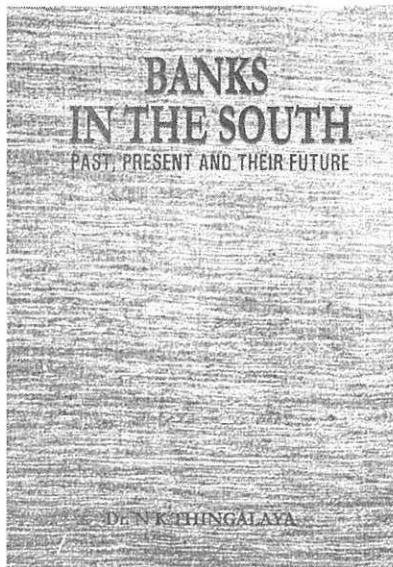


Book Review

Genesis and Survival of Banks in South India

BANKS IN THE SOUTH : Past, Present and Their Future

By: **Dr. N.K. Thingalaya**, Published by Justice K S Hegde Institute of Management, Nitte, 2009, pages : 149



Prof. R D Pandya*

The Report on Currency and Finance, 2006-08, published by the Reserve Bank of India indicates that out of the 1258 banks operating in India in 1930, only 40 banks have survived; 20 in the south and 20 in other parts of India. In the South, 10 banks are in the public sector and 10 in the private sector. Dr. Thingalaya, therefore, is prompted to study the reasons for the appearance and disappearance of banks in these states during last 100 years. As Dr. Thingalaya says this book is in a way the continuation of his earlier book *Banking Challenges: Can Small Remain Beautiful?* published in 2003. The present study analyses the genesis, growth and the current status of banks in Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Puducherry and Lakshadweep. The study of banking development in Lakshadweep is indeed a pioneering work, introducing the pattern of banking development in an island economy. There is also an attempt in the book to study the contributions made by the banks to propagation of banking habits in these states.

Recording and analyzing the history of banks in India has not received proper attention in the literature on Indian economic history. Some significant exceptions are the very authentic volumes pertaining to the history of State Bank of India and the Reserve Bank of India published recently. Both the banks have recorded their history with proper documentation. Dr. N. K. Thingalaya, former chairman and managing director of Syndicate Bank, who is a distinguished bank economist as well as eminent professional banker, has been probing into the genesis and growth of banks specially in the southern states. The book under review is one of his contributions. The publications of the Reserve Bank of India like the Statistical Tables Relating to Banks in India and the annual reports of the banks, existing or liquidated, are the major sources of information relied upon by him.

The author has covered the banking developments in the South in eight chapters. The first chapter explains regional diversities in the genesis and sustenance of banks in the south and north. The evolution of small banks, sponsored by local businessmen and nurtured by local patronage is vividly the analysed in the first chapter. An important

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revelation of the study is the durability and longevity of many of the banks in the south compared to those in the north. Dr. Thingalaya wants that this aspect needs to be probed further. Again in the southern states also, he observes that a few districts have fostered many banks, whose life spans vary widely. In Coimbatore district in Tamil Nadu, which was considered as the Manchester of south, as many as 44 banks were born, but none has survived over the years. In South Kanara district in Karnataka, 23 banks were born during the last 100 years and five of them have grown very big and survived. Thrissur district in Kerala has witnessed the birth of 38 banks, of which, three banks have survived. While the economic conditions of these states were almost similar and the prompters of these banks were from the same socio-economic background, why there is such a wide difference in their pattern of survival? The author has raised this question, indicating it to be a fertile field for further research.

Among the southern states, Andhra Pradesh has fostered the smallest number of local banks.-20 banks only. Out of them two continue to exist in the public sector- Andhra Bank and State Bank of Hyderabad. In Kerala, small banks in good numbers have cropped up in many small towns. The banks continuing to maintain their individual existence after the long process of mergers or liquidation are; State Bank of Travancore, Federal Bank Ltd, South Indian Bank Ltd, Catholic Syrian Bank Ltd and Dhanalakshmi Bank Ltd.

So far as Tamil Nadu is concerned, there were too many small banks with very short span. Out of 93 banks, six banks have proved their durability and two of them are in the public sector; Indian Overseas Bank, Indian Bank In the private sector , there are four banks; Karur Vysya Bank Ltd, Tamilnad Mercantile Bank Ltd, City Union Bank Ltd and Lakshmi Vilas Bank Ltd.

Karnataka state has a better record of banking development. It has five banks in the public sector- Canara Bank, Syndicate Bank, Corporation Bank, Vijaya bank and State Bank of Mysore. In the private sector there are two banks- Karnataka Bank Ltd and ING Vysya Bank Ltd.

The Union Territory of Puducherry, which was under the French rule until its liberation in 1954, has not fostered any local bank. It has witnessed the birth of a local bank only in 2008, when Pudukkottai Grama Bank was established jointly by the Government of India, Government of Puducherry and Indian Bank

The last chapter deals with the future of small banks as the growing competition and the preference for inorganic growth emerge as the causes for concern. While the size of bank may not be directly determining its efficiency, the quality of resource management- both financial and human resources and the health of the financial assets are of crucial importance. The smaller banks therefore have to evolve alternative business strategies like converting their regional concentration into operational advantages. They cannot ignore micro finance and small business as they have the strategic advantages in nurturing them.

Dr. Thingalaya has thoughtfully published a map from the Statistical Tables Relating to Banks in India of 1947, which indicates the pattern of disbursement on the non scheduled offices in undivided India. It indicates vividly the heavy concentration of small banks in Bengal and South India. While not a single non-scheduled bank has survived in Bengal since then, in the South many banks continue to exist.

The book contains very useful banking statistics in the Annexure. This will help the students and research scholars to undertake further research on the banks in South.