CHAPTER - I

INTRODUCTION AND DESIGN OF THE STUDY
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"Capital and technology are replicable, but not human capital which needs to be viewed as a valuable resource for the achievement of competitive advantage"\(^1\)

India surges forward to emerge as one of the fastest growing economies in the world. Its vibrant service sector is fast evolving. Banking System is an important constituent of overall economic systems. It plays a crucial role in the attainment of macro economic objectives of the country.

Commercial banks in India are classified as scheduled and non-scheduled banks. Further scheduled banks are of two categories: those which are incorporated in India, known as Indian scheduled banks and further classified into Public sector banks and private sector banks. Public Sector Banks are those in which the Government of India holds a major stake. They are the foundation of the Indian banking system and account for more than 70 per cent of total banking assets. The private sector banks have classified into old private sector banks and new private sector banks.

Public sector in Indian banking emerged to its present position in three stages. Firstly, the conversion of the then existing Imperial Bank of India into the

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\(^1\) Bimal Jalal, A., Former Governor, Reserve Bank of India, Speech delivered on the title “Indian Banking and Finance: Managing New Challenges”.
State Bank of India in 1955, followed by the taking over of the seven state associated banks as its subsidiary banks, secondly, the nationalization of 14 major commercial banks on July 19, 1969 and at last, the nationalization of 6 more commercial banks on April 15, 1980. One of them was New Bank of India which later on merged with Punjab National Bank. Thus, 27 banks constitute the Public Sector in Indian Commercial Banking.

HUMAN RESOURCES

Human Resources are the most important assets of modern organisation. No organisation can think of viability and effectiveness without the efficient utilization of human resources, which is a very tough task in present age of technological advancement, knowledge explosion, sociological changes and increased government intervention in business and industry.

ROLE OF BANKS IN THE ECONOMIC DEVELOPMENT

Indian public sector banks have played a significant role in the economic development of the nation. The role of public sector banks is considerable in credit expansion, minimizing imbalance, resource mobilization etc. During 1960s-80s, Indian banks went in for massive recruitment at various cadres due to vast expansion in retail banking and branch expansion.

It was an era of development and extension of banking to every nook and corner. Banking was carried to every sphere of productive activity to reach and
cater to the needs of every sector of the economy. And every type of economic activity ranging from the largest to the smallest like the small farmers, petty artisan, small business, retail trade etc., came to be covered by bank credit and financial assistance. All these resulted in massive increase in manpower requirement of the Banks.

The period of vertical growth receded in the late Eighties. The phase for consolidation of the banking system was felt. The technological advancements in telecom and information technology and the reforms in the banking sector towards the end of the century have driven the banks to caution because numbers have now become irrelevant. Banking has changed to technology oriented and no more people oriented. Now the concept of mass banking is given importance.

Productivity of the staff has come to have a significant bearing on the banks overall performance. It is clear that, this is the factor, which can enable the bank to develop a unique competitive advantage. But in 70s and 80s, many shortcomings have visualized in public sector banks in terms of lower productivity, low marginal profit per employee, low skill, inefficiency in customer handling, higher magnitude of non performing assets and failure in expansion in rural areas.

Banking being in the service industry, the staff efficiency becomes an important factor for assessing the bank’s performances. The profit per employee
is an appropriate measure for assessing banks performance. During the year 1999-2000, the profit per employee as an average of all the PSBs was 0.65 lakhs: for the private banks it was 1.46 lakhs and for the foreign banks it was 5.61 lakhs. The lower profit ratio in the case of PSBs could be due to the over-staffing.²

In the period between 1950 and 1990, India’s growth averaged less than 5.0 per cent per annum, and per capita income growth was less than 2.0 per cent per annum. This period showed a growth rate of 5.2 per cent per annum in the developing world, including the Sub-Saharan Africa and the least developed countries.³

The banks are highly overstaffed. It was estimated that out of the 8.33 lakh employees in 27 public sector banks, 2.5 lakh are surplus. As per the Federation of Indian Chamber of Commerce and Industry report, the banking industry was overstaffed by 25 percent. The Government's own estimate put the figure at around 30 percent.⁴

The Public sector banks are clearly over-weighed in terms of staff strength. The wage bill constitutes the second largest operating expense for the banks apart from the interest paid on borrowings. These banks had recruited many employees

² Quotated in an article Voluntary Retirement Scheme in Public Sector Banks by Ms. K.R. Chitra, Kerala University. Personal Website of R.Kannan on Indian Banking in the New Millennium.
at the clerical level which involves routine jobs with no specialized skills. With the technology coming in and replacing these employees, the staff became redundant. Information Technology not only reduced the cost of operations but also spared the management from the problems and strikes posed by the employees.

According to the Verma committee report, staff cost as the percentage of operating incomes is as high as 108 percent in Indian Bank, 76 percent in UCO Bank and 80 percent in United Bank as compared with the ratio of 47 percent in the PSU banks. Therefore, in order to place the banks on the right track, Government had introduced banking reforms. For this purpose Government had set up the Narasimahan Committee in 1991.

As a part of the structural economic reforms, the reform of the banking sector took place. The financial reforms in India included changes in the policy conditions, creating a more competitive environment, letting banks access the capital markets for meeting their fund requirement, strengthening of market institutions and allowing greater freedom for market intermediaries. Various legislations of the Government of India confer protective rights to the employees both in public and private undertakings. As a result of these policies of the Government towards termination of employees is a time consuming process in India. The trade unions in the banking sector were dominant and powerful. Broad

discussions between the Government industry and labour gave way to the introduction of a number of reforms in the labour market. Both public and the private sector units started reducing their work force over the last one decade under ‘early separation schemes’ known as Voluntary Retirement Schemes (VRS).

The VRS was prompted by the government’s assessment that banks were heavily over-staffed and that technology up-gradation, particularly through the pervasive use of computers, justified a reduction in manpower. It was postulated that banks, particularly the “weaker” ones, would need to shed a section of the clerical staff, a large number of whom deal with routine work.

Change in any sphere of life is inevitable with the fast change in the inevitable global economic scenario; the banking system cannot remain unaffected. But the change in the Indian Banking System has been a bit too fast. There has been some cross amount flowing to resist the change. But such resistance may not be strong enough to last long. It is therefore, felt necessary that the human resources development departments in the banks have to play a vital role in transforming the mind-set and attitude of the banking people for taking the change in their stride.

In 2000, the Government cleared a uniform Voluntary Retirement Scheme (VRS) for the banking sector, giving public sector banks a seven-month time frame. The Indian Banks Association (IBA) was allowed to circulate the scheme among the public sector banks for adoption. The scheme remained open till
March 31, 2001. It became operational after adoption by the Board of Directors of the respective banks. No concession was made to weak banks under the scheme.

The ushering in of the new economic policy in India around the 90s created different kinds of quantitative and qualitative needs of the existing as well as future manpower. Accordingly, companies have introduced Voluntary Retirement Schemes (VRS) or “Golden Handshakes” as the basic component of labour adjustment strategies, both in public and private sectors.

MEANING OF VRS

In India, VRS have been introduced for quite sometime to induce excess workers to retire prematurely. The word “retirement” implies leaving or withdrawing from employment. In the context of industrial relations it implies termination of employer-employee relationship at the conclusion of pre-agreed terms/conditions or on attaining age of superannuation. Thus voluntary retirement relates to a situation when a worker, for one reason or the other, resigns from his job and thereby terminates the employer-employee relationship prior to the maturity of terms and conditions of employment. It is a premature termination of employment.

Voluntary Retirement Scheme (VRS) as the name suggests, is more optional and the individual workman opts for it. VRS is “a legally” more hassle-free way to downsize than retrenchment, which makes it more attractive to the management.
**DOWNSIZING**

Downsizing in a narrow sense can be defined as "the planned elimination of positions or jobs"\(^6\) to make the organisation more cost-effective. However, this perspective, mainly aimed at a temporary positive reaction in the stock market, could prove "destructive".\(^7\)

Cameron, a noted authority on corporate downsizing, defined it by embracing a holistic approach, saying that downsizing is "a set of activities undertaken on the part of management of an organization and designed to improve organizational efficiency, productivity and/or competitiveness".\(^8\)

Whether it is called downsizing, rightsizing, delayering, reduction in force, redundancy elimination, or any of the host of other terms, the expectation of life long employment with one employer has now become the exception rather than the rule. Both in the government and the private sector, the loss of that sense of security combined with the familiar scenario in which the number of employees is reduced but the amount of work remains unchanged instead, it has a devastating effect on the remaining employees, otherwise known as the "survivors".

Since the early 80s, the phenomenon of downsizing has been gaining in popularity among corporate the world over, as companies struggle to survive in an

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\(^6\) Cascio, WF., 1993, "Downsizing: What do we know? what have we learned?", Academy of Management Executive, Vol 7(1), Page No. 95-104.


\(^8\) Camaroon, K.S et al. Organizational Change and redesign, Oxford University Press, New York.
increasingly volatile and competitive market place. The US and Europe were the
fore runners in this activity but from the early 90s onwards, a large number of
Indian organisations including banks, MNCs, public sector units and private
undertakings, have taken recourse to similar actions.

CONCEPT OF VRS

The New Economic Policy of 1991 brought a sea change in industrial and
business sector in the way of restructuring, modernising and adopting to new
technology and methods. Exit policies are one which helps to restructure the
organisation through right sizing its human resources. Among the various exit
policies available to an organisation, one of the popular ‘manpower planning’
policy is Voluntary Retirement Scheme (VRS).

In India, downsizing is being achieved mainly through Voluntary
Retirement Scheme (VRS) and regulated recruitment. Whatever be the means to
downsize the workforce, this trend is here to stay for some more years. Companies
of all sizes i.e. big, medium and small are joining the VRS bandwagon. Many
companies which have already shed manpower by means of VRS are, in many
cases, planning for more rounds of golden handshake.

Today, downsizing has become a norm rather than an exception. VRS has,
indeed, become quite common and labour laws too are undergoing change in the
country. Decisions of the judiciary seem to be heading in that direction.
Voluntary Retirement Scheme is an exit option given to the employees, well before their superannuation age. It implies that the incumbent should have put up 20-25 years of service or of the age of 45-50 years, whichever is earlier. It offers compensation package, varying from two to three month’s salary for each completed year of service or number of months of service left out. The Public Sector Undertakings have the choice to make out their own schemes. The employers view on VRS mainly as a pruning device whereas the employees look at it as a boon, angel device for career change. Thus VRS appears to be a double-edged sword, needing its cautious usage.

The scheme was envisaged to assist banks in their efforts to optimize use of human resource and achieve a balanced ‘age and skills’ profile in tune with their business strategies. As per the scheme, all permanent employees with 15 years of service or 40 years of age were eligible to avail of it with ‘ex-gratia’ amounting to 60 days’ salary. Employees eligible for VRS, but who do not want to avail themselves of the scheme, had been provided with the option of choosing to go on a sabbatical for 5 years. While the right of refusal to give voluntary retirement had been granted to the bank management, recruitment against vacancies arising through the VRS route had been disallowed. Banks were asked to undertake a complete manpower planning exercise before offering the VRS.

With a view to optimizing the utilization of human resources, 26 out of the 27 PSBs introduced voluntary retirement schemes in 2000-01. A very attractive
package of terminal benefits and compensation favourably motivated employees in large numbers to voluntarily seek early retirement and leave bank service, thus realising the objective of the banks to shed part of the surplus manpower and become leaner.

### TABLE NO 1.1

**BANK EMPLOYEES RESPONSE TO VRS OFFER**

<table>
<thead>
<tr>
<th>Name of the Bank</th>
<th>Total Strength</th>
<th>VRS Optees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Bank of India</td>
<td>2,37,000</td>
<td>35,000</td>
<td>13.89</td>
</tr>
<tr>
<td>Allahabad Bank</td>
<td>22,345</td>
<td>1,571</td>
<td>7.03</td>
</tr>
<tr>
<td>Andhra Bank</td>
<td>14,603</td>
<td>1,758</td>
<td>12.04</td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td>47,054</td>
<td>3,200</td>
<td>6.80</td>
</tr>
<tr>
<td>Bank of Maharastra</td>
<td>16,098</td>
<td>2,700</td>
<td>16.77</td>
</tr>
<tr>
<td>Bank of India</td>
<td>51,962</td>
<td>7,700</td>
<td>14.82</td>
</tr>
<tr>
<td>Canara Bank</td>
<td>55,363</td>
<td>8,600</td>
<td>15.53</td>
</tr>
<tr>
<td>Central Bank of India</td>
<td>48,260</td>
<td>7,549</td>
<td>15.64</td>
</tr>
<tr>
<td>Dena Bank</td>
<td>14,412</td>
<td>3,710</td>
<td>25.74</td>
</tr>
<tr>
<td>Indian Bank</td>
<td>25,935</td>
<td>3,988</td>
<td>15.38</td>
</tr>
<tr>
<td>Indian Overseas Bank</td>
<td>28,008</td>
<td>3,944</td>
<td>14.08</td>
</tr>
<tr>
<td>Oriental Bank of Commerce</td>
<td>14,398</td>
<td>800</td>
<td>5.56</td>
</tr>
<tr>
<td>Punjab National Bank</td>
<td>65,705</td>
<td>5,800</td>
<td>8.83</td>
</tr>
<tr>
<td>Punjab &amp; Sind Bank</td>
<td>12,192</td>
<td>2,000</td>
<td>16.40</td>
</tr>
<tr>
<td>Syndicate Bank</td>
<td>33,883</td>
<td>7,157</td>
<td>21.12</td>
</tr>
<tr>
<td>UCO Bank</td>
<td>31,223</td>
<td>5,479</td>
<td>17.55</td>
</tr>
<tr>
<td>Union Bank of India</td>
<td>30,834</td>
<td>4,303</td>
<td>13.96</td>
</tr>
<tr>
<td>United Bank of India</td>
<td>21,316</td>
<td>3,000</td>
<td>14.07</td>
</tr>
<tr>
<td>Vijaya Bank</td>
<td>13,646</td>
<td>2,400</td>
<td>17.59</td>
</tr>
</tbody>
</table>

According to IBA, the total staff strength in public sector banks at the end of March 2000 was 8,63,188 out of whom 1,26,714 or 14.7 per cent applied for VRS. About 80 per cent of the number of applications were accepted and the staff relieved under VRS until December 31, 2001 were 1,01,764 which was shown under the following table.

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Banks</th>
<th>No. of Applications</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Received under VRS</td>
<td>Accepted under VRS</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>STATE BANK OF INDIA</td>
<td>35,380</td>
<td>20,784</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>SBI – Associated Banks (7 Banks)</td>
<td>10,709</td>
<td>7,314</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>CANARA BANK</td>
<td>8,609</td>
<td>7,754</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>CENTRAL BANK OF INDIA</td>
<td>8,510</td>
<td>7,459</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>BANK OF INDIA</td>
<td>7,708</td>
<td>7,619</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>SYNDICATE BANK</td>
<td>7,188</td>
<td>6,409</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>BANK OF BARODA</td>
<td>6,731</td>
<td>6,547</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>PUNJAB NATIONAL BANK</td>
<td>6,095</td>
<td>5,923</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>All Other Banks (12 Banks)</td>
<td>35,803</td>
<td>31,955</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total of All Public Sector Banks</strong></td>
<td><strong>1,26,733</strong></td>
<td><strong>1,01,764</strong></td>
<td></td>
</tr>
</tbody>
</table>


The mother of all VRSs took place at State Bank of India, which was able to slash its rolls by 20,784. While Canara Bank downsized by 7,754, Bank of India
brought its numbers down by 7,619 and Central Bank of India by 7,459. These four accounted together for over 43 per cent of the total downsizing done by the public sector banks.

STATEMENT OF THE PROBLEM

Public Sector Banks were at the crossroads during 90s. For Today and Tomorrow's banking, public sector banks need more young hybrid bankers having adequate knowledge in general banking, retail banking, marketing, specialised banking, technology and people's skills. Growing competition and ever changing technology are changing business profile of the banks. To meet the challenges of competition, two things are absolutely important: Quality and Quickness. The quality of human resource is no doubt a critical factor in the success of an organization and especially in a service organization like banking and hence, human resource management (HRM) has become all the more vital. An overhauling of the entire human resource in banks, keeping a holistic view of HRM, is essentially required for working towards the survival and success of the public sector banks. As per the recommendations of the HRM Committee the Government of India permitted the Indian Banks Association to circulate the Voluntary Retirement Scheme (VRS) to Public Sector Banks for implementation as per their individual manpower planning.

Despite all these negative experiences, banks in India have gone ahead and announced VRS for bank employees. The information available so far shows that the scheme is well received by the employees and there is an overwhelming
response to it. In some banks, like State Bank of India the response from employees is more than 11 percent of the present workforce.

When a large number of people leave an organisation at one go, they take away certain consent of expertise and skills of the organisation. The organisation then has to deal with this loss, while maintaining the present level of performance as well as plans for future growth. How exactly does the organisations intend to cope with, this is very crucial as there will be serious implications of VRS on immediate and future placement process, training and retraining, performance appraisal and promotion system. Infact, VRS would have ramifications on the whole gamut of human resource management. Yet viewed from another angle, VRS gives a new challenge to human resource management which, needs to be tackled very prudently and efficiently in the competitive environment. At the employee level, the implications are in terms of the psychological disposition, economic status and future adjustment processes.

Based on the above issues, the following questions were probed in the present study.

1. What trends on the performance of the select public sector banks are exploit after VRS?

2. Does the VRS yield any fruitful benefits to the concerned banks?

3. What is the rate of VRS optees after introduction of liberalization and privatization policy?

4. What factors influenced the employees to opt VRS?
5. Why do some individuals opt VRS, while others do not?

6. To what extent the operating performance of the banks are rejuvenated after VRS?

7. What have been the workers' survival strategies after the voluntary retirement phase?

8. How have they utilized their compensation amount?

9. On what specific activities have they spent the VRS Compensation?

10. Have they been able to find alternative jobs in the labour market that may or may not be of their actual potential?

11. What is the perception of change in income after taking VRS?

12. What is their perception of their own social status today?

OBJECTIVES OF THE STUDY

In order to probe the above questions, the study has the following specific objectives.

➢ To study the trends of the VRS before and after of its inception.

➢ To analyse the impact of VRS in select banks operations in terms of productivity, profitability and efficiency by select variables.

➢ To study the socio-economic status of the employees after opting for VRS.

➢ To identify the problems faced by VRS retirees and bankers after the implementation of VRS.

➢ To suggest the policy measures for better implementation of VRS.
METHODOLOGY

The validity of any research is based on the systematic data collection and interpretation and this is followed in this study also.

SOURCES OF DATA

The study used both primary as well as secondary data. Primary data were collected with the help of an interview schedule which was prepared with the help of faculty guide and experts of leading banking sector officials and trade union leaders. Field survey technique was employed to collect first-hand information from the selected sample respondents. A pilot study was conducted and consequently necessary changes were made in the interview schedule. Direct interview technique is the main source for collecting the information. For this purpose, the researcher maintained a good rapport with all the selected sample respondents as well as officials of select banks.

The study also used the secondary data on the performance and highlights of State Bank of India, Canara Bank and Central Bank of India with the help of published information provided by the Indian Bankers Association Bulletin. Apart from these books, journals, committee reports, RBI reports, publications of State Bank of India, Canara Bank and Central Bank of India were referred to for collecting pertinent information. The collected data were sequentially arranged and tabulated for the purpose of systematic analysis and interpretation.
AREA OF THE STUDY

Tamilnadu state is taken as the study area. Out of 26 nationalized Public Sector Banks, which are offered VRS packages to their employees in the year 2000-01, three Banks viz., State Bank of India, Canara Bank and Central Bank of India are purposively selected for the study because of higher number of VRS optees are found in these Banks.

METHOD OF SAMPLING AND SAMPLE SIZE

Quota sampling method was adopted for this study. Originally, 450 sample respondents were planned for the study in Tamilnadu.

The primary data has been collected by following inductive methodology. In the initial stage, the researcher visited the circle offices of State Bank of India, Canara Bank and Central Bank of India at Chennai and Madurai to collect names and address of the Voluntary Retired Employees who had availed VRS in 2001. Unfortunately, these details were not available at a single place in the local circle offices of the select Banks. Therefore, the researcher has to go bank by bank to note down the preliminary data about the name of Voluntary Retired Employees. After systematically analysing the details about the employees, the researcher planned to collect information from 450 respondents. But due to non response from 50 retirees the sampling size is restricted to 400 and the distribution of sample voluntary retirees by bank is as under.
<table>
<thead>
<tr>
<th>S. No</th>
<th>Bank</th>
<th>No. of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>State Bank of India</td>
<td>175</td>
<td>43.8</td>
</tr>
<tr>
<td>2</td>
<td>Canara Bank</td>
<td>129</td>
<td>32.2</td>
</tr>
<tr>
<td>3</td>
<td>Central Bank of India</td>
<td>96</td>
<td>24.0</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>400</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The table 1.3 exhibits that 175 VRS retirees from State Bank of India, 129 sample retirees from Canara Bank and 96 from Central Bank of India with an overall total of 400 VRS retirees—respondents in Tamilnadu were selected for the study. When compared to Canara Bank and Central Bank of India, State Bank of India's voluntary retirees are more in number. Hence, 175 respondents were selected from the State Bank of India alone.

**TOOLS FOR ANALYSIS**

1. **Simple Percentage Method**

   The simple percentage method is very useful to know the respondents concentration and opinion on a particular view. It is used for simple understanding purpose.

2. **Average Growth Rate (AGR)**

   Average Growth Rate refers to the rate of growth of a particular variable over the years during a specified period. The growth rate is measured by
comparing the value at the beginning of certain period and the value at the end of that period with reference to the number of years taken for consideration. The AGR may be computed by employing the under mentioned formula.

\[
\text{Average Growth Rate} = \left[ n \sqrt{\frac{P_1}{P_0} - 1} \right] \times 100
\]

Where

\begin{align*}
P_1 &= \text{Value at the end of the period} \\
P_0 &= \text{Value at the beginning of the period} \\
n &= \text{Number of years - 1}
\end{align*}

3. Chi-Square Test

It is used to test the association between two attributes.

\[
\text{Chi-square test (} \chi^2 \text{)} = \sum \frac{(O - E)^2}{E}
\]

Degrees of freedom = (R-1) (C-1)

Where in,

\begin{align*}
O &= \text{observed frequency} \\
E &= \text{expected frequency} \\
R &= \text{number of rows} \\
C &= \text{number of columns}
\end{align*}

4. Analysis of Variance (ANOVA)

It is a useful technique of testing the significant difference among several groups.
5. Standard Deviation

It is a measure of dispersion to find the extent of deviation of sample variables from mean.

\[ \sigma = \sqrt{\frac{\sum x^2}{N}} \quad \text{or} \quad \sqrt{\frac{\sum(x - \bar{x})^2}{N}} \]

6. t-Test

Judging the significant difference between the means of two groups.

\[ t = \frac{X_1 - X_2}{\sqrt{\frac{n_1 \times n_2}{n_1 + n_2}}} \]

7. Garrette Ranking Technique

The importance of various problems faced by the VRS retirees were judged by Garrette Ranking Technique. The VRS retirees were asked to assign ranks to the given problems. The technique has an advantage over other ranking techniques. In this, it takes care of problems for which no rank is given by the VRS retirees.

Percentage position of fraction \( i \) = \( \frac{100 (R_{ij} - 0.5)}{N_j} \)

Where

\( R_{ij} = \) Rank given for the factor ‘i’ by ‘j’\(^{th}\) individual
\( N_j = \) Number of factors ranked by ‘j’\(^{th}\) individual

The percentage position of each rank thus obtained was converted into scores by referring to the Garrette score table. Then for each of the factors, the scores of individual retirees were added together and divided by the total number of VRS
retirees, in order to get the score of the problem. These mean-scores for all factors were arranged in descending order, ranks were given and the most limited factors was identified.

8. Co-efficient of Variation (CV)

The standard deviation must be converted into a relative measure of dispersion for the purpose of comparison. The relative measure is known as the coefficient of variation. The CV is the most widely used relative measure of dispersion. It is based on the best absolute measure of dispersion and the best measure of central tendency.

\[
C.V = \frac{\text{Standard Deviation}}{\text{Arithmetic mean}} \times 100 \quad \text{or} \quad \frac{\sigma}{X} \times 100
\]

9. Ratio Analysis

Ratio analysis means the process of computing, determining and presenting the relationship of items and groups of items in the Financial Statements. A ratio is a simple arithmetical expression of the relationship of one number to another.

According to Accountant’s Handbook by Wixon, Kell and Bedford, a ratio is “an expression of the quantitative relationship between two numbers”.\(^9\) After finding ratios, it may be given suitable interpretation of the ratios.\(^{10}\) The following


analysis were made in the research for identifying the Profitability, Productivity and Efficiency of the select study banks.

A. Profitability Ratios

<table>
<thead>
<tr>
<th>S.No</th>
<th>Ratios</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gross Profit Ratio</td>
<td>Gross Profit x Interest earned x 100</td>
</tr>
<tr>
<td>2</td>
<td>Net Profit Ratio</td>
<td>Net Profit x Interest earned x 100</td>
</tr>
<tr>
<td>3</td>
<td>Operating Profit Ratio</td>
<td>Operating Profit x Interest earned x 100</td>
</tr>
<tr>
<td>4</td>
<td>Operating Ratio</td>
<td>Spread + Operating Profit x Interest earned x 100</td>
</tr>
<tr>
<td>5</td>
<td>Return on Equity Capital</td>
<td>Net Profit / Equity Capital x 100</td>
</tr>
</tbody>
</table>

B. Productivity Ratios

<table>
<thead>
<tr>
<th>S.No</th>
<th>Ratios</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Non-Interest Income / Working Fund</td>
<td>Non-Interest Income x Interest earned x 100</td>
</tr>
<tr>
<td>2</td>
<td>Interest Income/ Working Fund</td>
<td>Interest Income x Interest earned x 100</td>
</tr>
<tr>
<td>3</td>
<td>Operational Expenses/ Operative Income</td>
<td>Operational Expenses x Operative Income x 100</td>
</tr>
<tr>
<td>4</td>
<td>Cost of Deposits</td>
<td>Interest Expended x Total Deposits x 100</td>
</tr>
<tr>
<td>5</td>
<td>Spread / Average Working Fund</td>
<td>Spread x Interest Expended x 100</td>
</tr>
</tbody>
</table>
### C. Efficiency Ratios

<table>
<thead>
<tr>
<th>S.No</th>
<th>Ratios</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Co-Efficiency of Variation as Percentage of Working Funds</td>
<td>( \frac{\text{Spread}}{\text{Working Funds}} \times 100 )</td>
</tr>
<tr>
<td>2</td>
<td>Net Profit as Percentage of Total Assets</td>
<td>( \frac{\text{Net Profit}}{\text{Total Assets}} \times 100 )</td>
</tr>
<tr>
<td>3</td>
<td>Business Per Employee</td>
<td>( \frac{\text{Total Turnover}}{\text{No. of Employee}} )</td>
</tr>
<tr>
<td>4</td>
<td>Profit Per Employee</td>
<td>( \frac{\text{Net Profit}}{\text{No. of Employee}} )</td>
</tr>
</tbody>
</table>

### PERIOD OF STUDY

The study covers a period of 11 years from 1995-96 to 2005-06. The analysis has been divided into two strata viz., Pre-VRS period (from 1995-96 to 1999-2000) and Post-VRS period (from 2001-02 to 2005-06) as the year 2000-2001 has been taken as the year of centroid as VRS was introduced in the public sector banks only in November, 2000.

The primary data information were collected for the study from the VRS retirees between the month of January 2007 to May 2007.

### SCOPE OF THE STUDY

The study highlights the impact of VRS among the retirees and their socio-economic conditions. It also reveals the sufferings of the existing employees of the banks and their relationship with peers, superiors, subordinates and customers. Apart from these arena, the financial performance of the banks was ascertained through productivity, profitability and efficiency.
LIMITATIONS OF THE STUDY

1. Recall bias of the VRS-retirees.

2. Resource and time constraints. Due to this, only three banks in Tamilnadu have been selected for the study.

3. Absolute accuracy regarding the secondary data is not possible.

4. All the information provided by the respondents were taken as true and on that basis, analysis was made.

However, necessary care was taken to ensure that the aforesaid limitations have not affected the validity of the findings of the study.

CHAPTER SCHEME

The present study is organized under six chapters.

The first chapter deals with complete introductory part of the study, statement of the problem, objectives of the study, research methodology, scope of the study, limitations of the study and chapter scheme.

The second chapter presents the review of literatures.

The third chapter deals with the Voluntary Retirement Scheme and its applications with a special reference to the features of the select Public Sector Banks. The first object of the study is analyzed with the collected data.
In the fourth chapter, the select Public Sector Banks’ productivity, profitability and efficiency are analyzed and discussed.

The VRS-retirees’ views regarding their socio-economic condition, utilization of VRS amount, their post-VRS status and the problems faced by them are collected, analyzed and presented in the fifth chapter. In addition, the bankers’ view on VRS is collected and the same is presented in this chapter.

The sixth and last chapter brings out the summary of findings, suggestions and conclusion of the study.