Golden Jubilee

Glorious Record of the Canara Bank
1906—1956

IT is Indian banking institutions like the Canara Bank which have enlarged their service and opened out branches, without order or directive and without any subsidy or artificial support. Again, it is Indian banks which are shareholder-owned public institutions, as distinct from State ventures, which have been rendering this useful service to the country quietly and without any drum-beating or fanfare. It is, therefore, heart-rending to find that there is no recognition of all the good work that has been done or is being done by these institutions, so vital for our economy.'

—Shri C H Bhabha, President Indian Banks’ Association, speech at the Golden Jubilee of the Canara Bank, held at Bangalore.

A Child of the Swadeshi Movement

The history of the Canara Bank is a record of steady and systematic progress of an institution from a modest beginning into the high position it has gained as one of the leading scheduled banks. The national consciousness that was awakened at the beginning of this century after the partition of Bengal, and the Swadeshi movement which followed, stirred a band of patriots headed by Shri A Subba Rao Pai to undertake many nation-building activities for the benefit of the people in their area, similar to those undertaken by patriots in the Punjab, Maharashtra, Bengal and other parts of India. The Canara High School and the Canara Girls’ Elementary School founded at Mangalore were the first of a series of institutions started by them.

The Canara Hindu Permanent Fund Limited

At the same time, the need to improve the economic condition of the people was also agitating their minds. This could be done, they rightly felt, by starting an institution to foster the habit of thrift and promote saving and would extend financial assistance to businessmen to run and improve their business. This became a burning desire and led them to study carefully the working of “Nidhis” of Madura and other towns of the South and to start on this model ‘The Canara Hindu Permanent Fund limited.’ The Fund was instituted on the first of July in 1906 at Mangalore, in a rented building, with a capital of 2,000 shares of Rs 50 each. Shri A Subba Rao Pai was so enthusiastic about this Fund that he went all around, in hackney coach and bullock cart explained the benefits of the Fund to the common people and collected shares from people of all walks of life. In fact, this was one of the first joint-stock enterprises in South Kanara.

The First Board of Directors

The first Board of Directors consisted of 24 Directors chosen not only from the different parts of South Kanara but also from the Shimoga District of Mysore. The combination of people from such distant parts or the country at a time when communications were undeveloped showed the fervour and devotion as well as the pioneering spirit of the founders.

Credit facilities in those days at Mangalore, a port of considerable importance to Coorg and Mysore, were meagre; merchants had to borrow at very high rates of interest from individuals, and no indigenous bank existed to give facilities to the common people for saving or for financing their businesses. The Fund, however, worked more for the service of the people than for gaining profits. It was so solicitous of the welfare of its clientele that it had incorporated in its articles of association a provision that a rate not exceeding 10% was to be charged for advances when higher rates were quite common. On account of its enlightened policy and because the persons at the helm were educated, patriotic and devoted to service, the Fund quickly won the hearts of the people, and gained the fullest confidence of its constituents. The proceedings of the Directors of those days show how vigilant and cautious they were, how minutely they looked into the affairs of the Fund to avoid any possibility of losses and how they strengthened the institution rupee by rupee.

Hastening Slowly

They initiated a policy of consolidation before progress. This has all along been followed and strictly adhered to by the management in succeeding years. Indeed, this has been the most remarkable feature of the history of the Bank.

There has been nothing more spectacular in the history of the Bank than the resourceful manner in which in the course of its natural growth to maturity it has adapted itself to the changing times, and played its full part in the building up of the economic strength of the people in an ever-widening area. Even the composition of the Board of Directors had been a mirror of the life around. It consisted of leading lawyers, eminent retired Government servants and talented businessmen. This harmonious blending of the different views proved to be a great asset to the Bank and ensured its stability and steady progress.

The premature demise of Shri A Subba Rao Pai within three years of the starting of the Fund was a great blow; however the men at the helm realized that the strengthening and developing of all the Institutions in the founding of which he had played such an important part was the best way of showing their regard towards his great personality; and they devoted their best attention to the “Fund” with the result that the “Fund” grew strong and, with its help business developed steadily in Mangalore.

The Canara Bank

In 1910, the Board of Directors, at the suggestion of Shri K Subramaniam, who had played an important part in the spreading of commercial education in Bombay, reconstituted the “Fund” into a regular Bank and appropriately named it as the “Canara Bank Limited.”

With the renaming of the institution, regular banking business came to be conducted to the great advantage of the people. The resources of the Bank steadily increased. As per Articles of Association, the Bank had set apart as high a part of its profits as 25% towards reserves even from its inception. The Bank gained in prestige year by year, and its fame as a beneficent institution spread far and wide. Even from its inception it had been charging Interest on loans at rates which were moderate in relation to prevailing interest rates and was giving every facility to merchants to develop their business. The Bank has followed the principle—in the prosperity of its constituents lies the prosperity.

1906—1956
of the Bank. By exercising moderation and caution in advancing money, it had checked many a businessman from undertaking perilous speculation and had thus acted as a steadying force.

Economy

It is interesting to note how the Bank exercised strictest economy in its expenditure. At first the Bank was located in a small rented building paying only Rs. 120 as rent per year. Even the safe was lent by a member of the Board of Directors: Other items of expenditure were reduced to the minimum. It was only in June 1916 that the original premises were purchased by the Bank. Incidentally it may be mentioned that the General Body meetings of the shareholders of the Bank were till 1917 held in the Canara High School, Mangalore!

Facing the Crises

At the beginning of the second decade of the life of the Bank, it had to face the commotion caused by the failure of many banks in the years 1913-1914 and later the excitement caused by the outbreak of a World War in 1914. But the clientele reposed such confidence in the management that the Canara Bank not only remained unaffected by these crises but emerged stronger than it had been before. By careful scrutiny and by the bestowal of full attention to the affairs of the Bank, the Directors were able to conserve its profits and build up considerable reserves. In the report of the Directors in 1915, they have recorded "In spite of the disorganization in the financial and commercial world consequent on the continuance of European War, the business was satisfactory and progressive."

Another crisis came over the Banking World in 1922-1923 when several email banks collapsed all over India. But the cautious policy adopted and the goodwill earned kept the Canara Bank out of the whirlpool. In fact it had been so fortified by the goodwill of the people and the steel frame of the administrative machinery that the period of depression of 1928 and thereafter and the panic caused by the crash of the Travancore National Bank in 1938 passed over its head doing it no harm. When the then Chief Minister of Madras, Shri C Rajagopala Chari proposed in 1938 that the bank do voluntarily request the Reserve Bank of India to look into the intern

Expansion

From the year 1918, Shri A Srinivas Pai, a leading lawyer of Mangalore and one who was associated with the Bank from its very inception became its President and guided the affairs of the Bank for the next twentyfive years with ability, tact, patience and forethought. His experience, wisdom and knowledge of affairs helped the Bank to build up its strong organization and prestige.

From the year 1926, began the remarkable development of the Bank in all directions. The management felt that the Bank had grown sufficiently strong during the precious twenty years and steps could then be taken for removing its local mantle and transform it into a Bank, strong enough to carry on the ever-increasing activities of modern banking in any part of the country.

In thousands

Capital

Reserve

GROWTH OF CAPITAL AND RESERVES

1915 1925 1935 1945 1955

In thousands

Deposits

Deposits - Growing

1915 1925 1935 1945 1955
This could, only be possible if the share capital and the resources of the Bank were increased. If the branches could be spread over places inter-linked with each other by trade and business, if modern banking facilities of all types were extended to the general public. At the same time it was equally essential to build up a strong and Impersonal administrative machinery with a well trained staff able to give courteous and efficient service to its clientele.

Increase in Capital and Resources
A casual glance at the annual balance sheets of the Bank reveals how carefully and how in conformity with the growth of the business, the share capital of the Bank has been raised from time to time. The fact that the ordinary shares and the preference shares issued from time to time were quickly purchased even in times of financial uncertainty shows the confidence reposed by the public in the Bank. The Balance sheets also show what a large part of the profits has been transferred to the Reserve Funds of various types. The resources of the Bank on account of its increasing business activities has grown through the years. The graph of the rise of the resources can be noted to be steep.

Spread of Branches
As the resources of the Bank increased and the circle of its clientele widened, the need to increase banking facilities by opening branches at places inter-linked for trade and money transactions with Mangalore and other Inter-dependent towns was realized and slowly and after much mature consideration, branches were opened at various places. Today, they are spread all over South India, at almost all the important trade centres and ports. The first branch was opened at Karkala in 1926; later another was opened at Cochin. Branches were opened at select centres in South Kanara, Malabar, Mysore State and Bombay Presidency. The Bombay branch was opened as early as in 1928. The year 1945 saw the opening of 9 new branche, some of them being in the Tamil districts. After that year, branches were opened in the Hyderabad State, one at Nagpur (1946) and another at Karachi (1946). Today, the Bank has 51 branchies pursuing a uniform policy of financing business in the very best interest of all concerned.

Increase In Work
The history of the Bank has also shown how gradually its scope of business has been extended along careful, well-defined lines. In the early days the loans that were granted were either loans on the security of gold or were unsecured loans to well-known parties. But gradually, as scientific knowledge of the banking principles developed and spread, the Bank was quick to offer varied services, which a modern bank could give, services both to the investors and to the borrowers. Today, an increasing number of people are becoming clients of one type or another of the Canara Bank. The Foreign Department
A great step forward was taken by the Canara Bank when it opened its foreign department in 1953 and undertook the complicated task of handling the foreign business of its customers who conduct international trade or travel abroad. In this task, it secured the services of Mr. D. Freeman, who was for thirty years an officer in that department of the Lloyds Bank, London. He not only organized the foreign department of the Canara Bank but also trained several members of the staff of the branches in the technique of handling foreign business. For this purpose, regular classes were held at Bangalore to train members of the staff. Later several other members of the staff also received instructions from him at branches. This careful training has enabled the branches to handle this new business intelligently and efficiently. Today, this foreign department has become a natural and an integral part of the Bank's activity.

'Foreign Trade Digest'
While on this subject of Foreign Trade, a few words may be said about some special services the Bank is giving to its customers in this field. It publishes a regular bulletin entitled 'Foreign Trade Digest' giving information on foreign trade and distributes it, free of cost, among its customers and friends doing foreign business. Through the medium of this magazine, and through other measures, a special effort is further made to stimulate participation by its customers and others in international trade fairs, specially those sponsored by the Government of India. The Bank also sends its own posters for display in such international fairs and exhibitions.

Structure of Administration
The efforts of the Bank to increase the efficiency of its organization can be noted through the years. When the Bank was venturing on its career of expansion, it invited in 1931 Shri Vidyasagar Pandya, M. L. A. an eminent leader in the field of banking at Madras to make suggestions regarding alterations of the Memorandum and the Articles of Association and for the improvement of the organization of the administration. His valuable suggestions were adopted with great profit to the Bank. Careful attention was paid towards efficient control and supervision of branches. In 1943, the General Manager's Office was shifted to Bombay. This was in pursuance of the policy of raising the tone of the administrative structure. The financial trends could easily be watched from such a big financial centre as Bombay and the Bank could get the full benefit therefrom. Again with the opening of several branches spread over a large area the administrative office was shifted in 1954 from Mangalore to Bangalore a more central place from where guidance to the branches could be given in the quickest possible time and better co-ordination could be effected. The special attention bestowed by the management on the constitution of the steel frame of administration has not only increased its all-round efficiency but has also made it quite Impersonal bereft of redtapism. The advice given by the Reserve Bank from time to time and after its periodical Inspections has also been incorporated in the conduct of business. An eminent Banker who observed the organization of the Bank from close quarters remarked "If all the Directors of your Bank and its principal officers are replaced in a moment by their wives, the administration would still remain unaffected." This humourous remark conveys the true nature and the impersonal character of the structure of the Administrative machinery of the Canara Bank.

Training of the Staff
The management has bestowed very great attention on the equipment and training of its staff as part of its drive for administrative efficiency. The present General Manager was deputed for training in two leading banks of Bombay and later was sent for about six months to study in the Midland Bank in London before his appointment for the post in 1932. As a result the administrative and accounts departments were overhauled; the loans policy of the Bank was improved so as to increase liquidity

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and minimize losses; the departments of publicity and public relations were brought in line with those existing; in advanced institutions.

The management all through has been receptive of new scientific ideas in banking. In 1952, when branches had spread out and the volume of business expanded, the management felt that it would be better to know how such work was conducted in the leading banks of the West. In order to get this benefit the Bank sent during 1952-1954 six of its senior officers for training abroad for six months under an arrangement made with the good offices of the Reserve Bank of India and the India High Commissioner for the United Kingdom. They studied modern efficiency methods, Bank organization, loans procedure: and co-ordinating and development technique. These Officers today occupy key positions in the Bank and are giving the Bank the benefit of their training.

The training- of other members of the staff has also been undertaken. Since 1954 the Bank is sending its officers regularly to the courses conducted by the Bankers Training College organized by the Reserve Bank of India.

The Canara Bank has organized two courses of its own, the basic course for beginners and the senior course for fixture officers, in order to train the members of its staff for its work. It, gives them all the essential knowledge in banking, inculcates in them the special traditions of the Canara Bank and gives Oram initiation in the technique of modern banking. This has provided the Bank with a band of efficient workers pursuing a uniform policy. In order that the Canara Bank may maintain an individuality of its own in the service of the Nation and make all those who come in contact with the Bank acquire and retain attachment to the institution.

The Bank was started with only 4 members on its staff. As the volume of its work grew and its branches multiplied, the number on the staff has also increased. Today it may be interesting to note that over a thousand people are working in its different branches and in its administrative offices together.

The fifty years of the life of an institution like the Canara Bank is a sufficiently long period to take stock of its achievement and its drawbacks. The Bank is ever alert to consolidate the position. It has gained and bring about improvements that are necessary with the passage of time. The management spares no pains to make the Bank "Our Bank" to all its constituents in whatever walks of life they be and in the different parts of the country with a view to raising the economic level of the Nation. The Directors are putting all efforts in making the Canara Bank play its due part in the economy of the Nation to the best of its capacity.

Staff Welfare

The directors have before them a scheme of raising a fund called "The Canara Bank Golden Jubilee Staff Welfare Fund". Among the objects of the Fund will be the economic, social, and moral advancement of the members of the staff and to help them to develop habits of thrift, self-help and better living and to give financial aid to members in case of sickness, or distress, and for education of children etc. The membership will be purely voluntary and the benefits of the funds will be confined to members who will manage the funds under a democratic constitution. The funds will be raised by monthly deposits from members at not less than one per cent of their salary and the Bank will contribute a substantial amount to form a nucleus of the Fund. If properly worked, the Fund is calculated to play an important part in promoting the welfare of the members. It is hoped that the majority of the members of the staff would join the Fund and work it out successfully.

The directors have also a scheme for housing loans to employees on hire purchase basis with a sufficiently long period of repayment. The Amount of loan would depend upon the salary of the employee and the rate of interest would be as low as 3½%. This would enable a number of the Bank's employees to have houses of their own.

Further, the directors are also considering a pension scheme which can be chosen by the staff as an alternative to staff provident fund and also a scheme for employees' participation in Capital through the issue of a class of shares. The details are being worked out and it is hoped these would be welcomed by the employees.

Scholarship Scheme

The administration of a scheme of educational loan scholarship, however, calls for certain special qualities. Thus, it is not enough if the authorities are able to spot a candidate who deserves to get it. It is necessary to be able to keep a continuing watch over the recipient, follow up his career, to know precisely when he is capable of returning the loan and, above all to ensure that the loan is returned. It is ethically worthy of the highest praise.

It is precisely such a combination that is to be found in a remarkable experiment in loan scholarship that has been initiated by the sponsors of the Canara Bank Jubilee Education Fund. The enterprising authorities have evolved a scheme which seeks to blend the philanthropist's zeal for service in the cause of education with the Bank's organising ability, on the one hand, and to supplement the donor's financial resources with its own, on the other. A look at the scheme will reveal that it is both well conceived and ably devised, so that it ought to commend itself to all lovers of educational charity and, more especially, to those who hold that private banking can and should render genuine public service.

Briefly, the scheme involves the grant of a loan scholarship which will be five times the amount placed by a donor at the disposal of the Fund. Under this novel scheme, the Fund which is created by the donors is pledged as a security with the Bank which, in its turn, has agreed to grant loans up to five times the funds given as security, subject to a maximum of Rs 5 lakhs. The Canara Bank has itself donated Rs 20,000 to the Fund and the collections so far made amount to Rs 1,20,000. There is no doubt that the whole scheme is as economically sound as it is ethically worthy of the highest praise.

Main Features of the Scheme

It seems necessary, at this stage to bring out some of the main features of the scheme. The Fund, which is a registered body; derives

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Rs 1,000 every year till they complete their studies and, at the same time, ten fresh scholars will be selected for aid every year.

There are several considerations which suggest that the scheme will achieve all the success it deserves. In the first place, loan scholars all the world over are deeply conscious of the value of the help they receive at the impressionable period of their life, and, therefore, grateful. In banking parlance, they are a highly creditworthy lot. Indeed, the experience of other funds which the sponsors of the present scheme have studied has been very encouraging. Secondly, the taking out of a life policy and third party security still further reduces the risk of loss.

To the donor, it should have a special appeal, because it enables him to be more generous than his purse can permit. He has the additional satisfaction that his donation will remain intact and be available on a continuing basis to generations of students. He is further relieved of the anxiety to collect the loan, for the Bank will ensure that it is repaid. Nor need he fear that the loan will go to an undeserving person, for the Fund will see to it that it is the deserving scholar that gets the aid. As regards the scholar, he ought necessarily to welcome the scheme which allows him to pursue his studies without financial worries to disturb the even tenor of his academic career.

Private enterprise in India is on trial. And private banking, as the citadel of this enterprise, owes it special responsibility to the society. It is up to it to vindicate itself through actively aligning itself with schemes which serve the public. If all Indian banks could establish "Educational Funds" on the lines of the Canara Bank's scheme, they would be further adding to their stature in the public eye. Their present detractors would then be compelled to recognise that private banking could be harnessed to the task of rendering efficient public service.
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