

# BANKING AND INSURANCE

---

*.....and other palms are won*

WORDSWORTH, Ode on the Intimations of Immortality

After stabilizing the mills and even while expanding his empire, Kalaithanthai turned his attention to banking and insurance. From his experience he knew how important they were for the growth of industry. The Gujaratis were in the forefront in both banking and insurance businesses. There were over a dozen leading banks, most of them started by North Indian businessmen. In Tamil Nadu there was only the Indian Bank founded by Raja Sir Annamalai Chettiar. There was a general desire among the Tamil merchant community to enter the field. But Kalaithanthai Karumuttu Thiagaraja Chettiar was the one person who ventured into the field and achieved success. He started the Bank of Madura and the Madurai Insurance Corporation in 1943.

## 1

The opening of the Bank of Madura was the fulfilment of a long-cherished dream of Kalaithanthai. Here too he had to pass through hurdles and with his usual diligence and persistence, he built it up as he had built up the mills.

The inauguration of the bank was a low-key affair. It had only three branches when it was started - in Madurai, in Salem and in Pudukkottai. Many of the employees had no prior experience in banking. The Madurai branch functioned in the premises of Sree Meenakshi Mills.

It was under the charge of C.S. Ramachary as practically every section of Sree Meenakshi Mills had been. It was some time before the bank had a full-time secretary in T.T. Pillai, who had served under Sir Jamshedji Poochanwala, the founder of the Central Bank of India

In the beginning, there was not much business to speak of. As it was a small bank, the Reserve Bank would not accord it the status of a scheduled bank. That was a real handicap. All government departments, public sector undertakings, government boards, municipalities, aided institutions, universities, temples, WAQF board and other similar institutions had to transact business only through scheduled banks.

## 2

Kalaithanthai struggled for sixteen years, and slowly built up the bank, literally brick by brick. He opened branch after branch without any fanfare and gained the confidence of the public. His sagacity came to his aid. He amalgamated small banks that lay scattered. Some of them had hardly half a dozen branches. The following banks merged with the Bank of Madura:

Chettinad Mercantile Bank, Karaikkudi  
The Reliance Bank, Madras  
The Tiruchirappalli Bank, Trichy  
The South India Commercial Bank, Karur  
The Ilanchi Bank, Tenkasi  
The Mayavaram Bank, Mayuram  
The Janopahara Bank, Srirangam  
Vettaikkaran Pudur Bank  
Bank of Karaikkudi, Karaikkudi

Little by little the Bank grew. It came to have branches in most districts in Tamil Nadu. When Thomcos Bank, Alleppey, merged with it, the Bank of Madura set foot in Kerala.

After thus strengthening the foundation, Kalaithanthai set about the job of making it a scheduled bank. He appointed T.K. Ramasubramanian, a retired officer of the Reserve Bank of India, his bank's secretary, knowing that he would be familiar with the procedure for making it a scheduled bank. He was following the precept of Tiruvalluvar: "Select the man who will deliver the goods and entrust the job to him." He had chosen the right man for the right job. The Bank of Madura became a scheduled bank in 1959, sixteen years after its inception.

From that moment the bank never looked back. Kalaithanthai was as successful in banking as he had been in the textile industry. Many industrial houses and banking corporations invited Kalaithanthai to be on their governing body. But he declined. He was very frank. With all his responsibilities, he would not be able to do justice to fresh assignments. He did not want any position for the position's sake.

When the government enunciated a new banking policy, whereby banks had to focus on social welfare, it also laid down the condition that the Chairman of the Board of Directors should be a full-time servant of the bank. Kalaithanthai gave up his position as Chairman of the bank and severed his connection with the governing body also. Sri L. Krishnan, who had started his service in the Bank of Madura and who had later served in the Reserve Bank of India, became the first Chairman of the bank according to the new policy. As chairman, Kalaithanthai had provided employment to a large number of people, granted advances to many industries and helped people in various other ways.

At its peak, the Bank of Madura had 253 branches, spread over the entire country, and its business portfolio had crossed 570 crores. It celebrated its golden jubilee in March 1993. None can gainsay the fact that the Bank of Madura was Kalaithanthai's child and owed its glory to him. A grandson of Kalaithanthai, Dr K.M. Thiagarajan, became the Chairman and by his dynamism brought it to still greater heights, but at a cost. The bank

merged with the ICICI and lost its identity, though in the process it reached a larger clientele. Perhaps it is an inevitable development in this age of globalization.

## 5

The factory building, the machinery and the cotton in the godowns in Kalaithanthai's mills were insured against fire and other accidents, and Kalaithanthai found that he had to pay large premiums to the insurance companies. He saw that the insurance companies reinsured the goods with other companies. This sparked off the idea of starting an insurance company of his own. He founded the Madurai Insurance Corporation in 1943. It was started without any fanfare. He insured the goods sent by ship to clients and entered into an agreement with the Norwich Union Agricultural Insurance Company, UK.

Kalaithanthai wanted to enter life insurance business but the government had decided to nationalise the insurance business and did not allow the opening of new insurance companies by private parties.

Kalaithanthai studied the balance sheets of other insurance companies. The Vijaya Sarathi Insurance Company in Kerala was functioning as a life insurance corporation, issuing a Janata policy for Rs 1000. Kalaithanthai merged it with the Madurai Insurance Corporation and issued a life insurance bond for Rs 1000 to his workers. He made arrangements for the company to stand guarantee for loans other than from the Bank of Madura. He always struck out on new paths.

The Madurai Insurance Corporation functioned successfully, before it was nationalized along with other insurance companies in 1973.

When there was a boom in the textile industry, the North Indian capitalists invested their huge profits in sugar and chemical industries. The mill-owners of Coimbatore started engineering industries and bought estates. Kalaithanthai turned to banking and insurance, to journalism and to the educational field.