

## Touching Hearts and Spreading Smiles: Growth Story of IOB

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**Indian Overseas Bank @75: The Saga of Good People to Grow with: N. K. Thingalaya, M. S. Moodithaya and N. S. Shetty: Publisher: Indian Overseas Bank, Chennai: 2012: (Unpriced).**

Indian Overseas Bank (IOB), ab initio, is unique in many respects. Its birth was simultaneously at two places. In 1937 it was established at Madras (Chennai) and at birth itself like the mythical 'Hanuman', it jumped across the Indian borders and started functioning in Kuala Lumpur (Malaysia). Its founding father, M. Ct. M. Chidambaram Chettyar was the youngest banking genius barely under the thirties. Banking was in his genes. Normally banks in India at initial stages had the modest objective of serving the locals; but, IOB spread its wings in international markets. Again, usually, Indian banks, as and when they ventured abroad, they turned to the West but IOB couriered to the East. Thus, from the beginning, IOB has unique attributes which it has preserved and polished during its long journey of 75 years, with an imaginative slogan, "Touching Hearts and Spreading Smiles."

The enchanting story of IOB has been encapsulated by the reputed trinity comprising scholar Bank Economist, Dr. N. K. Thingalaya, Dr. M. S. Moodithaya and Dr. N. S. Shetty. History, it is said, is a veritable record of precious treasures of sweet and sour memories, frustrations, achievements and a sense of fulfillment. Undoubtedly, it is an onerous task to trace all the important incidents over a long period of 75 years in the life of a dynamic institution such as a Bank which deals with millions of people every day, everywhere. And yet, the authors have thoughtfully chosen to narrate the story, decade by decade, and in the process succeeded in combing with fine tooth, the innumerable events that dotted the life of the IOB.

Perhaps, the rarest in a history book, the authors have appended at the end a Statistical Profile giving annual data which enhances the authenticity of the narration.



IOB went in for partial privatization through public offering in September 2000. Imaginative title for this event viz. "IOB enters Dalal Street" speaks volumes about the spark of the authors.

Indian Overseas Bank with its catchy slogan, "Touching Hearts and Spreading Smiles" has galloped over the 75 years from a business mix of ₹ 88 lakhs in 1937 to ₹ 3 lakh crores in 2012. The colourful balance sheets of both these years at the beginning of the document depict the growth story at a glance. Interestingly, the brief one page Directors' Report and modest half-page Auditor's Report which begs to report in 1937 have grown in size and substance in direct proportion to business growth. The change is well brought out by the authors.

The most remarkable feature of IOB's history is that it had simultaneous birth in India and abroad. No other Indian Bank had this distinction of birth at two countries. The credit for this rare honour goes to the genius banker founder M. Ct. M. Chidambaram Chettyar whose global vision and indomitable will were matched by his youth (He was less than 30 years). Appreciating the founder's visionary approach, Dr. D. Subbarao, Governor, Reserve Bank of India, on the occasion of

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Platinum Jubilee Celebrations of the IOB in July 2012 observed, "I am stuck by the vision and ambition of Late M. Ct. M. Chidambaram Chettyar who founded this bank way back in 1937 to provide foreign exchange facilities for Indian traders in South East Asia.

The first decade of IOB (1937-1946) was quite challenging. The second world war which began in 1939 led to increased war expenditure and excessive money in circulation. This prompted many small banks to crop up and mortality rate was also high. The authors make a pathetic observation, "Just like Indian population growing faster than the infant mortality rate, small banks were appearing in the banking sector despite a very high rate of bank failures in their infancy." In such trying times, the fact that IOB not only survived but thrived both in Indian and foreign operations speaks volumes about the managerial acumen of the management.

A series of important developments at the political and financial levels during the second decade of 1947 to 1956 impacted the business growth of the IOB. Independence in 1947 aroused great expectations. Planned era commenced in 1951-52. The All-India Rural Credit Survey Committee headed by A. D. Gorwala recommended nationalisation of the Imperial Bank of India. By an Act of Parliament, Imperial Bank was nationalized and The State Bank of India was created on 1st July, 1955, with a mandate to open 400 new branches in rural areas within five years. IOB expanded its business considerably and moved out of the home state. In the following decade (1957 -1966), impact of planned approach to development was visible, Banking sector made rapid progress. IOB did not lag behind. Geographically and functionally it achieved marked progress. In 1962, when IOB celebrated its Silver Jubilee, its total business was ` 60.29 crores. It paid 12 per cent dividend to its shareholders. IOB had to face an unhappy situation in 1963 as its Rangoon branch was nationalised by the Burmese Government. In 1964, the Bank's head office was shifted to a new elegantly built building which the Chairman M. Ct. Muthiah declared, "It symbolizes our past performance, our present confidence and our optimism of the future." An attractive feature of the

new building was the provision of a 'Drive-in Counter' with television facilities at its Cathedral Branch, which was the first of its kind in India.

Page 76 of the history document dons a black and white photograph of the veteran leader Shri Kamraj Nadar, the Chief Minister of Madras State, sipping coconut water with the help of a straw, during his surprise visit to the trade fair organized by the Bank.

The next decade (1967-1976) was the most eventful decade in the financial sector. The social control on banks in 1967 was short-lived. Subsequently, nationalisation of fourteen major commercial banks (including IOB) on 19th July, 1969 was a thunderous event. Nationalisation changed the complexion of banking. The slogan from "Class Banking to Mass Banking" rent the air. Banks were directed to go rural, lend to the defined priority sectors, which included agriculture, small industry, retail trade, small business, professionals and self employed, artisans etc. Weaker sections were to be given a preferential treatment in lending. The most notable aspect of this change was that the banks in the south (including IOB) willfully accepted these new challenges and worked enthusiastically for the achievement of the goals with great zeal.

In order to implement effectively the 'mass-banking' objective, branch expansion policy was revamped and for opening one branch in an urban centre banks were required to open four branches in rural areas. Lead Bank scheme was evolved; State-level Bankers' Committees, District Level Consultative Committees were set up, Regional Rural banks were established and Differential Rate of Interest scheme to lend to the poorest of the poor at four per cent rate of interest was started. IOB was entrusted the lead bank responsibility in twelve districts of Tamil Nadu and one district in Kerala. The authors have artfully narrated these developments.

Nationalisation of IOB had its adverse impact in international banking. The bank had to wind up its five branches in Malaysia as the Banking Law in that economy prohibited the operations of foreign Government-owned banks. This led to the creation of United Asian Bank, Berhad in which IOB had 16.67 per

cent paid up capital. During the same year Bharat Overseas Bank Ltd. was promoted in India with IOB owning 30 per cent equity. IOB's branch in Bangkok was taken over by this new bank.

In the next three decades ending in 2006, IOB recorded all-round progress and established new milestones. An admirable feature of its working abroad was lending to agriculture in rural areas in Sri Lanka. Its model paddy loan scheme, coconut development scheme and two-wheeler tractor loan scheme for small holders of tea plantations were highly appreciated. The District Minister of Matara (Sri Lanka) said in the Parliament during the introduction of the RRB Bill: "Whatever people may say about the foreign banks operating in Sri Lanka, they must admit the excellent services and support extended by IOB at Matara to farmers and our banks have to learn a lot from them." Interestingly enough, Bank of India had applied to the Reserve Bank of India for a licence to open a branch in Seoul, South Korea. IOB also had applied. Ignoring Bank of India's claim, IOB was given the licence. The factor which weighed in favour of IOB, as recorded in the History of the Reserve Bank of India reads, "The Committee felt that given the presence of IOB in Southern Asia, it should be allowed to open a branch in Seoul."

During these three decades IOB widened its Pan India vision and made rapid progress geographically and functionally. At the end of 2006, deposit level crossed ` 50,000 crores, advances reached ` 35,000 crores, net profit was ` 783 crores, branches crossed 1567 and the number of staff interestingly had declined from 29,112 in 1994 to 24,178 in 2006, thanks to technological breakthrough in its operations.

The quinquennium 2007-2012 witnessed remarkable progress in IOB's functioning. In all business parameters the bank scaled new heights. In March 2007 its net profit rose to ` 1,000 crores and IOB joined the league of six public sector banks (out of twenty-six) with more than ` 1,000 crore net profit. In 2007, IOB took over the Bharat Overseas Bank, with a network of 101 branches. The first off-site ATM was installed

in 2007. Now there are 496 off-site ATMs. It has launched mobile ATMs. In 2012, IOB introduced "Gen-Next Branch" to cater exclusively to the student community. Platinum Jubilee Celebrations were inaugurated in New Delhi on 10th February, 2011. During the Platinum Jubilee year 2011-12, Commemorative Orations were delivered by the galaxy of financial veterans on different important topics. As a part of its Platinum Jubilee Celebrations, IOB hosted BANCON 2011 on 4th, 5th and 6th November, 2011 in Chennai. The theme of the conference was "Gateway to a Defining Decade." It was inaugurated by the Hon'ble Minister of State for Finance, Shri Namo Narain Meena. Over 600 delegates including top bankers, industrialists and renowned speakers from the financial sector were present.

A tete-a-tete with the dynamic Chairman and Managing Director of the Bank, Shri M. Narendra, winner of the "Best Indian Banker Award of Sunday Standard FINWIZ, 2012", forms the quintessential part of the history document. It sets out at a glance how IOB seeks to become a customer-oriented and customer-centric bank by synergizing people, processes and technology. This visionary approach is matched by the global dream of the founder Chairman. He has devised plans and strategies to achieve by 2013-14 a business mix of ` 5,00,000 crores, 3,000 branches and 3,000 ATMs and to be one of the first five banks in the immediate future.

Written in a brilliant style, this document of 75 years history of the IOB is strongly supported by factual data, meaningful tables interspersed with impressive charts. It covers achievements in the sports arena, photographs of important events and personalities and success stories of a helping hand to the deprived people in the society. Glossy, thick and colourful paper adds value to the 375 page hard-bound impressive publication. It is a veritable source of data and information for bankers and researchers, a proud possession for IOBians and inspiring document for all the staff members of the Bank.

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