

***From Vanji to Viksit Bharat:
Banking on Trust, Technology, and Transformation***

(Address by Shri Swaminathan J, Deputy Governor, Reserve Bank of India at the 109th Foundation Day of the Karur Vysya Bank on Friday, July 25, 2025)

The Karur Vysya Bank family - represented here by the Chairperson, the Directors on the Board, the shareholders, MD CEO, the staff, officials and the customers of the bank and their families, ladies and gentlemen, Anaivarukkum Vanakkam. Namaskaram. A warm good afternoon.

2. It is both an honour and a privilege to join you here in Karur on the momentous occasion of KVB's 109th Foundation Day. I extend my sincere gratitude to Shri Ramesh Babu, the Managing Director and Chief Executive Officer for his kind invitation.

3. Karur is a town where history, commerce, and character are deeply intertwined. It is a place celebrated in Sangam literature as **'Karuvoor'** or **'Vanji'**—a thriving hub of poetry, trade, and craftsmanship, that served as the capital city of early Chera kings. That spirit of enterprise and cultural pride lives on through institutions like KVB.

Founding with Foresight¹

4. Today is not just a ceremonial gathering to mark the passage of time. It is a celebration of vision, resolve, and quiet determination—a tribute to those who chose to build a lasting institution in the face of uncertainty.

5. In 1916, as the First World War caused disruptions and hardship, two visionaries from Karur, Shri M.A. Venkatarama Chettiar and Shri Athi Krishna Chettiar, came together to create a bank rooted in trust and community service.

6. The founders travelled across the region, sometimes fording the Amaravati River in a coracle, appealing to landholders and traders and offering their

¹ Based on material from *Sriram, V*, Karur Vysya Bank, Centenary Book, <https://www.kvb.co.in/docs/kvb-history-book-part1.pdf> (accessed July 20, 2025).

personal guarantees to reassure hesitant investors. Memories of financial failures like the Arbuthnot crash² were still fresh, and public trust in banking was fragile. Yet, the founders' integrity and persistence won the day. KVB was formally registered on June 22, 1916, with a paid-up capital of ₹1.20 lakh, exceeding their original target. Fittingly, the first shareholder was Goddess Gayathri Devi, who continues to bestow her blessings on the bank and its clientele.

7. The bank's founding team embedded forward-looking principles in its structure: they voluntarily incorporated a clause prohibiting directors from taking loans from the bank—a safeguard that only became a statutory requirement decades later with the Banking Regulation Act of 1949. They also envisaged employee participation in the bank's future by allotting shares to staff—long before the idea of stock options became fashionable. Each manager was to hold 50 shares, officers 20 shares, and cashiers, reflecting their key role, were to be allotted 40 shares.

8. What they began with prudence and purpose has today grown into a ₹1.86 lakh crore institution, standing as a testament to their values, vision, and unshakeable trust in community enterprise.

Banking for Viksit Bharat: Adapting with Purpose and Agility

9. The 109th year of KVB comes at a time of profound change in India's economy and the broader financial system. As the nation moves towards the vision of Viksit Bharat 2047, banks are being called upon not only to expand credit, but also to play a deeper role—supporting inclusive growth, maintaining financial stability, and driving responsible innovation.

² The Arbuthnot crash of 1906 was one of colonial India's most notorious banking failures. Arbuthnot & Co., a leading British firm in Madras, collapsed due to speculative mismanagement, triggering widespread panic. Thousands of depositors, including pensioners and officials, even the Governor of Madras, lost their savings. The episode severely eroded trust in foreign-run banks and inspired the founding of Indian Bank in 1907.

10. I am sure KVB has already taken meaningful steps in this direction. But the journey ahead will demand even greater agility, foresight, and commitment to purpose.

11. In thinking about how banks like KVB can navigate the path ahead, I am reminded of a verse from the Thirukkural, which is a treasure trove of timeless guidance for thoughtful action:

“பொருள் கருவி காலம் வினை-யிடனொடு ஐந்தும்
இருள்தீர எண்ணிச் செயல்”
(*Poruḷ karuvi kāalam viṇai-yiṭaṇodu aindhūm
iruḷtheera eṇṇi cheyal*)

Literal meaning³:

“Do an act after a due consideration of the {following} five, viz., **Money, means, time, execution and place.**”

12. What the sage Thiruvalluvar tells us is this: *“The wise act only after reflecting on five things—resources, tools, timing, action, and place or context—to dispel any uncertainty and act with clarity.”*

13. To my mind, this is not just classical wisdom—it is a practical framework, deeply relevant to modern banking. These five elements have shaped KVB’s journey so far, and they will be critical in shaping its future. So let us reflect on each of these—not as philosophy, but as building blocks for a strong, agile, and responsible banking institution.

Poruḷ (Money/Resources): Using Strength with Discipline

14. In banking, resources are more than just financial capital. They include people, systems, institutional memory, customer trust, and reputation. Sound

³ Thirukural 675: English Translation and Commentary by Rev. Dr. G. U. Pope, Rev W. H. Drew, Rev. John Lazarus and Mr F. W. Ellis. Available at Project Madurai. https://www.projectmadurai.org/pm_etexts/utf8/pmuni0153.html

resource management is all about the quality of decisions and the sustainability of outcomes.

15. It is not enough to meet regulatory thresholds or improve headline numbers. What matters is how these financial resources are deployed—whether they support inclusive lending, long-term investment, or business models that promote trust and transparency. ***Every rupee must carry intent, not just interest.***

16. Equally important are the less tangible, but no less critical, resources that do not reside on the balance sheet. These include the people who engage with customers every day, the internal controls that drive decisions and manage risk, and the institutional values that shape internal culture.

17. A bank's reputation, once established, becomes one of its most valuable assets. In an environment of rising competition and evolving customer expectations, the way forward lies in building upon a customer-centric approach that fosters trust, loyalty, and long-term value.

Karuvi (Tools/Mean): Staying Ahead with Responsible Innovation

18. The tools of banking have evolved rapidly—from passbooks and ledgers to core banking platforms, mobile apps, real-time payment systems and artificial intelligence.

19. These tools define how services are delivered, how decisions are made, and increasingly, how risks are managed. In this environment, a bank's technological capabilities are no longer just operational enablers; they have become strategic differentiators.

20. However, every tool comes with responsibility. The speed and scale of digital adoption must be matched by equally strong investments in cybersecurity, data governance, and ethical safeguards. Recent global and domestic experiences have shown that technology gaps, if not addressed in time, can become points of systemic vulnerability.

21. For banks looking to scale up responsibly, tools must be modern, agile, and continuously evolving. More importantly, they must be well-governed. Technology must never outrun the organisation's capacity to manage it. Directors and senior management must lead this conversation, ensuring that risk, compliance, and internal audit functions have the resources and visibility needed to keep pace.

Kaalam (Time/Timing): Knowing When to Act

22. In banking, timing can be the difference between a breakthrough and missed opportunity, between resilience and regret. Whether it is extending credit, entering new markets, or rebalancing portfolios, the ability to act at the right moment, and with the right judgment, is essential.

23. Timing also requires contextual awareness. Economic cycles, interest rate shifts, regulatory changes, geopolitical developments, and even climate events—all influence when and how decisions should be made. A delay in recognising an early stress, or a rushed response to market signals, can have lasting consequences.

24. But timing is not only about reacting to external events. It is also about recognising when an institution needs to change internally—when to modernise systems, when to refresh leadership, when to pause and consolidate, and when to take bold steps forward. History rewards institutions that act early, rather than those that act perfectly.

25. The founders of KVB acted at such a moment. Their decision to establish a bank in 1916, in the midst of war and economic uncertainty, was bold, timely, and rooted in the needs of the community. The same sense of timing and responsiveness must now guide the bank as it enters its next phase.

Vinai (Action/Execution): Converting Thought into Execution – From the Boardroom to the Branch

26. Strategy has little meaning, unless it is translated into action. For a bank, this means ensuring that intent at the top is reflected in outcomes on the ground.

Policies made in the boardroom must find meaningful expression at the branch. The strongest frameworks—whether related to risk, credit, technology, or compliance—are only as effective as their execution at the customer interface.

27. Effective action requires clarity, coordination, and accountability. Whether it is launching a new product, entering a new geography, or rolling out a compliance reform, success depends on how well goals are communicated, how clearly roles are defined, and how outcomes are tracked.

28. However, driven by intense competitive pressures and a desire to project short-term success, the management of certain banks and NBFCs appears to believe that the ends justify the means. Practices such as creative accounting, liberal interpretations of regulations, lenient policy frameworks, and inadequate internal controls are being normalised in some boardrooms—necessitating supervisory intervention. Though such instances may be limited, they risk eroding the public's trust in the integrity of the banking system.

29. Therefore, it is important to pursue growth with systems, people, and processes that are aligned and rooted in ethical practices—from the boardroom to the branch.

Idan / Idam (Context/Place): Understanding the Terrain

30. Every institution operates within a broader environment—economic, social, technological, and geographic. The most resilient banks are those that remain deeply aware of their context and continually adapt to it.

31. KVB has long drawn strength from its community roots. Its orientation towards semi-urban and rural markets, and its close connection to the needs of local businesses and households, has shaped its identity and customer relationships.

32. However, context is never static. Changing demographics, climate variability, digital access, migration patterns, and sectoral shifts are constantly reshaping the operating environment. As India progresses towards the goal of

Viksit Bharat by 2047, banks will be called upon to adapt continuously—to serve a more aspirational, mobile, and digitally connected population.

33. Geographic concentration can bring familiarity, but it also introduces exposure. Regional slowdowns and policy changes can affect concentrated portfolios more acutely. Banks must continuously assess whether their branch network, sectoral mix, and credit exposure are aligned with the emerging realities around them.

34. Expanding into new markets or product segments brings promise, but this also calls for capacity-building—in terms of people, processes, and local knowledge.

35. The most effective banks are those that understand not only their own strengths, but also the terrain in which they operate. For a bank with a rich heritage and legacy like KVB, the ability to balance deep local insight with broader diversification will be key to navigating the next phase of growth. In this dynamic environment, staying true to its community roots while embracing innovation and adaptability is what will truly define the “*smart way to bank*”⁴.

Conclusion: Closing Thoughts for the Road Ahead

36. Let me return, in closing, to the words from *Thirukkural* that guided my reflections today. It reminds us that lasting success is built not on chance or scale, but on careful thought and considered action. Resources must be used with discipline. Tools must be modern and well-governed. Timing must be informed by awareness. Action must translate intent into outcome. And context must guide judgment at every step.

37. In my address today, I have tried to compress my 37 years of experience—as a banker and, more recently, as a banking supervisor—into the timeless framework provided by the sagacious Thiruvalluvar. His words speak not just to individual wisdom, but to institutional purpose.

⁴ “Smart way to bank” is the tagline of Karur Vysya Bank

38. In the 109 years since its founding, KVB has honoured these principles in many ways—quietly, steadily, and purposefully. But the road ahead will be more complex, more competitive, and more demanding. The institutions that will lead in this environment are not those that move the fastest, but those that move with clarity, with courage, and with conviction.

39. From the Reserve Bank’s perspective, we expect banks like KVB to continue evolving—setting benchmarks in governance and customer service, empowering its assurance functions, and using technology not just for efficiency, but for inclusion. Every Bank Board and management has a responsibility to deepen the hard-earned trust—through service that is responsive, systems that are reliable, and leadership that is responsible.

40. My warmest congratulations to the entire KVB family—past and present—on this remarkable milestone. May the future be built on innovation with prudence, growth with responsibility, and leadership with integrity.

41. Nandri. Thank you and best wishes. Jai Hind!!
