up its business in the region, it was already a well-known name, thanks to its merchant banking activities. Everyone in western India was a potential investor in the stock market and so knew about all active players in the same domain. In Ahmedabad, Baroda, Surat and other places, KVB being a dealer in StockInvest meant that people flocked to open accounts with it. They soon considered the bank to be one of their own. This is perhaps best illustrated by what happened at Baroda. The river Vasishta breached its banks in 1993 and among the places the water flowed into was the KVB branch. While the staff scurried to save documents and files, they were helped by the customers and deposit holders. For three days the branch was closed and yet there was no panic among account holders.



Bank Allowed to Deal in Foreign Exchange

BOMBAY, April 14.

The Reserve Bank has authorised Karur Vysya Bank Limited, Karur to undertake all types of foreign exchange transaftions in all permissible currencies. The permission has been given subject to the conditions and ogligations stipulated in the Exchange Control Manual (1978 edition) and other directions issued by the Reserve ank under the Section 73(3) of the Foreign Exchange Regulation Act 1973 as amended from time to time.

A news report on KVB beginning forex transactions

Speed of response was always something that businesses in Maharashtra and Gujarat are known for and seeing that KVB came from a similar ethos, account holders were greatly attracted. In the case of a particularly large industrial account in Ahmedabad, several visits did not cut any ice. What did was the arrival of the branch manager for yet another call in the midst of pouring rain, on a scooter. That was enough to establish credibility and within a short while, some business was given. Even then, the growth was slow. Gradually, the volumes increased chiefly because of KVB's speed of response. One of the potential accounts was a textile machine manufacturer. The customers, chiefly based in Coimbatore, would pay by cheque and this would take more than a week to be credited to the manufacturer's account. There was an added complication. The payment was made upon proof of despatch and this meant the supplier would hire the trucks (a single consignment necessitated five trucks), furnish the proof of despatch to the customer and then await the cheque. But as the payment would take a week to be credited, the trucks would idle at the supplier's end till then. This was where the Ahmedabad branch saw an opportunity. It ensured that specialised attention was given, and by making arrangements with its Coimbatore counterpart, was able to ensure credit being made available within a day. That delighted the suppliers of machinery and they all signed up with KVB. Given the Gujarati community's culture of vibrant celebration of festivals, the branch managers of KVB in that region, most of them from deep down South, found themselves being drawn into the festive spirit of Diwali with gusto. Many of the friendships forged then have continued with exchanges of greeting cards no matter where the managers have since been transferred, and with the arrival of the cell phone – calls on birthdays and other happy occasions.

The South was not neglected either. At Ramanathapuram, the bank realised that wholesale merchants were exporting lentils, onions and grain to Sri Lanka. Loans were extended to these people. At Tirupur, the busy hosiery exporters had no time for the bank, their accounts having long been with other well-known names. That changed very soon. In 1992, KVB put up a stall in the first International Trade Fair in Tirupur. Business boomed thereafter. When the Board decided to separate local and foreign accounts by opening dedicated overseas branches, the first of the latter came up at Tirupur. Soon thereafter, KVB had the honour of being the first private sector bank to open branches within the townships of the Neyveli Lignite Corporation and the Oil and Natural Gas Commission at Karaikal.

Apart from the success at various branches, the bank also notched up significant achievements in the area of foreign exchange (forex). An International Division had been formed in 1980 to carry out forex transactions. But the department did not have a properly laid out system and that meant the RBI renewed its licence each year after an audit, rather than give it a permanent sanction.

The old logo makes way for a new one in the 80th year

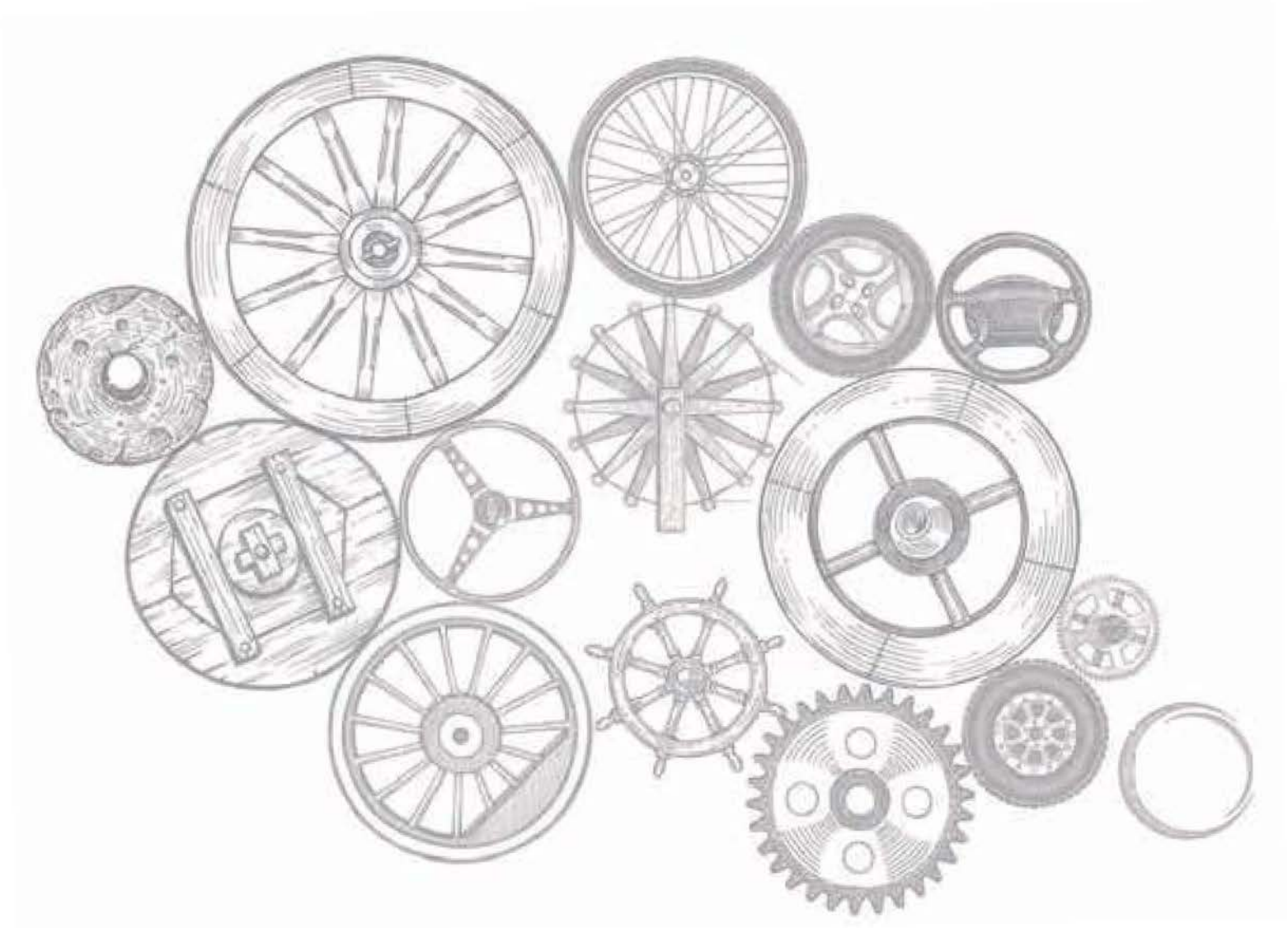


"The bank had to put in systems and have qualified people in place to get the permanent license from RBI," says Navaneethan. "For me trained manpower was the issue. Finally, patience and perseverance helped and we made considerable progress."

The RBI granted a permanent license in 1996 and what was then a business of Rs 300 crores has now grown to Rs 10,000 crores. KVB is today a big player in the market attracting clients from financial centres such as Delhi and Mumbai. The bulk of the forex business still comes in from North India.

"Our loan portfolio was always for the Micro/Small/Medium enterprises (MSMEs)," said A.S. Janarthanan, looking back at the 1990s. "There we have a huge clientele base. There are 32 million registered/unregistered MSMEs in this country; this is the available level of opportunity for funding banks. Returns are reasonable, they are collateralised. KVB prefers this segment – risk is less, delinquency is low, they provide higher returns. This was our original principle when there was no formal financial system support and we will continue that way. We started in a small place. Our vision was to be sympathetic to small traders and approach them with compassion. This is our approach, and I am happy that it has paid off."

By the end of the 1990s, the branch network of KVB had grown to respectable proportions and its name had been established all across India. This meant that its staff was no longer exclusively South Indian. Bringing in a uniform work ethic while respecting regional differences became the next challenge.



CHAPTER - 12



P. T. Kuppuswamy, Chairman, Managing Director and CEO of KVB (2002-2011) at the inauguration of an ATM facility

Banking for a New World

The years that saw KVB aggressively expand its branch network also featured another pioneering move – bonus shares. It was in 1994 when the Board was meeting in Baroda that A.V. Kandasamy, grand-nephew of the co-founder Athi Krishna Chettiar, first broached the subject. It was his view that given the liberalisation that was then in progress, such an idea may be well-received by the RBI. The Board concurred and a team was formed to proceed to Mumbai to take up the matter with the Governor of RBI.

A.V. Kandasamy recalls that he, A.S. Janarthanan, M.K. Venkatesan and A.D. Navaneethan comprised the team that travelled to Mumbai. They were not very certain about the kind of reception they would get but they were in for a pleasant surprise - the Governor Dr C. Rangarajan had warm childhood memories about KVB. He had once asked his father as to how a bank functioned and had been taken to the KVB branch in Trichy for a visit. The Governor was happy with the performance record of the previous three years and when asked for permission for issuing bonus shares, referred the matter to an Executive Director who in turn ruled that while the RBI would have no objection, KVB would need to seek the approval of SEBI.

Though SEBI had some initial reservations on this, it eventually changed the guidelines for banks wanting to issue bonus shares. This was a first for the entire banking industry and KVB had made it possible. The 75th AGM of the bank came about in 1994 and a resolution was passed therein that subject to SEBI approvals, the bank would issue 1,01,300 shares at face value of Rs 10 and a premium of Rs 25. The approval, which came in 1995, also gave the go-ahead for a rights issue in the ratio of 1:1 for twenty lakh shares at face value of Rs 10 and premium of Rs 25. A bonus issue at a ratio of 1:1 was also approved. This was again a first in Indian banking and A.D. Navaneethan has it that had it not been for KVB's impeccable dividend history, this approval would not have been forthcoming. With that, the authorised capital of the bank which had earlier been Rs 3 crores rose to Rs 12 crores. This was also when KVB first mooted the idea of an Employee Stock Option Plan. This was however to be held up for almost a decade due to circumstances beyond the bank's control, as we shall see later.

Karur Vysya Bank's plans

By Our Staff Reporter

KARUR, MARCH 1. Karur Vysya Bank plans to open three new branches in New Delhi, Mangalore and Teynampet in Chennai shortly, according to Mr. A. D. Navaneethan, Chairman.

Inaugurating the first automatic teller machine at Karur on Tuesday, the bank's headquarters, Mr. Navaneethan said the bank had planned to expand its network to other potential centres also.

The bank has already networked its branches at Karur and anywhere banking convenience has also been introduced. At present, 80 per cent of the business was carried out through its computerised branches,Mr. Navaneethan said.

The bank has also planned to install ATMs at other important centres too to provide a thrust on retail banking, he said. The ATM at Karur would be operational round the clock without any holiday, Mr. Navaneethan added.

The bank unfolds its ATM plans

By the time this was achieved, the 80th birthday of the bank came about. The event took place in Karur and the Chief Guest was P. Chidambaram, the then Union Finance Minister. In his speech on the occasion, he lauded KVB for the commendable work it had accomplished and said KVB could be regarded as one of the safest private banks. This was also the year when the bank embarked on one of its most ambitious programmes – the computerisation and networking of its operations.

Computers were of course not new to KVB, having made their appearance even in the mid 1980s, just before the bank commenced its treasury operations. The sheer manual nature of the work involved in inter-branch accounts reconciliation was tedious and as the bank grew, it only increased in complexity. By the mid 1980s, there were as many as 24 clerks involved in the exercise. It was then that some of the younger executives of the bank, who had had exposure to computers in some way or the other, approached the senior management with a request that this activity be computerised. This was, of course, easier said than done, for that was an era when the Unions were, in general, greatly suspicious of all computers, believing that it was a management tactic to reduce the number of employees. At KVB too, the situation was no different. This required some discussion and once that was done, a few personal computers made their way into the basement. Lotus 123, the predecessor of Microsoft's Excel was used for working on the reconciliation, and within a few months, it was found that the whole exercise needed just one data entry operator. The others were all deployed elsewhere.



A.V. Kandasamy,
Director 1972-1983; 1984-1987; 1989-1997

It was from that small beginning that computerisation took hold at the bank. By 1986, KVB had begun to install ASCOTA accounting machines – simple devices as per today's standards perhaps, but a significant step towards automation for that era. First in line were the ALPMs (Automatic Ledger Posting Machines), which were basically standalone CPUs. Similar to the manual ledgers, a set of accounts was assigned to each of these machines. This was in early 1992. The same year saw KVB implement software developed by Virmati Banking Computer Services Ltd, Pune. This was however, limited to a few locations only. The bank came out with Total Branch Automation (TBA) and with its own software named Gayathri in 1995. This was an in-house effort and all operations within each branch were fully automated with software written in COBOL. All the CPUs within the branch were interlinked.



M.G. Vivekanandan,
Director 1990-1998

In the forefront of implementation of the Bank's technological initiatives was the young brigade of A.J. Suriyanarayana, and A.K. Praburaj, respectively the sons of A.S. Janarthanan and A.V. Kandasamy, who had replaced their fathers on the Board in 1997. They represented the fourth generation of the Athi Krishna Chettiar clan to make their mark in the bank's management. Another director who was involved in the technological initiatives of the bank was M.K. Srinivasan, who had come onto the Board after his father M.V. Krishnamoorthy Guptha in 1984.

But let us get back to the main story of this chapter – the bringing in of ATMs and investments in technology. By the mid 1990s, fears of Y2K also known as the Year 2000 problem or the Millennium Bug began to surface across the world. It was a direct outcome of increased dependence on digitisation, much of it running on legacy systems that stored years in two digits. Thus when the year 2000 came about, it was feared that data of 1900 would be indistinguishable from that of 2000. It was expected that utilities and crucial infrastructure would fail. The world over, governments set up committees to monitor remedial work and contingency planning, even as thousands of software companies across the globe were pressed into service to enable systems to handle the change when it happened. The Gayathri software was revamped to contend with this and the new version was rolled out across all branches by 2000.

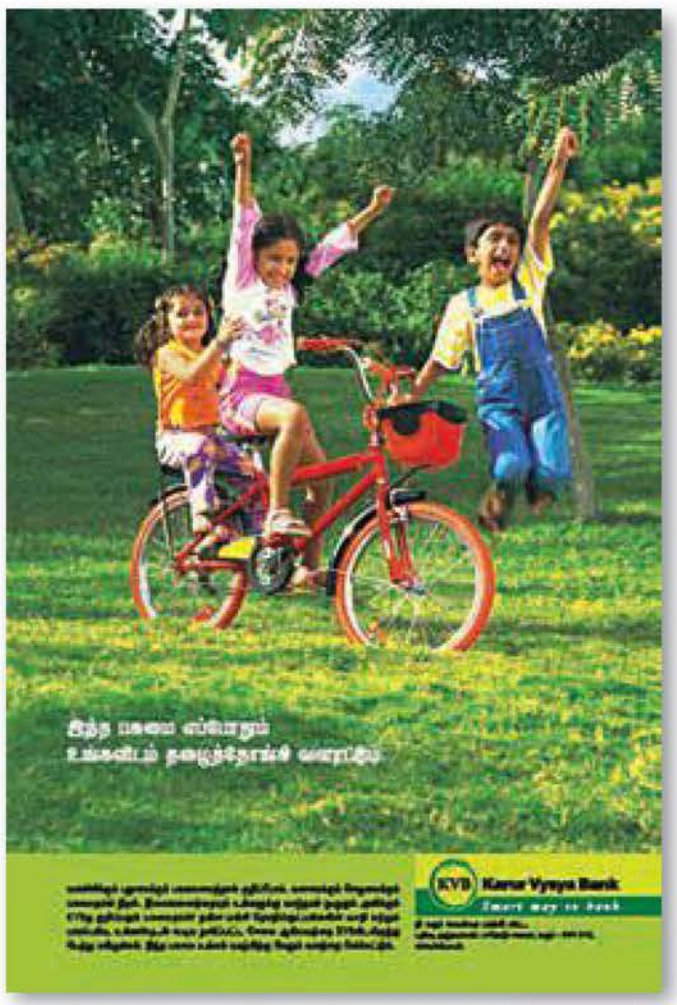
Technology was, by then, sweeping the industry as new generation private sector banks launched operations. ATMs and networked branches were taking people into a new age. The older banks, both in the private and public sector, were not yet ready for this giant leap but it was clear that the transition had to be made. "Keeping in mind the mantra of quick and efficient service, we undertook a massive computerisation programme towards the end of the 1990s," says A.D. Navaneethan. "The first ATM came up in Karur and was inaugurated on February 26, 2001." Behind that simple statement of fact is hidden the truth that KVB was one of the first



Advertisement for opening of the 500th branch



G. Rajasekar,
Director 1990-1998; 2000-2008; 2010- till date



Advertisement campaign of KVB

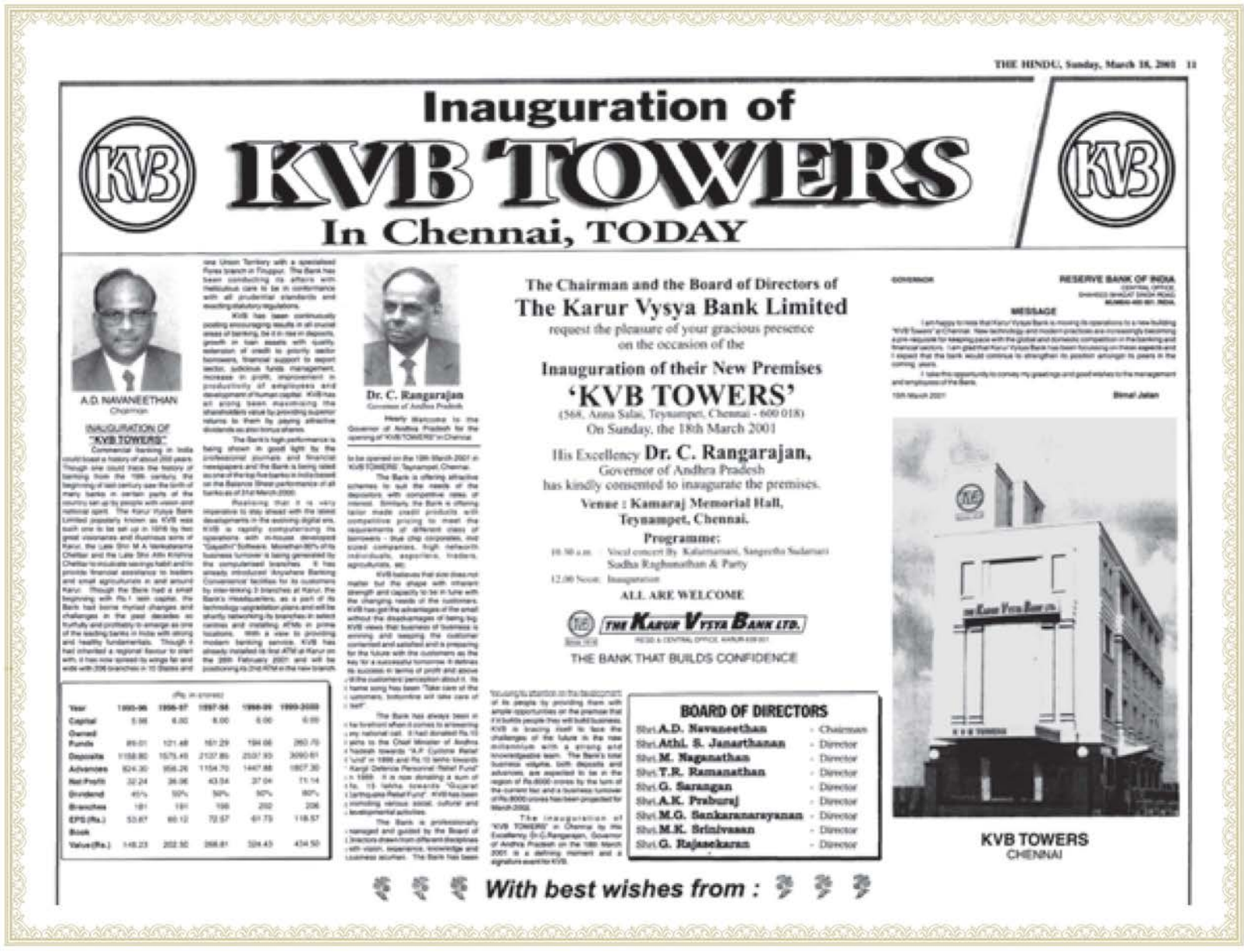
among the older private banks to introduce ATMs. "It would appeal to anybody and we decided that we had to be the earliest to usher in ATMs," says A.J. Suriyanarayana. "We took them to various rural centres down south. People came in from neighbouring villages in bullock carts to just see the machines." The early ATMs of KVB ran the in-house software and the necessary networking too was achieved using the same. Some of the main branches were interlinked in order to facilitate the use of ATMs across centres. That was to be the first step towards core banking. This was called Anywhere Banking Convenience (ABC). ABC cards were issued to select customers for remitting and withdrawing cash across networked branches. Criteria such as minimum balance and high network accounts with trading were used for issuing ABC cards.

This was a significant achievement for those times. Some of the machines proved long-lasting too. One of the oldest models that still continues in operation is at the Chennai Divisional Office at KVB Towers, Teynampet. Dr C. Rangarajan, the then Governor of the RBI, had declared the building open in 2001. In his speech, he praised KVB as "a fine example of how a medium-sized bank can effectively play its part in promoting regional development and attending to the needs of small and medium entrepreneurs".

It was not as though the debate on technology had ended at the bank. The ATMs were expensive, each costing around Rs 14 lakhs and even in the first round, KVB had to instal at least 20 to make a significant impact on the market. There were animated discussions in the boardroom but the young Turks had their way. The Unions objected too. "Computerisation was not undertaken without large scale resistance, as there were apprehensions about job cuts," says A.D. Navaneethan. "The fears of the Union had to be allayed. Eventually, they saw the benefits of technology and gave in to the changes. But that there was a successful implementation of the entire project was evidenced by the fact that one day, I saw a computer in the Union office room!"

Navaneethan's term was due to end in 2002 and by 2001 the bank began searching for his successor. It was clear that whoever the incumbent was, he would have to continue the modernisation drive that the bank had embarked upon. M. Naganathan, a greatly respected auditor, and then a Director on the Board of KVB suggested the name of P.T. Kuppuswamy, a veteran of 32 years at Canara Bank and who was then General Manager of the Calcutta circle of that institution. He was interviewed and offered the position of Executive Director at KVB. Kuppuswamy took voluntary retirement from Canara Bank and joined KVB in 2001. He was to have a long tenure with the bank, becoming Chairman and Managing Director and later Managing Director and CEO, retiring in 2011. Such would be his attachment to the institution that it was said that even his daily morning walks were held within KVB's central office compound in Karur!

Navaneethan's tenure saw the bank's business take a quantum leap by 455 per cent, up from about Rs 1190 crores when he took charge in 1993 to over Rs 6,600 crores when he relinquished office. Forty-three branches were added during his time. He stepped down as Chairman in 2002 and was succeeded, with the approval of the RBI, by P.T. Kuppuswamy.



THE HINDU, Sunday, March 18, 2001 11

Inauguration of KVB TOWERS In Chennai, TODAY

A.D. NAVANEETHAN
Chairman

INAUGURATION OF "KVB TOWERS"

Commercial banking in India could boast a history of about 200 years. Though one could trace the history of banking from the 18th century, the beginning of last century saw the birth of many banks in certain parts of the country set up by people with vision and national spirit. The Karur Vysya Bank Limited popularly known as KVB was such one to be set up in 1916 by two great visionaries and illustrious sons of Karur, the Late Shri M.A. Venkatarama Chettiar and the Late Shri Athi Krishna Chettiar to inculcate savings habit and to provide financial assistance to traders and small agriculturists in and around Karur. Though the Bank had a small beginning with Rs.1 lakh capital, the Bank had borne myriad changes and challenges in the past decades so fruitfully and profitably to emerge as one of the leading banks in India with strong and healthy fundamentals. Though it had inherited a regional flavour to start with, it has now spread its wings far and wide with 206 branches in 10 States and one Union Territory with a specialised Forex branch in Tiruppur. The Bank has been conducting its affairs with meticulous care to be in conformance with all prudential standards and exacting statutory regulations.

KVB has been continuously posting encouraging results in all crucial areas of banking, be it in rise in deposits, growth in loan assets with quality, extension of credit to priority sector borrowers, financial support to export sector, judicious funds management, increase in profit, improvement in productivity of employees and development of human capital. KVB has all along been maximising the shareholders value by providing superior returns to them by paying attractive dividends as also bonus shares.

The Bank's high performance is being shown in good light by the professional journals and financial newspapers and the Bank is being rated as one of the top five banks in India based on the Balance Sheet performance of all banks as of 31st March 2000.

Realising that it is very imperative to stay ahead with the latest developments in the evolving digital era, KVB is rapidly computerising its operations with in-house developed "Gayathri" Software. More than 80% of its business turnover is being generated by the computerised branches. It has already introduced 'Anywhere Banking Convenience' facilities for its customers by inter-linking 3 branches at Karur, the Bank's Headquarters, as a part of its technology upgradation plans and will be shortly networking its branches in select centres and installing ATMs in prime locations. With a view to providing modern banking service, KVB has already installed its first ATM at Karur on the 28th February 2001 and will be positioning its 2nd ATM in the new branch to be opened on the 18th March 2001 in KVB TOWERS, Teynampet, Chennai.

The Bank is offering attractive schemes to suit the needs of the depositors with competitive rates of interest. Similarly, the Bank is offering tailor made credit products with competitive pricing to meet the requirements of different class of borrowers – blue chip corporates, mid sized companies, high networth individuals, exporters, traders, agriculturists, etc.

KVB believes that size does not matter but the shape with inherent strength and capacity to be in tune with the changing needs of the customers. KVB has got the advantages of the small without the disadvantages of being big. KVB views their business of business is winning and keeping the customer contented and satisfied and is preparing for the future with the customers as the key for a successful tomorrow. It defines its success in terms of profit and above all the customers' perception about it. Its 'name' song has been 'Take care of the customers, bottomline will take care of itself'.

The Bank has always been in the forefront when it comes to witnessing any national call. It had donated Rs.10 lakhs to the Chief Minister of Andhra Pradesh towards "A.P. Cyclone Relief Fund" in 1996 and Rs.10 lakhs towards "Kargil Defence Personnel Relief Fund" in 1999. It is now donating a sum of Rs. 15 lakhs towards "Gujarat Earthquake Relief Fund". KVB has been promoting various social, cultural and developmental activities.

The Bank is professionally managed and guided by the Board of Directors drawn from different disciplines with vision, experience, knowledge and business acumen. The Bank has been giving attention to the development of its people by providing them with ample opportunities on the premise that if it builds people they will build business. KVB is bracing itself to face the challenges of the future in the new millennium with a young, alert and knowledgeable team. The Bank's total business edifice, both deposits and advances, are expected to be in the region of Rs.8000 crores by the turn of the current year and a business turnover of Rs.8000 crores has been projected for March 2002.

The inauguration of "KVB TOWERS" in Chennai by His Excellency Dr.C.Rangarajan, Governor of Andhra Pradesh on the 18th March 2001 is a defining moment and a significant event for KVB.

(Rs. in crores)					
Year	1995-96	1996-97	1997-98	1998-99	1999-2000
Capital	5.98	6.00	6.00	6.00	6.00
Owned Funds	89.01	121.48	161.29	194.06	260.70
Deposits	1158.80	1575.45	2137.85	2537.93	3090.61
Advances	824.30	956.26	1154.70	1447.88	1807.30
Net Profit	12.24	26.06	43.54	37.04	71.14
Dividend	45%	50%	50%	50%	60%
Branches	181	191	196	202	206
EPS (Rs.)	53.67	60.12	72.57	61.73	118.57
Book Value (Rs.)	148.23	202.50	268.81	324.43	434.50

Dr. C. Rangarajan
Governor of Andhra Pradesh

Hearty Welcome to the Governor of Andhra Pradesh for the opening of "KVB TOWERS" in Chennai

The Chairman and the Board of Directors of
The Karur Vysya Bank Limited
request the pleasure of your gracious presence
on the occasion of the
Inauguration of their New Premises
'KVB TOWERS'
(568, Anna Salai, Teynampet, Chennai - 600 018)
On Sunday, the 18th March 2001
His Excellency **Dr. C. Rangarajan,**
Governor of Andhra Pradesh
has kindly consented to inaugurate the premises.
Venue : Kamaraj Memorial Hall, Teynampet, Chennai.
Programme:
10.30 a.m. : Vocal concert By Kalamamani, Sangeetha Sudarsani Sudha Raghunathan & Party
12.00 Noon: Inauguration
ALL ARE WELCOME

THE KARUR VYSYA BANK LTD.
HEAD & CENTRAL OFFICE, KARUR-639 001
THE BANK THAT BUILDS CONFIDENCE

BOARD OF DIRECTORS

Shri.A.D. Navaneethan	- Chairman
Shri.Athi. S. Janarthanan	- Director
Shri.M. Naganathan	- Director
Shri.T.R. Ramanathan	- Director
Shri.G. Sarangan	- Director
Shri.A.K. Praburaj	- Director
Shri.M.G. Sankaranarayanan	- Director
Shri.M.K. Srinivasan	- Director
Shri.G. Rajasekaran	- Director

With best wishes from :

GOVERNOR

RESERVE BANK OF INDIA
CENTRAL OFFICE
SHAHID BHAGAT SINGH ROAD
MUMBAI-400 001, INDIA.

MESSAGE

I am happy to note that Karur Vysya Bank is moving its operations to a new building "KVB Towers" at Chennai. New technology and modern practices are increasingly becoming a pre-requisite for keeping pace with the global and domestic competition in the banking and financial sectors. I am glad that Karur Vysya Bank has been focussing on these aspects and I expect that the bank would continue to strengthen its position amongst its peers in the coming years.

I take this opportunity to convey my greetings and good wishes to the management and employees of the Bank.

10th March 2001

Bimal Jalan

KVB TOWERS
CHENNAI

The inauguration of KVB Towers at Teynampet, Chennai

The biggest challenge then was the continuing of the ATM drive. By then, the installation of the machines was in full swing. The initial ATMs were installed just outside existing branches, a logic that most banks including the bigger ones followed at that time. The reasoning behind this was that in all likelihood, 90 per cent of the customers of any bank would reside within two kilometres of the branch and so would come in to collect their cash. However, certain branches began to have as many as 200 visits a day. This was studied, and based on statistics, more ATMs began to be installed in the vicinity of branches and at prominent public locations. One of the chief challenges was to get elderly customers to use the ATMs, as these customers formed the bulk of those who visited a bank to withdraw cash. As P.T. Kuppuswamy often said, the world was getting divided between the computer literates and the illiterates, and it was the duty of institutions such as KVB to help the latter move over to the former category. One of the greatest fears that visitors to the ATM counter had in the early days was that the machine would electrocute them. P.T. Kuppuswamy recalls that it was the then manager of the Chromepet branch who hit upon a solution – "A clerk was stationed next to the machine and he patiently demonstrated it several times over to the people who came to withdraw cash. The elderly were assisted and also advised about being cautious over Personal Identification Number (PIN) and passwords. Gradually, confidence was established. We then followed the same tactic at other branches also."

However, what ought to have been smooth progress was somewhat impeded by the Unions. Resistance gathered momentum in 2002 against the continued installations of ATMs, on the grounds that it was at the cost of jobs. P.T. Kuppuswamy recalls, "Issuing countless circulars assuring the staff that not one of them would be retrenched and that in the event of re-deployment all care would be taken for transfers to remote locations, far away from place of residence, would be minimised." But this was to no avail and the Union called for a strike. It lasted for two days, when after hectic negotiations with the Board, it was called off. The Union was made to realise that the only way forward was to embrace computerisation and that would be in the long-term interests of the bank.

The rewards were however quick in coming, especially by way of greater customer accretion and appreciation. If in 1998-99, a Business Today-KPMG study had ranked KVB as one of the top five banks in the private sector and had rated it number one among the old private sector banks, the subsequent year was to see it among the top five private sector banks, including the new generation banks. KVB had clearly made the transition and had proved that age was no bar when it came to embracing technology. In 2003, the bank was rated seventh in a study of the top 50 banks in India, conducted by *Business Standard*. A year later, *Business Today* was to rank KVB among the 21 fastest growing companies of India. The surveyed population comprised 483 listed companies and KVB was the only bank that made it to the final ranking.





Above: Dr C. Rangarajan, Governor RBI, inaugurates KVB Towers and Below: The Board in 2001 with Chairman A.D. Navanaeethan



M.K. Venkatesan,
Director 1992-2000; 2003-2009; 2014- till date

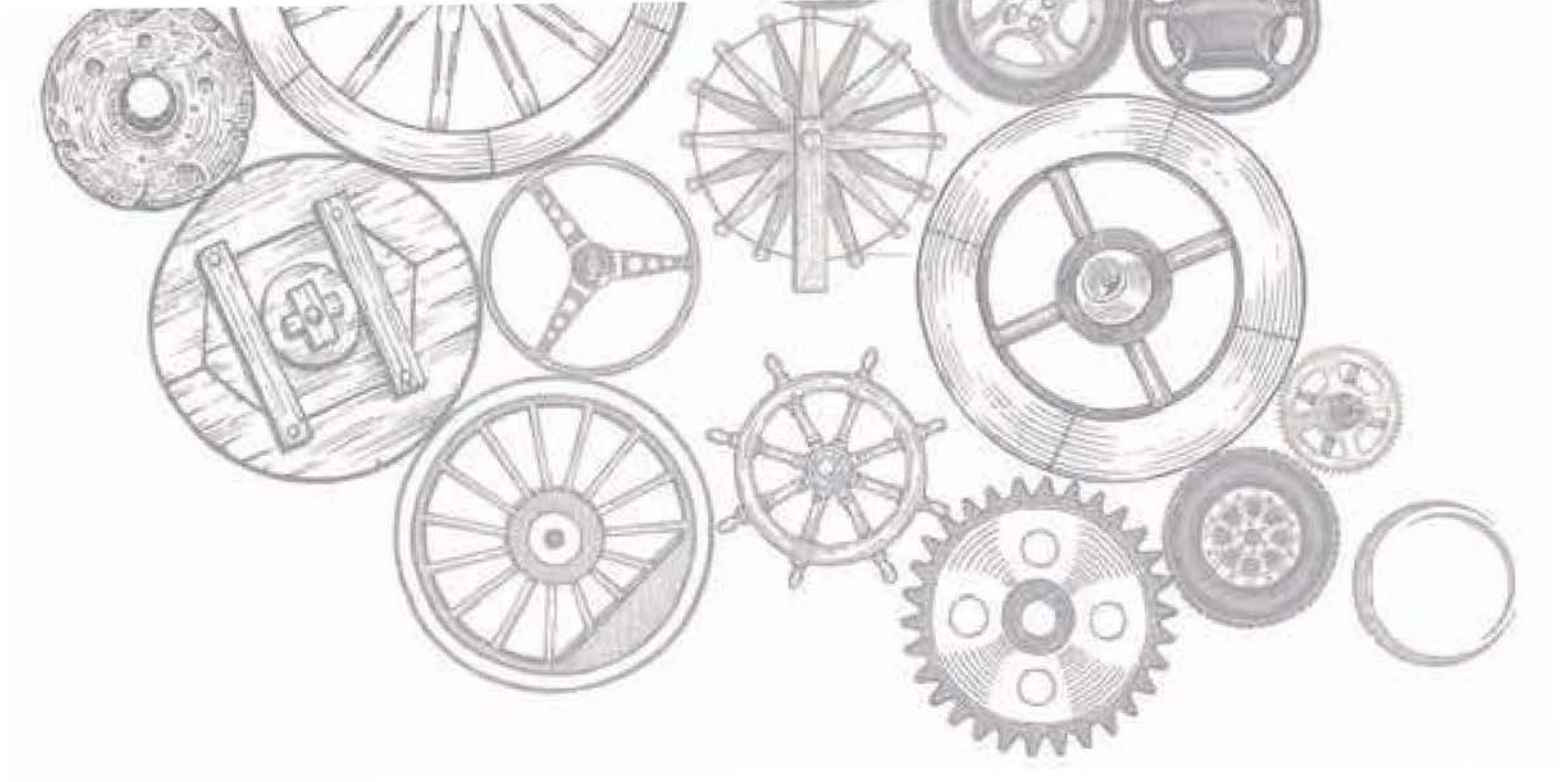
Realising soon enough that having a standalone ATM service was not as beneficial as being networked with other banks, KVB began scouting around for tie-ups. In November 2003, it launched a smart cash debit card powered by Visa for which the technology came from Financial Software and Systems (FSS). The bank entered into an ATM sharing agreement with UTI (now Axis) Bank for this. The Visa Electron international debit card could be used as an ATM card through the networks of Visa, KVB and UTI Bank, apart from merchant outlets. Cash withdrawals of up to Rs 15,000 and purchases of up to Rs 15,000 a day could be made. The issued cards were valid for making transactions in India, Nepal and Bhutan. Speaking at the launch, P.T. Kuppuswamy said the bank had moved in the right direction to provide yet another value-added service to its customers, expecting a large conversion of ATM cards into debit cards. He said the bank had installed 85 ATMs and had high penetration in urban and semi-urban centres in Tamil Nadu and Andhra Pradesh.

One of the deterrents in this implementation was the prohibitive cost of a hardware component termed the Switch. Most of the larger banks had gone in for outright purchase and then entered into an annual maintenance contract with the vendor. KVB was to think imaginatively. It entered into a pay per use agreement for the Base 24 switch and saved costs. This was a first in the country and soon other banks followed suit.

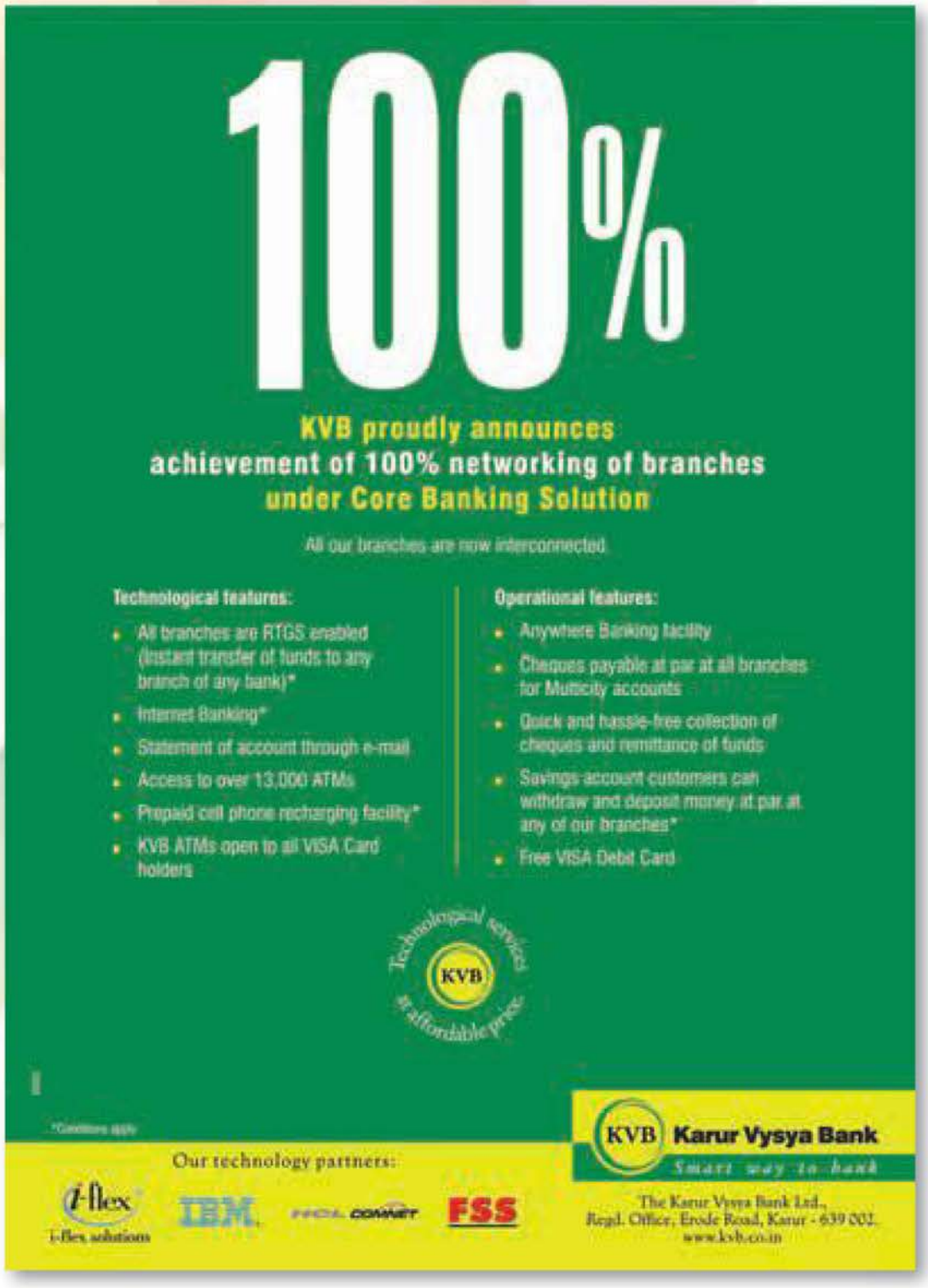
About this time, KVB was also to partner with others to start new ventures – Canbank Computer Services Limited in 1994 and National Collateral Management Services Limited in 2004.



The continued thrust on ATMs; launch of the bank's mobile ATM



CHAPTER - 13



A proud moment – KVB announces that all its branches are networked

Core Banking and Beyond

In May 2007, KVB expanded its tie-up for ATMs, becoming part of the Mitr network with five others – Punjab National Bank, UCO Bank, Oriental Bank of Commerce, Indian Bank and IndusInd Bank. This increased the network to 2,600 ATMs across the country. The amount permitted per withdrawal was also enhanced to Rs 25,000.

Shortly before embarking on its technological drive, KVB went in for a major brand makeover. Positioning itself on the technological platform, the bank adopted the tagline "Smart way to bank". R K SWAMY BBDO was the agency that was hired to create the brand colours and logo, besides advising the bank on its advertising strategy. A largely popular TV commercial depicting people of all ages seeking shelter from the pouring rain under a bus shelter bearing the KVB brand logo was produced. Several other campaigns highlighting the healthy mix of tradition and technology at KVB were also planned subsequently.

With these successes, the stage was set for the next major activity – bringing in of Core Banking Solutions (CBS). This is a networking of branches, which enables customers to operate their accounts and avail banking services from any branch of the bank, regardless of where the actual account is maintained. The customer thereby ceases to be an account holder in a particular branch but becomes the valued client of the bank as a whole. In 2003, the number of banks that had begun the exercise and failed was far higher than those who had successfully implemented it. KVB decided to go ahead nevertheless. The task began with the evaluation of hardware and software. P.T. Kuppuswamy recalls that even prior to his becoming the Chairman, the bank's technology committee comprising some of the Board members had set the process in motion, by discussing the main issues such as hardware to use, software to deploy, the location of the data centre and training of the staff. The choice of IBM as the vendor for hardware was a fairly quick decision but the software required a lot of deliberation. The bank finally zeroed in on FLEXCUBE, a banking solution now a part of the Oracle Financial Services suite.

The plan was to begin the implementation from a small branch so that the new technology would not disrupt day-to-day operations. The Purasawalkam office of KVB was chosen for the first installation. PT Kuppuswamy recalls that many people suggested the Whites Road office because this was the leader in terms of number of daily transactions.



At the signing of an agreement with M/s. i-flex for implementation of "Flexcube" software



A.J. Suriyanarayana,
Director 1997-2000; 2010- till date

"I was clear that we could not implement it in a big branch because of the risks involved," he says. He could not help recalling as to how in the previous bank where he had worked, the implementation began at the Parliament Street branch in New Delhi keeping in mind the prestige of the location. The implementation ran into trouble and it took a year to rectify matters. P.T.K. says, "So we started with a medium branch. And then rolled it out in a batch of 50 branches each. What we used to do was train half a dozen people on one branch, transfer them to another branch. Like that, within a few years, we completed the core banking implementation in all the branches."

However, one of the biggest obstacles was that very few of the staff was familiar with working on a graphic user interface. "That was the biggest challenge," recalls Suriyanarayana. "Till in-house software was used, everyone managed with the keyboard. There was no Graphic User Interface (GUI). FLEXCUBE is a Windows-based platform. People were not comfortable using the mouse. Microsoft and vendors helped us in the training process. The staff was given training for Windows - booting, shutting down, handling the mouse, and all the other operations. We were aware that not everyone would have used the computers even in the branches. Such people were given other work to do." A core implementation team was handpicked and Suriyanarayana recalls the role played by S. Nagarajan, who was Senior General Manager and took forward the Board's initiative to migrate to the new technology.

The implementation was not without its road bumps but the matter was taken up on a war footing. The team at KVB recalls with evident pride the speed of implementation, for it took just about a year for the bank to get core banking operational in all 250 of its branches.

Those who worked on the exercise give the Management all credit, stating that "the members were the visionaries. We got the best of IT in terms of cost and we went ahead. There was no mental block about new things, and everyone worked together on core banking solutions". In any change, some initial hesitation was bound to be there at least till everyone could see the benefits. At KVB this was overcome by handling the staff's concerns very well. Soon the bank moved on to alternative channels – branch banking to mobile and net banking. In a smooth transition, 56 per cent of all transactions today are through alternative channels. Digitisation is the way now, the customer having to come to the bank personally only for special transactions.



'KVB Ninety –Techie' is new refrain

G Goromothy
Coimbatore, July 14

It is not just another coinage of a new slogan. Rather, it is a response to changing times from a banking institution in an era marked by technology-driven customer service, alongside prudent financial management.

'KVB Ninety -Techie' is the slogan from Karur Vysya Bank on its completing the 90th year of service in banking, a remarkable feat for an old-generation private sector bank. The new slogan, according to Mr P.T. Kuppuswamy, Chairman, KVB, is to symbolise the financial soundness and technology adoption of an institution built astutely for over nine decades.

Established in 1916 by Mr M.A. Venkatarama Chettiar and Mr Athi Krishna Chettiar to meet the credit needs of farmers, trade and businesses in the backdrop of World War I, KVB started with a capital base of Rs 1 lakh. Today, it is marching with a total business of Rs 13,000-crore (end-March 2006) and its own fund base of over Rs 871 crore.

The bank's financial soundness and administration prowess had led the RBI, in the mid-1960s, to rate KVB a strong candidate to take over four other banks. Excerpts from an interview with Mr Kuppuswamy:

Current trend in banking and KVB's placement

Though the banking industry had shown growth in 2005-06, it is not expected to sustain at the same levels on assets and liability sides this year. But KVB is confident of outperforming

Mr P.T. Kuppuswamy

Having achieved 100 per cent branch networking, we have demonstrated that we are a match for any new-generation private sector banks, both in adoption of technology and core competence.

the industry's average growth of 15 per cent.

Future scenario for KVB

We have multi delivery channels, adapted ourselves to the technologically changing environment and enjoy a financially good track record – hence the new slogan 'KVB Ninety-Techie'. KVB is poised to open 30 new branches (currently 242 branches) and these would be inter-connected under core banking solution. We have targeted achieving Rs 17,000 crore total business for 2006-07 (against Rs 13,000 crore in 2005-06) and have already reached Rs 14,000 crore.

On the bank's non-performing assets

KVB's gross NPA was brought down to Rs 223.15 crore (3.91 per cent) from Rs 241.91 crore (5.20 per cent) as of end-March 2006.

Net NPA was brought down to Rs 44.83 crore from Rs 75.75 crore (from 1.66 per cent to 0.81 per cent). We are confident of bringing it down further this year.

Scope for smaller banks remaining competitive in the present high-tech age

Small banks have more manoeuvrability to adapt themselves to changing market conditions and customer demands.

Having achieved 100 per cent branch networking, we have demonstrated that we are a match for any new-generation private sector banks, both in adoption of technology and core competence.

Adoption of risk management and KVB

KVB is not looking at Basel-2 from the compliance angle but looks at it as a means to adapt ourselves to global standards and practices for risk management reflecting the bank's efficiency and perception of risk management. We are keen to get the RBI's nod for adopting at the earliest the IRB approach to credit risk management.

KVB's future thrust

Providing enhanced service at affordable price, leveraging technological competencies with pan-India coverage. Its profit earning and dividend payment has been consistent since inception (100 per cent dividend consecutively last three financial years).

Its net owned fund of Rs 871.63 crore consists of the ploughed back profits.

The bank had proposed an additional 20 per cent dividend this year, it being the 90th year celebration.

The bank is coming out with a 1:1 bonus issue and a rights issue of 2:1 (for every two shares held, one share will be allotted as rights share).

An interview with Chairman P.T. Kuppuswamy on the occasion of the 90th Anniversary Celebrations

The effect on the bank's branches was startling. In the years 1989 to 1992, the Chennai main branch had a staff strength of 65. In 2002, thanks to computerisation and core banking, the place operated with just about 20 people and handled several times the original volume of business. Today, it reaches out to more people, more e-lobbies and branches than before. Around a thousand people are serviced in one branch. When a person issues a cheque, he can check its status from anywhere.

The bank's processes changed completely with technical advances. Digital Management Systems were implemented for loan processing. Today, when a customer gives a set of documents for availing a loan, it is scanned and flows in a digital form to the decision-making desk in the central office for due processing. The digital system is designed in such a way that the mandatory documents can be tracked. At the central processing centre, all the data is analysed. The system calculates the amount of loan to be sanctioned from the various ratios in the balance sheets. This has brought down the turn-around time to minimum.



The bank crosses Rs 25,000 crores business



A.K. Prabhuraj,
Director 1997-2004; 2014- till date

The implementation of core banking remains a highpoint in KVB's history, one that everyone working there recalls almost emotionally. More importantly, it catapulted the bank into the league of the premier private banks of the country, the ones that had come in post liberalisation. Suddenly everyone sat up and took notice of what KVB had done. A.J. Suriyanarayana remembers that a large nationalised bank sought KVB's advice on the core banking solution it ought to select and the methodology for implementation. This would have been unimaginable a couple of years before.

According to Kuppuswamy, getting customers to appreciate the technological advances that KVB had managed was not so easy. "They clubbed us conventionally with the traditional banks and did not believe that we were more like the newly established private banks. This had to change and to make sure this happened, we began publicising our technology friendly attitude at all available forums."


KVB Karur Vysya Bank

INVITATION

90th Anniversary & Founders' Day Celebration

90 Years

The Chairman and the Board of Directors of
THE KARUR VYSYA BANK LIMITED
request the pleasure of your gracious presence
on the occasion of the
90th ANNIVERSARY &
FOUNDERS' DAY CELEBRATIONS
on 15th July, 2006 at 6.30 p.m.
at Sri Ramakrishna Kalyana Mandapam,
Arasampalayam Road, Coimbatore.
Smt. SHYAMALA GOPINATH
has kindly consented to inaugurate the celebrations and
deliver the commemorative lecture
Felicitations by
Dr. B.K. KRISHNARAJ VANAVARAYAR
S.Nagarajan
Chief General Manager

The invitation for the 90th Anniversary Celebrations of KVB



M.G.S. Ramesh Babu,
Director 2006-2014

"KVB Ninety-Techie" became the new slogan. Unveiling it on July 15, 2006, on the eve of the ninetieth birthday celebrations of the bank, P.T. Kuppuswamy declared that, "This is not just another coinage of a new slogan. Rather, it is a response to changing times from a banking institution in an era marked by technology-driven customer service, alongside prudent financial management." The message he reiterated was "to symbolise the financial soundness and technology adoption of an institution built astutely for over nine decades".

The celebrations were held at Coimbatore with Shyamala Gopinath, the then Deputy Governor of the RBI being the Chief Guest. On the occasion, she unveiled the special 90th year logo of the bank that also had the KVB Ninety-Techie message incorporated into it. Kuppuswamy spoke at length to the press on the occasion and his interview with a financial daily carried several details of the core banking exercise and also the financial health of the bank. KVB had by then invested about Rs 60 crores in core banking solutions alone, all of it between 2002 and 2005. By then, the average annual spend on technology had been around Rs 15 crores for the previous five years. This expenditure, said the Chairman, was customer focused, even as it continuously aimed at improving security measures. All the bank's branches, including the rural ones, were networked. At the same time, the costs of such measures had never been passed on to the customers. The bank's motto, said P.T. Kuppuswamy, was best services at affordable technology.

This was, however, to be no one-off exercise and the thrust continued. In its 90th year, the bank aimed to open 60 more ATMs and expand its branch network. There were seven lakh ATM cardholders who banked with KVB by then, and the bank looked at increasing this number to one million within a year. As far as its branches were concerned, it had by then identified 100 centres in the country where it wanted to be present. It already had offices in 45 of these and it planned to close the gap within the next few years. Already by 2006-2007, the bank had an objective of opening 30 more branches of which six would be in rural areas. By then, the bank was present at 245 locations across the country, of which 200 offices were in South India. The plan was therefore to expand in the North and the West. Staffing these new branches was not to be a problem. As it had committed to the Union that it would not retrench, KVB found that it had enough people to man the new offices after some amount of training and redeployment. Thus, an officer puts it, within the next few years, "the branch network doubled. It was as though we created another KVB from within ourselves".

KVB's core banking efforts could not have been better timed for it was also in 2006 that the RBI began to take steps to bring in standards and codes for the industry at large. The Banking Codes and Standards Board of India (BCSBI), constituted as an autonomous and independent body, came into existence. Its purpose was to measure the performance of banks against codes and standards in established practice. It was intended to serve as a self-regulatory organisation that would improve the quality of customer services in the Indian banking system.

The procedure involved banks registering themselves with the Board as members, the criteria for membership being the standard codes set by the Board. It had to monitor and assess compliance with the standards and codes. The registration of banks with the BCSBI enabled the Reserve Bank to play a large role in supervision of the sector. The code of Bank's Commitment to Customers was released on July 1, 2006 and was the first formal collaborative effort by the Reserve Bank, the banks, and the BCSBI to provide a framework for a minimum standard of fair practices for various banking transactions to benefit individual customers. Many banks would struggle to implement this but KVB, with its new-found technical backbone, had the issues well in hand.



K. Rosaiah, then Finance Minister, Govt. of Andhra Pradesh, launches KVB Depository Services in Hyderabad

KVB Karur Vysya Bank
Smart way to Bank

A DECADE OF PROGRESS

(Rs. in Crore)

Year	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Capital	6.00	6.00	16.41	17.98	17.98	17.98	49.49	53.94	53.95	54.44
Reserves	322.78	424.11	542.27	694.05	742.90	853.65	1013.67	1136.06	1296.21	1565.54
Owned funds	328.78	430.11	558.68	712.03	760.88	871.63	1063.16	1190.00	1350.16	1619.98
Capital Adequacy Ratio										
-Basel I	15.58%	16.90%	17.01%	17.11%	16.07%	14.78%	14.51%	12.58%	13.08%	12.48%
-Basel II	-	-	-	-	-	-	-	-	14.92%	14.49%
Deposits	3615.25	4180.06	5121.92	5811.48	6672.19	7576.83	9340.29	12549.90	15101.39	18271.85
Advances	2254.15	2460.03	3344.40	4023.24	4619.80	5700.89	7194.37	8568.84	10562.90	13675
Investments	1234.39	1538.91	1845.08	2173.01	2219.03	2208.13	2873.95	3528.33	4715.98	6640.44
Gross Income	515.05	587.01	648.07	721.87	703.92	771.45	986.55	1280.33	1711.30	2004.92
Net Profit	72.05	108.51	124.97	161.05	165.34	135.35	160.01	208.33	235.84	336.03
Dividend	60%	70%	70%	100%	100%	120%	100%	120%	120%	120%*
Branches	200	211	214	223	231	238	269	288	312	335
EPS (Rs.)	120.08	180.85	156.28	89.58	58.59	28.29	32.80	38.62	43.71	62.23
Book Value(Rs.)	547.97	716.85	340.45	396.05	423.22	484.80	197.09	220.61	250.35	297.8
No of Employees	2856	2865	2933	2949	2811	2908	3290	3580	3941	4175

A decade of progress

In terms of its performance too, the bank was at its best in its 90th year. It had accomplished a total business of Rs 13,000 crores for the period ending March 2006. The banking industry itself had done well till then, though there was apprehension that the good times would not last. But KVB declared confidently that it was expecting to outperform other banks by at least 15 per cent. It aimed to achieve business worth Rs 17,000 crores in the financial year ending March 2007 and this looked achievable, as even by July 2006 business had crossed Rs 14,000 crores in value. The bank's non-performing assets (NPAs) had also started coming down. Buoyed by these figures, KVB, which had been declaring a 100 per cent dividend over the previous three years, announced an additional 20 per cent to commemorate its reaching the age of 90. It also announced a bonus issue of shares in the ratio of 1:1 and a rights issue at 2:1.

By then, the bank's significant achievements had caught the attention of the stock markets. It's earning per share stood at Rs 75.28 and its reserves at Rs 853.65 crores on an equity base of Rs 17.98 crores. The last named would increase to Rs 54 crores post bonus and rights issues.

Joining the Board in the bank's 90th year was M.G.S. Ramesh Babu, the great-grandson of the Founder Director, M G Sreeramulu Chettiar. A leading exporter of textiles, he actively contributed to the technology and foreign trade initiatives of the bank.

The momentum that the bank built up in its eighth decade was to continue into its ninth decade. The steps in technology were perhaps the most visible. In January 2006, KVB announced mobile banking services. This enabled savings and current account holders to view account information such as balance, transaction status and cheque status by sending text messages via cell phones to the bank. They were also able to issue request for cheque books, issue stop payment instructions on cheques and enquire about their term deposit status by the same process. Daily alerts on account balance could also be received. All of these were free of cost.

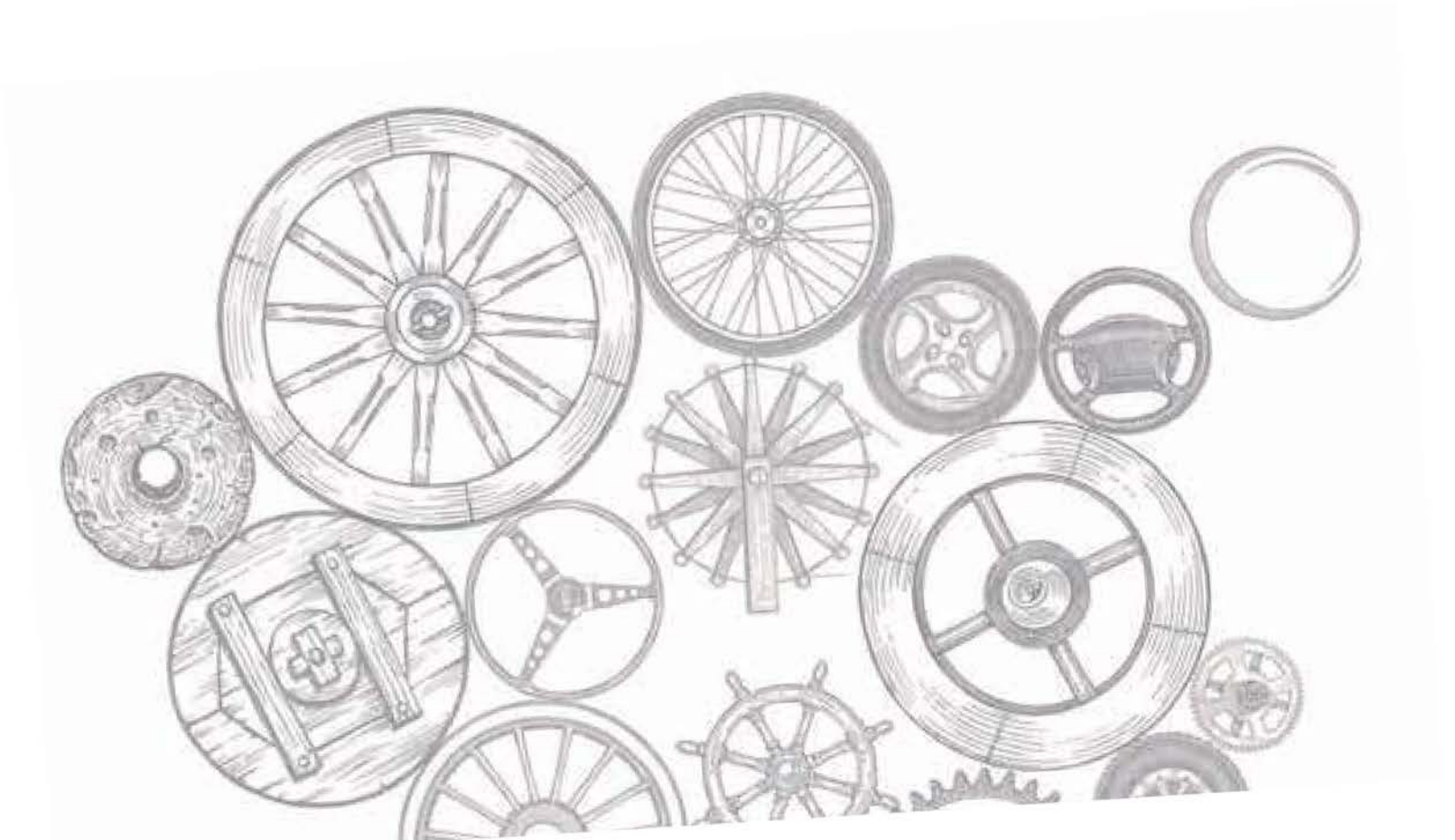
KVB implements core banking solution

TIRUCHI: Karur Vysya Bank has successfully implemented core banking solution in 153 branches and offices covering total business of over 80 per cent. The bank has already implemented RTGS (real time gross settlement) facility. As the income from the operations has been steadily improving, the bank has planned to give further thrust in improving advances with particular accent on lending to small and medium enterprises and retail finance, a press release of its chairman, P. T. Kuppuswamy said. The bank's focus on bancassurance has started yielding better dividends. Going forward, this will stand the bank in good stead by bolstering its non-interest income, the release added. — Our Special Correspondent

A major milestone for the bank was its implementation of core banking

This was a time when a number of initiatives were brought in throughout the banking world in India by RBI regulations. Electronic payment systems got a fillip when RBI introduced Real Time Gross Settlement (RTGS) in 2004, and the National Electronic Funds Transfer (NEFT) facility went live in 2005. In 2006, the RBI mandated that all banks had to offer 'no frills' accounts for people who were financially disadvantaged. It also brought in Cheque Truncation System (CTS) that speeded up clearance of payments made by cheque, using image recognition. The Indian Financial Service Code (IFSC) was made mandatory on cheques by 2007. A new system called National Electronic Clearing Service (NECS) having centralised capabilities was brought into operation in 2008 and this depended heavily on the core banking solutions of member banks. In all of these, KVB was at the forefront of implementation, thanks to its IT strengths. For instance, when the RBI wanted to have a pilot run of the CTS, it selected five banks – three public sector institutions, a new generation private bank and an old private bank. KVB was the choice in the last-named category and implemented the scheme successfully.

This period also saw new business concepts in banking services being implemented in the under-banked and unbanked centres of the country. While relaxing the branch licensing policy, RBI made it mandatory for banks to open a certain number of their branches in unbanked centres. As part of the financial inclusion programme, no frill accounts were opened and business correspondents, who would visit the villages to help them with their banking transactions, were appointed by banks. Many ultra small branches were opened by KVB.



CHAPTER - 14



KVB's Training Centre at Karur

People Power

How did KVB manage this huge transition from a largely traditional bank to a modern, hi-tech smart financial institution? While much of the credit for this has to be attributed to the vision that the Board had, the employees too put in a magnificent effort to make it happen. Such a mammoth exercise would never have been executed so smoothly had it not been for the team spirit that permeated the bank as a whole. When asked about this, most senior executives attribute the success to good human resource management.

The bank was experienced in people management since its inception. We have already seen as to how in the early years KVB had resorted to practices that were far ahead of its times – performance- linked rewards, a system of apprenticeship with the bank ahead of confirmed employment, a Board that believed in keeping its expenses to a minimum thereby showing the way for the staff and above all, care for the employees.

Many of those interviewed for this book opined that the Board's considerate handling of people has resulted in low levels of attrition within the bank. The Directors from the promoting families have ensured a high degree of continuity in the bank's culture. Thus on the present Board we have M.K. Venkatesan representing the M.A. Venkatarama Chettiar lineage while A.J. Suriyanarayana and A.K. Praburaj are from the Athi Krishna Chettiar line. M.V. Srinivasamoorthi represents the M.S. Govindarujulu Chettiar family while G. Rajasekaran is from the K.N. Viswanatha Chettiar clan. "We are finance people, and have been financiers for generations. It is in our blood. At home our conversation was always about the bank; when we meet as a family for functions, for outings, temple visits, we always end up talking about KVB.We have a very affectionate Board, they do not look at people merely as employees, that is why you see this loyalty. Everyone is considered a participant in the business. When we hire new people, we look to them for fresh ideas and when we find some of them feasible, we implement them at once," says M.V. Srinivasamoorthi. His father, M.G. Vivekanandan recalls how he and other Board members knew every employee by name.



M.V. Srinivasamoorthi, Director 2015- till date

KVB was a pioneer in introducing a number of employee benefit schemes. These were brought in from the 1980s and there were pleasant surprises for the staff almost once every five years. In 1988, it was the announcement of ex gratia payments as a share of the profits that the bank made at the end of each year. The payments then made were Rs 1,500 for executives, Rs 1,000 for staff and Rs 750 for sub-staff. The amount has been periodically increased in keeping with the times. Strictly speaking, ex gratia is at the discretion of the Management and is disbursed only in years of good profit. But the KVB Management has always taken into account employee expectations while deciding the amounts, even in years when the business was tough. The Management has always considered its employees as the "KVB Family" and so has always taken a benign view in matters of rewarding them suitably.



The sylvan colony where officers reside in Karur



Officers at the Staff Training College in Karur

The Employee Stock Option was yet another scheme that made employees, stakeholders in the development of the bank. This was introduced at KVB in 2008. Though such shares can be sold in the market after a lock-in period, most employees have preferred to hold on to them, such being their faith in the bank.

A Tamil proverb has it that acquiring a house and conducting a wedding are the two toughest tests that any individual can face. KVB was sympathetic to its employees in these matters and introduced loan schemes long before other private banks. Marriage loans were sanctioned first for weddings of daughters and as times changed, the facility was extended to weddings of sons too. It is significant that eligibility for this loan was not subject to a minimum number of years of service in the bank. The terms of the housing loan for employees at KVB are said to be one of the best in the industry. While this was initially applicable only to employees who had completed a certain number of years with the bank, this condition was soon waived, at the behest of a new recruit! The person concerned was very keen on applying to a well-known insurance behemoth for a housing loan but found the terms daunting. His frustration was made known to A.S. Janarthanan who called him for a personal discussion on the subject and at the end of the meeting decided to throw open housing loan facilities to all employees irrespective of when they joined the bank. It is this accessibility and personal touch that makes employees develop an attachment to the bank. "You work with self-respect and dignity. Nowhere else will you see this. KVB gives you all comfort and you have a sense of ownership. We continuously update knowledge of banking, develop skills and there is the environment to learn and express ideas freely,"says a senior executive.

Another practice at KVB also won employee goodwill. Bipartite settlement between the Indian Banks Association (IBA) and the individual banks on wages is usually done every four years. The implementation of the terms of the agreement is usually a laborious process at any bank and the time for modifying the payroll can last anywhere between 15 and 18 months. In order to mitigate the impact on employees, KVB began to make an ad hoc payment pending the outcome of the discussions. This greatly reduced the quantum of arrears and also meant the employees had the money earlier than their counterparts in other banks.



Officers at the Staff Training College in Karur



KVB's first staff training centre at Salem

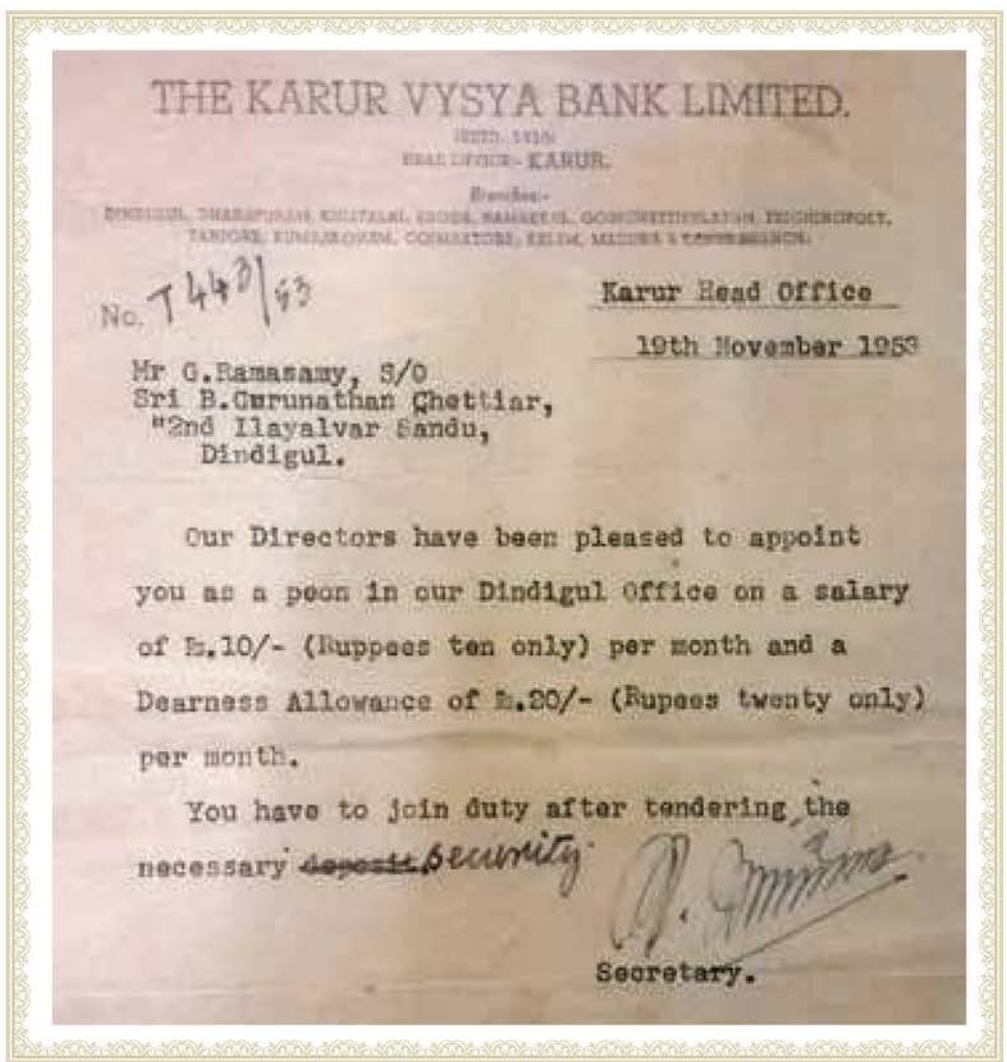


Officers at the Staff Training College in Karur

Employee safety and well-being is a matter of top priority at the bank as well. As an illustration of this, seniors in the bank recall an instance in a Hyderabad branch when a man bringing in cash was attacked and stabbed. This resulted in an ugly situation where the branch manager was gheraoed by an emotional crowd. The reaction from Karur was swift. An officer was deputed to go at once to the branch and be with the manager till the police enquiries were conducted and peace restored.

Two important factors contributed to the continuation of this emancipated attitude to people even as the bank expanded– an enlightened HR department in the bank and an active Staff Training College (STC). The former became an entity by itself sometime in the 1970s when its functioning was entrusted to B. Lakshmanan, son of Balagurumurthy Chettiar who as documented earlier, was one of the pillars of the bank in its early years. Lakshmanan ran the department for several years in his capacity as Deputy General Manager. In 1994, the HR Department was headed by a rather remarkable personality – N.S.V. Guptha who had joined the bank as a peon and by diligence worked his way up to the position of Executive Director. This rise was also an indication of how merit was the sole criterion at KVB for career advancement and not the level of entry into the bank or family background. Guptha's tenure in HR was the first time the bank saw a marked increase in its recruitments and he was to provide the required impetus for this.

By the mid 2000s, the nature of HR challenges had changed. Now it was a question of keeping the attrition levels low by motivating employees and ensuring that the bank did not fall below market rates in remuneration. Also given that KVB was doubling its branch network, hiring had to be quicker. Fortunately the basic systems were already in place. M.G. Vivekanandan recalls the time when he and other Board members would have to interview the new recruits. "We were given a file of questions that we needed to ask," he says. "I still look at it sometimes and I am surprised at the way those are relevant even today." Peopled as it was then with staff who had been for several years with the bank, the HR department was in a good position for taking on the challenge. Recounts G. Rajasekaran, who has made a substantial contribution in the area of HR, "The team knew what kind of people it wanted and set about hiring them from all over the country. Advertisement campaigns were run, the bank conducted exams, visited numerous campuses and made pitches wherever it felt it could recruit. KVB then had around 2,600 people on its rolls. This had to increase to 5,400 within a short while if the expansion plans had to remain on track. By 2014, the numbers had reached7000! There were days when the HR personnel interviewed 30 to 40 people every day. At the end of it all they were hiring around 30 per cent of the numbers evaluated and out of that around 15 to 20 per cent actually joined. They then had to be moulded to fit the bank's expectations. This was not easy, for by then, people came from diverse regions of India and varied cultural backgrounds. The bank had to train the recruits, and speedily so.



THE KARUR VYSYA BANK LIMITED.

(ESTD. 1916)

HEAD OFFICE:- KARUR.

Branches:-

[illegible]

No. T 448/53

Karur Head Office

19th November 1953

Mr G.Ramasamy, S/O
Sri B.Gurunathan Chettiar,
"2nd Ilayalvar Sandu,
Dindigul.

Our Directors have been pleased to appoint you as a peon in our Dindigul Office on a salary of Rs.10/- (Ruppees ten only) per month and a Dearness Allowance of Rs.20/- (Rupees twenty only) per month.

You have to join duty after tendering the necessary ~~deposit~~ Security

Secretary.

Letter of appointment in 1953

"Once recruited, we give them a few simple tenets to follow - This bank has a great reputation, its uniqueness comes from all the employees saying the same things. Be polite, take swift action when someone does something against the bank. Customers are masters. Pass on the business to your colleagues if you cannot manage it. Do not talk too much, confine yourself to good behaviour."

But this had to be structured and for that KVB already had a Staff Training College (STC) in place. In his speech at the inauguration of the central office at Karur in 1983, the then Chairman G. Venkatesam dwelt on the birth of the STC and formal training at KVB: "Realising the need for training of personnel, the bank established in the year 1976, a Staff Training Centre in Salem, where courses are conducted for different levels – Managers, Officers and Clerks. The bank also deputes its personnel to various reputed training institutions such as the Bankers' Training College, Bombay, the Southern India Banks' Staff Training College, Coimbatore, etc." Now in the new millennium, while deputing senior people to the other institutions mentioned was still done, the bulk of the staff had to be handled by the STC, which soon shifted to Karur.

For several years, the STC was taken care of by TV Chari, an employee of long standing. In 2000, N. Ramachandran, one of the General Managers of the bank, was designated the Principal of the STC. A stereotypical approach was followed till then and the executives of the bank largely handled the training. With a fresh outlook being needed, the STC prepared a training schedule and outline based on the staff's own thinking and care was taken that this did not become regimented and pedagogical. Over a period,the STC introduced a structured curriculum that included courses on customer service, marketing, credit management, human relations and various operating procedures.

Today, the STC is a busy place the year round with training programmes being conducted for all grades of employees. Books and manuals covering various aspects of the bank's functioning, banking etiquette and ethics and above all, the products and services of KVB are regularly brought out and these form the course curriculum for the training. According to senior executives with the bank, thanks to this training,the banking knowledge of KVB personnel exceeds those of their counterparts in other commercial banks. Even during consortium meetings, the bank's officers have come in for high praise from senior officials of other banks on their thorough knowledge of banking regulations.

Having handled the recruitment and training challenges, the bank did not overlook attrition. This has traditionally remained low chiefly because the Board ensured that people felt happy working for KVB. The millennials may be a generation that believed in rapid job changes but salary has never been the sole consideration for this. Realising early on that job satisfaction is what people look for, KVB began working on this aspect. Once in the bank, employees rapidly get into the groove, attend to the clients, start serving and become the link between the bank's management and the customers. Work satisfaction also comes about through continuous rotation in job responsibilities and roles, to ensure that fatigue does not set in. At KVB, the average employee starts at the counter at the age of 23 or 24 and after five or six years, becomes eligible for promotions and higher responsibilities. People do not stagnate in the same cadre for years. Performance is recognised and career opportunities are offered to the employees to climb the corporate ladder.



Senior Executives with Board Members



KVB's in-house magazine - Gayathri

"We follow the IBA salary structure, ex gratia is given and people are eligible for medical benefits, allowances and performance incentives right from when they join, so they enjoy themselves and stay on," says G. Rajasekaran, one of the Directors. "We take care that women employees are posted where their husbands work. In addition, we have been meticulous in acquiring residential quarters for all our managers in all locations where we are of a reasonable size. While this also adds to the bank's stature, it also means that housing travails for our staff is minimised each time a transfer is made. This is our human touch and it always works."

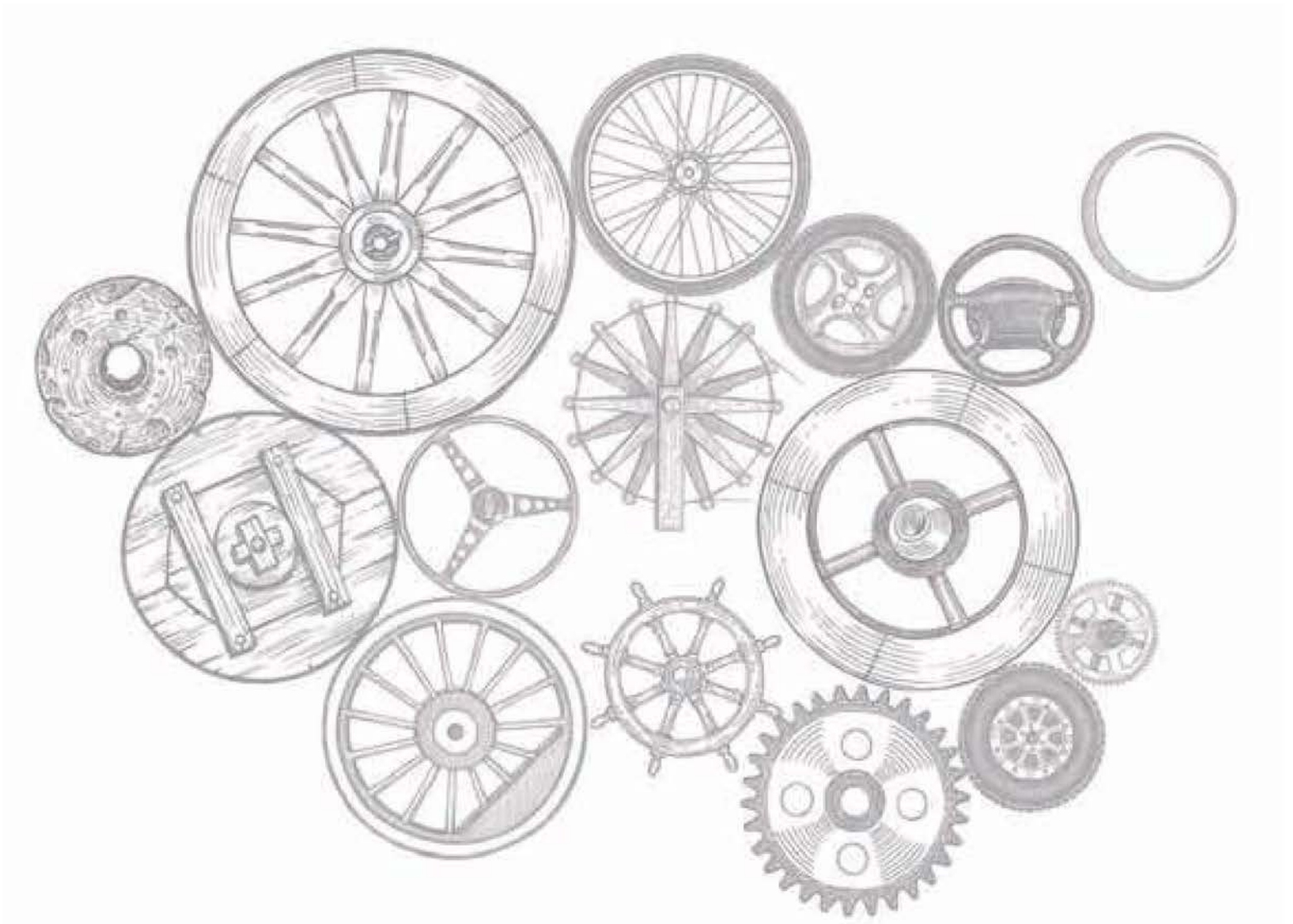
The bank also fast-tracked promotions. In most banks, the promotions from Assistant Manager to Manager to Senior Manager would happen every three years. During 1996 and 1997, more manpower was needed due to expansion activities. From that year on, promotion of officers happened on an annual basis. The bank also began recruiting women and today they form 33 per cent of the staff. The average age of the employees has fallen from 48 to 30. More young people are in the bank now and that adds to the vibrant atmosphere.

Today, a HR department has to create an environment in the organisation for people to work happily. The bank is taking the required measures for creating such an environment. It is considerate in assigning postings, as for instance, accommodating newly-married couples. It solves genuine problems to ensure loyalty. The new recruits are so well-informed that they are familiar with the bank's practices. When they come for an interview, they have already envisioned the organisation/industry they want to be in and have mapped out their careers as well. Most have great familiarity in using IT as a tool. Therefore, the bank too has adapted to the changing scenario and went digital in its training process. The basic system has remained the same in principle but has been adapted to fit in with the times. The bank however still looks for knowledge, skill and commitment. These are the constants that will never change.

KVB has won many awards on the people front – the Best Employer Award given by Public Enterprise College, Hyderabad, three years in a row, HR Leadership by the IBE for Global HR Excellence, to name but a few. But the best recognition has come from the employees who enjoy working for the bank and give it their best. After all, the bank's success can be largely attributed to the sincerity, dedication and integrity of its employees over the years.



Employee Conclave



CHAPTER - 15



Dr A.P.J. Abdul Kalam at the Founders' Day Celebrations at Karur in 2007

Products and Services for All

In March 2009, at Suriyur, on the occasion of the inauguration of its 285th branch, the bank announced that two new schemes would be implemented by June. These were Bank at Your Doorstep (BATD) and Quick Cash Remittance (QCR). Under BATD, which was once again a response to RBI directives of the previous year, if a customer wanted to deposit money in the bank, he could call up the branch manager and the money would be collected from his home. In the QCR scheme, the customer would have to put the cash he wanted to deposit in an envelope and give it to the manager who would in turn ensure that the amount was remitted to the account. The handing over of the cash was to be video-recorded. The QCR scheme was introduced at the main branches in Karur and Coimbatore.

The bank's investments in technology were lauded by none other than the Hon'ble A.P.J. Abdul Kalam, former President of India when he came to attend the Founders' Day celebrations at the bank on August 25, 2007.

It was not as though the rapid adoption of IT was the only factor that contributed to the bank's growth. If in 2007 there were 277 branches by Founders' Day, today the number is over 675. To have achieved this in nine years is a remarkable feat. The staff rendered surplus by the IT push was to all be successfully deployed in these new branches. Yet another factor contributing to its growth was the slew of products that it introduced to serve its customers better.



Tie-up with Bajaj Allianz General Insurance Co. Ltd. for distribution of General Insurance Products



Tie-up with Birla Sun Life Mutual Fund for selling MF Schemes



Launch of Prestige SB Account

In this, the bank claims that it has something for people of all age groups from the young to the very old. Similarly, it caters to a wide gamut of sectors from agriculture to industry and to a broad range of enterprises. Let us take a look at some of these. Apart from the services that any bank would offer, KVB has many that are unique. In some cases, it has tweaked what were plain services as well. One product is aimed at women – the KVB Shakthi Savings Bank Account. Now hugely popular with women, for whom it was specifically intended, it has low entry loads – an initial deposit of Rs 1,000 and an average balance of Rs 5,000 to be maintained. The account comes with a whole host of features – free debit/ATM card for the first year, free net banking, free mobile banking, free demat facilities in the first year, waiver of charges for Demand Drafts, Funds Transfers and Pay Orders up to Rs 1 lakh per month, loan facilities and accidental death insurance coverage of Rs 1 lakh.

A long-standing product aimed at children is the KVB Jumbo Kids Savings Bank Account. This made waves in the 1970s when KVB personnel would visit schools and distribute orange coloured piggy banks shaped like elephants to children who were encouraged to save money. The idea being that the money would eventually be deposited in specially opened accounts at KVB. This has continued to be a popular product aimed at children below the age of 12. Also centring on the same idea of savings by young people but focused on campuses, is a host of services offered under the umbrella of KVB E Campus for educational institutions employing a minimum of 25 people. This portfolio has savings products – current account for the institution and savings accounts for its owners/trustees, employees and students. A product on similar lines for corporates – KVB Corp provides current account and loan facilities for the company with SB accounts and personal loans for the employees.

The KVB Rainbow Savings Bank Account (RBSB) has been another successful product. Built on the principle of high liquidity and maximum returns, the product has a low entry barrier of Rs 3,000 to be maintained as a minimum balance. If the amount in the savings account is in excess of Rs 15,000, the surplus will be transferred to a fixed deposit in multiples of Rs 5,000 at the end of every Sunday. The fixed deposit is opened for a period of 91 days and if need be, can be redeemed with the payouts being made on a last in first out basis. This account is a perfect blend of all the good features of a savings bank account and a fixed deposit account.





Signing of MoU for PoS Services

Under Current Accounts, chiefly targeted at traders, businessmen and corporate bodies, one of the most successful products is the Multi-City Current Account. Customers are divided into six categories based on the minimum account balance they maintain, and the charges for services offered each month depends on the average balance maintained in the previous month. Under Fixed Deposits, the Thirumagal Thirumana Thittam has already been referred to in an earlier chapter. KVB's Manimala is one of the most popular schemes under Recurring Deposits. A variant of this is the Moneymala Plus that allows for varying amounts to be deposited each month. The bank has also launched a centenary cash certificate scheme to coincide with its 100th year.

As far as advances or the asset side of business is concerned, KVB matches what it offers on deposits with as much variety as possible. Keeping in mind the traditional business portfolios that it lent to and grew with, the bank has products designed industry-wise – its Steel Plus, Pharma Plus, Textile Plus, Rice Plus and Timber Plus need no explanation. The same offering has been extended to owners of mobile equipment such as JCBs as well. It will be remembered that jewel loans were how the bank really began and it is interesting to find that its Swarnamithra scheme is still in vogue and among the most popular. T.R. Ramanathan, a former Director of the bank recalls how during an inauguration of a branch the chief guest joked about KVB still doing business with a pair of scales – a reference to its proclivity for gold loans which involved the weighing of the jewels to determine value. "Those were the days when such a business was not considered to be in vogue. Everyone wanted to lend to industry. We also did but we never forgot our roots and kept the jewel loans portfolio alive. It is interesting to now find that every bank offers these gold loans", he says.

KVB's Varthaga Mitra is aimed at traders. "If you are a trader and require finances for your working capital requirements, the Varthaga Mitra Scheme is a preferred choice," says the bank's web site. "It helps you deal with day-to-day expenses that may arise, allowing you to carry on your business activities smoothly. You have to provide real estate as primary security to be considered for the loan, with the compulsory condition that the security is fully insured".





KVB launches its Gift Card (top) and Multicurrency Travel Card (below)

Having been founded by small entrepreneurs, it is perhaps no surprise that the bank has a number of products on offer for this category. The Micro Small and Medium- sized Entrepreneurs (MSME) group has the KVB MSME pack that helps with working capital requirements, secured overdraft facilities, term loans, bill discounting, overseas travel loans, purchases of vehicle loans and export assistance facilities. There are also several offerings for NRIs. The backbone of the Indian economy - the farmer - too is not neglected and there are several products for the agriculturist. Besides these, there are varied plans for those wanting to acquire housing, professional, personal and education loans.

The wide network that KVB had meant that other companies with financial products began to approach the bank with a desire to tie up and make use of the channel. As early as in 2003, we see an announcement to the effect that the Export Credit and Guarantee Corporation (ECGC) had tied up with KVB for covering various risks encountered by exporters and importers. KVB began its foray into what is known as bancassurance in 2004, when Birla Sunlife Insurance inked an agreement with it to sell its life insurance products via the bank's channels. In 2005, the same was signed with Bajaj Allianz to market its non-life insurance schemes. A co-branded effort, KVB Suraksha covers household belongings against all risks, baggage, personal accident cover (accidental death only), medical expenses owing to an accident and breakdown of home appliances.

Close on the heels of bancassurance came bancinvest – the providing of equity trading and depository services. KVB now has what is called a three-in-one product in collaboration with Religare – the bank provides savings and demat facilities, while the service provider handles online trading.



Signing of an MoU



Signing of an MoU

From insurance and equity to mutual funds was but a step. KVB inked MoUs with six leading Mutual Fund AMCs in the country to market their schemes. Speaking about offering other financial products at the bank's counters, P.T. Kuppuswamy, then Managing Director and CEO of the bank, says "This was the first step taken in making KVB a financial supermarket to provide the entire gamut of financial services to customers." Given that KVB was already into bancassurance and depository services, mutual funds were a welcome addition to the bouquet.

The momentum of products was to be a continuous feature, irrespective of changes that took place at the senior level in the bank. In 2011, P.T. Kuppuswamy demitted office and was succeeded to the post of Managing Director and Chief Executive Officer by K. Venkataraman, a veteran in the banking industry with experience of more than three decades, his last posting being MD & CEO at SBI Global Factors, Mumbai.

When P.T. Kuppuswamy laid down office after a remarkable nine years, first as CMD and then as MD & CEO, business had grown by as much as 544 per cent up from Rs. 6,640 crores in 2002 to over Rs. 42,770 crores. As many as 158 branches were added during his tenure.

It will be recalled that KVB had forayed into credit cards in collaboration with Canara Bank. At that time, the concept was still in its infancy and there were not many takers for it. In its 95th year, the bank forged a strategic alliance with SBI Cards, India's leading credit card issuer. KVB SBI co-branded Visa credit cards were launched on February 24, 2012.



K. Venkataraman the present MD inside the Mobile ATM



Launch of Maestro Debit Card

Other significant card offerings from the KVB bouquet are the KVB Multi-currency Travel Cards which can be loaded with 8 foreign currencies, KVB Prepaid cards which can be loaded with cash and used for purchases, KVB Gift Card, a convenient gift option and the RFID Card which serves as a multi utility card for access, making payments, etc.

Transaction Banking Services were launched at the inaugural of the Centenary Celebrations. This is an integrated transaction banking solution on the electronic platform offering services that include Cash Management Services – Collections, Receivables and Payments, Supply Chain Finance Products – Vendor, Dealer and Purchase Order finance besides handling IPO and Dividend / Interest warrants.

Handheld GPRS and Mobile Point of Sale (PoS) machines have been deployed at merchant establishments.

The bank has also entered into Preferred Financier arrangements with leading automobile manufacturers for both passenger and commercial vehicles.



Two other initiatives have made sure KVB remains at the top of the customer convenience initiatives. The bank introduced Cash Deposit Machines or Bunch Note Acceptors at various locations, becoming a pioneer in this. These have the capability of identifying, counting and detecting Indian currency notes. These machines accept genuine and fit Indian currencies and reject deeply cut, soiled and fake or suspicious notes. Customers could deposit cash 24X7 into their accounts directly through this and get instant credit. The other is the BNA recycler that allows deposit and withdrawal of cash.

Since then, other products have been launched. For instance, the mobile revolution has seen the bank launch its e-book, an internally developed app, which enables the customer to access a host of non-financial services. It would perhaps be best to summarise that such events and new additions have become a part of the core structure of the bank.

Founders' Day Through the Years

The Founders' Day Celebrations at KVB are a tradition of relatively recent origin, begun at the initiative of A.D. Navaneethan when he was Chairman. "Personally speaking, my most memorable moment in the bank was being asked to deliver the inaugural Founders Day Oration on July 15, 2002. I had retired from the bank on May 31 that year. It had been a long-time dream of mine to initiate an occasion to celebrate the spirit and memory of the founders and I was elated at being granted the honour," he says. This had over the years grown in stature and grandeur, and in 2007, it was the 'People's President' as he was called, who was Chief Guest. Several celebrities from the world of finance and elsewhere have been chief guests. It serves as an occasion to reward long-serving and outstanding staff besides renewing the commitment of the bank to its founders' ideals. We present a few snapshots from various Founders' Day programmes.

2002



Founders' Day at Karur with former CMD A.D. Navaneetham as Chief Guest

2003



Founders' Day at Chennai with N. Rangacharry, Chairman, IRDA as Chief Guest

2004



Founders' Day at Hyderabad with Vepa Kamesam, former Deputy Governor, RBI as Chief Guest

2005



Founders' Day at Bangalore, with Hon'ble Justice Rama Jois, former Governor of Jharkhand & Bihar, as Chief Guest

2006



Founders' Day at Coimbatore, with Shyamala Gopinath, Deputy Governor RBI, as Chief Guest

2007



Founders' Day at Karur with Hon'ble A.P.J. Abdul Kalam, former President of India as Chief Guest

2008



Founders' Day at New Delhi with Sheila Dikshit, former CM of Delhi as Chief Guest

2010



Founders' Day at Mumbai, with S.S. Tarapore,
former Deputy Governor RBI and noted economist as Chief Guest

2011



Founders Day at Madurai, with His Excellency Dr. K. Rosaiah, Governor of Tamil Nadu as Chief Guest

2012





Founders' Day at Vijayawada, with His Excellency E.S.L. Narasimhan, Governor of AP as Chief Guest

2013



Founders' Day at Salem with Hon'ble Justice C. Nagappan, Judge, Supreme Court of India as Chief Guest

2014



Founders' Day at Ahmedabad, with Anandiben Patel, CM of Gujarat as Chief Guest

2015



Founders' Day at Karur, with G.M. Rao, Chairman, GMR Group as Chief Guest

What they said about KVB

Sri C R Srinivasan *on the occasion of KVB's Silver Jubilee Celebrations in 1941 – "Here is a bank that differentiates money lending from banking."*

Sri R Venkataraman *on the occasion of inauguration of KVB's new Central Office in 1983 – "I am happy to find that Karur Vysya Bank has a good infrastructure and it is almost a unique example for others to follow. They have financed small scale industries and a number of other ancillaries. That a bank with an equity capital of Rs. 40 lakhs has made Rs. 32 lakhs profit is matter of great bank management."*

Dr. Manmohan Singh *on the occasion of KVB's Platinum Jubilee celebrations in 1991, -"The performance of KVB in the matter of productivity is to be emulated by public sector banks."*

Sri P. Chidambaram *during the 80th Anniversary celebrations of KVB in 1996 - "KVB is to be congratulated for its standing as one of the leading Banks in the private sector. KVB is one of the safest banks."*

Dr. C. Rangarajan, *while inaugurating KVB Towers at Chennai in 2001 - "KVB can be regarded as a fine example of how a medium-sized bank can effectively play its part in promoting the regional development and attending to the needs of small and medium entrepreneurs."*

Smt. Shyamala Gopinath, *Deputy Governor, Reserve Bank of India on the occasion of the 90th Anniversary celebrations of KVB in 2006 – "KVB is almost on par with new generation private banks in technology. It has implemented Core Banking Solution across the bank including rural branches. Using this technology platform, it has enabled multiple delivery channels viz., ATM network, VISA Debit Cards, Mobile Banking and Internet Banking. All these initiatives are indeed a fitting tribute to the visionary founders of KVB."*

Dr. A P J Abdul Kalam, *Chief Guest at the Founders' Day celebration in 2007 - "I would like to quote Mahatma Gandhi who had said, "The difference between what we do and what we are capable of doing would suffice to solve more of world's problems." This has been proved by the Karur Vysya Bank by rising to the occasion, facing challenges and coming out gloriously from every situation."*

Smt. Sheila Dikshit, *Chief Guest at the Founders' Day Celebrations in 2008 – "KVB being a small bank is not only a beautiful bank but also a special bank. The bank has maintained its standards over the years, helping various types of entrepreneurs – big, small and micro and thereby created a niche for itself amongst the customers."*

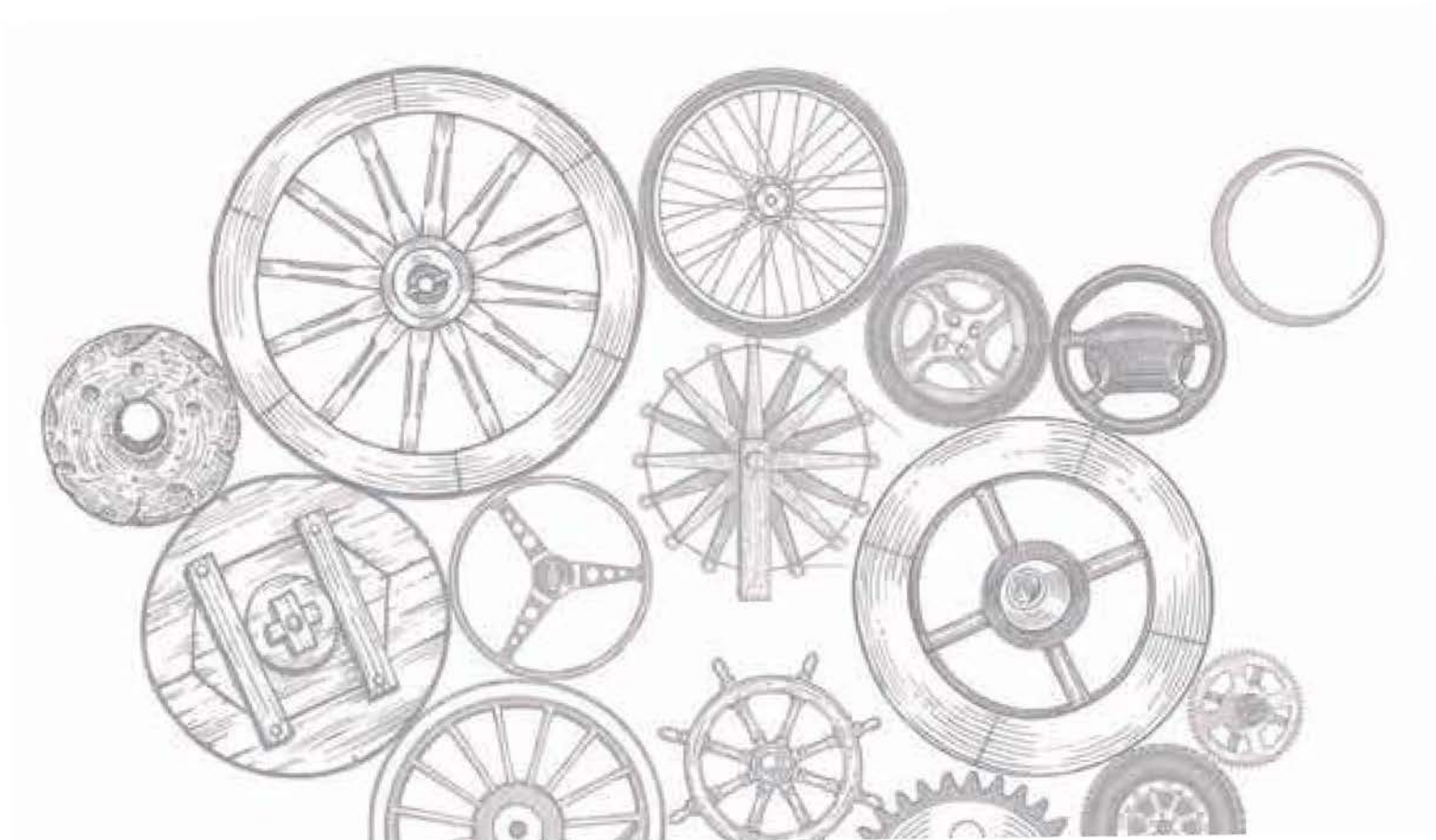
Sri K. Rosaiah, *H.E. the Governor of Tamil Nadu at the Founders' Day Celebrations in 2011 – "Karur Vysya Bank is a doyen in the banking sector built on the edifice of trust, faith and efficient and quick service. Efficient functioning of the bank and sustained efforts of each and every officer and staff has placed the bank on a high pedestal in the banking sector. Services of Karur Vysya Bank are appreciated by the customers and that is the real strength of the bank."*

Sri E.S.L. Narasimhan, *H.E. the Governor of Andhra Pradesh at the Founders' Day Celebrations in 2012 – "A bank customer looks for confidence. What we look at is whether our deposits are safe; whether the bank is dependable and what is the state of NPAs. I must say that banks like KVB whose NPA is almost nil, inspires confidence among the public."*

Hon'ble Justice C. Nagappan, *Judge, Supreme Court of India, New Delhi Chief Guest at Founders Day Celebrations in 2013- "KVB has grown phenomenally in all aspects of banking and secured a prominent position in the banking industry and also made easy reach to customers having presence in pan India. I must say that NPA level of the Bank is less than 1% which is very much meagre, this could be only because of the customers."*

Smt. Anandiben Patel, *Hon'ble Chief Minister of Gujarat, Chief Guest at the Founders' Day Celebrations in 2014 – "Nurturing an organisation for 100 years without any kind of hindrance is a big task and there are very few banks who have performed this task successfully and Karur Vysya Bank is one of them. I congratulate all of you for this success."*

Sri G.M. Rao, *Group Chairman GMR Group of Companies at the Commencement of Centenary Celebrations in 2015 – "During the last century, KVB has surmounted several challenges with the determination to forge ahead, setting an example for tomorrow. The Bank's growth is based on its vision, passion, values and good governance and by putting the institution before individuals".*



CHAPTER - 16



The above is a colour photograph of a giant mural of 12ft x 10ft size on a wall of the Bank's New Central Office Lounge providing visual relief and lending colour and beauty to the hall. This mural is made out of beaten copper, oxidised and enamelled with bright colours depicting the industrial, agricultural and other comercial activities of the Bank.

The Voice of the Customer

In its 100 years of existence, KVB must have interacted with several thousands of customers, holding different and diverse portfolios. What is interesting is that their voices have been preserved over the decades, at least from the 1960s onwards, by way of letters. They are in many ways, a record of the best historic accounts of how and why the bank fared so well in its first century. Let us hear some of their voices.

In the first decades as we saw, KVB largely dealt with jewel loans, extended facilities against commodities and invited savings deposits, within Karur and in a few other towns of what was then Madras Presidency. That era is best summed up by Dewan Bahadur K. Sundaram Chettiar in his speech on the occasion of the Silver Jubilee of the bank. It must be remembered here that Sundaram Chettiar was a customer of the bank. The Silver Jubilee souvenir notes that in his speech he said, "As a depositor of the bank he had intimate knowledge of its growth from the beginning. He appreciated the efficient management of the Board of Directors, which was responsible for the present strong position of the bank."

District Judge S.V. Chari was an account holder at Kulithalai, and in his message to the bank on its completing 25 years, he says "I know how efficiently the Kulithalai branch has been managed and how popular it has become. The branch has gone far beyond its local rivals in satisfying the needs of the public. May it continue to flourish." True to his words, it has.

P.A.P. Kumarasamy Mudaliar is a voice from the 1960s, and in a way representative of the way KVB's hometown has grown. In the 1940s, his firm began in a small way in the domestic textiles business. Since the 1980s, it has been into export. The entity opened its first account with KVB in 1966 and now banks with the main branch in the town. "It has proved a lucky mascot for us – *raasiaana* bank. Whether it was Bujanga Rao, Raghavachari, Saranyan, Bhaskaran or Navaneethan, we could approach all the Chairmen without hesitation. Service was prompt, cheques are cleared at once and we are informed. Someone from our firm visits the bank daily, for collection deposit, usually the same person – Sellamuthu – goes to the bank. 20 years ago it looked ordinary, now the main branch looks posh. But the top-class service has remained the same.

> As one of the depositors in this Bank for a long time, I can say that the steady rise in the amount of fixed deposits, which alone is that main source for the strength and growth of a bank of this kind, is a sure sign of the popularity of this bank.
>
> – *Dewan Bahadur*
> *Sri. K. Sundaram Chettiar,*
> *Retired High Court Judge, Salem - 1941*

I have been watching the rapid and satisfactory progress of the Bank from its beginning and from the way in which the directors and the Secretary were satisfactorily conducting its affairs, I always expected the Bank to have a bright future and the fact that its Jubilee is to be celebrated now has more than fulfilled my expectations.

– *Dewan Bahadur*
Sri. C.V. Venkataramana Iyengar
B.A., B.L F.R.S.A. Coimbatore - 1941

We began banking with them because they are local, and are in the neighbourhood. A well-known family runs the bank. They have gained a name for themselves. Their success is due to the hard work of the management and staff, customer loyalty and shareholder support, all together. Karur has developed, employment has gone up, and house loans are taken. We do our exports and KVB does its duty. I feel I have a right to ask the bank to help me develop. After all, the bank has seen me do well. We are loyal customers. We have helped the bank grow. We recommended the bank to others, gave a certificate to them."

V.R. Gopanna Chettiar was an employee of KVB's from the 1940s. His family decided to get into the pharmaceutical business in the 1960s. Shakti Medicals came into existence in 1965 and has over the years expanded to comprise eleven entities. All family members have however never forgotten their progenitor's advice – "My life, growth, your life and growth are all due to KVB. You promise you will continue to bank with KVB no matter what happens." The family has continued to honour this, considering this message to be "God's words". As per Shyam Sundar, the founder's grandson, each time a manager is transferred out of a branch at KVB, clients actually weep out of sorrow at parting, such being the close relationships that incumbents build with account holders.

When V.N. Chokkalingam, a landlord in Karur, decided to get into the iron and steel business, it was KVB that he turned to for his first loans. This was chiefly because A.S. Janarthanan was his neighbour. "We grew, and our acquaintance with KVB along with it. They trusted us, their first loan supported us, the Board of Directors had trust in our family, they knew my father, when you grow with the bank they know your financial history. Our requirements grew, we ploughed back the money, increased our business volumes. We have a Rs 250 crore turnover."

Sanstar Bio-Polymers Limited is another customer who has been with KVB since the 1960s. Headquartered in Ahmedabad, it first banked with the Sevvapet Branch in Salem. Gautam Chowdhury, the Managing Director recalls making trips with his father Sohanlalji Chowdhury to Karur to get overdraft facilities of Rs 2 lakhs. Now the limits of the company with the bank exceed Rs 200 crores! Of the same vintage is the Amarjothi Group that is into finance, real estate and yarn spinning. Its relationship with KVB began in the 1960s when the promoters who were practising chartered accountants then, opened individual savings accounts. Those at the helm recall with affection as to how KVB had just one branch in Tirupur in the early days, a number that has grown to six now. "We would apply to the bank for seasonal loans to purchase cotton. We would get ad hoc loans at once. With the support of KVB, we invested in windmills in 2002. Towards this, they also extended loan facilities towards the windmill manufacturers themselves. We can never forget this. We are growing with KVB; its growth is our growth," says a note from the Group.

I offer the Directors and the staff my heartiest congratulations and send my best wishes for the Bank's prosperity. May the Silver Jubilee be followed in the fullness of time by the Golden Jubilee, the Diamond Jubilee and the Centenary

– *Dewan Bahadur*
Sri M. Venkatarama Ayyar,
Calcutta - 1941

In a similar vein, K. Paramasivam, Chairman of the Maharaja Group of Companies, headquartered in Erode says, "I started my business with a limited capacity to press edible oil. Now with the support of KVB, I have grown, having credit facilities of more than Rs 200 crores for all my Group concerns. Presently I am doing edible oil business, importing from Malaysia and Indonesia, running Arts & Science and Engineering Colleges and the Maharaja Theme Park, with the support of KVB." Also from Erode, and having a relationship with KVB since the 1970s is the famed Sakthi Masala Group. Its Managing Director Dr P.C. Duraisamy writes that its "overall banking experience with KVB is excellent". From Tiruchengode comes a similar endorsement, this from R. Radha of Ran India Steels (P) Limited. Like many others from this town, the company is into the business of drill rigs for bore wells, from where it later diversified into manufacturing steel bars and running luxury hotels. The Managing Director states that the easy accessibility of senior officials in KVB made doing business with the bank easy. Echoing this sentiment is a customer from Coimbatore, also of the 1970s vintage – T. Natarajan of Hindustan Hardwares. His tribute is in poetic Tamil. "Unlike the brother who does not help in danger, the rice that does not appease hunger or the water that slakes not the thirst, KVB is the only bank that serves as an umbrella come rain or shine," he says.

It will be recalled that it was in the 1970s that KVB expanded into Andhra, opening a branch first in Chittoor and then moving rapidly and successively into various towns. It is therefore no wonder that a number of businessmen and entrepreneurs have written in from that region, all of them dealing with the bank from the time it first opened its doors there. Nukala Venkata Venu Gopala Rao, the Managing Director of Sri Nukala Rama Koteswara Rao Textiles Pvt Limited based out of Guntur, remembers the time when his firm availed a loan of Rs 75,000 from the KVB branch there. "Even though the last 38 years have seen many changes in banking from manual to internet-based processes, there is no change in the way KVB maintains its personal relationships. We congratulate the top management of the bank for maintaining the same level of customer service." he writes. Endorsing this is a letter from Kumar Machinery, also of Vijayawada. "It is the only bank in India to care for its customers. Everything that is happening and the developments taking place are due to the blessings of Gayathri Mata." it states. Mohammed Usman who is the owner of Lucky Roadlines operating from Vijayawada states with emotion that if he is today able to offer employment to over 2,000 persons, it is thanks to the timely assistance of KVB.

The largest cache of congratulatory notes and messages is from customers who came in contact with the bank from the 1980s onwards. Andhra was still a focus as evident from the number of customers of that region who have written in from this period. The proprietor of Durga Silk Palace in Vijayawada recalls the time when the KVB branch began functioning in his town. "Since the starting of the branch, my business and family accounts are with our KVB only," he writes. "In KVB we can see transparency in all areas, we can easily reach out to higher ups without any hurdles and we witness a human touch in the entire hierarchy from the senior levels to the front desks." The Managing Partner of HRT Builders from the same town echoes this sentiment – "We find in KVB the highest order of professionalism. Their procedures are continuously upgraded to the latest standards of management practices and customer friendliness. The strength of the bank is in its modernisation, customer care and fair banking practices." Hyderabad-based MRL Posnet which is today in the space of point-of-sale automation services, also has a history of banking with KVB since the 1980s. A chance encounter between Kothapalli Rama Rao and A.S. Janarthanan led to a discovery that both wanted organised capital to reach the small/medium sectors in business. That resulted in the opening of KVB's Nidadavole branch. "The growth of our family can be mirrored in the increasing depth of our relationship with KVB over three decades," states a message from the company.

This was also the time when Coimbatore established itself firmly as one of the manufacturing centres of the country. Messages from that city also reflect this. K. Srinivasan, the Managing Director, Emerald Jewel Industry India Ltd., writes that his firm grew from being a proprietary concern to a private limited company thanks to support from KVB. He also states that KVB's achievements are manifold, "in spite of very tough competition from multinational banks, nationalised banks and other private sector banks. Needless to say, KVB is twinkling like a little star in the galaxy and it has obtained a well-deserved place in the banking sector". Dr J.G. Shanmuganathan of the Ganga Medical Centre and Hospitals Pvt Limited of Coimbatore states that he "cherishes the harmonious relationship" that has endured with KVB since 1986. S.V. Balasubramaniam, the Chairman of Bannari Amman Sugars writes that he is indebted "to the bank for coming to my rescue whenever I needed their help while banking with them since my industries have ups and downs in their operations". The owners of SKT Textile Mills of neighbouring Palladam forayed into looms, sizing units, spinning mills, wind farms and composite units, all with the help of KVB, from the early 1980s.

I am really pleased to hear that you are celebrating the Silver Jubilee of your Bank shortly. I observe that those connected with this successful institution can feel legitimately proud of its achievements during the 25 years of its existence. The success of joint stock banking is a mirror of the state of general progress and the tone of commercial morality prevalent in the land and we in South India can justifiably claim these virtues for our province based on the record of the working of the Karur Vysya Bank, Ltd. and other sister institutions.

– *Sri. T. T. Krishnamachari*
Union Minister of Finance, India - 1941

The Karur Vysya Bank Limited, Karur has made significant progress since its establishment in 1926. I am glad to learn that the Bank is planning to shift to a new and spacious premises. I wish the Bank all success in its endeavours.

– *Pranab Mukherjee*
Union Finance Minister - 1983

Thangaraju, who runs a successful bus bodybuilding business since 1984, has had a longer association. KVB paid his school fees in the 1950s through its Dharma Fund! In the 1960s, he was in the Home Guards when China invaded India. A.S. Janarthanan was then the platoon commander. He then joined the firm of Elgi and worked as a manager in the bus bodybuilding division. In 1984, when he decided to branch out on his own in the same line of business, it was KVB that he came to for help.

"Mr. Velappan was the branch head, I got an excellent reception from him; he encouraged me to take a loan. I was given it on the basis of having been the manager of a bus body building outfit, my character, discipline, past history. Velappan was a friend of a customer of mine, and there was no default on the loan. KVB has maintained the level of service all these years."

Thangaraju has it that KVB goes well beyond what is expected of it as a bank. Thus when he tried his hand in textiles and made losses, the institution helped him recoup. He also recalls how cheques presented by him were honoured based on the long-term business relationship he had with the bank, though he too ensured that there was no cause for any embarrassment on his part.

It will be recalled that this was when KVB began expanding its footprint in western and northern India, though that effort was to see its peak a couple of decades later. It is therefore natural that several letters have come in from Gujarat. Some customers from this region were banking with KVB even before it opened branches in their state. Thus Santosh Limited of Ahmedabad, which is into customised solutions in the agro-ingredients market, began its relationship from an account in the Salem branch and later extended it to Gujarat. It takes pride in the fact that KVB is its only banker. Amrit R. Patel, a Director of Signature Laminates, also of the same city, states that he will always remember with gratitude the support and encouragement received from KVB, especially in the days when he was just starting out in business.

The Asian Group that is into textile mills and steel tubes, recalls with pride its decades of association with the bank. A testimonial to KVB's speed of response comes from Prakash Bhagwati, the Chairman of Inspiron Engineering. Around 1995, he was banking chiefly with nationalised institutions and found that their procedures were very slow, especially at a time when he needed help urgently. The KVB branch manager on the other hand was most sympathetic and offered to help. The assistance required approval from KVB's Board and to get this done, the branch manager travelled by train from Ahmedabad to Karur. The approval was faxed across to Insprion just when the company was having its own Board Meeting! That expansion does not mean having to travel far is evident from the letter received from A Velliangiri, Deputy Managing Director of Tamil Nadu Newsprint and Papers Limited, Karur. This Government-owned behemoth was set up in 1984 with its first project in Pugalur, now better known as Kagithapuram (the paper colony). The company began with a capacity of 90,000 tonnes per annum of paper and today churns out 600,000 tonnes. KVB has walked hand-in-hand with the company.

The 1990s were when exports from India received the necessary emphasis and boost. Some of the accounts that were signed up then include Nayon Exports of Mumbai, a constituent of the Nayan Shah Group. Today, the entire group banks with KVB. The firms of Bait Al Taimur and Al Ashar Trading Co, also from Mumbai and into exports, recall the way their business grew with KVB. Maddi Lakshmaiah, the Managing Director of the eponymous business house from Guntur that is into tobacco packing and exports, states that what makes him bank with KVB is the quick response of its officials to all queries. Sunstar Overseas Limited of Delhi, which is into rice exports, remembers that when it began business, KVB had faith in their business prospects and expressed empathy. "We thank KVB for helping us realise our dreams," say its promoters.

I am glad to know that the Karur Vysya Bank Limited, Karur, has recorded a steady growth in terms of branches and banking operations. The services of this Bank have given a new impetus to handloom industry.

- *M. G. Ramachandran*
Chief Minister of Tamilnadu - 1983

The Karur Vysya Bank is doing commendable work in the semi-urban areas in Tamil Nadu, specially, among the handloom and power loom localities. I hope the Bank will continue to serve the weaker sections of the society.

– *Giani Zail Singh*
President of India - 1983

The same sentiments are expressed in the letter received from Sanjay Kumar Somani, Director of Somani Ispat Pvt Limited of Hyderabad. What began as a business with a turnover of Rs 140 crores in 1999 is today a formidable Rs 4,380 crores. The company's credit facilities with KVB have grown proportionately. Like the Somani Group, it is interesting to see letters of commendation from large industrial houses.
P.R. Ramasubrahmaneya Rajha, the Chairman of the Ramco Group states that his business is "extremely happy to be associated with Karur Vysya Bank" and notes that, "It is safe, reliable and courteous to customers." Manikam Ramaswami, Chairman and Managing Director of Loyal Textiles remembers that KVB "supported us through good times and also during difficult times. Its team of highly qualified and empathetic officers makes working with KVB a delight". G. Rajendran of the GRT Group states that, "KVB always upholds the values of tradition and at the same time never loses an opportunity to update itself with current trends in technology, innovative products and services." K.C. Palanisamy of Karur KCP Packagings Limited is emotional in his reminiscences of KVB. Opining that it is a matter of pride for Karur town that it has such a bank headquartered in it, he states that he, his family and his business interests have had long and very close associations with KVB. "A.S. Janarthanan and the Directors have always been most helpful and I can never forget all that they have done," he says.

Atul Punj, the Chairman of Punj Lloyd, signs off with a benediction – "I hope and believe, in all days to come, the bank with all its glory and goodwill to its credit, will continue to play its able part in the financial sphere and direct its efforts towards all round development of our country." We say amen to that.

Some Awards in the Last Decade



2007 – Financial Express Best Bank Award from P Chidambaram, Union Minister for Finance



2008 – CFBP Jamnalal Bajaj Award for FAIR Business Practices in Financial Category from Suresh Prabhu, Union Minister for Power



2009 – Business Today KPMG Best Bank Award for Productivity & Efficiency among mid-sized banks from Ashok Chawla, Finance Secretary, Govt of India



2010- IDRBT Banking Excellence Award – Special Award in IT Infrastructure Management - from D Subba Rao, Governor, RBI



2010 - D&B Best Private Sector Bank in Asset Quality Award from Dr M Damodaran, Chairman SEBI



2010 – Business World Best Small Bank Award from Pranab Mukherjee, Union Minister for Finance



2011 – Business World Best Small Bank Award from Pranab Mukherjee, Union Minister for Finance



2011 – Business World Fastest Growing Small Bank Award from Pranab Mukherjee, Union Minister for Finance



2011 – CNBC-TV18 MCX Best Banks & Financial Institution Award



2011- IDRBT Banking Excellence Award – Special Award in Mobile Banking among Small Banks



2011 – FIBAC Best Cost-Efficient Private Sector Bank Award



2011 – Financial Express Best Old Private Sector Bank Award (Runner Up) from Pranab Mukherjee, Union Minister for Finance



2012 – Bloomberg UTV Financial Leadership Award – Best Private Sector Bank from Pranab Mukherjee, Union Minister for Finance



2012 – CNBC-TV18 MCX Best Banks & Financial Institution Award – Best Old Private Sector Bank



2012 – Financial Express Best Old Private Sector Bank Award (Runner Up)



2012 - IDRBT Banking Excellence Award – Best Bank Award for Managing IT Risk and Best IT Implementation and Management from D Subba Rao, Governor, RBI



2013 - IDRBT Banking Excellence Award – Best Bank Award for Electronic Payment System Among Small Banks from D Subba Rao, Governor, RBI



2013 – Sunday Standard Best Banker Growth Mid-sized Award



2014 - IDRBT Banking Excellence Award – Best Bank Award for Business Intelligence Inititiatives Among Small Banks from Dr Raghuram Rajan, Governor, RBI



2014 – BW Magna Award for Best Small Bank from HE K Sankaranarayanan, Hon'ble Governor of Maharashtra



2014 – FE Best Old Private Sector Bank Award (Runner Up) from Jayant Sinha, Union Minister of State for Finance



2014 – The State Forum of Bankers' Clubs (Kerala) award for Best Bank of National Level Under Private Sector– Runner Up from Justice P Sathasivam, Hon'ble Governor of Kerala



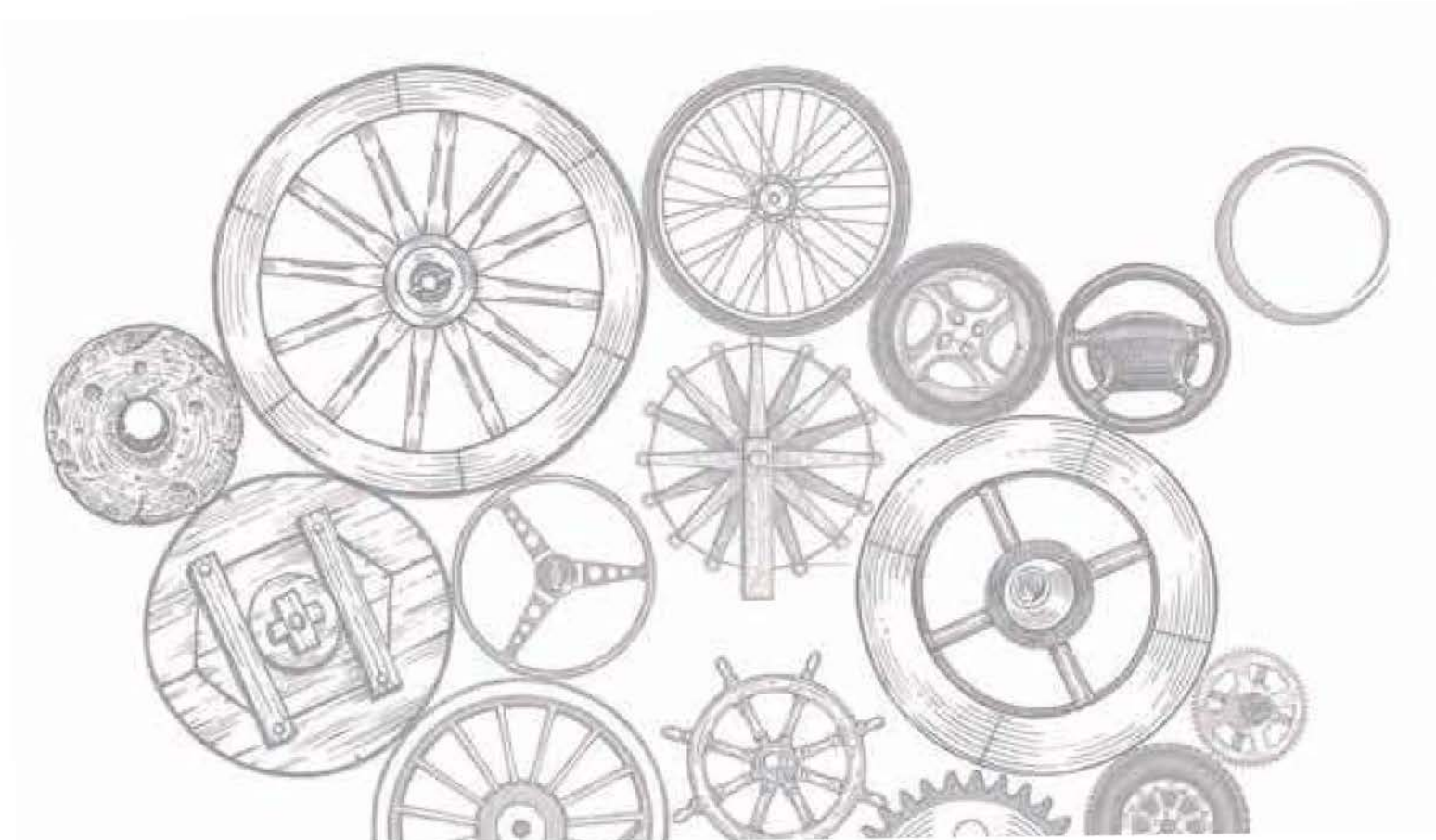
2015 - IDRBT Banking Excellence Award from Dr Raghuram Rajan, Governor, RBI



2016 - IDRBT Banking Excellence Award for Digital Banking among Small Banks from Dr Raghuram Rajan, Governor, RBI

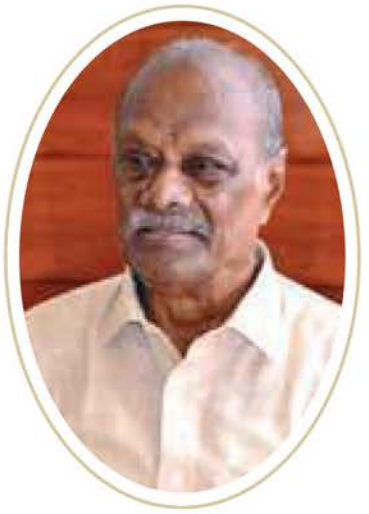


2016 - IDRBT Banking Excellence Award for Managing IT Ecosystem among Small Banks from Dr Raghuram Rajan, Governor, RBI



A.S. Janarathanan - KVB's Mentor

A. S. Janarathanan – KVB's Mentor



The goal of life is not to live forever; it is to create something that will live and flourish long after one is gone from this mortal world. For A. S. Janarthanan, a multifaceted personality with immense interest in social development and service, Karur Vysya Bank was one of the primary purposes of life. Associated with KVB for almost half a century, his prime concerns were the development of the bank, expanding it across the country, improvement of services to ensure customer delight, and care for the employees and their families. So deep was his attachment to the bank that over time, ASJ and KVB became synonymous.

A.S. Janarthanan, a grandson of co-founder Athi Krishna Chettiar, was invited to join the Board of Directors on the demise of his father, Athi V. Suriyanarayana Chettiar. He drew inspiration from elders in the organisation such as M.S. Govindarajulu Chettiar, Athi V. Suriyanarayana Chettiar and M.V. Lakshminarayana Guptha in the way they guided it during its early years and thus imbibed several leadership qualities and abilities from them.

As a Director, he was an active participant at every stage of the bank's growth and was instrumental in piloting several radical changes in the structure and functioning of the bank. These were to be immensely beneficial to KVB and its stakeholders. He served as a Director on the Board from 1967 to 1987. He returned to the Board two years later and was a Director of the bank for 8 years, from 1989 to 1997. He joined the Board again in August, 2000 and served as Director till August, 2008. In 2008, following the bifurcation of the post of Chairman and Managing Director into Non-Executive part time Chairman and full time Managing Director and CEO, A.S. Janarthanan became the first part time Non-executive Chairman and held the position for two years. In his lifetime, he had the satisfaction of seeing the bank grow into a major private sector bank with 675+ branches and 1,675+ ATMs spread across the country with total business exceeding Rs. 90,000 crores.



He was always receptive to new ideas that would help develop the business of the bank. When branch automation began to gain importance during the 1990s, he actively supported KVB's initiative to effect a smooth migration from manual to computerised process – first with the implementation of an in-house software and later to the Core Banking Solutions platform. By 2005, KVB had become one of the earliest banks in the country to provide "any branch banking".

When the bank started looking at opportunities for providing services beyond plain vanilla banking, he favoured the idea of entering into tie-ups with other partners to provide para-banking services such as insurance, mutual funds, trading, etc. As a Board Member, he provided strong and decisive leadership and guidance in taking KVB to greater heights.

Considering the need to embrace the rapid changes happening in the banking industry, he had a clear vision to capture the best practices in banking, identify new avenues for growth, re-engineer its processes to improve business effectiveness and to build new capabilities that would develop the growth platform for the future. Thus, during his Chairmanship was born the "Golden Vision" initiative that saw major changes in the way the bank structured its business models to propel growth and move towards its Centenary and beyond. He was instrumental in engaging Management Consultants to take Golden Vision to its fruition in a systematic and scientific manner.

He shared a very warm relationship with the cadre and was always willing to lend an ear to constructive suggestions from employees that would help in the development of the bank. He showed genuine concern for the welfare of the staff members and their families and was readily willing to provide benefits to them. It was during his period as the Chairman that the Employee Stock Options Scheme was implemented, which saw all employees of the bank, irrespective of cadre, being allotted KVB shares. This helped improve the employees' sense of belonging and loyalty to the institution. An incentive scheme for performing branches/staff in order to reward staff productivity was also introduced.

He was very particular about how the bank did business. He would often recall the words of the Founders: that the Board of Directors are only the trustees of public money and guardians of shareholders' investment and so it was their bounden duty to protect the interests of all the stakeholders.

Even after retirement from the Board in 2010, the bank continued to benefit through his visionary ideas for progress, as he remained a mentor to the bank, providing guidance in all major areas of business and development.

He spent the rest of his time in the development of society and culture, making immense contributions in the areas of education, healthcare, arts and culture. He actively encouraged the bank to support these causes several years before Corporate Social Responsibility became an obligation. He contributed significantly to the development of Karur town. Several artistes in Carnatic music remember him with respect and regard for his support and contribution to the art by way of encouragement and keen interest in their talent. He helped rebuild and renovate many historic edifices taking great interest in preserving Tamil Nadu's culture and heritage. He was instrumental in organising several sports events and helped the talented youngsters develop interest in sports. National level basketball and chess competitions are regularly being held at Karur thanks to his active personal support.

A.S. Janarthanan was a towering personality in Karur. He was a person of very high values and standards and lived a very simple life, always accessible to people who sought his help and support. A true representative of Indian values of charm, culture and hospitality, he will be missed by all whose lives he touched.



Karur Vysya Bank

MESSAGE FROM CHAIRMAN

September 20,2010

My Dear Kayveebians

I have pleasure in conveying my appreciation of the efforts put in by all the members of our cadre for reaching an aggregate business of ₹ 35,000 crore. This makes the Management feel confident about reaching our other goals set for this year as well as for the remaining period of the golden vision 2016. I am sure you will redouble your efforts to ensure that we will achieve the results for higher than the target fixed.

With the advent of Reserve Bank of India's policy of splitting the office of Chairman and Managing Director in private sector banks into two viz. Non-Executive Chairman and MD & CEO. I deem it my privilege to have been asked to hold the office of Non-Executive Chairman for 2 years. It is indeed a great pleasure to be the first Chairman under the new guidelines. My association with the Bank for four decades has been very purposeful and I consider these years as the best part of my life. The wonderful opportunity that was provided to me on account of the Directorship / Chairmanship of the Bank has made it possible for me to move very intimately with the members of the cadres at all levels. It was a very rewarding experience and these years will be evergreen in my memory. Ultimately all that I would say is that in the matter of dedication to the institution, our employees are second to none.

We have set up an aspiration for our bank to achieve total business of ₹ 1,25,000 Cr. by the time the bank celebrates its centenary year in 2016. " Golden Vision" is the vehicle to achieve our centenary year aspiration. I am sanguine that all the KayVeeBians across cadre will extend wholehearted support to the project and will put in their efforts unreservedly in taking our beloved KVB to the higher echelons of the banking industry.

I trust that by putting your heart and soul in our efforts in the journey of transformation for achieving the objectives of Golden Vision is sure to take our beloved institution to greater levels eternally. I am laying down the office on 23rd September 2010 with the fond hope that our journey will be successful.

My good wishes to one and all of you to enable you to reach higher levels in your career and my prayer to almighty to bless you all abundantly.

With best wishes,

A.S. JANARTHANAN

CHAIRMAN

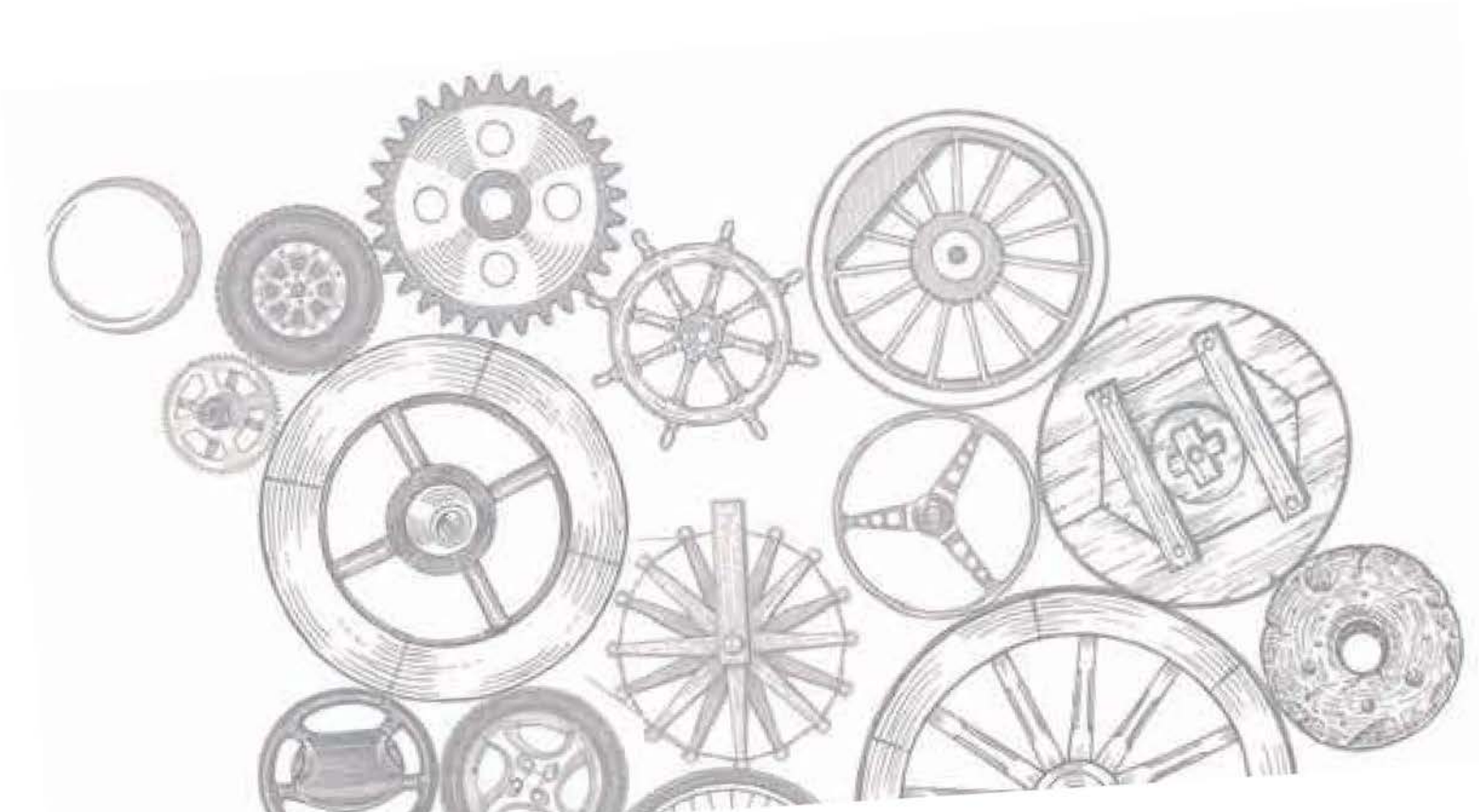
KVB now!

Banking for a young India

Mr. Janarthanan's letter to employees on relinquishing charge as Chairman of the bank







CHAPTER - 17



Board of Directors (L to R) M.V. Srinivasa Moorthi, A.J. Suriryanarayana, M.K. Venkatesan, N.S. Srinath, K. Venkataraman, B. Swaminathan, G. Rajasekaran, K.K. Balu, K.L. Vijayalakshmi, A.K. Praburaj, Dr. K.S. Ravichandran, Dr. V.G. Mohan Prasad.

Onward!

Managing the scorching pace of growth set in the 1990s and 2000s was not easy. The rapid increase of credit meant that the bank had to continuously shore up its capital adequacy. This was done through periodic rights issues.

With the Centenary Year drawing closer, KVB began preparations very much in advance. In 2009, seven years prior to the event, the bank brought in the Boston Consulting Group (BCG) to formulate what became known as the Golden Vision – an exercise to embrace emerging best practices in banking, identify new avenues for growth, re-engineer its processes to improve business effectiveness, and to build new capabilities that would develop a growth platform for the future. With K.V. Rao, the then General Manager and later President being in charge of the exercise, the plan was rolled out at a formal event in the presence of A.S. Janarthanan. A questionnaire was circulated among the staff on what they would like to see in their bank and the consultants were pleasantly surprised to receive responses from over 98 per cent of the employees. It was an indication of their identification with the organisation. One of the chief goals was the transformation of the in-bank experience for customers. Yet another was the achievement of Rs 125,000 crores worth of business by the Centenary. Speaking on the experience of working with KVB on this exercise, BCG partners Alpesh Shah, Bharat Poddar and Yashraj Erande opine that it was a great experience wherein they not only had the opportunity to help a venerable and yet progressive bank become faster in all its responses but in the process also formed several cherished friendships with people within the bank.

But even then, the country was in the midst of an economic downturn. That India was no longer a protected economy in the remotest sense became clear, due to a crisis happening in America. The sub-prime market in the US collapsed in 2009 triggering a recession that was considered the worst since the Great Depression of the 1930s. India was relatively unaffected as owing to stricter regulations, investing in sub-primes here was not an option. But the crisis did have an enormous impact on the financial sector – foreign portfolio investment 'fled for the safety of the dollar'. There was panic in India with the fear that Indian banks too could be exposed to sub-primes.



Launch of KVB Golden Vision at Chennai



Launch of KVB Golden Vision at Hyderabad



Centenary Year Conclave

Statements from senior officials in the RBI and even ministers, to the effect that public sector banks in India were safe, were construed to mean that the private sector banks were not. Large-scale withdrawals of bulk deposits began and KVB like others of its kind had to be prepared for the crisis. Fortunately, the bank immediately hit upon the idea of increasing its interest rates for savings by one per cent and that ensured that people began queuing up to deposit money. A statement by the Prime Minister to the effect that all Indian banks and not just the nationalised ones were safe stemmed the panic. But it cannot be denied that that the world is yet to recover fully from the recession caused by the sub-primes.

This global debacle did not deter KVB from its plans. K. Venkataraman explains some of the salient features - "We asked BCG to do a study of other banks and evolve a model that will suit KVB. Our vision is to delight the customer continually by blending tradition with technology. Banks need new ideas to win in today's marketplace. While technological interventions have helped the common man perform many banking and investment transactions from home, we still see a crowd at select branches. Customers visit the bank to remit cash, operate the locker, avail jewel loans and to just catch up with a banker friend.While innovation and technology adoption have helped capture the market initially, continuous improvement in branch operation model would help improve the in-branch experience. And this institution is aiming to focus on improving this by changing the layout and sprucing up the interiors wherever required.

In the first phase of this exercise, the bank changed the layout of several branches. We did this in offices where the customer footprint was more. We geared up to meet the requirements of young tech-savvy customers, while continuing to delight our patrons by blending technology and tradition. Even amid the slowdown in economic growth and increasing competition in the market, the bank managed to focus on execution of its strategic agenda and delivered results," he says.

In addition to branch layouts, KVB also implemented BCG recommendations such as organisational restructuring at the Central and Divisional Offices, ramping up key business development and support initiatives across the banking network, and targeting crucial areas for transformation. The organisational structure underwent major changes with creation of business strategy groups based on verticals, operations group, risk, inspection and audit and human resources departments. The business strategy group was further organised into business segments such as personal banking, commercial banking, corporate and institutional banking, agricultural banking, international banking and treasury and funds management.

Managing so many changes in the course of 15 years for a centenarian institution is no mean achievement. The Board comprises an ideal mix of promoter family representatives who bring in their native intelligence and independent directors who lend their professional competence.

S. Ganapathi Subramanian, a well-known auditor, who was a Director on the Board of the bank, feels that stringent audits of branches helped keep the scope for errors low. Concurrent audits were brought in as an internal system measure for branches whose advances crossed Rs 25 crores and deposits, Rs 75 crores. The concurrent audit team and the external auditors were required to submit their report before the 10th of every month. If the team had raised a query in the previous month, and if this was not resolved, it would be mentioned in the report for the subsequent month. If the situation continued for three months, the Board would take notice and initiate corrective measures. Health alerts were devised through the concurrent audit, which garnered praise from RBI. There is also universal approbation for the way the Board encouraged everyone and kept the morale high in the bank during the years of change.



Launch of Centenary Celebrations - Dr Rosaiah plants a sapling at KVB Central Office



G.M. Rao unveils the Centenary logo

In 2008, the RBI mandated that banks could not combine the roles of Chairman and Managing Director in one individual. P.T. Kuppuswamy who was the then incumbent became MD & CEO, even as A.S. Janarthanan took on the role of Chairman. In 2010, the latter stepped down and was succeeded by K.P. Kumar who had earlier joined the Board in 2003. He sums up the reasons for the success – "KVB's Board was different in the sense that even if one director dissents from a decision, it is dropped rather than passed by the majority." In terms of credit appraisals, he ranks the founder-directors as having a natural flair. People like M.K. Venkatesan, A.K. Praburaj, Ramesh Babu, A.J. Suriyanarayana or G. Rajasekharan are now on the Board. "They are businessmen and have a natural acumen for credit appraisals," he points out. He credits them with carrying the tradition of the bank and participating actively in the Board's proceedings. But to him, A.S. Janarthanan had no parallels. "Only a few in the country could claim to have better banking knowledge than him," he says firmly. According to Kumar, A.S. Janarthanan had a way with numbers, remembering even branch-wise figures. He had the ability to explain a location's figures in comparison with the previous two years and also compare it with other comparable locations. Till 2014, when he was active in the bank's affairs, A.S. Janarthanan could recall the names of at least 25 per cent of the staff. "This was something extraordinary," says Kumar. "And he made a huge difference to the way the bank was run through his banking acumen, phenomenal memory and personal touch. He always took decisions with a degree of compassion." Kumar stepped down in 2015 and the Board appointed B. Swaminathan, a veteran in banking circles, as the non-executive Chairman of KVB.

K. Ramadorai, a senior auditor who was drafted on to the Board at KVB in 2001 and served as Director till 2009, concurs with Kumar's analysis. "I learnt a lot" is his refrain while talking about his experience. The value that the Board placed on interpersonal relationships, according to him, was the basis of the bank's success. He states that what he learnt while on the Board was so useful that he applied much of it to his life as well. "A.S. Janarthanan had the tact and skill to overcome tricky situations with aplomb," he says. "M.G. Sankaranarayanan, another Director, was also a great teacher." Ramadorai himself was remembered by A.S. Janarthanan for the advice he gave on several corporate accounts.



K. Ramadorai,
Director 2001-2009; 2011-2014



K.P. Kumar,
Director 2003-2015
Chairman 2010-2015

The corporate social responsibility of the bank has a long history. Cultural events and sports events have KVB's backing. Even certain prevalent epidemics that affected the public are treated with empathy by the bank and genuine cases are offered help. "The concern for staff and executives, besides remuneration and benefits, in times of accidents and severe health problems, is something I think the bank does well. I doubt if other banks can do that to this extent," says Ramadorai. In this context, a letter from Dr Rajan Sethuratnam, Director, Cardiac Surgery of the Madras Medical Mission is also worth mentioning. In it, he commends the bank for its willing participation in cardiac camps conducted in Karur, and in the follow-up camps that took place subsequently.

K.K. Balu has had several years of experience in legal matters and served as Vice- Chairman of the Company Law Board. Now a Director on KVB's Board, he gives his views –"This is not like the other banks. The Directors and top executives are accessible to all the employees. Frequent interactions take place with the cadre to directly understand the problems at the grassroots level and offer solutions."

It was during one of his visits to KVB branches that Balu saw another feature that extends across all locations - every morning, there is a huddle meeting of all the staff of the bank where the manager reviews the previous day's performance, plans for the day, and discusses new circulars that have been issued. This helps the older and younger staff of the bank to bond together and understand the bank's functioning.

Let us now turn to some Directors whose families have had associations with the bank for more than a generation. "We don't look at customers on a mechanical basis", says Dr. V.G. Mohan Prasad, Director of the bank."We consider them as part of the family. The way managers talk to the customers reflects the way the Board speaks to them. Many managers have given ideas to people to start a business and offered a loan. Our bank is customer-friendly. People spend time to help each other."

Ramesh Babu, another of the Directors from a promoter family defines KVB as a clean-cut, public-limited, publicly-held, traded-in-the-exchange company. "The success of our bank has busted all theories/books on banking. KVB still says banks should be run with core values and a professional outlook. We take the bank forward without taking away the core values. We have also appointed CEOs from outside. Special talent is needed to run it, and we bring it in. We are open about our processes; we strike the balance between the old and new. We need to add value to our stakeholders. This is our aim - utmost customer satisfaction, add value for stakeholders, never cross the law of the land."



Ganapathy Subramaniyam, Director 2009-2015

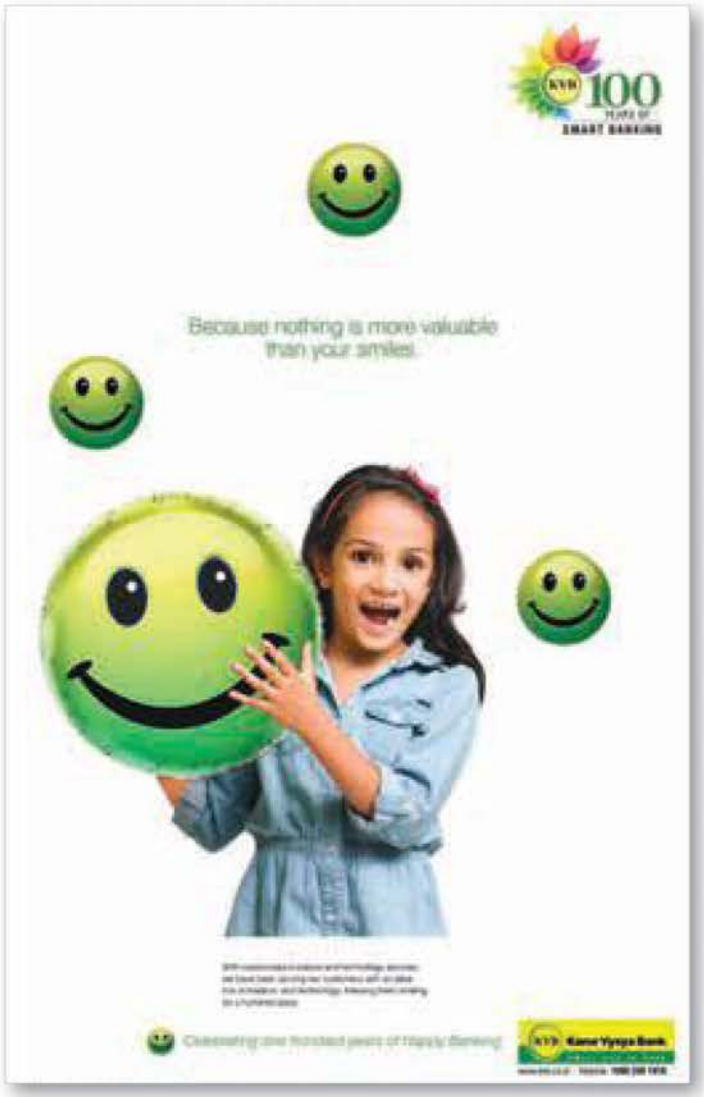


K.K. Balu, Director 2012-2016

How does it feel to be Managing Director of such a bank? Let us listen to what K. Venkataraman, the present incumbent has to say. "The forefathers of the bank have set very high standards – the code of conduct, the code of ethics – these did not come from any prior training in banking but from an innate flair for the business. When KVB started, several others also got into the same activity. Hardly any of them have survived and many of those that have, have been nationalised thereby losing their original character. We cannot thrust customer service on anyone. It has to be cultivated and this we have done. Today, if I go across the country, everyone talks with one mind about KVB – our excellent customer service. We may not sanction a loan or extend a facility that someone does not merit but we do this with courtesy and respect. This is not found in many other banks.

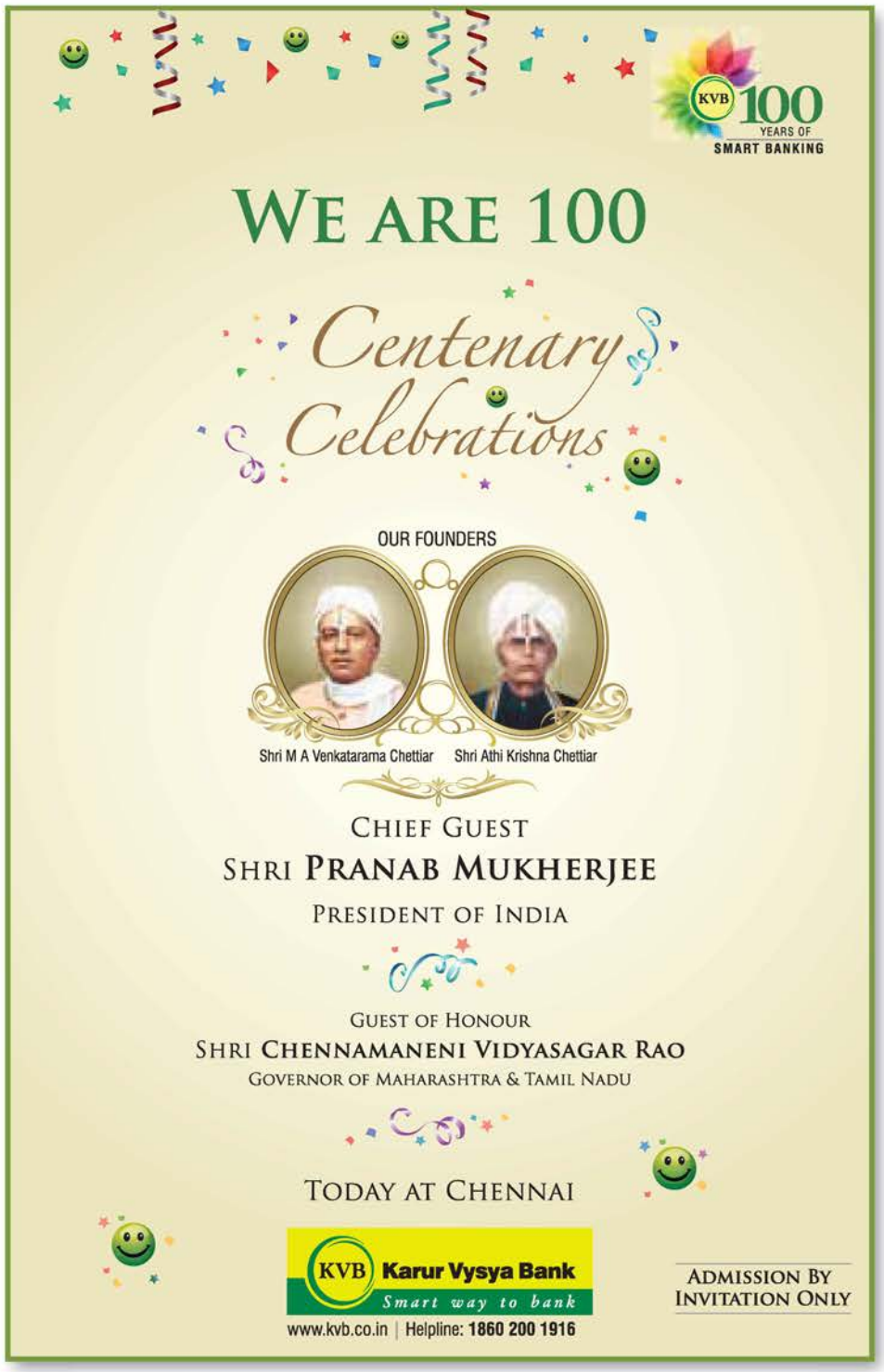
In our Golden Vision programme we brought in many transformations. But we left the customer orientation and relationship-based banking untouched. We only chose to build on these strengths." Venkataraman continues that KVB always aspires to be the best bank. "We may not be the largest in size but we wanted to be top notch in what we stood for. This really helped us when we moved aggressively in North India where nobody had heard of us. Customers experienced our service and brought in their friends. We grew."

Credit processing cells were established at key centres to expedite the loan processing and disbursement process. Executive level committees were set up and empowered to take collective decisions on loan disbursals. There was increased focus on customer acquisition. A Regional Processing Hub was established for speedier opening of savings and current accounts with strict adherence to KYC norms. A career development system to objectively measure staff performance was also put in place.





Some advertisements from the Centenary year



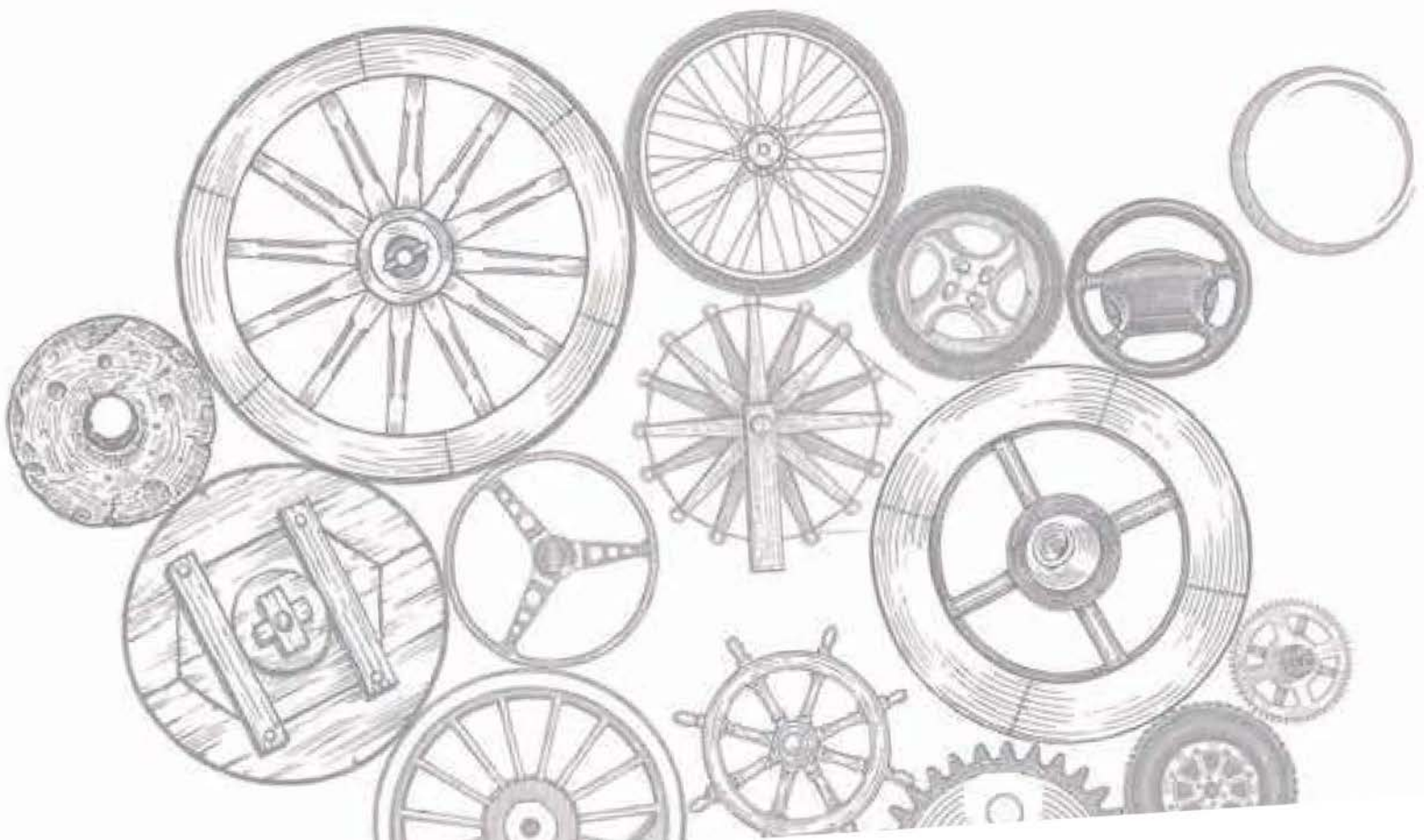
Centenary Celebrations advertisement

What of the future? "We have always believed in being ahead of customer expectations. Today, we have one of the largest ATM networks in the whole country. Today, the entire banking sector is ripe for a redefinition. Margins are under squeeze, people expect more for less. Many small private sector banks have been given licences. How do we compete? This becomes a crucial issue. The new banks will come with new models and we will need to study these. We will also have to differentiate ourselves substantially. As banking moves from value to volume-based models, we will have to look at reduction of costs and broad base ourselves. We need to go back to the grassroots. The old socialist model of financial inclusion of all strata of society is back in vogue. The Government wants to bring every financial transaction into the banking ambit. Who would have thought that the Jan Dhan scheme would result in so many accounts? Through this we will see a lot more money flowing in, which we will need to channelise into new investments. True, the conventional banking techniques will continue but growth will come from the new models. Technology too will need to adapt itself to this.

Banking at the doorstep will also become increasingly the trend. Nobody wants to spend time at a bank. We need to prepare for this also. Convenience banking will be the order of the day. ATMs and core banking have merely scratched the surface. A lot more will need to be done to simplify banking for customers. This too will be our focus.

Our customer orientation is excellent and our products are tailor-made for business people. We are an SME and retail-based bank. All these services are indigenously developed."

We can almost imagine M.A. Venkatarama Chettiar and Athi Krishna Chettiar nodding in agreement. After all, was it not with a view to cater to small businesses and make banking convenient to everyone that they had set about their bank? And so, having begun in 1916, we come to 2016 and bear witness to the realisation of the goals of two great visionaries.



The Board of Directors during the Centenary Year



B. Swaminathan
Chairman



K. Venkataraman
MD & CEO



G. Rajasekaran
Director



A.J. Suriyanarayana
Director



N.S. Srinath
Director



Dr. V.G. Mohan Prasad
Director



M.K. Venkatesan
Director



A.K. Praburaj
Director



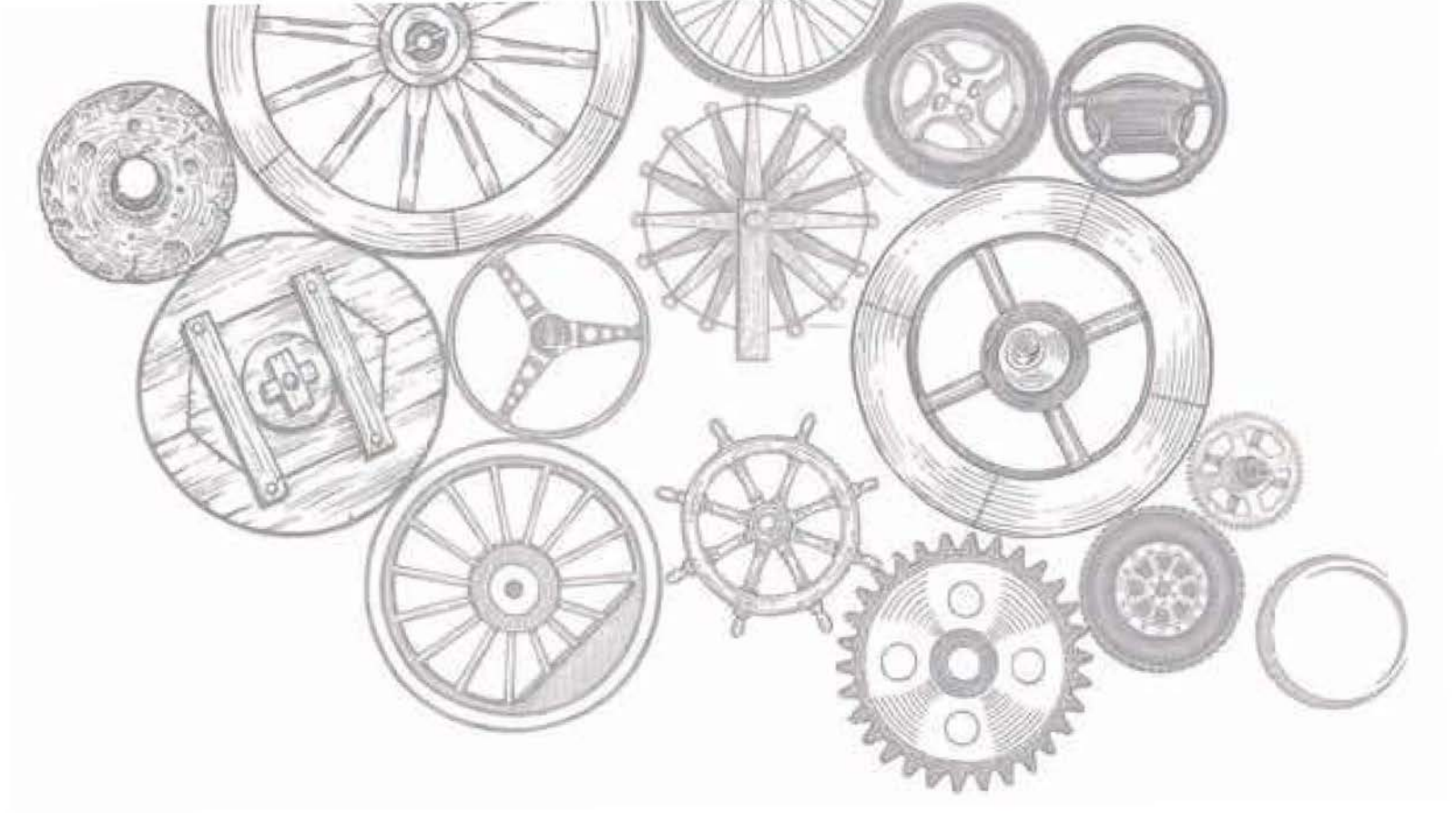
K.L. Vijayalakshmi
Director



M.V. Srinivasamoorthi
Director



Dr. K.S. Ravichandran
Director



The President & General Managers during the Centenary Year



K. Venkateswara Rao
President & COO



J Natarajan



G S Anantha Kumar



T Sivaramaprasad



S Balaji



V Srinivasan



M Balachandran



S Sekar



C Saravanun

Acknowledgements

I place on record my heartfelt thanks to each one listed below:

Board Members, past and present:

B. Swaminathan – Chairman

K. Venkataraman – MD & CEO

A.S. Janarthanan (Late) –
Former Director and Chairman and Mentor

A.V. Kandasamy – Past Director

M.G. Vivekanandan – Past Director

G. Rajasekaran - Director

A.J. Suriyanarayana – Director

M.K. Venkatesan - Director

A.K. Praburaj – Director

Dr. V.G. Mohan Prasad - Director

N.S. Srinath - Director

K.L. Vijayalakshmi - Director

M.V. SrinivasaMoorthi – Director

M.G.S. Ramesh Babu – Past Director

K.K. Balu – Past Director

K.P. Kumar – Former Chairman

B. Baskaran – Former CMD

A.D. Navaneethan – Former CMD

P.T. Kuppuswamy – Former CMD

K. Ramadorai – Past Director

S. Ganapathi Subramanian – Past Director

M. Naganathan – Past Director

G. Sarangan – Past Director

Employees, past and present:

K. Venkateswara Rao – President & COO

J. Natarajan – General Manager, Human Resources Department

G.S. Anantha Kumar – General Manager, Personal Banking Group

T. Sivarama Prasad – General Manager, Finance Control Department

S. Balaji – General Manager, Corporate Banking Group

V. Srinivasan – General Manager, Commercial Banking Group

M. Balachandran – General Manager, Inspection and Audit Department

N. Ramachandran – Former General Manager (Credit) and former Principal, Staff Training College

R. Sukumar–Former Chief General Manager

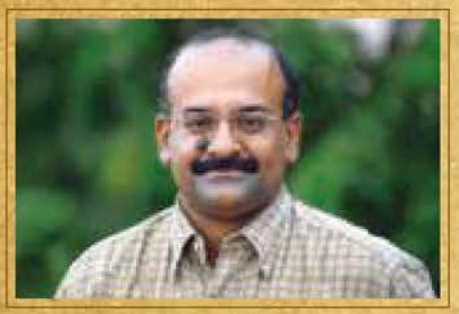
A. Ananadanadarajan – Former General Manager, Human Resources Department

V.K. Raghavan – Former Deputy General Manager, Legal Department

Apart from the above, my heartfelt thanks to K.V. Rao, President & COO and N. Vaidyanathan, Chief Manager, who was my single point of contact at the bank. He organised all interviews, helped in accessing records and sourced many of the photographs. Much of the interviewing of people for this book was done by Geeta Padmanabhan and Venkatesh Krishnamoorthy. The latter also spent several days poring over the Minute books of the bank, coming up with several interesting nuggets of information. All of these have made the narrative interesting. Without Geeta and Venkatesh, this book would not have been possible. R K SWAMY BBDO designed the book and my heartfelt thanks to its team of Ambika Chandrasekar, Vijay Anand, Sanat Walchale and Monica Maria who have ensured that the final work has emerged as a fitting tribute to the ethos of KVB. As has been the case with several of my books, the text was edited by Rukmini (Minnie) Amirapu and it was she who crossed the t's and dotted the i's as well.

Sriram V.
September 10, 2016

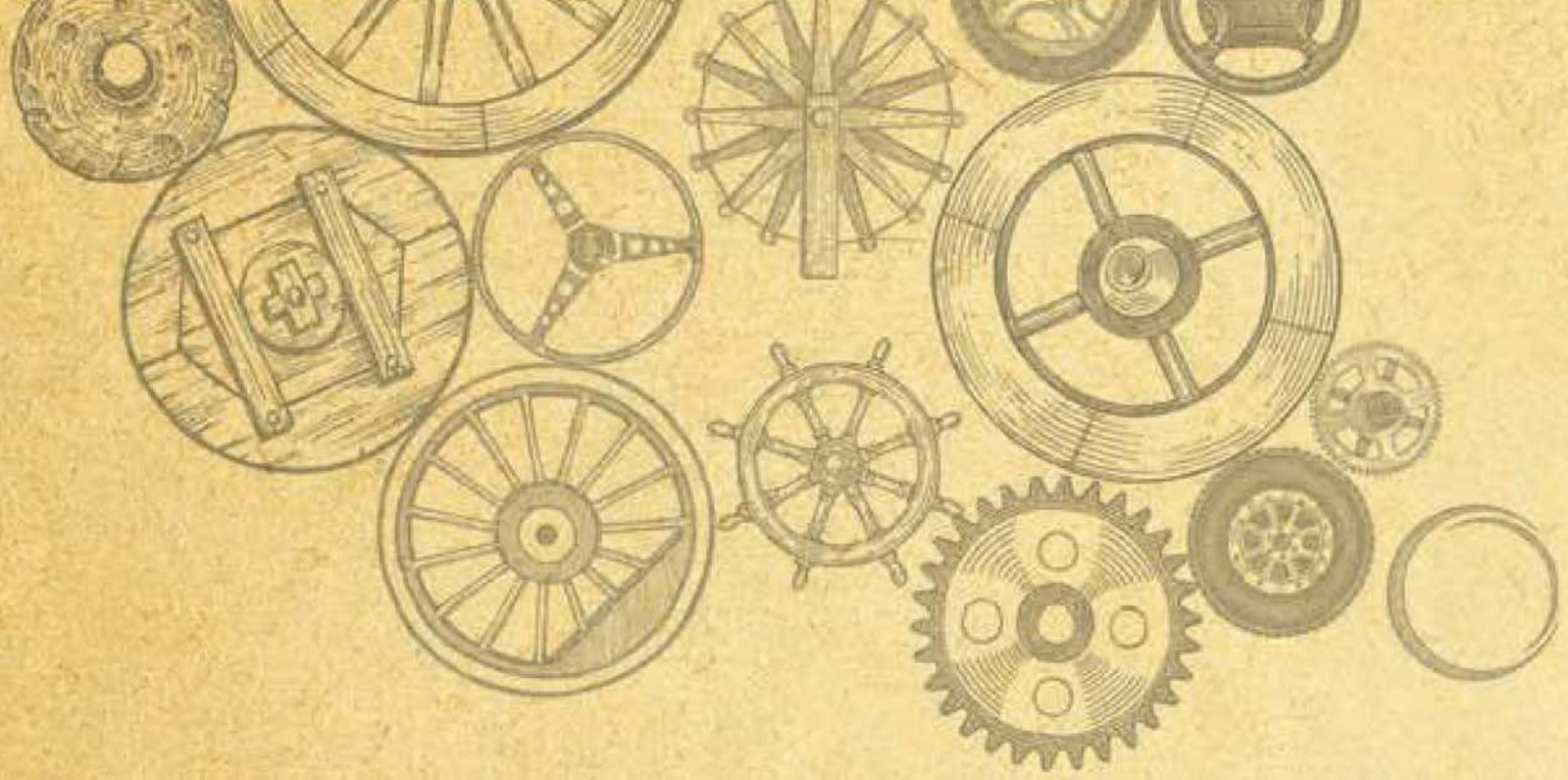
KVB 100 YEARS OF SMART BANKING



Sriram V

Born in the United Kingdom on June 22, 1966, Sriram V had his schooling in Madras and Calcutta before completing his bachelor's degree in engineering and his masters in business administration from the University of Delhi. He now runs his family businesses that are into industrial hydraulics and software.

In the past two decades, Sriram has emerged as an ardent chronicler of the history of Chennai. His sustained passion for Carnatic music has led him to author books on its exponents. He has also gained renown as a writer of corporate business histories. He contributes regularly to The *Hindu* and *Madras Musings*. He is perhaps best known for the heritage tours that he leads every third Sunday of the month in Chennai. A passionate believer in technology, Sriram has launched several mobile applications that showcase the culture and heritage of his home city, Chennai.



KVB Karur Vysya Bank
Smart way to bank

Cover Design: In its first 100 years, KVB has participated in India's progress - from the carriage wheels of the early years, to the charkha of the freedom struggle and then to the gears of industry, the tyres and steering of automobiles and finally the discs of the information technology era.