CHAPTER II
EVOLUTION AND GROWTH OF COMMERCIAL BANKS IN INDIA

Purpose and Overview: In this background chapter, an attempt has been made to provide a synoptic view of evolutionary process of the commercial banking system in India and operational highlights of the commercial banks at present, besides providing an operational profile of the bank under study, i.e. the syndicate bank.

The whole chapter is divided into two parts: Part A deals with evolution and growth of commercial banks in India and Part B deals with the operating profit of the syndicate bank.

Part A: Evolution and Growth of Commercial Banking in India

Indian banking system is no longer confined to metropolitan cities and large towns, in fact Indian banks now spread out into the remote areas of the country. Indian financial intermediaries are increasingly refocusing on core competencies and pragmatic strategies. Banks and other financial agencies are undergoing radical organisational changes with an objective of strengthening the activities to attain comparative advantage. Specialisation in this sector provides competitive effectiveness depths, which is necessary to continue with the process of strengthening the prudential, promising and capitalisation norms and bring them in the line with the best global standards. In the recent years, international financial architecture has become a matter of considerable debate among governments and central banks all over the world. In the emerging environment,
the role of markets in the formation of financial asset prices is expected to be significantly enhanced. The progressive easing of barriers to entry and exit will help to enhance competition and bring a greater number of participants into various segments of the financial markets. Thus, markets need to acquire greater depth and liquidity, especially in the money and debt segments. Continuous improvement in the technological infrastructure is quite necessary to keep pace with the explosive speed of financial innovations. In the efficient performance of banking system, financial intermediaries as market participants have a crucial role to play. For managing the risk-return trade-off, there is need for organizational efficiency, human skill development and technological upgradation. The face of banking changing quite rapidly and banks all over the world have reoriented the strategies, practices, products, etc., in tune with their changing environment. They are increasingly focusing on core competency. In India, the Narasimhan Committee and the Verma committee have thrown considerable light on the possible future course of action for a financial system undergoing an organizational change.

India’s banking system has several outstanding achievements to its credit, the most striking of which is its reach. An extensive banking network has been established in the last thirty years. In terms of the number of branches, India’s banking system is one of the largest, if not the largest in the world today. An even more significant achievement is the close association of India’s banking system with India’s development efforts.
History of Indian Banking can be outlined in three parts:\(^1\):

1. Early phase from 1786 to 1969,
2. Nationalisation of banks and up to 1991 prior to banking sector reforms, and
3. New phase of Indian banking with the advent of Financial and Banking Sector Reforms after 1991

The first phase is from 1786 to 1969, the early phase, up to the nationalisation of the fourteen largest of Indian scheduled banks. It was also the traditional or conservative phase of Indian banking. The advent of banking system of India started with the establishment of the first joint-stock bank, The General Bank of India, in the year 1786. After this first bank, Bank of Hindustan and Bengal Bank came into existence. In the mid of 19th century, East India Company established three banks, viz; The Bank of Bengal in 1809, The Bank of Bombay in 1840, and the Bank of Madras in 1843. These banks were independent units and called Presidency Banks. These three banks were amalgamated in 1920 and a new bank, Imperial Bank of India, was established. All these institutions started as private shareholders banks and the shareholders were mostly Europeans. The Allahabad Bank was established in 1865. The next bank to be set was the Punjab National Bank Ltd., which was established with its headquarters at Lahore in 1894 for the first time exclusively by Indians. Most of the Indian commercial banks, however, owe their origin to the 20th century. Bank of India, Central Bank of India, Bank of Baroda, the Canara Bank, the Indian Bank, and the Bank of Mysore were established between 1906 and 1913. The last major commercial bank to be set up in this phase was the United Commercial Bank in 1943. Earlier, the establishment of Reserve

\(^1\) http://www.geocities.com/kstability/learning/banking/index.html
Bank of India in 1935 as the central bank of the country, was an important step in the development of commercial banking in India.

The history of joint stock banking in this first phase was characterised by slow growth and periodic failures. There were as many as 1100 banks, mostly small banks, failed during the period from 1913 to 1948. The Government of India, concerned by the frequent bank failures in the country causing miseries to innumerable small depositors and others, enacted "The Banking Companies Act, 1949". The title of the Act was changed as "The Banking Regulation Act 1949", as per amending Act of 1965 (Act No.23 of 1965). The Act was the first regulatory step undertaken by the Government to streamline the functioning and activities of commercial banks in India. The Reserve Bank of India, as the Central Banking Authority of the country, was vested with extensive powers for banking supervision.

At the time of independence of the country in 1947, the banking sector in India was relatively small and extremely weak. The banks were largely confined to urban areas, extending loans primarily to trading sector dealing with agricultural produce. There were a large number of commercial banks, but banking services were not available at rural and semi-urban areas. Such services were not extended to different sectors of the economy like agriculture, small industries, professionals and self-employed entrepreneurs, artisans, retail traders, etc.

**Deficiencies of Indian Banking System before Nationalisation**

Commercial banks, as they were privately owned, on regional or sectarian basis, resulted in development of banking on ethnic and provincial basis with parochial outlook. These
Institutions did not play their due role in the planned development of the country. Deposit mobilisation was slow. Public had less confidence in the banks on account of frequent bank failures. The savings bank facility provided by the Postal Department was viewed a comparatively safer field of investment of savings by the public. Even the deficient savings thus mobilised by commercial banks were not channelled for the development of the economy of the country. Funds were largely given to traders, who hoarded agricultural produce after harvest, creating an artificial scarcity, to make it a good fortune in selling them at a later period, when prices were soaring. The Reserve Bank of India had to step in at these occasions to introduce selective credit controls on several commodities to remedy this situation. Such controls were imposed on advances against Rice, Paddy, Wheat, Other food grains (like jowar, millets, ragi etc.) pulses, oilseeds, etc.

**Initial Phase of Nationalisation**

When the country attained independence, Indian banking was exclusively in the private sector. In addition to the Imperial Bank, there were five big banks (each holding public deposits aggregating Rs.100 crores and more), viz. the Central Bank of India Ltd., the Bank of India Ltd., the Bank of Baroda Ltd. and the United Commercial Bank Ltd. Rest of the banks were regional in character holding deposits of less than Rs. 50 crores.

The Government of India (GOI) first implemented the exercise of nationalisation of a significant part of the Indian banking system in the year 1955, when Imperial Bank of India was nationalised in that year for the stated objective of "extension of banking facilities on a larger scale, more particularly in the rural and semi-urban areas, and for diverse
other public purposes” to form State Bank of India (SBI). The SBI was to act as the principal agent of the RBI and handle banking transactions of the Union and State Governments throughout India. The step was in fact in furtherance of the objectives of supporting a powerful rural credit co-operative movement in India and as recommended by the “The All India Rural Credit Survey Committee Report, 1954”. The State Bank of India was obliged to open an accepted number of branches within 5 years in unbanked centers. Government subsidized the bank for opening unremunerative branches in non-urban centers. The seven banks now forming subsidiaries of SBI were all nationalized in the year 1960. This brought one-third of the banking segment under the direct control of the Government of India.

But the major process of nationalisation was carried out on 19th July 1969, when the then Prime Minister of India, Mrs. Indira Gandhi, announced the nationalisation of 14 major commercial banks in the country. One more phase of nationalisation was carried out in the year 1980, when seven more banks where nationalized. This brought 80% of the banking segment in India under Government ownership. The country entered the second phase i.e. the phase of nationalized Banking with emphasis on Social banking in 1969/70.

Shortcomings in the Functioning of Nationalised Banking Institutions

However, nationalized banks in their enthusiasm for development banking, looking exclusively to branch opening, deposit accretion and social banking, neglected prudential norms, profitability criteria, risk-management and building
adequate capital as a buffer to counter-balance the ever expanding risk-inherent assets held by them. They failed to recognize the emerging non-performing assets and to build adequate provisions to neutralize the adverse effects of such assets. Banking in the sunshine of Government ownership that gave to the public implicit faith and confidence about the sustainability of Government-owned institutions, they failed to collect before hand whatever is needed for the rainy day. And surfeit blindly indulged is sure to bring the sick hour. In the early Nineties after two decades of lop-sided policies, these banks paid heavily for their misdirected performance in place of pragmatic and balanced policies. The RBI/Government of India have to step in at the crisis-hour to implement remedial steps. Reforms in the financial and banking sectors and liberal recapitalization of the ailing and weakened public sector banks followed. However, it is relevant to mention that the advent of banking sector reforms brought the era of work modern banking of global standards in the history of Indian banking. The emphasis shifted to efficient, and prudential banking linked to better customer care and customer service. The old ideology of social banking was not abandoned, but the responsibility for development banking is blended with the paramount need for complying with norms of prudence and efficiency.

India had a fairly well developed commercial banking system in existence at the time of independence in 1947. The Reserve Bank of India (RBI) was established in 1935. While the RBI became a state owned institution from January 1, 1949, the Banking Regulation Act was enacted in 1949 for providing a framework for regulation and supervision of commercial banking activity.
The first step towards the nationalisation of commercial banks was the result of the report (under the aegis of the RBI) by the committee of Direction of All India Rural Credit Survey (1951) which till today is the locus classicus on the subject. The committee recommended one strong integrated state partnered commercial banking institution to stimulate banking development in general and rural credit in particular. Thus, the Imperial Bank was taken over by the Government and renamed as the State Bank of India (SBI) on July 1, 1955 with the RBI acquiring overriding substantial holding of shares. A number of erstwhile banks owned by Princely States were made subsidiaries of the SBI in 1959. Thus, the beginning of the Plan era also saw the emergence of public ownership of one of the most prominent of the commercial banks.

The All-India Rural Credit Survey Committee Report, (1954) recommended an integrated approach to co-operative credit and emphasized the need for viable credit cooperative societies by expanding their area of operation, encouraging rural savings and diversifying business. The Committee also recommended for Government participation in the share capital of the co-operatives. The report subsequently paved the way for the present structure and composition of the co-operative banks in the country.

There was a feeling that though the Indian banking system had made considerable progress in the 50s and 60s, it established close links between commercial and industrial houses, resulting in cornering of bank credit by these segments to the exclusion of agriculture and small industries. To make these concerns, in 1967, the Government of India introduced the concept of social control in the banking industry. The scheme of
social control was aimed at bringing some changes in the management and distribution of credit by the commercial banks. The close link between big business houses and big banks was intended to be snapped or at least made ineffective by the reconstitution of the Board of Directors. Appointment of whole-time Chairman with special knowledge and practical experience of working of commercial banks or financial or economic or business administration was intended to professionalise the top management. Imposition of restrictions on loans to be granted to the directors' concerns was another step towards avoiding undesirable flow of credit to the units in which the directors were interested. The scheme also provided for the take-over of banks under certain circumstances.

From the fifties a number of exclusively state-owned Development Financial Institutions (DFIs) were also set up both at the national and State level, with an exception of Industrial Credit and Investment Corporation (ICICI) which had a minority private shareholding. The mutual fund activity was also a virtual monopoly of Government owned institution, viz., the Unit Trust of India. Refinance institutions in agriculture and industry sectors were also developed, similar in nature to the DFIs. Insurance, both the Life and General, also became State monopolies.

**Reform Measures**

The major challenge of the reform has been to introduce elements of market incentive as a dominant factor gradually replacing the administratively co-ordinated planned actions for development. Such a paradigm shift has several dimensions, the corporate governance in banks, particularly, in PSBs, thus
reflects changes in monetary policy, regulatory environment, and structural transformations and to some extent, on the character of the self-regulatory organizations functioning in the financial sector.

During the reform period, the policy environment enhanced competition and provided greater opportunity for exercise of what may be called genuine corporate element in each bank to replace the elements of co-ordinated actions of all entities as a joint family to fulfill predetermined Plan priorities.

Greater competition has been infused in the banking system by permitting entry of private sector banks and liberal licensing of more branches by foreign banks and the entry of new foreign banks. With the development of a multi-institutional structure in the financial sector, emphasis is on efficiency through competition irrespective of ownership. Since non-bank intermediation has increased, banks have had to improve efficiency to ensure survival.

**Regulatory Environment**

Prudential regulation and supervision have formed critical components of the financial sector reform programme since its inception, and India has endeavored to international prudential norms and practices. These norms have been progressively tightened over the years, particularly against the backdrop of the Asian crisis. Bank exposures to sensitive sectors such as equity and real estate have been curtailed. The Banking Regulation Act of 1949 prevents connected lending (i.e. lending by banks to directors or companies in which Directors are interested).

Periodical inspection of banks has been the main instrument of supervision, though recently there has been a
move supplementary 'on-site inspections' with 'off-site surveillance'. The system of 'Annual Financial Inspection' was introduced in 1992, in place of the earlier system of Annual Financial Review/Financial Inspections. The inspection objectives and procedures, have been redefined to evaluate the bank's safety and soundness; to appraise the quality of the Board and management; to ensure compliance with banking laws and regulation; to provide an appraisal of soundness of the bank's assets; to analyse the financial factors which determine bank's solvency and to identify areas where corrective action is needed to strengthen the institution and improve its performance. Inspection based upon the new guidelines was started since 1997.

**Self Regulatory Organisations**

India has had the distinction of experimenting with the Self Regulatory Organisations (SROs) in the financial system since the pre-independence days. At present, there are four SROs in the financial system. They are:

1. Indian Banks' Association (IBA),
2. Foreign Exchange Dealers' Association of India (FEDAI),
3. Primary Dealers' Association of India (PDAI), and
4. Fixed Money Market Dealers' Association of India (FIMMDAI).

**Indian Banks Association**

The IBA, established in 1946 as a voluntary association of banks, strove towards strengthening the banking industry through consensus and co-ordination. Since nationalisation of banks, the PSBs tended to dominate IBA and developed close
links with the Government and the RBI. Often, the reactive and consensus and co-ordinated approach bordered on cartelization.

To illustrate, IBA had worked out a schedule of benchmark service charges for the services rendered by member banks, which were not mandatory in nature, but were being adopted by all banks. The practice of fixing rates for services of banks was consistent with a regime of administered interest rates but not consistent with the principle of competition. Hence, the IBA was directed by the RBI to desist from working out a schedule of benchmark service charges for the services rendered by member banks. Responding to the imperatives caused by the changing scenario in the reform era, the IBA has, over the years, refocused its vision, redefined its role, and modified its operational modalities.

**Foreign Exchange Dealers’ Association of India (FEDAI)**

In the foreign exchange, the FEDAI was established in 1958, and banks were required to abide by terms and conditions prescribed by the FEDAI for transacting foreign exchange business. In the light of reforms, the FEDAI has refocused its role by giving up fixing of rates, but plays a multifarious role covering training of banks’ personnel, accounting standards, evolving risk measurement models like the VaR and accrediting foreign exchange brokers.

**Self Regulatory Organisation, viz; PDAI and FIMMDAI.**

In the financial markets, the two SROs, viz., the PDAI and the FIMMDAI are of recent origin i.e. 1996 and 1997. These two SROs have been proactive and are closely involved in contemporary issues relating to development of money and
government securities markets. The representative of the PDAI and the FIMMDAI are members of important committees of the RBI, both on policy and operational issues. The Chairmen of the PDAI and FIMMDAI are members of the Technical Advisory Group on Money and Government Securities market of the RBI. These two SROs have been very proactive in mounting the technological infrastructure in the money and Government Securities markets. The FIMMDAI has now taken over the responsibility of publishing the yield curve in the debt markets. Currently, the FIMMDAI is working towards development of uniform documentation and accounting principles in the repo market.

**Composition of the Banking System as at the Beginning of the New Millennium**

At present, the number of nationalised banks are 20. Several foreign banks were allowed to operate as per the guidance of the RBI. At present, the banking system can be classified in to the following categories:

**Public Sector Banks**
- Reserve Bank of India
- State Bank of India and its 7 associate Banks
- Nationalised Banks (20 in number)
- Regional Rural Banks sponsored by Public Sector Banks

**Private Sector Banks**
- Old generation Private Banks
- New Generation Private Banks
- Foreign Banks in India
- Scheduled Co-operative Banks
- Non-Scheduled Banks
Co-operative Sector Banks
- State Co-operative Banks
- Central Co-operative Banks
- Primary Agriculture Credit Societies
- Land Development Banks
- Urban Co-operative Banks
- State Land Development Banks

Development Banks
- Industrial Finance Corporation of India (IFCI)
- Industrial Development Bank of India (IDBI)
- Industrial Credit & Investment Corporation of India (ICICI)
- Industrial Investment Bank of India (IIBI)
- Small Industries Development Bank of India (SIDBI)
- National Bank for Agriculture & Rural Development (NABARD)
- Export-Import Bank of India (EXIM Bank)

Currently, India has 88 scheduled commercial banks (SCBs), 27 public sector banks (that is, with the Government of India holding a stake), 31 private banks (these do not have government stake; they may be publicly listed and traded on stock exchanges) and 38 foreign banks. They have a combined network of over 53,000 branches and 17,000 ATMs.

The recent operating and financial highlights of the commercial banks in India are presented in table 2.1.
### Table 2.1 Operating & Financial Highlights of Public Sector Banks* in India
(Amount in Rs. crore)

<table>
<thead>
<tr>
<th>Item</th>
<th>2006-07</th>
<th>2007-08</th>
<th>Variation</th>
<th>Absolute</th>
<th>Percentage</th>
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<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
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<tr>
<td>A. Income (i+ii)</td>
<td>1,87,869.34</td>
<td>2,45,940.50</td>
<td>58,071.16</td>
<td>30.91</td>
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<td>-100</td>
<td>-100</td>
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<tr>
<td>i) Interest Income</td>
<td>1,64,184.92</td>
<td>2,14,024.76</td>
<td>49,839.84</td>
<td>30.36</td>
<td></td>
</tr>
<tr>
<td>Of which: Interest on Advances</td>
<td>1,10,543.30</td>
<td>1,54,080.70</td>
<td>43,537.40</td>
<td>39.38</td>
<td></td>
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<tr>
<td>Income on Investments</td>
<td>47,117.69</td>
<td>54,089.23</td>
<td>6,971.54</td>
<td>14.8</td>
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<tr>
<td>ii) Other Income</td>
<td>23,684.42</td>
<td>31,915.74</td>
<td>8,231.32</td>
<td>34.75</td>
<td></td>
</tr>
<tr>
<td>of which: commission &amp; Brokerage</td>
<td>12,534.47</td>
<td>14,999.49</td>
<td>2,465.02</td>
<td>19.67</td>
<td></td>
</tr>
<tr>
<td>B. Expenditure (i+ii+iii)</td>
<td>1,67,717.16</td>
<td>2,19,348.78</td>
<td>51,631.62</td>
<td>30.78</td>
<td></td>
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<td></td>
<td>-100</td>
<td>-100</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>i) Intrest Expended</td>
<td>1,01,959.90</td>
<td>1,48,902.15</td>
<td>46,942.24</td>
<td>46.04</td>
<td></td>
</tr>
<tr>
<td>of which: Intrest on Deposits</td>
<td>88,796.23</td>
<td>1,32,717.91</td>
<td>43,921.68</td>
<td>49.46</td>
<td></td>
</tr>
<tr>
<td>ii) Provisions &amp; contingencies</td>
<td>22,502.74</td>
<td>23,484.79</td>
<td>1,346.05</td>
<td>5.98</td>
<td></td>
</tr>
<tr>
<td>of which: Provision for NPAs</td>
<td>62.93</td>
<td>78.93</td>
<td>16.00</td>
<td>25.43</td>
<td></td>
</tr>
<tr>
<td>iii) Operating Expenses</td>
<td>43,254.52</td>
<td>46,597.85</td>
<td>3,343.33</td>
<td>7.73</td>
<td></td>
</tr>
<tr>
<td>of which: Wage Bill</td>
<td>27,802.87</td>
<td>28,562.30</td>
<td>759.43</td>
<td>2.73</td>
<td></td>
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<tr>
<td>C. Profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Operating profit</td>
<td>42,654.92</td>
<td>50,440.51</td>
<td>7,785.59</td>
<td>18.25</td>
<td></td>
</tr>
<tr>
<td>ii) Net profit</td>
<td>20,152.18</td>
<td>26,591.73</td>
<td>6,439.54</td>
<td>31.95</td>
<td></td>
</tr>
<tr>
<td>D. Net Intrest Income/Margin</td>
<td>62,225.02</td>
<td>65,122.61</td>
<td>2,897.60</td>
<td>4.66</td>
<td></td>
</tr>
<tr>
<td>E. Total Assets</td>
<td>24,40,165.92</td>
<td>30,22,237.21</td>
<td>5,82,071.29</td>
<td>23.85</td>
<td></td>
</tr>
</tbody>
</table>

* : Includes IDBI Bank Ltd.

Note : Figures in parentheses are percentage shares to the respective totals.

Source : Report on Trend and Progress of Banking in India 2007-08.
Part B

Syndicate Bank – A Profile

Established in the year 1925, syndicate bank had its first office in the coastal region of the Karnataka, Udupi. It was then named as ‘Canara Industrial & Banking Syndicate Ltd.’ The bank was initiated by a trio- Sri Upendra Ananth Pai, a businessman, Sri Vaman Kudva, an engineer and Dr. T M A Pai, a physician, with a capital of Rs. 8000. During that time, the crisis in the handloom industry crippled the local weavers completely. The main aim of Syndicate Bank was to provide financial assistance to them, by mobilising small savings from the community.

Three years later, in 1928, the bank came up with pigmy Deposit Scheme, in which it collected as little as 2 annas per day, at the doorsteps of the depositors through its agents. The scheme existing till date, earns the bank in some of Rs. 2 crore daily. In the same year, syndicated bank opened its first branch at Brahmavar in Dakshina Kannada District. It became a member of the Clearing House for the first time at Bombay, in 1937. Almost a decade later, syndicated bank opened 29 branches opened in a single day in rural areas. It's 100th branch was opened at Ilkal in Karnataka in 1957.

The bank with its socio-economic aim was making extensive growth and advancement and entered Foreign exchange business by opening Foreign Exchange Department at Bombay. In 1964, the bank changed its name to ‘Syndicate Bank Limited’ and the head office was also shifted from Udupi to Manipal. The bank had then set up an Economic Research Department, being one of the first few Banks to emphasize on

2 http://syndicatebank.in/asp
research in Banking, even before nationalization. In 1971, it opened the first specialized branch in Foreign Exchange, in Delhi. Five years later, it opened its first overseas branch opened at London.

In 1984, Syndicate Bank opened its 1000th branch in Hauz Khas, Delhi. In the same year, its undertook the management of Musandam Exchange Co. in Muscat. Five years thence, in 1989, Syndicate Bank opened its 1500th branch at Kanakumbi. In 1999, it raised a capital of Rs. 125 Crore from its more than 4 lakh shareholders. Next year, in 2000, the bank established its first specialized Capital Market Services, at Mumbai. In 2003, Syndicate Bank entered into a MOU with Bajaj Allianz, for distribution of Life Insurance products. In 2004, Syndicate Bank amalgamated with United India Insurance Co. Ltd, for distribution of Non-Life Insurance products.

In 2004 Syndicate Bank also started utility bill payment services through Internet banking introduced. In 2005, the bank commenced the online reservation of railway tickets through Indian Railway Catering and Tourism Corporation Ltd for its customers. It was during this time that it entered into a MOU with SFAC for promoting of investments in Agri-business products. The 2000th branch was opened at Tondiarpet, Chennai, in 2006. In the same year, the bank commenced the first BPO outfit of a Nationalized Bank, Syndicate Bank Services Limited. This was a wholly owned subsidiary of Syndicate Bank.

**Products and Services offered by the Bank**

- Deposits
- Loans
- Internet Banking
Progress and the Memorable Events in the History of the Bank.

The progress of Syndicate Bank has been synonymous with the phase of progressive banking in India. Spanning over 80 years of pioneering expertise, the Bank has created for itself a solid customer base comprising customers of two or three generations. Being firmly rooted in rural India and understanding the grassroot realities, the Bank's perception had vision of future India. It has been propagating innovations in Banking and also has been receptive to new ideas, without however getting uprooted from its distinctive socio-economic and cultural ethos. Its philosophy of growth by mutual sustenance of both the Bank and the people has paid rich dividends. The Bank has been operating as a catalyst of development across the country with particular reference to the common man at the individual level and in rural/semi urban centres at the area level.

The Bank is well equipped to meet the challenges of the 21st century in the areas of information technology, Knowledge and competition. A comprehensive IT plan is being put in place and the skills and Knowledge of the Bank's personnel are being
upgraded through a variety of training programmes to promote customer delight in every sphere of its activity. The Bank has launched an ambitious technology plan called Centralised Banking.

**Milestones in a 82 Year Journey**

- **1925:** On 10.11.1925, the business of the Bank was commenced in Udupi with the name “Canara Industrial and Banking Syndicate Ltd.,” a joint stock company with just one employee.
- **1928:** First branch of the Bank opened at Brahmavar in Dakshina Kannada District.
- **1937:** Bank became a member of the Clearing House for the first time at Bombay.
- **1946:** 29 branches opened in a single day in rural areas.
- **1953:** Took over the assets and liabilities of 2 local Banks viz. Maharashtra Apex Bank Ltd. And Southern India Apex Bank Ltd. 20 Banks merged with the Bank during the period 1953-1964.
- **1957:** 100th branch opened at Ilkal in Karnataka.
- **1962:** Entered Foreign Exchange business by opening Foreign Exchange Department at Bombay.
- **1963:** Name of the Bank was changed from “Canara Industrial and Banking Syndicate Ltd.” To “Syndicate Banks Limited”.
- **1964:** Head office was shifted to Manipal on 19.4.1964.
- **1966:** Economic Research Department set up. One of the first few Banks to emphasise on research in Banking even before nationalization. 1969 Bank had 306 branches at the time of nationalization.
of which 66% were in Rural and Semi Urban centres. Opened a branch at port Blair in Andaman and Nicobar islands

- 1970: First staff Training college started at Head Office.
- 1971: First specialized branch in Foreign Exchange opened at Delhi.
- 1972: Opened a branch at Lakshadweep islands.
- 1976: First overseas branch opened at London on 17.8.76.
- 1983: Took up management of Al Shabei Finance and Exchange Co. in Doha.
- 1984: Took up management of Musandam Exchange Co. in Muscat.
- 1984: 1000\textsuperscript{th} branch opened at Delhi Hauz Khas
- 1989: 1500\textsuperscript{th} branch opened at Kanakumbi
- 1995: First specialized Housing Finance Branch opened at Mangalore
- 1999: Bank raised Capital of Rs.125 crore in Oct. 1999 from more then 4 lakh shareholders
- 2000: First (specialized Capital Market Services) branch opened at Mumbai
- 2001: First branch under the CBS (Core Banking Solution) started operation at Bangalore.
- 2002: Centralised Banking Solution under the name "Syndicate-e-banking" launched at Delhi, Mumbai, Bangalore and Manipal.
- 2003: Bank entered into MOU with Bajaj allianz for distribution of Life Insurance Products.
• 2003: Toll Free Voice Mail System for redressal of grievances introduced.
• 2004: Bank ties up with United India Insurance Co. Ltd. for distribution of Non-Life Insurance products
• 2004: Utility bill payment services through Internet banking introduced.
• 2005: Introduced On-line reservation of Railway Ticket through Indian Railway Catering and Tourism Corporation Ltd. (IRCTC) for Internet banking customers of our Bank.
• 2005: Bank approached the Capital Market with Rs.5 crore equity shares at a premium of Rs.40 through Book building route. Bank collected Rs.250 Crore and the issue was oversubscribed by 29.275 times.
• 2005: Amalgamation of 4 Regional Rural Banks of Karnataka into Karnataka Vikas Grameena Bank with Head Office at Dharwad.
• 2006: Bank signed MOU with M/S. CMC Ltd., for making Syndicate Institute of Bank Management (SIBM) a center of excellence of global standard and providing quality management education.
• 2006: 500th Branch of Syndicate Bank in Karnataka was opened at Navnagar, Bagalkot.
• 2006: Inauguration of Syndicate Bank Services Limited, the 1st BPO outfit of a Nationalised Bank, a wholly owned subsidiary of Syndicate Bank and CBS Branch by Hon'ble Union Minister of Finance, Sri P Chidambaram on 24.03.2006 at Bangalore.
• 2006: 2006th Branch of Syndicate Bank was opened at Gangtok, Sikkim on 27.03.2006
• 2006: First Branch was opened in Arunachal Pradesh at ItaNagār.
• 2006: Branches were opened for the first time in 19 additional districts
• 2007: First Branch was opened in Nagaland at Dimapur 17.3.2007
• 2007: First Branch was opened in Mizoram in Aizawl on 29.03.2007
• 2007: Branches were opened for the first time in 13 additional districts
• 2008: First Branch was opened in Tripura at Agarthala on 11.01.2008
• 2008: Branch network was expanded to all states and UTs except Manipur and Daman Diu
• 2008: Branches were opened for the first time in 6 new districts.
Recent Operating & Financial Highlights of the Bank

The recent operating and financial highlights of the Syndicate bank are presented in Table 2.2.

Table 2.2 Recent Operating & Financial Highlights of Syndicate Bank

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>No. of offices</td>
<td>1875</td>
<td>1905</td>
<td>2048</td>
<td>2231</td>
<td>2281</td>
<td>1936</td>
<td>795</td>
</tr>
<tr>
<td>No. of employees</td>
<td>26746</td>
<td>24834</td>
<td>24624</td>
<td>24360</td>
<td>24656</td>
<td>23318</td>
<td>11573</td>
</tr>
<tr>
<td>Business per employee (in Rs. lakh)</td>
<td>240.31</td>
<td>280.22</td>
<td>348.64</td>
<td>489.17</td>
<td>586.02</td>
<td>618.35</td>
<td>634.09</td>
</tr>
<tr>
<td>Profit per employee (in Rs.lakh)</td>
<td>1.62</td>
<td>1.53</td>
<td>2.05</td>
<td>2.76</td>
<td>3.18</td>
<td>3.77</td>
<td>4.67</td>
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<tr>
<td>Capital and reserves and surplus</td>
<td>1905</td>
<td>2199</td>
<td>2834</td>
<td>3627</td>
<td>4291</td>
<td>5657</td>
<td>3994</td>
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<tr>
<td>Deposits</td>
<td>42585</td>
<td>46295</td>
<td>53624</td>
<td>78634</td>
<td>95171</td>
<td>84000</td>
<td>42026</td>
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<tr>
<td>Investments</td>
<td>17917</td>
<td>20371</td>
<td>17269</td>
<td>25234</td>
<td>28076</td>
<td>26760</td>
<td>14888</td>
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<tr>
<td>Advances</td>
<td>20647</td>
<td>26729</td>
<td>36466</td>
<td>51670</td>
<td>64051</td>
<td>60189</td>
<td>31355</td>
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<tr>
<td>Interest income</td>
<td>3085</td>
<td>3758</td>
<td>4050</td>
<td>6040</td>
<td>7906</td>
<td>7180</td>
<td>3919</td>
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<tr>
<td>Other income</td>
<td>776</td>
<td>590</td>
<td>562</td>
<td>618</td>
<td>890</td>
<td>1005</td>
<td>751</td>
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<tr>
<td>Interest expended</td>
<td>1656</td>
<td>2064</td>
<td>2170</td>
<td>3890</td>
<td>5834</td>
<td>5055</td>
<td>2633</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>1186</td>
<td>1264</td>
<td>1435</td>
<td>1386</td>
<td>1495</td>
<td>1480</td>
<td>977</td>
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<tr>
<td>Cost of Funds (CoF)</td>
<td>4.41</td>
<td>4.49</td>
<td>4.1</td>
<td>5.44</td>
<td>6.29</td>
<td>5.83</td>
<td>5.81</td>
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<tr>
<td>Return on advances adjusted to CoF</td>
<td>4.2</td>
<td>4.13</td>
<td>4.55</td>
<td>4.05</td>
<td>3.58</td>
<td>3.67</td>
<td>4.11</td>
</tr>
<tr>
<td>Wages as% to total expenses</td>
<td>31.05</td>
<td>28.89</td>
<td>28.78</td>
<td>16.95</td>
<td>12.68</td>
<td>13.98</td>
<td>13.96</td>
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<tr>
<td>Return on Assets</td>
<td>1.67</td>
<td>0.82</td>
<td>0.91</td>
<td>0.91</td>
<td>0.88</td>
<td>1.01</td>
<td>1.16</td>
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<tr>
<td>CRAR</td>
<td>11.49</td>
<td>10.7</td>
<td>11.73</td>
<td>11.74</td>
<td>11.22</td>
<td>12.1</td>
<td>13</td>
</tr>
<tr>
<td>Net NPA ratio</td>
<td>2.58</td>
<td>1.59</td>
<td>0.86</td>
<td>0.76</td>
<td>0.97</td>
<td>0.77</td>
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</table>

Source: http://syndicatebank.in/asp

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