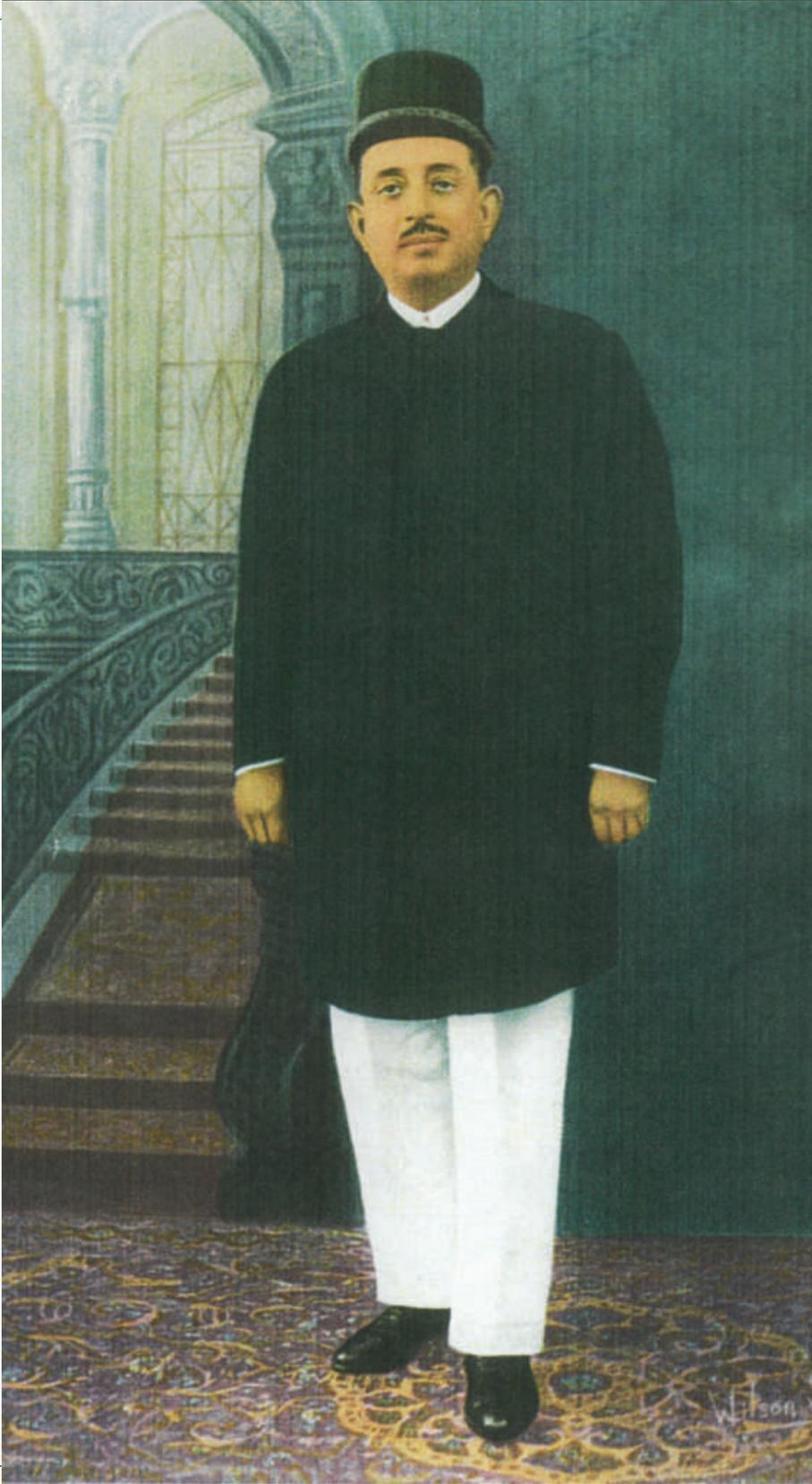




100 Years of magnificent past & promising future - History of Central Bank of India



The Central Bank of India's progress and success is really the progress and success of Indian banking. The Central Bank is not the property of a few individuals and it has never been conducted for the benefit of a few persons. It is the property of the nation and it is our country's asset. Its success is the success of Indian Banking and we are only entrusted to steer it into safe waters. I and the staff of Central Bank always keep that end in view and we all strive to keep up and increase the prestige and good name of Indian banking.

*S. Pochkhanawala*  
Sir Sorabji Pochkhanawala



# Foreword



**O**ur Bank, India's first Swadeshi Bank, celebrates its Centenary this year and I would like to, on this occasion, quote the stirring words of our founder, Sir Sorabji Pochkhanawala who said, *"The benefits of a good bank are not restricted to the four walls of its banking hall, nor are they limited by the frontiers of its banking business; they transcend far into the realms of commerce and industry and every other branch of economic activity. The value of 'national banking' in the promotion of national good is obvious and undeniable. The Central Bank lives on people's faith. In the past it has received this support in an unstinted measure and it hopes in the future also it would continue to enjoy this confidence on an ever-increasing scale. It regards itself as the 'People's Own Bank' and as in the past, so in the future, it fully entrusts itself to the keeping of its own people."*

Our customers are pre-eminent to us and our initiatives such as "C4C" (Centralites for Customers) honours our customers and reaffirms our commitment.

The journey has been exciting and invigorating. Born in a small office with just two persons in 1911 and a paid up capital of Rs. 10 lakhs, the Bank has become one of the largest banks in India. As a customer centric bank, it introduced many innovations to make banking easier for its customers such as "The Home Savings Safe" and "A

ladies department". We were the first bank to take over another bank. We are the only bank to have managed another bank. We employed the first women in the banking sector. We were the first to permit withdrawals by cheques from savings accounts. We set up India's first safe deposit vault. We introduced cash certificates. The list goes on.

Our journey mirrors the growth of banking in India and Central Bank of India has always been at the forefront of change.

Today we are the third largest bank in the country in terms of network and the sixth largest bank in terms of size and as we go forth into the next hundred years we re-dedicate ourselves to our nation and to our customers. Our aim is to build an organisation that grabs the opportunities of change and delight of customers - an organisation that will lead with the banner of people's confidence.

**M. V. Tanksale**  
Chairman and Managing Director

## The Central – Relationship of a Lifetime

For us, as children, the Central Bank of India was the first and for several years the only bank we knew. It was a four-storied stone building at the corner of Strand Road and Merchant Street in Rangoon, Burma where our father was the 'Agent'. It was the place to which our father went daily, leaving home at 9.30 a.m. returning only at 5.30 p.m. in the evening. It was the place, where, if we were good during the week, we could go to on Saturday afternoons, sit at Papa's table, play with his pens, and ring the office bell waiting for him to wind up and take us for a treat, either to Rowe & Co. the local toy shop or to a restaurant for a piece of cake or ice-cream.

We had no idea of what happened in the Bank, but we heard several stories about it. We listened to how, when the Bank started in 1911, our grandfather had tied the 'toran' on the main door of the head office. We heard how our father had joined the Mandvi (Mumbai) branch of the Bank at a 'princely' salary of Rs.50/- a month; of how when he was at the Bhuleshwar Branch, our grandmother, who would go to the vegetable market to buy for our extended family, would leave the heavy bags of vegetables for him to bring back home, of how when in Jamnagar, our grandparents stayed with them, of how when in Hyderabad, Harsha (my sister) as a baby was so fond of seeing train's chug past that she would not let the maid return home with her until Papa came looking for them.

Our favourite stories were of pre- World War II when Papa was an accountant at the Central Bank's Rangoon Branch. When the bombing started, he was in-charge (since the Agent, Mr. N. K. Karanjia was then on leave to India) and did not want to leave the Bank. Of how he stayed back after sending our mother home to India and even after most Indians had evacuated

the war torn country. It was only at the insistence of the last few Indians that he agreed to leave – but by that time all communications between Burma and India had stopped. The small group of Indian evacuees left by train to north Burma, but trains also stopped after Mandalay. They then travelled by bus and later by bullock cart till they reached the hills of Manipur. Then they had to take a gruelling trek through the jungles on foot for about a month. Several members of the group could not make it. As they reached an Indian town, he did two things: sent a telegram to the family stating "Reached India safely" and had a photograph of himself taken as an unshaven tired man. My mother used to narrate the sense of relief and joy of the family on receiving the telegram. The photograph remains a prized possession even now. The adventures en route, the animals they encountered thrilled us; and Papa became a hero for us.

As we grew up we realised that Central Bank was but one among many banks, but for us it continued to remain "the" Bank. For small savings we were given the Central Bank's money box. Our first accounts were in the Central Bank. When we travelled on school and college tours we always carried the local Central Bank's manager's name and phone number. So even in a new place we never felt alone, the Bank continued to be a safe and secure place.

The relationship continues. We still continue to have accounts in the Central Bank even after we opened bank accounts in HDFC Bank! And the relationship has moved from the personal to the professional as links between HDFC and the Central Bank grow strong.

**Deepak Parekh**

11 October 2011, Mumbai

# Preface

Central Bank of India's story is fascinating. It was the first bank owned by Indians and managed by Indians – a swadeshi bank. Its founder Sir Sorabji Pochkhanawala founded the Bank in the face of all opposition and the established belief that "Indians could not manage banks". He went onto disprove this by taking over two banks within twelve years that were in trouble which were managed by Europeans. After taking them over, he replaced the Europeans with Indians, streamlined systems and turned them around. With industry, foresight and diligence coupled with passion, Sir Pochkhanawala made Central Bank of India the largest bank in India within twelve years, thus realising the prophecy he made to his last employer that the bank he sets up would be larger than that of his employer.

Going forward, the Bank was a pioneer in banking activities – introducing new concepts and facilities for its customers – a Ladies Department, Safe Deposit Vaults, Home Safe Savings Accounts and many others.

The research to compile this book was exhilarating. I learnt so much. In this book I have tried to share the Bank's achievements and the thoughts and experiences of those connected with this Bank with you.

It has been an honour and a privilege to write this book.

I want to thank Mr. M. V. Tanksale, Chairman and

Managing Director of Central Bank of India for the opportunity to write this book. His involvement and his passion for the Bank and the help he has given me were immense. Without his support this book would not have been possible.

I would like to thank Executive Directors Mrs. Iyer and Mr. Dubey for their insights and their experiences and for apprising me of the changes being wrought in the organisation.

I must thank former Chairpersons Mr. Dalbir Singh, Ms. Homai Daruwalla and Mr. S. Sridhar for sharing their vision for the Bank, their experiences and their accomplishments.

It was fascinating to meet Mr. N. M. Mistry, a former Chairman and Managing Director. He shared memories of the Bank from its early days. I am also grateful to him for giving me access to old photographs (many of which are reproduced in this book) and telling me stories of events in the life of the Bank.

I must thank my friend Deepak Parekh, Chairman of HDFC for his thoughts on the Bank. His grandfather was among the first employees of the Bank. His father was a very senior employee of the Bank and his uncle H. T. Parekh who founded both ICICI and HDFC worked in the Bank for a short period.

Mr. V. K. Chopra, former General Manager who later retired as Chairman and Managing Director of Corporation Bank and had been a Whole Time Member of Securities Exchange Board of India (SEBI) needs special thanks. He shared with me his experiences in the Bank from the time he joined in 1969.

I am grateful to Mr. Ramnath Pradeep, former Executive Director and till very recently Chairman and Managing Director of Corporation Bank for his thoughts.

Chief General Managers Hector Keki Vesuna and K. A. Somayajulu shared their interesting experiences in the Bank which has enriched this book.

Especial thanks to Mr. Songaonkar, General Manager of the Bank and to his staff. Mr. Satish Mukte and Mr. Vijay Tambe need special mention. Mr. Tambe's interest and his painstaking efforts resulted in the sourcing of several important records. He was always available for help and assistance.

Mr. Waman Gokhale, the Assistant General Manager in-charge of the Mumbai Main Office, Mr. Kersi Mistry

and Mrs. Kiran Mirchandani must be recognised. Mr. Gokhale spent considerable time showing me the office premises and arranged for me to meet customers for their views on the Bank.

I would also like to thank Dr. Hakim, grand-daughter of Sir Pochkhanawala for her insights.

I must also thank former General Managers, Mr. D. V. Ballal, Mr. Jagojyoto Bhattacharjee, Mr. Jimmy Chinoy and Mr. A. B. Daboo, former Deputy General Manager for sharing their experiences while at Central Bank of India.

The help my wife gave me in writing this book is incalculable. Without her views on the manner the book should be written and her comments, this book would not have been written.

Above all I want to thank all those I have met and spoken with for their time that they gave generously and made it possible for me to write this book.

**Raghu Palat**

11 November, 2011  
Mumbai.

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## The Birth of a Bank



Sir Sorabji N. Pochkhanawala

**N**o Indian is competent to manage a bank" was the opinion expressed by Mr. H. P. Stringfellow, the Manager of Bank of India in 1910, at the height of the swadeshi movement. He was quite naturally taken aback later that year when he was told that an assistant accountant in his own bank, twenty eight year old Sorabji Pochkhanawala, was planning to start a bank on his own.

Regarding this as a "huge joke" he called the young man into his office and advised him to abandon what seemed to him a "chimerical" scheme and to avoid taking any hasty decisions for atleast 24 hours. Mr. Pochkhanawala's response was, "Sir, I have made up my mind. I resign from the Bank's service. One day my bank will be bigger than yours."

Sorabji Pochkhanawala, though only twenty eight had been a banker for twelve years. He was the first Indian to be a certificated associate of the Institute of Bankers, London. Though he had discharged, when required, the duties of a Manager of a bank, he was not recognised as one. Nor was he given employment as "Manager" when he applied for that position at various banks such as the Bombay Merchants Bank because of the "deeply entrenched notion that 'native gentlemen' would be unable to conduct a bank according to western principles and that natives will not trust natives." "Banking by Indians for Indians" became his driving obsession. He believed that unless all the executive functions were entrusted entirely to Indians, Indians would be discriminated against.

On leaving Bank of India, Mr. Pochkhanawala with the support of a prominent cotton merchant, Mr. Kalianji Varadhman Jetsey rented premises formerly occupied by the Eastern Bank for Rs. 600 per month in the Gresham Building. He purchased two chairs and tables and began planning.

The Bank's first employee was Mr. Sorabji Vicaji as Chief Cashier at Rs. 500 per month.

Mr. Pochkhanawala's immediate family was shocked at his resigning from a secure job with 'prospects' and urged him to take back his resignation. Undeterred and with



Mr. Kalianji Vardhaman Jetsey



The late Mr. Sorabji Vicaji

the support of Mr. Jetsey, he approached many prominent businessmen for their help to establish a bank. Mr. Munchershaw F. Khan, Mr. Kalianji Varadhman Jetsey, Mr. Ardeshir Bomanji Dubash, Mr. Manekji Jethabhai Varadhman, Mr. Moolji Haridas, Mr. Radhakison Lakmichand, Mr. Motilal Kanji, Mr. Haji Dawood Haji Elias and Mr. Jamsetji Hormusjee Chothia agreed to serve as directors. Mr. Kalianji Jetsey paid all the preliminary expenses.

The memorandum and articles of association were drawn up and the Bank was registered on December 21, 1911.

The birth of Central Bank of India is unique in Indian banking

history. While other Indian banks were established by Englishmen or wealthy businessmen and managed by Europeans, this was the first bank established by Indians and managed by Indians. Today nearly one hundred years later on 30th September 2011, with 3839 branches, 59 extension counters, 33 satellite offices, 1006 ATMs and a presence in 27 of the 29 states in India and in 3 of the 7 union territories, it is among the largest banks in India. Apart from this the Bank has a joint venture in Zambia and is in the process of setting up joint venture banks in Mozambique and Bhutan and a representative office in Kenya.



Mr. A. B. Dubash  
Director



Mr. Motilal Kanji  
Director



Mr. Moolji Haridas  
Director

## THE CENTRAL BANK OF INDIA, LIMITED.

### First Report of the Board of Directors

(AS REQUIRED BY LAW).

To be submitted at

*The Shareholders Meeting on Wednesday the 19th June 1912  
at 4 p. m., (Bombay Time).*

GENTLEMEN,

Your Directors have convened this Meeting of the Shareholders in accordance with the provisions of the Indian Companies' Act and have the pleasure to state that the Bank was registered on 21st December 1911 with a Capital of Rs. 50 lacs divided into 1,00,000 shares of Rs. 50 each. 40,000 shares were issued to the public and they were all taken up by the 15th of March on which date the share list was closed. Rs. 25 per share has been called up and the Directors do not intend for the present to make any further call. We have received till 25th May 1912 the sum of Rs. 9,45,740 on the shares subscribed and there remains a balance of Rs. 54,260 only being the amount of calls in arrears.

The fortnightly figures till 15th May 1912 of the Bank's assets as given in the Local Papers from time to time have shown the rapid progress of your Bank. The following figures show the Bank's Working Capital from time to time :—

25th January	...	Rs. 7,88,000.
25th February	...	" 12,08,000.
25th March	...	" 16,04,000.
25th April	...	" 22,90,000.
25th May	...	" 30,04,000.

Your Directors trust that the progress made and the public confidence attracted by your Bank during its short existence will be considered satisfactory.

We have opened a Branch Office at Mandvi from 1st May and your Directors have the pleasure to state that it is well supported by the mercantile community trading in that part of the town.

The first statement of Liabilities and Assets and the Profit and Loss Account of the Bank will be drawn up on 31st December 1912 and thereafter twice in a year.

With the view of placing the management and conduct of business of this Bank on sound principles your Board of Directors have thought it right to suggest the following

Notice of the first meeting of Shareholders

# THE CENTRAL BANK OF INDIA, LIMITED.

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AUTHORISED CAPITAL ...	...	...	RS. 50,00,000.
SUBSCRIBED CAPITAL ...	...	...	RS. 20,00,000.
CALLED UP CAPITAL ...	...	...	RS. 10,00,000.
RESERVE LIABILITY OF SHARE- HOLDERS	...	...	RS. 10,00,000.

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**Head Office :**

GRESHAM BUILDINGS, BOMBAY.

**Branch :**

MASJID BUNDER ROAD, MANDVI, BOMBAY.

**Agencies :**

CALCUTTA, DELHI, KARACHI, AMRITSAR.

**Manager :**

S. N. POCHKHANAWALA, C. A. I. B. (LONDON).

**Directors :**

THE HON'BLE SIR PHEROZESHAH MERWANJI MEHTA, K. C. I. E., *Chairman.*  
MR. MUNCHERSHAW FRAMJI KHAN (Dinshaw Bhikhajee Khan & Co., Bombay & Colombo).  
MR. KALIANJI VARADHMAN JETSEY (Varadhrnan Jetsey & Co., Cotton Merchants).  
MR. ARDESHIR BOMONJI DUBASH (Cursetjee Muncherjee's Sons).  
MR. MANEKJI JETHABHAI VARADHMAN (Manekji Jethabhai & Co.).  
MR. MULJI HARIDAS (of Khimji Jiva, Iron Merchants).  
MR. RADHAKISON LAKHMICHAND (Munim of Sadasukh Gambhirchand, Marwadi Shroffs).  
MR. MOTHALAL KANJI (Kalidas Jootha & Co., Piece-Goods Merchants).  
MR. HAJI DAWOOD HAJI ELIAS (Merchant & Shroff).  
MR. JAMSETJI H. CHOTHIA (Jamsetji Hormusji & Co., Piece-Goods Merchants).

**Auditors :**

MESSRS. A. F. FERGUSON & Co., (*Chartered Accountants*).

MESSRS. BATLIBOI & BATLIBOI (*Incorporated Accountants*).

**Solicitors :**

MESSRS. ARDESIR HORMUSJEE DINSHAW & Co.

Notice of the first meeting of Shareholders

## Trial by Fire



Mr. Pochkhanawala realised that the success of the venture would depend largely on the prestige of the Chairman. With this in mind he sought and procured a meeting with Sir Pherozeshah Mehta, a former President of the Bombay Municipality, a former President of the Indian National Congress and a patriot. Sir Mehta listened to Mr. Pochkhanawala and then mentioned that he had refused the Chairmanship of the Credit Bank of India as some of its Articles of Association were unacceptable. Mr. Pochkhanawala assured Sir Mehta that he would have those articles that were unacceptable changed. Sir Mehta asked for some time. After going through the articles Sir Mehta said that he'd be agreeable to be Chairman if the article reading in



Sir Pherozeshah Mehta

part "*the business of the company shall be carried on and managed by the Manager subject to the control of the Board of Directors*" was amended to place the entire responsibility for management on the Board of Directors. At the meeting of the Directors held on December 28, 1911 the relevant article was amended and a formal invitation was sent to Sir Pherozeshah Mehta.

Sir Mehta accepted the invitation and the first meeting he chaired was on January 12, 1912.

The fact that a man of Sir Mehta's eminence had consented to become Chairman helped the Bank's acceptance among the public immeasurably.

On March 15, 1912 the share list was closed and the Bank's capital of Rs. 20 lakhs was fully subscribed.

An old directory of that time states, "*This banking institution was commenced at Bombay in December 1911 with an authorized capital of Rs.50,00,000 divided into 1,00,000 shares of Rs.50 each while its subscribed capital amounted to Rs.20,00,000 one half of which was paid up. The Bank very quickly secured the confidence of the public owing to the sound financial position of its directors and the business-like manner in which its officials conducted its affairs.*"

The Bank began operations with Mr. Sorabji Pochkhanawala as Manager at a salary of Rs.800 per month, Mr. S. Vicaji as Chief Cashier and Mr. A. S. Balsekar, a former colleague from Bank of India, as Chief Accountant. It is interesting to note that for the first ten years, Mr. Pochkhanawala managed the Bank as Manager and not as a Director. It was only on February 24, 1920 that he was elevated as Managing Director.

Several of his erstwhile colleagues from the Bank of India such as Mr. Thakoredas Parekh and Mr. Puthran joined Mr. Pochkhanawala's new enterprise keen to be in an institution managed by Indians.

The Bank began its operations in Gresham Building. On the opening day a large number of merchants visited the Bank. By the end of the first week the Bank had over seventy current accounts aggregating Rupees one and a half lakhs.

Mr. Pochkhanawala's intent was to build a bank in which enterprise and expertise would have full scope and fair regard. He said, "The Central Bank is not merely a profit making shop but an organization that has a mission to fulfill - part of which is to train a corps of efficient bankers in the interest of the country's economic development." He believed, "Safety first should be the prime consideration for a sound banking institution. Therefore even at the beginning there were policies laid down such as the one by Board in 1912 that "the limit of advances against securities where property is the only substantial security should not exceed 50 per cent of the total paid up capital of the Bank from time to time."

Article 76 reads, "If at any time it comes to the knowledge of the Directors that the losses sustained by the Bank have absorbed not less than 3/4ths of its paid up capital, it shall be incumbent on the Board of Directors to summon as soon as possible an Extraordinary General Meeting and they shall submit to such meeting a full statement of the company and a resolution shall be submitted that the company owing to such losses, be dissolved and in case such resolution is passed by a majority in number and value of the members present personally or by proxy at such meeting then and in case the affairs of the Company shall be wound up and the Company shall be dissolved." This was to secure depositors.

With regard to the Bank, it was clearly stated in February 1916, "I should like to take this opportunity to correct a wrong impression that seems to be prevalent that our Bank is a Parsi Bank. We have three Parsi and three Hindu directors on the Board and quite recently we have been fortunate in obtaining the co-operation of a valued Mohamedan colleague in Mr. Ajam. I assure you that the Bank is doing its business without any distinction and with the confidence of all the varied communities of Bombay. We are particularly desirous and anxious to stand by the small Indian trader and business people and we are thereby carrying out one of the principal functions of a Swadeshi Bank."

The bank's profits for the first year was Rs. 61,833 - 4 annas - 11 paise. Of this a dividend amounting to Rs. 36,800 was paid.



Mr. A. S. Balsekar  
Chief Accountant



Mr. Thakoredas Parekh  
Superintendent Current  
Accounts and  
Bills Department

When he addressed the shareholders for the first time, Sir Mehta said, "Before progressive settled calm is established, training and experience must be acquired and that would not come for nothing. We must pass through many falls and stumble over many obstacles before we acquire the necessary training and experience for the successful conduct of commercial and other undertakings."

These were prophetic words because soon afterwards in 1913 there was a crisis and several established banks such as Indian Specie Bank, the Bengal National Bank, the Bombay Merchants Bank and the Standard Bank of Bombay collapsed. This was mainly because there was a tremendous amount of competition as several banks were competing for a limited amount of deposits resulting in very high rates of interest on deposits and massive speculation. Liquidity in most banks was low and many were undercapitalised and conducted their business in violation of the elementary principles of banking. Laws were inadequate to check the misdeeds of those running banks.

There was no central bank to regulate the conduct of banking.

Central Bank of India had its trial by fire. In 1913 a run fuelled by panic occurred. All available cash and arrangements with bankers were soon exhausted. Offers of reliable securities and hundies against loans were rejected by the banks. A diary kept at the time describes the tense situation, "Every day even if it was late in the night Sorabji would make sure there were adequate funds for the next day's payments. He approached a reputed businessman who agreed to make funds available against shares and securities. One day Sorabji was informed by the Chief Cashier, Vicaji, that the businessman was refusing to advance funds and proposed to retain the securities against his deposits in the bank. This phone call came at 11 p.m. and placed Sorabji in a dilemma. Sorabji left for the businessman's office. When there was no word from him at 2.00 a.m., his brother Hirjibhoy, fearing Sorabji had committed suicide went to the police station to check. At 3.15 a.m. Sorabji returned saying that he had made the necessary financial arrangements."

The run on Central Bank of India became more concentrated when the news spread that the Specie Bank was on the point of liquidation. It was widely known that Central Bank of India held a large number of Specie Bank shares which had an uncalled liability attached to them. Deposits declined from Rs. 88 lakhs to Rs. 41 lakhs in less than twelve days. To quell the run and instill confidence Sir Pherozechah Mehta handed over the title deeds of his own personal properties to raise money. This induced other directors to offer such personal resources as they could. Mr. Pochkhanawala sold his wife's jewellery. The news spread that Central Bank of India's directors were prepared to stake their own possessions in the Bank's survival and future. This turned the tide.

Another reason why Central Bank of India survived the crisis was the soundness of the Bank's general policy of avoiding any business that even remotely resembled speculation. The policy was of cautious conservatism allied to sound business methods. It was always ensured that assets were sufficiently liquid to meet any sudden demands. Minutes of a meeting reported that to meet the unexpected run on the Bank, the Manager had arranged for Rs. 6,75,000 from the Bank of Bombay against Municipal and Port Trust Bonds. Another minute states, *"The Manager was asked to prepare loan statements giving full details of all securities from which the auditors may be able to get the necessary information as to the repayment of loans. The Manager was asked to inform the auditors that we have issued notices to most of our customers calling upon them to pay off the amounts due by them as early as possible in view of the many demands of depositors owing to the financial crisis. With regard to most of those who had deposited sufficient securities to cover their debts we exercised our discretion to let them continue the advance in view of the present financial situation and did not think it right to exercise untimely pressure as the Bank was able to meet its engagements."*

There was competitive jealousy also and attempts were made to humiliate the Bank. When the Bank opened a branch in Calcutta (Kolkata), the Calcutta Clearing

Banks refused to admit the Bank as a member and even levied a special charge on the collection of local cheques drawn on the Central Bank of India lodged by their clients. The rapid increase of the Bank's business in Calcutta (Kolkata) brought pressure on the exchange banks as they were forced to cash a flood of Central Bank of India cheques across the counter. This led the secretary of the Bank of Calcutta, Sir Norcot Warren persuading the Calcutta banks to lift the ban. The Central Bank of India became, thus, the first bank under Indian management to penetrate the barriers of the Banks' Clearing House in Calcutta (Kolkata).

In 1918, 1922, 1924 and 1925 there were heavy withdrawals due to rumours that the Bank had suffered large, unsustainable losses. The Bank staff worked round the clock and all demands of depositors were met. At one time Mr. Pochkhanawala himself sat at the counter disbursing cash - not leaving his seat for seventy two hours. Notices were also issued in newspapers explaining the strength of the Bank. In time, depositors realised they were ill-informed and shamefacedly returned the monies they had withdrawn. The Central Bank of India's Lahore Agent commented tongue in cheek, *"A rather paradoxical feature of our Indian banks is that while we are very slow to trust we are very quick to distrust."* The manner the Bank managed these crises compelled Sir Basil Blackett, Finance Member of the Viceroy's Privy Council, to say, *"It was a great tribute to the strength and soundness of the institution that this well organized storm has been checked in so triumphant a manner. Sir William Meyer, the Finance Minister said after the 1918 runs that he regarded "the attempts to discredit the institution with the contempt they deserved."*

It is interesting to note that during those dark days, Mr. Pochkhanawala used the press to clarify the Bank's position. In 1920, Central Bank of India was the first bank to appoint a public relations person to publicise the strength, resilience and growth of the Bank. This was also because Mr. Pochkhanawala believed that he must refute promptly any charges made as he knew that if he did not they would fester into increasingly uglier forms.



## Growth to Maturity



The Bank began its operations in Gresham Building in the Fort area of Mumbai. As business expanded its main Mumbai branch moved to Alice Building in Hornby Road (presently Dr. Dadabhai Naoroji Road) on February 15, 1915 and then to the Taj Building on the same road in March 1921.



Central Bank of India Building, Mumbai

In 1923, after the merger of Tata Industrial Bank, the Bank shifted to the magnificent premises designed by George Wittet occupied by that Bank on Esplanade Road (presently Mahatma Gandhi Marg).

The Bank's first branch was opened in Mandvi, Mumbai in May 1, 1912. Other branches were opened in key centres such as Zaveri Bazaar, Share Bazaar, Abdul Rehman Street, Sandhurst Road, Kalbadevi and Bhuleshwar.

The Bank's first branch outside of Mumbai was opened in Karachi in August 1913.

In Kolkata the Bank began its operations in 1916. The Chairman, A. J. Billimoria, at the time of opening the branch said, "It seemed to the directors that the increasing economic contiguity between the two great provinces of the Empire, namely Bengal and Bombay, may be accelerated by banking facilities especially suited to Indian requirements which are of so much importance to the preservation and development of economic solidarity among the different parts of a country." Later branches were opened in Bara Bazaar, New Market, Sham Bazaar and Bhawanipore.

On expansion, Chairman Billimoria said, "We do not come to carry away the surplus money of the Province to be utilized in concerns elsewhere. We come here to invest moneys and to give our share in developing further the trade and industry of this great province."

After this in June 1918, the Bank expanded into the Punjab by opening a branch in Lahore. Mr. Nandlal Puri, Chief Manager and Secretary of Punjab National Bank was employed as the Chief Agent for the Punjab. At the opening, Mr. Pochkhanawala said, "Very large industries are bound to rise in India in the next few years but the small honest Indian trader and business people will always continue to play a vitally important part in the economy of our national life, and to strengthen and support them is a duty which true patriotism as well as self-interest impose upon us. The Punjab is the land par

*excellence of the sturdy peasant proprietor and the enterprising small trader and businessman. And a bank which keeps its interest in the forefront of its objective has surely a wide and beneficent scope in this province."*

Between 1932 and 1934 the Bank opened mandi branches in the Punjab. These were unique. These branches were opened in villages at the time crops were harvested. Agriculturists could store their produce and were given advances till prices were established. The branches were then closed and reopened in time for the next harvest. The Bank was the first to open these specialised branches.

The Bank's acceptance was further cemented by the fact that it was placed on the approved list of banks entitled to receive



The Karachi Branch

Municipal deposits in Bombay Presidency. The Bank in 1921 became the first Indian managed bank to be approved by the Government for the deposit of the funds of Municipalities, Port Trusts, Universities and other public bodies. This was recognition that the Bank was stable.

Two incidents occurred in 1923 that strengthened and further established Central Bank of India.

The first involved the Union Bank of India which had been

established in 1919 by wealthy Indian traders. Due to a downturn in the economy, bad debts and heavy expenditure incurred on the purchase of office premises, the Union Bank of India was in dire straits. Central Bank of India approached Union Bank of India with an offer to manage the Bank as Managing Agent. Mr. Pochkhanawala was appointed the Managing Director of Union Bank of India. Other Central Bankers such as Sir Feroze Sethna (Chairman of Central Bank of India.) were also invited onto the Board of Union Bank of India. Central Bank of India restructured Union Bank of India, reduced the uncalled capital, recovered a large portion of its bad debts and streamlined its management. This was the first time one bank had taken over the management of another.

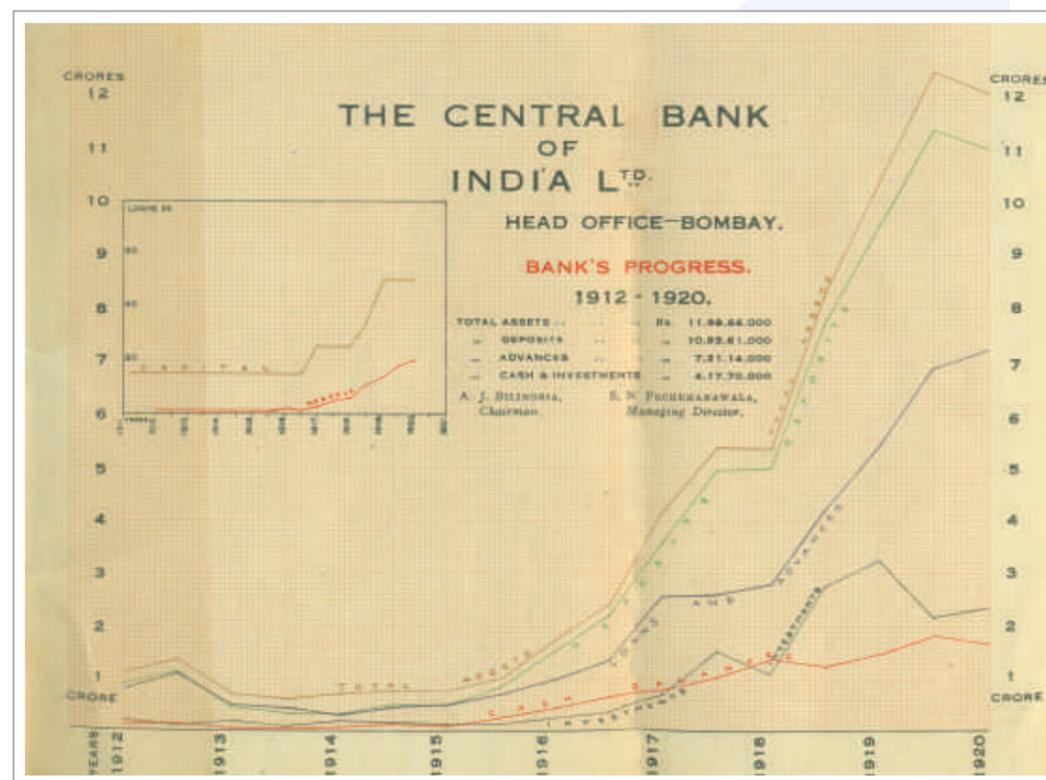


The Kolkata Branch

The other was the merger of Tata Industrial Bank with the Central Bank of India - the first merger in Indian banking history. The Tata Industrial Bank had been established in December 1917 with an authorised capital of Rs. 12 crores and was managed by Europeans. The Bank suffered exchange losses and was badly affected by the failure of the Alliance Bank of Simla. Its investments began to depreciate rapidly. There was a rapid decline in its deposits from Rs. 6 crores at the end of March 1923 to a little over Rs. 2 crores at the end of August that

year. Even though Central Bank of India's paid up capital was Rs. 75 lakhs at the time vis-a-vis Tata industrial Bank's paid up capital of Rs. 2.27 crores, Mr. Sorabji Pochkhanawala proposed a scheme of amalgamation by which one share of Central Bank of India was exchanged for two shares of Tata Industrial Bank. Two directors of Tata Industrial Bank who supported the amalgamation, N. B. Saklatwala and F. E. Dinshaw

lauded. Sir Basil Blackett, Finance Member of the Viceroy's Privy Council said the Central Bank of India had, "saved the country from what otherwise would have been an unparalleled and unforeseen financial catastrophe." The Capital Paper said, "It is grand as an achievement and grander still as a beginning because it marks a rare combination of fortune and business prestige wholly Indian in character. The strength of the two banks together would make it one of the most



commented, "The scheme, if adopted, will result in the creation of a very powerful institution under the able management of S. N. Pochkhanawala and will thus be a great step forward in the history of Indian banking." The scheme was accepted and this resulted in the subscribed capital and paid up capital of the merged entity growing to Rs. 3.36 crores and Rs. 1.68 crores respectively. This feat was

prosperous institutions in India." Apart from being the first merger in Indian banking history, this was the first reverse merger in Indian corporate history.

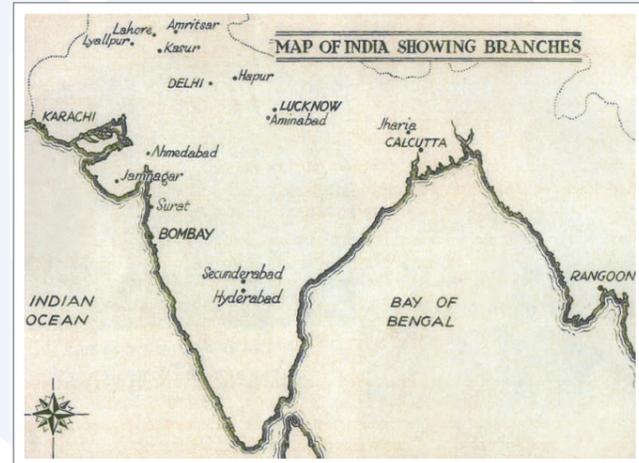
As a result of the merger, the Central Bank of India became the largest joint stock bank in India both in terms of capital structure and resources.

The merger with Tata Industrial Bank added twelve more branches, three of which were already at places where the Central Bank of India was represented. Those branches which were not profitable were closed including Tata Industrial Bank's branch in London. Management of branches was also revamped by replacing the European managers with Indians.

In 1923, Central Bank of India became the first bank to underwrite industrial floatations. Till then all banks were purely focused on accepting deposits and lending against security. These included:

- 1923 - 6 ½ percent debentures of Bombay Steam Navigation Company
- 1926 - 8 percent debentures of Tata Hydro
- 1932 - 6 percent debentures of Andhra
- 1935 - Swadeshi Mills' preference shares

Until 1923, the Bank had only 19 branches. This grew gradually to 23 by 1929 and 29 by 1932. However, there was a spurt and in 1933, 34 branches were opened. This grew 88 branches by 1937 when there were more branches opened and by 1943, the Bank had 217 branches. During this period and especially during the Second World War deposits grew substantially. The growth of



Branches in 1925

the Bank is detailed in the table below.

In 1936, the Central Exchange Bank of India Ltd. was established in London as a subsidiary. This entity was to handle the foreign exchange business of Indian exporters and importers. However, on account of the war, this subsidiary was closed in 1943.

Rs. in Lakhs

Year	Capital and Reserves	Deposits	Advances	Net Profit	Branches
1912	16	88	81	1	3
1915	16	50	52	1	4
1920	70	1095	775	13	15
1925	268	1423	935	19	20
1930	255	1481	709	18	23
1935	251	2773	953	20	79
1940	292	3290	1338	35	132
1945	526	10549	4023	127	320

Several major Indian states such as Cochin, Hyderabad and Nawanagar invited the Bank to open branches. In Cochin, the Bank helped in the development of Cochin harbour and acted as bankers for the State. In Hyderabad there were eight branches. These branches even co-operated with the Nizam's Government and subscribed Rs. 1.3 crores when that Government floated a 4 crore rupee loan. The Bank worked with the Nizam's Government to replace British Government rupees with

Osmani Shahi rupees. The Bank had a monopoly in Nawanagar granted by the Jamsaheb based on the confidence he had on Mr. Pochkhanawala and the Central Bank of India. It was the first bank to successfully float public loans issued by the State Governments of Travancore and Bhopal. Pre-independence the Central Bank of India was invited by several other leading Indian States such as Kashmir to provide banking facilities in their areas and assist in their economic development.



H. H. The Jamsaheb of Nawanagar at the Inauguration of the Jamnagar Branch on 27th March, 1937



Jamnagar Branch

### Recognition

In 1934, Sorabji Pochkhanawala was knighted in recognition and in appreciation of the services rendered by him to the nation and to indigenous banking in particular. It was a confirmation of his being a trailblazer in the development of banking in India. Considering the prejudice that he had to face when he, literally singlehandedly, set up Central Bank of India, this was a breakthrough for the Swadeshi movement in banking. His being knighted was remarkable as it was the first time that a banker – European or Indian – other than the head of Imperial Bank of India had been knighted.

In order to ensure the branches were properly managed and appropriate decisions were made, there were local advisory boards – the members being highly respected and experienced businessmen and local leaders. These boards were permitted to sanction advances within certain limits.

In addition there were Branches Inspection Teams comprising of qualified auditors who visited branches and reported to head office.



At the party given by the staff of Central Bank of India on the conferment of knighthood on Sir Sorabji Pochkhanawala in 1934



The Bank's Directors with H.E. The Right Hon'ble Lord Brabourne G.C.I.E., M.C. Governor of Bombay, at the time of His Excellency's informal visit to the Bank on Friday, 20th April 1934



## India's Greatest Banker Passes Away

The next year - 1937 - was a defining year for the Bank as on July 4 of that year Sir Sorabji Pochkhanawala died. A columnist wrote, "In all my experience I have never come across one to whom love of and service to the institution he is connected with is all that he asked of life. Sir Sorabji was a monomaniac in the best and proudest sense of the term." Sir Homi Mody, a Director of the Bank and later its Chairman in his eulogy spoke of him as "a great citizen of Bombay and India, a man of tenacity and resourcefulness, a born banker, one who had, as an exponent of Swadeshi, broken through a field, which had been the close preserver of the British, one who had started as an unknown clerk, and one who had been the first to conceive of a really Indian bank."

A year after Sir Sorabji's death, Sir Feroze Sethna who had been Chairman from 1921 onwards died. He was succeeded by Sir Homi Mody who continued as Chairman from 1938 to 1966 but with two breaks – in 1941 and from 1949 to 1951. During this time Mr. Haridas Madhavdas and Mr. Dinshaw Romer respectively were Chairmen.



### Employee Focused

The Bank was extremely employee focused and was keen to encourage them. Sir Pochkhanawala believed that the Bank would grow only if its employees were competent and well trained.

### The Library

To enable the staff to acquire a sound knowledge of banking and economic theory, the Bank established, in 1922, a well-equipped library containing hundreds of books and journals. This was an initiative to create a sense of career among staff members. In addition, the Bank organised regular training courses for staff. This was usually after banking hours from 8 pm to 9 pm. Every member of the staff was encouraged to join. Books were provided free and the staff was advised to appear for the examination of the British Institute of Bankers (the Indian Institute of Bankers was not in existence then). Almost every month seminars were held on banking, finance,

currency and exchange under the guidance of eminent financial and currency experts and bullion merchants.

Following practice followed in Europe the Bank started in 1922 an in-house magazine - The Centralite - for employees to keep abreast of banking and what was happening in Central Bank of India.

Sir Sorabji, apart from establishing and nurturing the first "Indian" bank, was the first to single-handedly set down standards and train a force of Indian bankers who compared favorably with the best of the non-Indian bankers of that time. This was amply proved when Central Bank of India took over two banks in difficulty and on the verge of being closed down that were managed by Europeans - Union Bank of India and Tata Industrial Bank - and replaced the European managers with Indian managers, restructured the banks and made them profitable. He thus disproved effectively the widely held belief at the time that Indians could not manage banks.



The Library

### Women Graduates

Central Bank of India has played its part in the emancipation of Indian women. Yasmin Surveyor India's first woman commerce graduate was also the first woman to join a bank - the Central Bank of India. The Bank was also one of the first to employ women in clerical positions.

It was the first bank to give training to young bankers from other countries. The first group was from Ceylon after the establishment of the State Bank of Ceylon - a bank that came into being as a result of Sir Sorabji Pochkhanawala's recommendations as Chairman of the Royal Banking Commission of Ceylon.

In 1947, the Chairman of Central Bank of India, Sir Homi Mody was the main person responsible for the creation of the Indian Banks Association - the key body of bankers in India. This was the realisation of a dream of Sir Pochkhanawala. In the thirties Sir Pochkhanawala had wanted to bring directors and executives of Indian banks together on a common forum to exchange ideas, formulate policies and regulate bankers' behavior and attitudes on the basis of some norms.



Sitting - From Left to Right : Miss Y. K. N. Surveyor, B.Com., Cert. A.I.B. (Lond.), Miss G. N. Coyajee, B.A., Miss M. N. Coyajee, B.A., Miss G. A. Kapadia, B.A.,  
2nd Row Standing: Miss K. J. Parvatiker, B.Sc., Miss A. B. Engineer, B.Com., LL.B., Miss A. A. Nanavaty, B.A., Miss M. P. Gandhi, B. A.,  
3rd Row Standing: Miss Lila A. Syed, B. A., Miss B. B. Mistry, B. A.

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