

1947 - 1971

1952

KVB becomes a scheduled bank

1959

Branches opened in Tirupur,
Pollachi and Vellore

19/11/1961

Bank opens first branch in Madras

1954

First rights issue of shares

3/9/1959

The KVB Employees Union
comes into existence

1962

M.V. Lakshminarayana Gupta
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

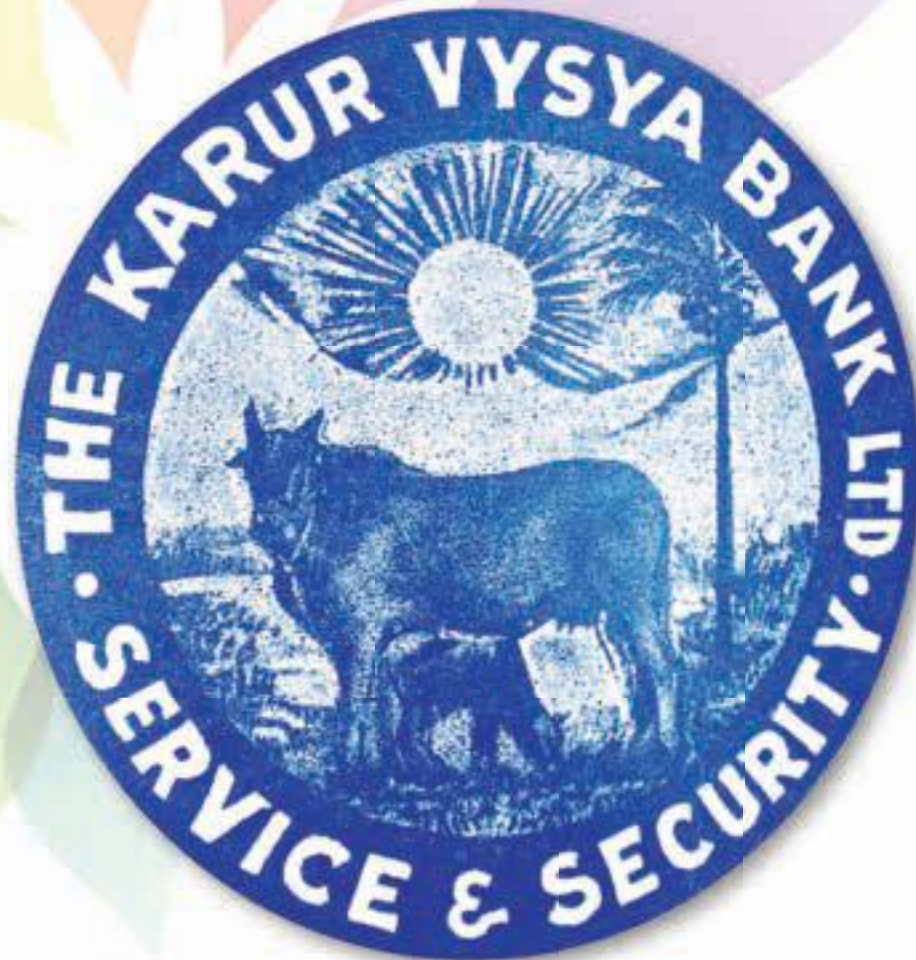
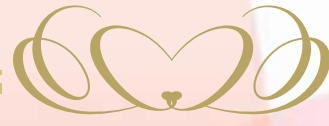
Bank observes its Golden Jubilee

22/1/1970

G.S. Annaswamy becomes the
first professional Chairman of the bank



CHAPTER - 6



The bank's first logo

Quiet Consolidation

*I*f 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 bank's Board in the 1960s

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'être* 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!



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

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!

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 (AICOBBO) 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!

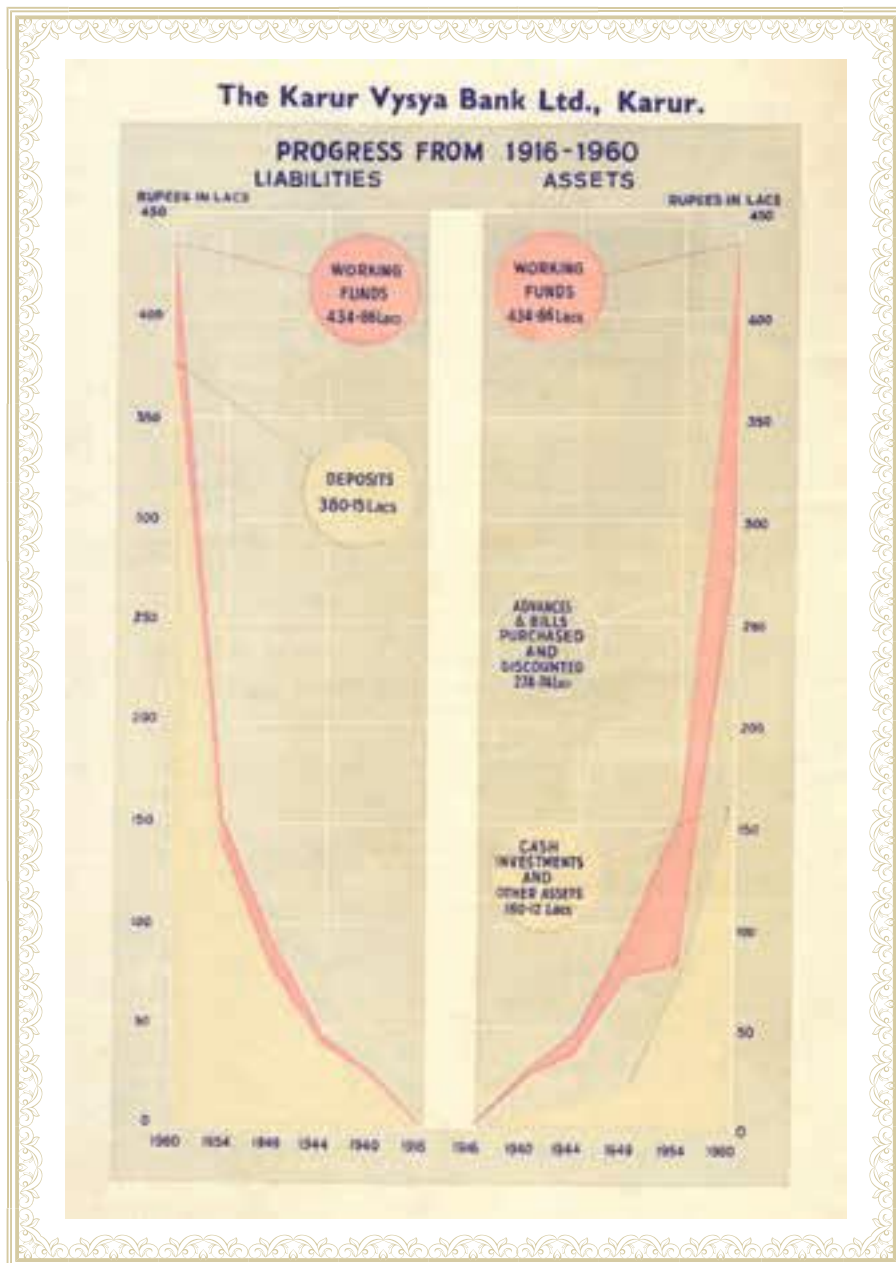
During the decade when the KVBEU and the KVBOA came into existence, the Indian banking industry was coming into its own, as was the RBI in its role of governing bank. Legislations beginning from 1959 onwards gave the latter greater control over the banks in the country, by way of right to remove from 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 Ramaswami 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.
Registered Office: 105, Thambu Chetty Street, KARUR.
 (A SCHEDULED BANK)

★

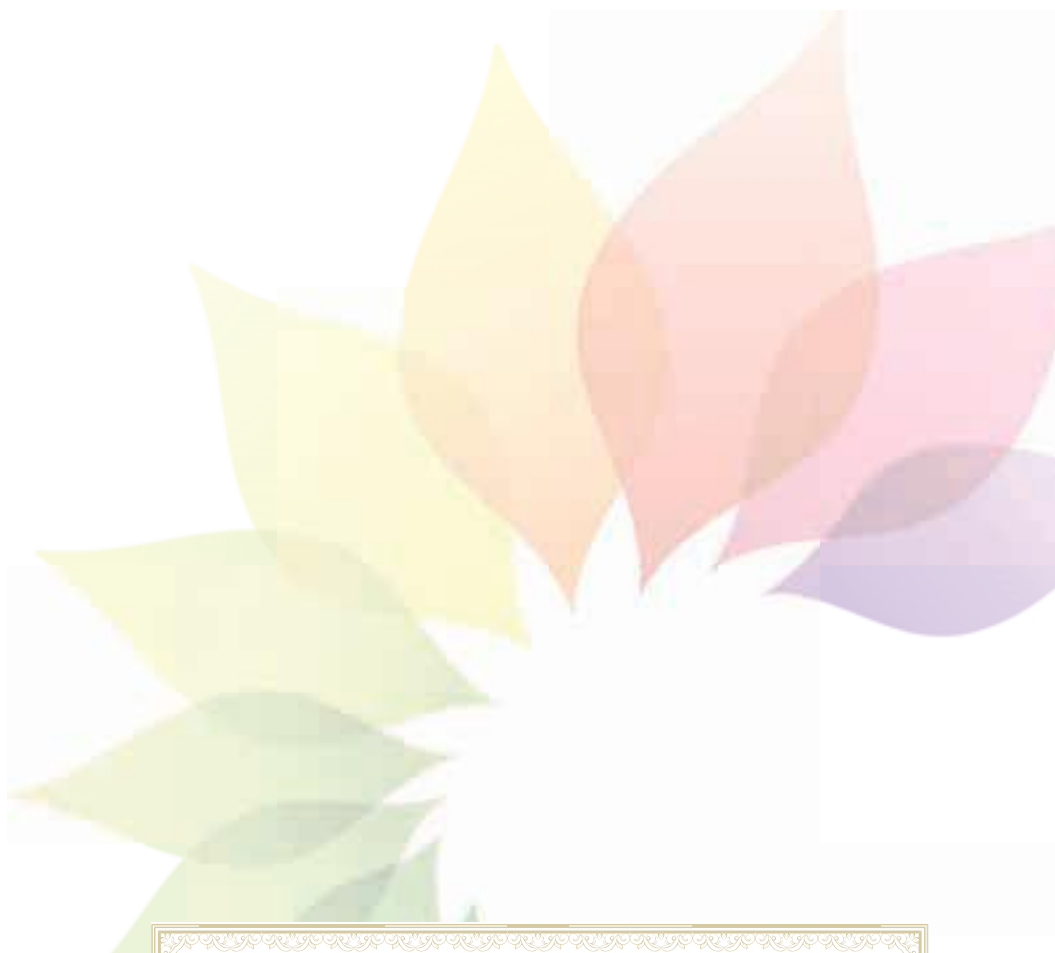
General Office & Head Office	KARUR	Branches: MADRAS OFFICE: 105-107, Thambu Chetty Street, Madras 5.	Established: 1918
CHIDAMBARAM	KARUR BRANCH	TANJORE	
COIMBATORE	KULITHANAI	TIRUCHIRAPPALLI	
COIMBATORE (MADRAS DISTRICT)	KUMBakonam	TIRUVANNAMALAI	
TRICHUR	MADURAI	TIRUPUR	
SRIRANGAPURAM	NAHARAI	UDUMPIPET	
TROCK	POLLACHI	VILLUPURAM	
COMBETTIPALAYAM	SALEM	VELLORE (S. S.)	
SHAPPAH	SATTYANGULAM	VEDHACHALAM	
BANGALORE	COCHIN	PALDHAT	
BOMBAY	DELHI	TUTICORIN	
CALCUTTA	KANCHI	TIRUCHIVELI TOWN	
	LUDHIANA		

Bank's Progress Report - 1961-62
(Business in Rupees)

	1947-48	1951-52	1955-56	1959-60	1960-61	1961-62
Fixed-up Capital	Rs. 2,00,000	2,00,000	4,00,000	7,00,000	10,00,000	12,00,000
Reserve	Rs. 2,81,500	4,41,000	6,33,100	8,90,700	10,41,000	12,14,000
Deposits	Rs. 44,11,000	51,20,000	1,11,52,000	2,02,14,000	4,27,40,000	4,64,40,000
Net profit	Rs. 1,20,200	1,28,430	1,84,100	2,08,400	4,11,000	4,18,200
Dividend Rate %	P.A. 20%	20%	20%	21%	4%	4%
Total Income	Rs. 74,22,700	1,11,77,230	2,13,50,100	4,14,91,400	4,89,45,000	5,28,58,200

Madras Press, Thambu Chetty Street, Coimbatore. Phone 7712.

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



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.

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.

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. Suryanarayana 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

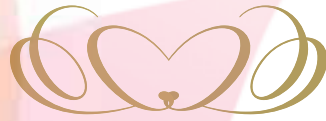
Under this duo, as Raghavachari wrote, “The bank could absorb radical changes in its structure. With the result, it expanded its activities to newer areas. With the sharp increase in the number of employees, KVB had to move to a bigger building, establishing the administrative office separately. The 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



WE WISH ALL ROUND PROSPERITY TO THE KARUR VYSYA BANK LIMITED
on its completion of 50 years of service today.
No. 1000, KARUR - 626 001.

The Madras Metal Mart
Sole Agents & Exporters
Representatives of Steel, Aluminium & Brass of Great Britain,
USA, West Germany, Singapore, S.A.S.A.S.

SOLE REPRESENTATIVE CARPENTERS FOR THE KARUR VYSYA BANK LIMITED, Karur on the occasion of the celebration of their GOLDEN JUBILEE.

The Indian Mercantile Insurance Co. Ltd.
INCORPORATED IN INDIA
100, Market Street, Madras 1.
Representatives: M. S. Srinivasan, Madras 1.
Sole Agents: M. S. Srinivasan, Madras 1.
Sole Agents: M. S. Srinivasan, Madras 1.

WE WISH ALL ROUND PROSPERITY TO THE KARUR VYSYA BANK LIMITED
on its completion of 50 years of service today.

K. Pattan Chettiar
Sole Agent for Karur & District Branches
10, Bankers Street, Thanjavur, MADRAS. Phone 2831

GOOD YEAR
INDUSTRIAL HOSES
TRANSMISSION BELTING
V-BELTS & CONVEYOR BELTINGS

SOLE AGENTS
ROCK BELTING COMPANY
Representatives of America
10, Bankers Street, Thanjavur, MADRAS. Phone 2831

POCKET
Razack Shines in Iqbal's Win Over Blues

RACING
RWTC Cup: Acceptance for Saturday

FOOTBALL
Coach Factory Eliminates Ashley Riggs

Social
Equipment for Seed Farms

Work on the Track

Madras Family R.V.S. Exam Results

THE KARUR VYSYA BANK LIMITED
on its completion of 50 years of service today.
No. 1000, KARUR - 626 001.

V.M.P. METALS & ALLOYS COMPANY
Representatives of Steel, Copper, Brass & Zinc.
MADRAS-1.

WE WISH ALL ROUND PROSPERITY TO THE KARUR VYSYA BANK LIMITED
on its completion of 50 years of service today.
No. 1000, KARUR - 626 001.

SRI MURUGAN SOAP WORKS,
KARUR - 626 001.

WE WISH ALL ROUND PROSPERITY TO THE KARUR VYSYA BANK LIMITED
on its completion of 50 years of service today.

THE BHARATHI METAL WORKS
Sole Agents & Exporters
Representatives of Steel, Aluminium & Brass of Great Britain,
USA, West Germany, Singapore, S.A.S.A.S.

LABORATORY EQUIPMENT
CHEMICALS
GLASSWARE
INSTRUMENTS
ETC.

Representatives of
THE CENTRAL SCIENTIFIC SUPPLIES CO. LTD.
17, Collyer Quay, Singapore.
Representatives: M. S. Srinivasan, Madras 1.
Sole Agents: M. S. Srinivasan, Madras 1.

50
1916 1966
YEARS TO-DAY

TO-DAY we gratefully pay our homage to the pioneers who have given us guidance and inspiration. We thank all our clients and contributors for the patronage extended all these years. We assure our service and security in the years to come.

KARUR VYSYA BANK LIMITED
HEAD OFFICE: KARUR. BRANCHES IN TANJAVUR.

C. BHARATHI CHETTI M. V. LAKSHMINARAYANA QUPPA

HEARTY GREETINGS TO KARUR VYSYA BANK LTD., KARUR ON THE GOLDEN JUBILEE

From
M. S. BHARATHI CHETTI, M.A.,
Proprietor,
LAKSHMI SARADKUMAR MOTOR SERVICE
GUDIVERTHI (M.A.)

HEARTY GREETINGS TO KARUR VYSYA BANK LTD., KARUR

on the occasion of the GOLDEN JUBILEE

From
DEVRAJ CHORDIA
CHORDIA & CO., GENERAL MANAGERS OF I.R.
DEVRAJ CHORDIA
and
NAVRATANMULL CHORDIA
10, General Madras Market St., Madras-1.

WE WISH ALL PROSPERITY TO KARUR VYSYA BANK LTD., KARUR

on its completion of 50 years of service to-day.

M/s. Herikishan & Co.
WHOLESALE BATTERIES DEALERS
107A, CHINA BAZAAR, MADRAS-1.

ASSOCIATE ENGINEER:
1. JAYAPRakasH CHAMPALAL,
Madras & Bellary Branches.
2. SUNDARAN BHAGAVATI CHAMPALAL, MAHARAJA
3. RAJESWARAN SANKAR, Madras.

HEARTIEST FELICITATIONS TO KARUR VYSYA BANK LTD., KARUR

on the occasion of their GOLDEN JUBILEE

M. K. KRISHNA CHETTI
REPRESENTATIVE:
ANNA STREET, 107A PUNJAB, CHENNAI-600 009.

WE WISH ALL PROSPERITY TO KARUR VYSYA BANK LTD., KARUR

on its completion of 50 years of service to-day.

M's NOOR & CO.
IRON & STEEL MERCHANTS,
108, RAJAGOPAL CHETTI STREET, MADRAS-1.

With due recognition to the services rendered to the public, we wish all round prosperity to THE KARUR VYSYA BANK LIMITED on the completion of 50 years of service today.

USHA MEDICAL & AGENCIES,
WHOLESALE FURNISH & DRUGGISTS,
4, RAJAGOPAL CHETTI STREET, MADRAS-1.

WE WISH ALL PROSPERITY TO KARUR VYSYA BANK LTD., KARUR

on its completion of 50 years of service to-day.

M/s. Herikishan & Co.
WHOLESALE BATTERIES DEALERS
107A, CHINA BAZAAR, MADRAS-1.

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3. RAJESWARAN SANKAR, Madras.

HEARTIEST FELICITATIONS TO KARUR VYSYA BANK LTD., KARUR

on the occasion of their GOLDEN JUBILEE

M. K. KRISHNA CHETTI
REPRESENTATIVE:
ANNA STREET, 107A PUNJAB, CHENNAI-600 009.

WE WISH ALL PROSPERITY TO KARUR VYSYA BANK LTD., KARUR

on its completion of 50 years of service to-day.

M's NOOR & CO.
IRON & STEEL MERCHANTS,
108, RAJAGOPAL CHETTI STREET, MADRAS-1.

With due recognition to the services rendered to the public, we wish all round prosperity to THE KARUR VYSYA BANK LIMITED on the completion of 50 years of service today.

USHA MEDICAL & AGENCIES,
WHOLESALE FURNISH & DRUGGISTS,
4, RAJAGOPAL CHETTI STREET, MADRAS-1.

HEARTIEST FELICITATIONS TO KARUR VYSYA BANK LTD., KARUR

on the occasion of their GOLDEN JUBILEE

M. K. KRISHNA CHETTI
REPRESENTATIVE:
ANNA STREET, 107A PUNJAB, CHENNAI-600 009.

HEARTIEST FELICITATIONS TO KARUR VYSYA BANK LTD., KARUR

on the occasion of the GOLDEN JUBILEE

From
ANANDA GOVINDA RAO
Business Partner in
East India Travels & Tours, Madras.
100, RAJAGOPAL CHETTI STREET, MADRAS-1.

MY GREETINGS TO THE KARUR VYSYA BANK LTD., KARUR

on the occasion of their GOLDEN JUBILEE

V. S. SRIKUMAR
Engineer & Manufacturer of all kinds of Chemicals,
101-A, RAJAGOPAL CHETTI STREET, MADRAS-1.

OUR HEARTY GREETING TO KARUR VYSYA BANK LTD., KARUR

on the occasion of the GOLDEN JUBILEE

From
PARAMHAMAN TRANSPORTS
GUDIVERTHI (M.A.)

BEYOND COMPLIMENTS TO KARUR VYSYA BANK LTD., KARUR

From
SIREMULL HIRACHAND
FRANCIS & TRENKLE DEALERS
10, General Madras Market Street,
MADRAS-1.

HEARTY GREETING TO KARUR VYSYA BANK LTD., KARUR

on the occasion of their GOLDEN JUBILEE

From
RAJ MOTORS
Sole Agents for "Walter" Motor Cycle,
100, RAJAGOPAL CHETTI STREET, KARUR
CONVEY THEIR HEARTY FELICITATION TO KARUR VYSYA BANK LTD., KARUR

ON THE OCCASION OF THEIR GOLDEN JUBILEE

HEARTIEST FELICITATIONS TO KARUR VYSYA BANK LTD., KARUR

on the occasion of the GOLDEN JUBILEE

From
CHORDIA TRANSPORT FINANCE CORPORATION
10, GENERAL MADRAS MARKET STREET,
MADRAS-1.

HEARTIEST FELICITATIONS TO KARUR VYSYA BANK LTD., KARUR

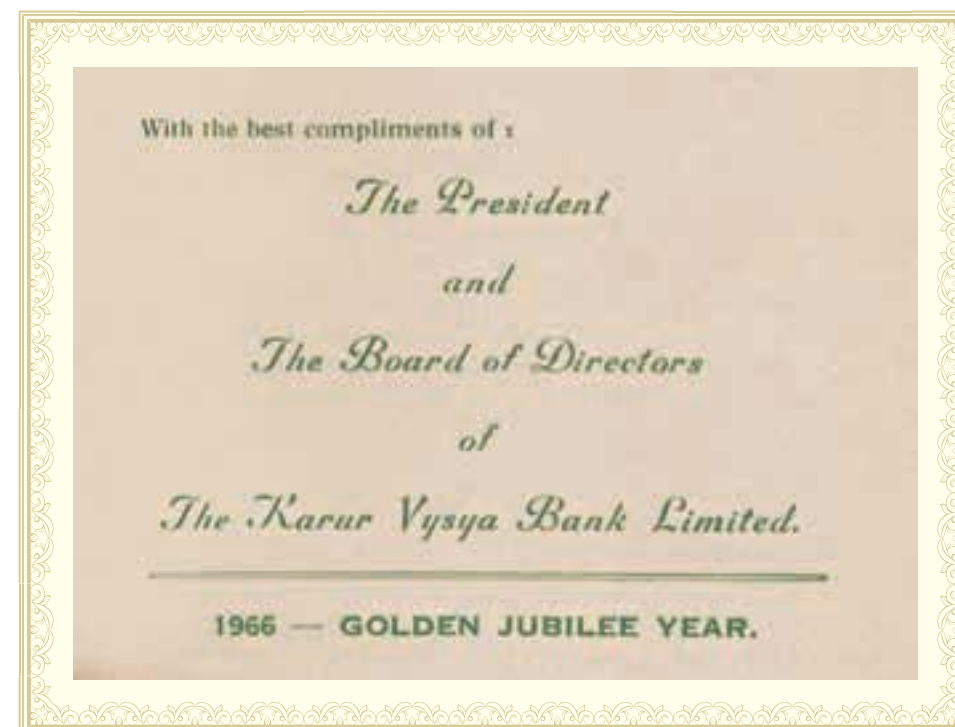
on the occasion of the GOLDEN JUBILEE

From
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Golden Jubilee and After

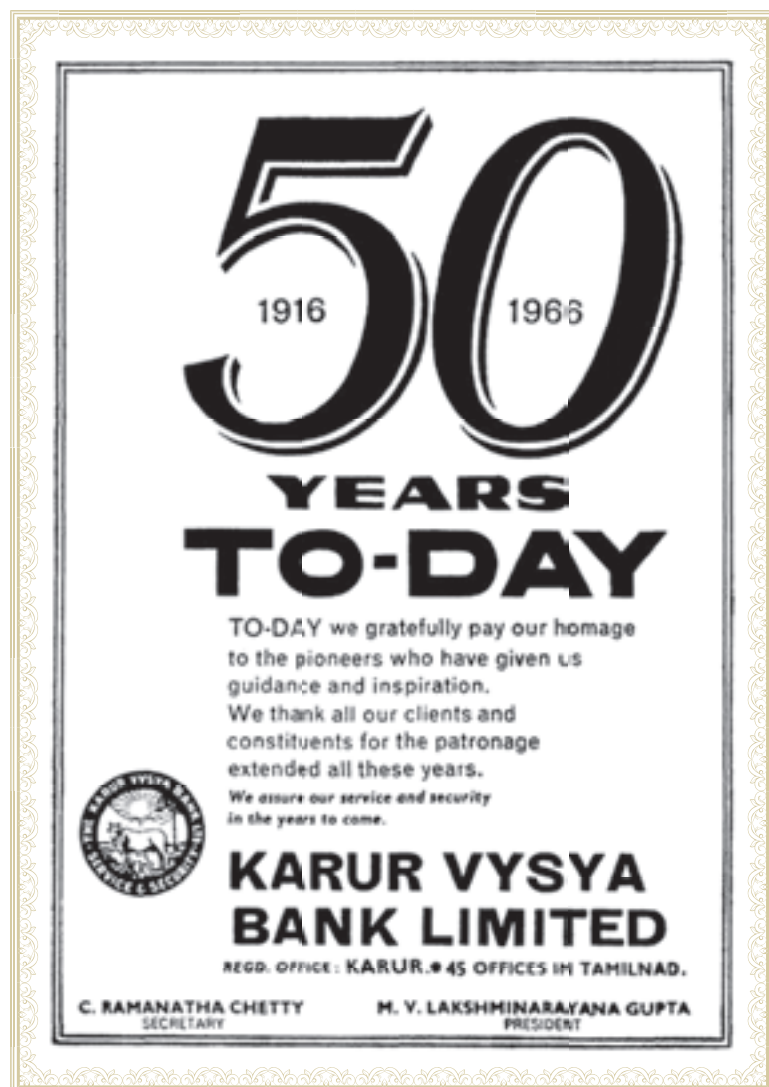
The year 1965 was the Golden Jubilee of the bank, one that merited celebration. But of festivities there were none. The Indo-Pak war cast a shadow. It was however resolved that in view of the healthy performance of the bank a significant sum would be spent on charities – the principal beneficiaries being 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.



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. Janarthanam (A.S.J.). Hailed today as the mentor of the bank, A.S. Janarthanam 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



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

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.

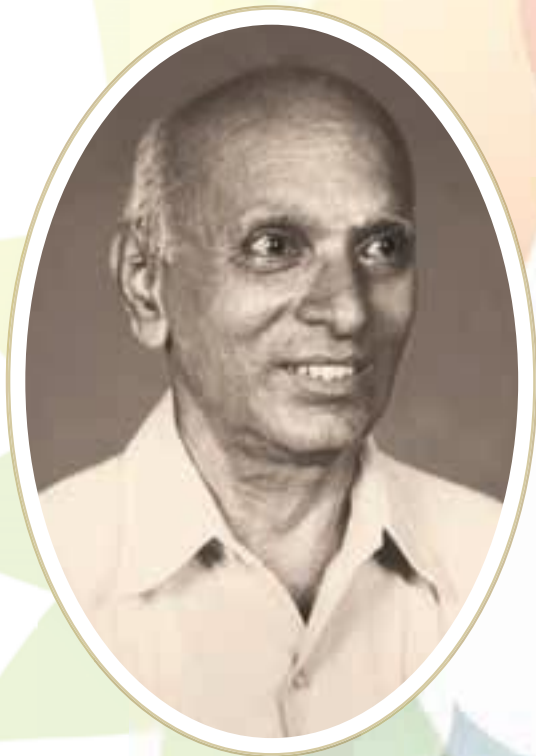
January 22, 1970 was a historic day at the bank, for this was when the families managing the day-to-day affairs of the bank handed over charge to a professional banker. With G.S. Annaswamy taking over, M.V. Lakshminarayana Guptha and M.S. Govindarajulu Chettiar relinquished their positions as President 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”.



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 Ballagundu 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

1974

P.G. Saranyan
becomes Chairman

1976

Bank establishes Staff Training
College, in Salem

1980

First branches in Bombay
and Calcutta opened

1973

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

1975

First branch in Karnataka,
at Malleswaram, Bangalore

1977

K.V. Raghavachari
becomes Chairman

1981

G. Venkatesam
becomes Chairman

(CHAPTERS 8 - 10)

1983

Inauguration of Delhi branch and
new Central Office in Karur

1986

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

1988

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

1992

Fast tracked opening of branches
all over the country begins.

1985

K.N. Bhujanga Rao
becomes Chairman

1987

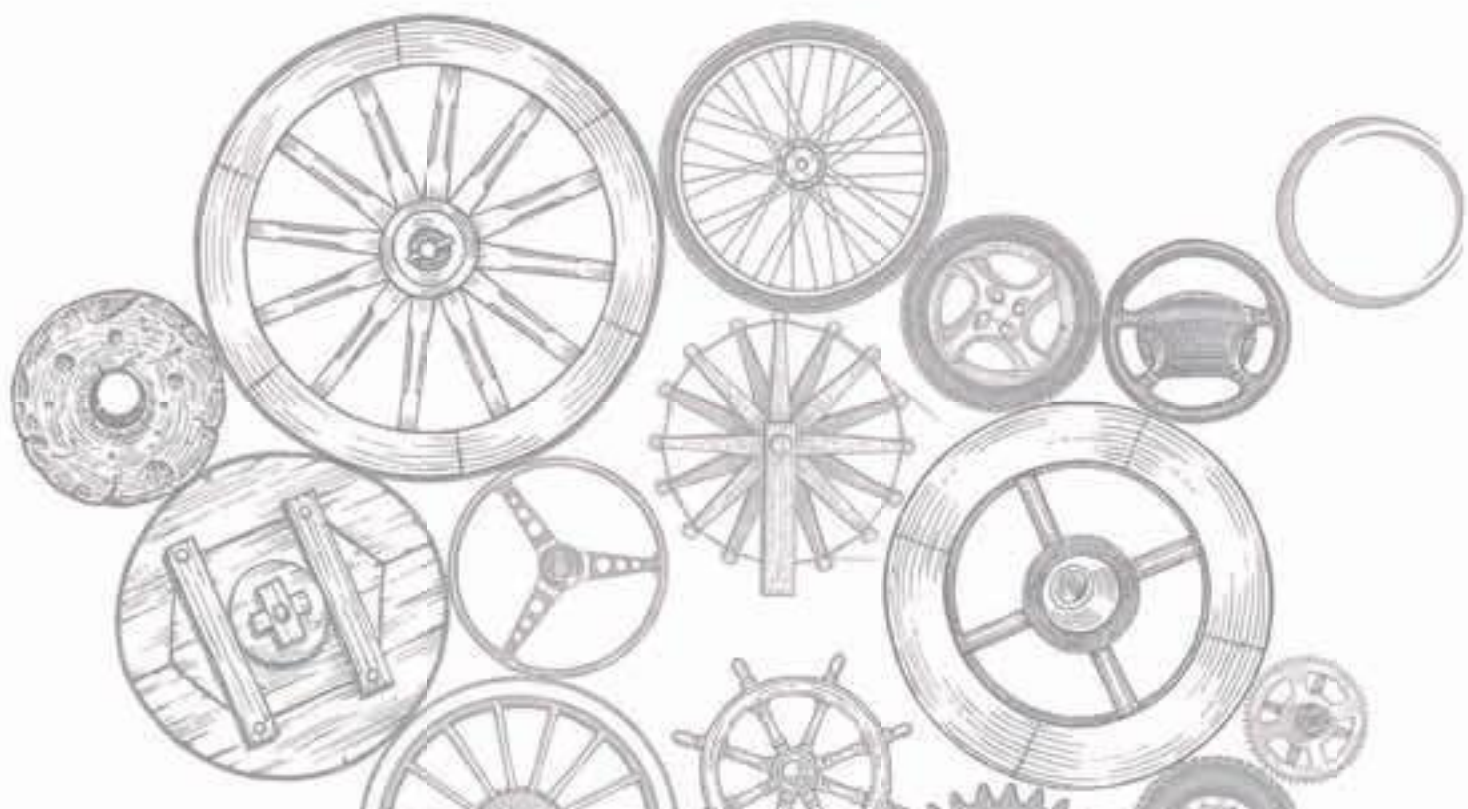
Bank invests in
Vysya Bank Leasing Limited

1991

Platinum Jubilee
celebrations of Bank

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.



**THIRUMAGAL
THIRUMANA THITTAM**

Rs. 3,000/- deposited gives you Rs. 22,000/- Rs. 6,825/- gives you Rs. half a lac and Rs. 13,650/- gives you 1 Lac after 20 years and 4 months.

Deposits could be opened either in the name of minors or their parents.

An ideal scheme for your daughter's marriage, children education and retirement benefits.

Interest earned annually exceeding Rs. 3,000/- only is liable for income-tax.

YOU CAN INVEST ANY AMOUNT FOR ANY PERIOD CONVENIENT TO YOU (IN MULTIPLES OF Rs. 600/- or Rs. 25/- IN THE CASE OF MONTHLY PAYMENTS)

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. Sarayan 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. Sarayan'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.



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



The opening of the Bombay branch



At the Calcutta branch inauguration



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 shilling of Erode branch



Rickshaw financed by KVB at Erode

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.

“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. 7



The Karur Vysya Bank Limited

Erode Branch moving to their own building TO DAY



Private Sector Banks

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

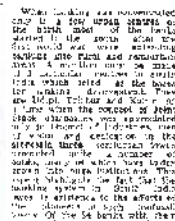
The decade of banking in South India may be traced to the efforts of a number of banks in the effort of establishing financial and credit facilities. By and large the concept of banking was determined mostly by traditional modes of



His Excellency Thiru P. Subramanian, Governor of Tamil Nadu, inaugurates the Erode branch and distributes loans to the members of weaker sections and self-employed persons.

the entrepreneur belonging to the middle class and the urban rich. The class bias, which is now an anathema, the commercial banks would have wide social and economic

implications, besides purely economic considerations. While a number of banks in the past of the country had functioned on such lines, the Government has shown more of banking in the past to people. The position even of a minority private sector banks



Y. K. Kalirajam, Special Representative of Govt. of Tamil Nadu, Erode.

are becoming better the depth of services to the clientele by offering a wide range of commercial and financial services. For all practical purposes the private sector banks are so-and-so, the backbone of credit

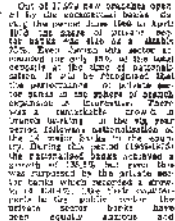
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THE KARUR VYSYA BANK LIMITED

CENTRAL OFFICE - KARUR

BOARD OF DIRECTORS:

- SHRI K. V. SASTRACHARI, B.A., - Chairman
- M. S. GOVINDARAJAN, CHETTIAR
- K. N. V. MALAYALAM CHETTIAR
- ATHI S. JANARDHANAN, M.L.
- S. A. VISWANATHAN, I.A.S. (RETD.)
- V. K. R. GOPALAKRISHNAN GUPTHA
- M. Y. KRISHNAMURTHI GUPTHA
- A. V. KANAKASWAMY
- G. SARANGAN, B.Sc. (HONOR), B.L.
- T. N. RAVANATHAN, B.A., M.L.
- T. VENKATSWAMY, B.Com., F.C.A.
- Z. A. JAFAR, B.Com., C.A.(A.I.C.) (Additional Director)
- P. CHAKRAVARTHI, B.Com., LL.B., CALICUT, (Additional Director)

Bank Profile

Situated in the midst of the Karur city, the Karur Vysya Bank Limited, established in 1905, has a long and distinguished history. It is one of the oldest banks in the South Indian States. The bank has a wide network of branches throughout the South Indian States.

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Particulars	1978-79	1977-78	1976-77	1975-76
Capital	1,00,00,000	1,00,00,000	1,00,00,000	1,00,00,000
Reserves	1,00,00,000	1,00,00,000	1,00,00,000	1,00,00,000
Advances	1,00,00,000	1,00,00,000	1,00,00,000	1,00,00,000
Assets	1,00,00,000	1,00,00,000	1,00,00,000	1,00,00,000

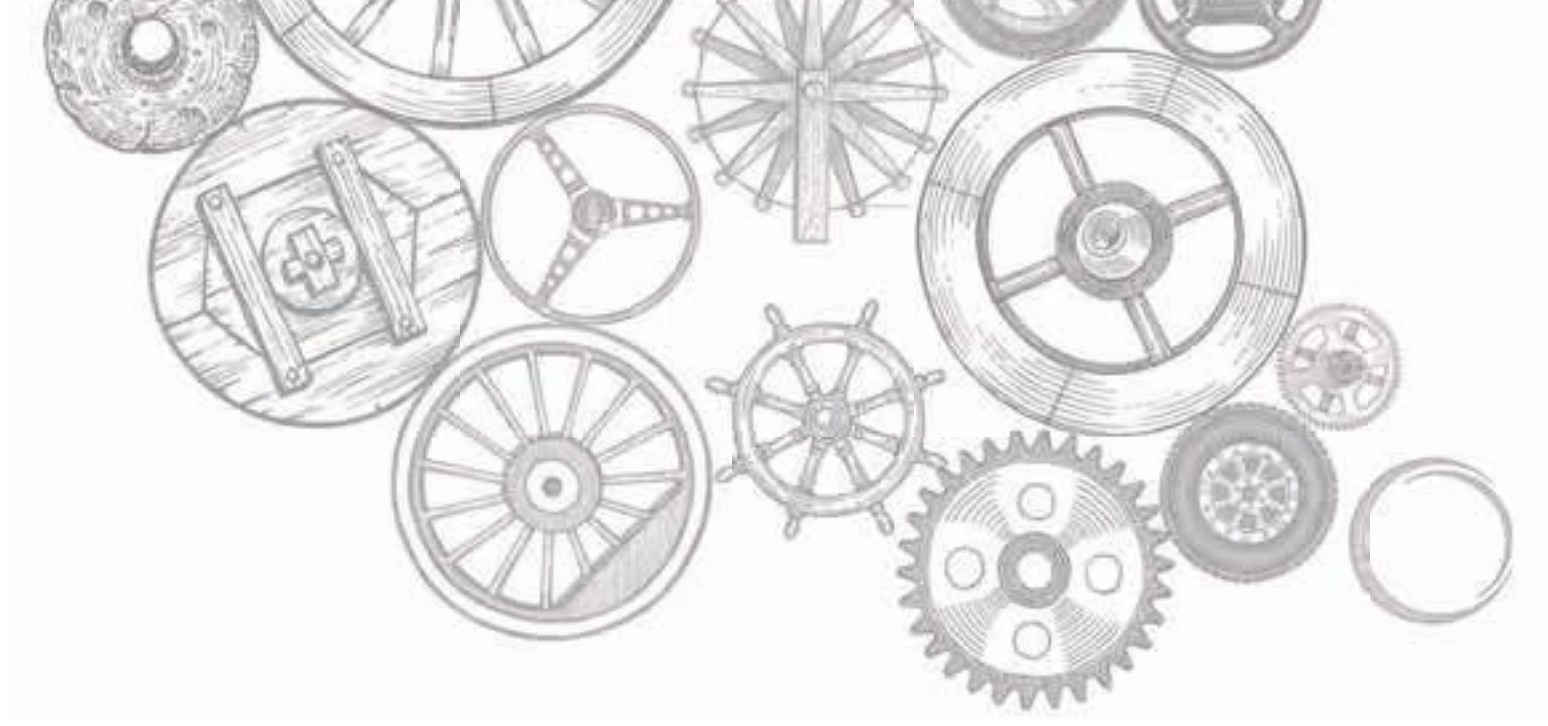
A special supplement for the opening of the bank's own premises at Erode (Courtesy: The Hindu)



A project financed by KVB

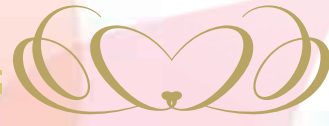
Those were the heydays of socialism when banks were considered to be tools of social upliftment. Priority sector lending became a key element of bank lending and banks were expected to advance money to beneficiaries, for agricultural and commercial activities which would provide for their livelihood. 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 – from 1982 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 while 18 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 Gupta



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, Sri M.A. Venkayya Chettiar and Sri. Ach. 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, looking 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.330 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 158 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. 1,500 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 benefited

from Government-sponsored schemes. We have schemes to offer to every type of client. For the



Sri S. Sankaran
Chairman

Common man harassed by rising rates which make savings difficult, we offer schemes which maximise his capacity to save and savings based 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 attainment of retirement benefits. The popularity of our Thrumagal Thirumana Thalam 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. 60% 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 affixed 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 orbit, 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. 150 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 Cardcard 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 customer.

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 co-promoter with the VYSYA BANK LEASING LTD and the VYSYA BANK CREDIT 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 SHARAT 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 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. Sri SRI. 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, it deems 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 to 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 Sala, 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



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



Dr. V. Krishnaswamy
Member, Planning Commission
will release Platinum Jubilee
Deposit Certificates and honor
Past President & Past Chairmen
of the Bank

Sangeetha Kalanithi
Smt. M.S. Subbalakshmi
will light the Rathabhalakam



**They Laid
The
Foundation**

The Late Sri M.A. Venkayya Chettiar, one of the founders of the bank, President from 1916 to 1926, Director from 1929 to 1934.



The Late Sri Ach. 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



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

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.



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

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 Bishma 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.





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.

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 156 branches spreads across 7 States and 2 Union Territories.

Growing with the Times
Second largest bank in Tamil Nadu in the private sector with over Rs. 330 crore deposits.

Useful schemes for the common man
Several saving schemes designed to fulfil 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 NRIs, 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 outland 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 CANGANI offers a dual advantage - facility to withdraw cash when needed from any branch of KVB and Central Bank and credit facility in over 1000 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 VYENNA BANK LTD, KVB has promoted VYENNA LEASING LTD which helps businessmen to realise their dreams. KVB has also promoted with VYENNA BANK LTD, the VYENNA 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 along with its customers, taking firm strong to the 21st century, is ready to meet their needs, always ready and around to fulfil their dreams. A promise that is 75 years old today.

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 VYENNA 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 seven 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 a 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 still gets back more than what he had deposited! The de-

positor 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.

INDICATORS OF GROWTH

Category	1980	1981	1982	1983
PAID UP CAPITAL & RESERVES ₹ Crores	11.00	71.00	100.00	150.00
DEPOSITS ₹ Crores	100	200	300	400
ADVANCES ₹ Crores	50	100	150	200
PRIORITY SECTOR ADVANCES ₹ Crores	10	20	30	40
PROFIT ₹ Crores	10	20	30	40
NUMBER OF BRANCHES Actual Number	10	20	30	40

BOARD OF DIRECTORS

SHRI B. BASKARAN
 SHRI A.HI S. JANAKTHANAN
 SHRI A.V. KANDASWAMY
 SHRI B. SOUNDARARAJA KRISHNAMURTHY
 SHRI M.K. SRINIVASAN
 SHRI T.S. RAMANI SANKAR
 SHRI P.K. RAMALINGAM
 SHRI K.S. RAMABADRAN
 SHRI M.G. VYVEKANANDAN
 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 prides 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

cater 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.

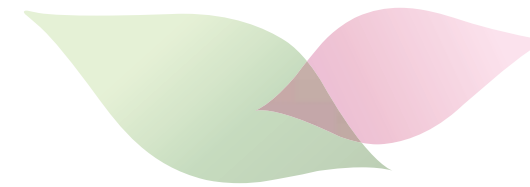
KVB THE KARUR VYSYA BANK LIMITED
KARUR 639 002

B Sankaran
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



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.

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



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, Bhisma 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

1996

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

2001

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

2003

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

1995

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

1998

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

2002

Founders Day celebration introduced. P.T. Kuppaswamy becomes Chairman

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

2007

KVB launches Depository Services

2009

Golden Vision – the transformation journey of KVB begins

2011

K. Venkataraman becomes Managing Director

2013

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

2006

Launch of KVB Ninety Techie campaign and 90th birthday celebrations

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.

2010

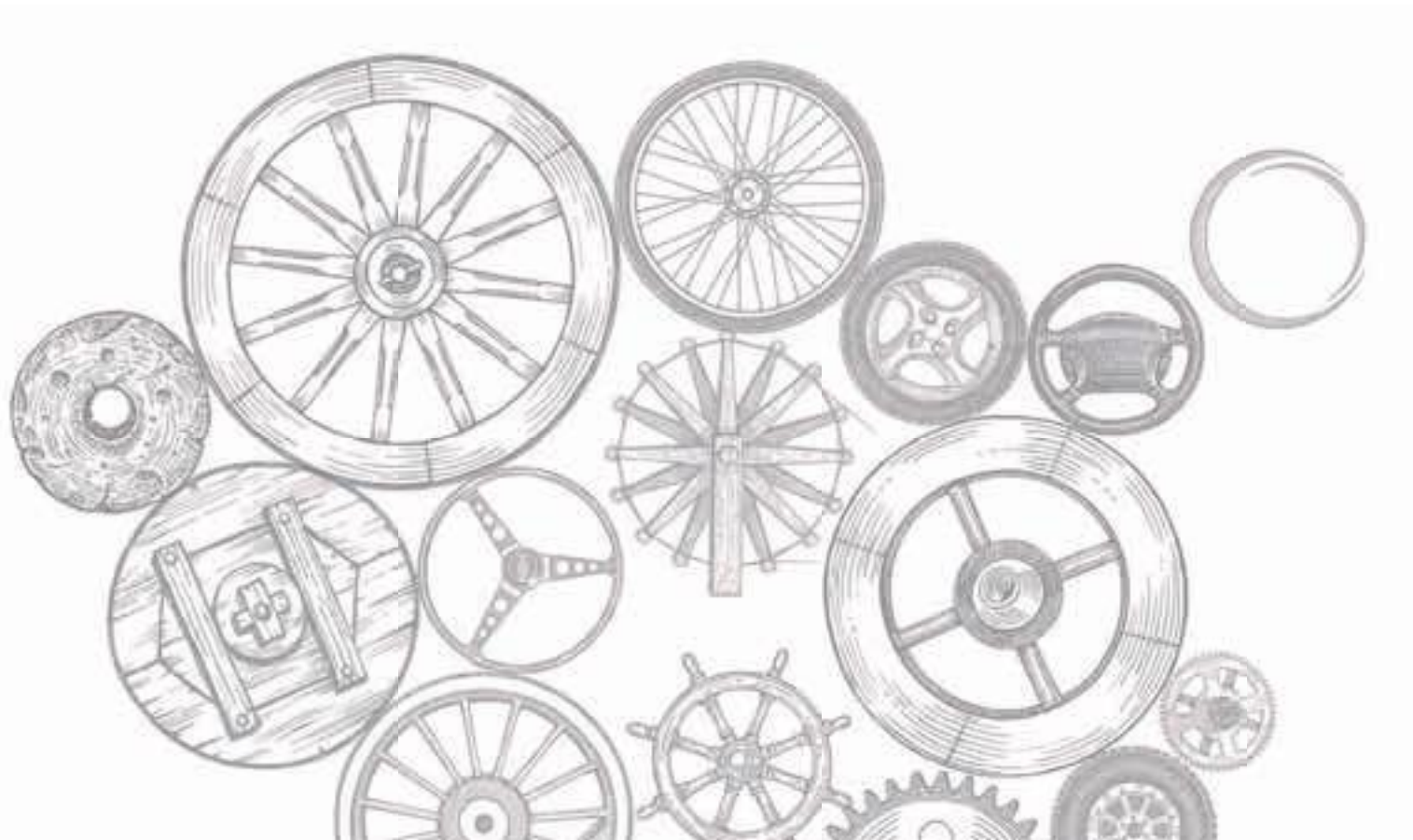
K.P. Kumar becomes non-executive Chairman

2012

Bank launches co-branded Visa credit cards with SBI

2015

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





CHAPTER - 11

80th ANNIVERSARY 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 adapted 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

<i>Shri A.D. Natvaneethan</i>	<i>Chairman</i>
<i>Shri Athi. S. Janarthanan</i>	<i>Director</i>
<i>Shri A.V. Kandastoamy</i>	<i>Director</i>
<i>Shri M.G. Vivekanandan</i>	<i>Director</i>
<i>Shri G. Rajasekaran</i>	<i>Director</i>
<i>Shri R. Chandrasekaran</i>	<i>Director</i>
<i>Shri. M.K. Venkatesan</i>	<i>Director</i>
<i>Shri M. Naganathan</i>	<i>Director</i>
<i>Shri T.R. Ramanathan</i>	<i>Director</i>
<i>Shri G. Sarangan</i>	<i>Director</i>
<i>Shri R. Sahadeva</i>	<i>Addl. Director (RBI)</i>
<i>Shri Sathyan David</i>	<i>Alternate Addl. Director</i>

With Best Compliments



In the Face of Competition

*B*askaran'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 as 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.

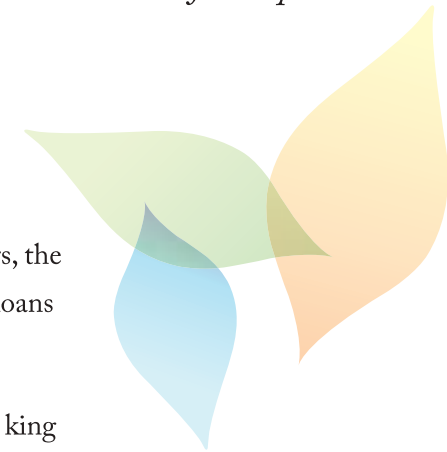


Inauguration of Central Branch Premises and Staff Training College, Karur

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.

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

THE HINDU, Thursday, June 24, 1982

Moving across with your interests at heart
KVB 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, Sri M.A. Venkatarama Chettiar and Sri Athi Kishore 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, 1982 at 10:30 a.m. Dr.P. Manuthal Pillai Chairman, Arora Segars & Enterprises Ltd has consented to declare open the new premises and Dr.Padma Subrahmanyam (Director, Arithodaya) will light the Kalashaku on this auspicious occasion. Car parking at Sanyam Theatre. Entry free Whites Road

BOARD OF DIRECTORS
 Sri Athi S. Janarthanan Director
 Sri A.V. Kandaswamy Director
 Sri M.K. Venkatesan Director
 Sri M.G. Vivekanandan Director
 Sri G. Rajasekaran Director
 Sri P.K. Ramalingam Director
 Sri K.S. Ramabhadran Director
 Sri R. Chandrasekaran Director
 Sri R. Thirumangalochary Additional Director
 Sri S. Ramesh Alternate Additional Director
 General Manager V. Divanjan

With Best Compliments

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

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.

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 Vasishtha 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.



Own premises of the bank at Ahmedabad

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 transactions in all permissible currencies. The permission has been given subject to the conditions and obligations stipulated in the Exchange Control Manual (1978 edition) and other directions issued by the Reserve Bank 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.

