CHAPTER II

PROFILE OF THE TAMILNAD MERCANTILE BANK LTD

2.1. Promotion:

"The discovery of business opportunities and the subsequent organisation of funds, property and managerial ability into a business concern for the purpose of making profits therefrom."

Promotion of a company involves -

a) discovery of an opportunity of profitable business
b) detailed investigation to ascertain the practicability of the idea
c) persuading a number of persons to form a company
d) estimating the requirements of capital and planning the procurement of funds
e) acquisition of necessary assets
f) recruitment of staff and
f) incorporation of the company.

Tamilnad Mercantile Bank Ltd., was originally promoted in 1921 under the Indian Companies Act, 1913 in the

name of the Nadar Bank Ltd. The thought of establishing a bank under the guidance of the able nadar financiers and merchants was mooted in the anniversary of Nadar Mahajana Sangam held at Tuticorin in that year. The scheme was applauded and the necessary spade work was done to give shape to that venture.

For a century or more, the members of the nadar community were gradually building up business houses at various places in South India extending their activities on western lines was felt and the result was the development of joint stock companies for trade, industry and banking concerns. The first World War stimulated such activities. As per the dictates of the economic trends, the nadars also felt the necessity for a banking joint stock company for encouraging local business and accommodating merchants of even small means.

The first meeting of the Board of Directors was held on 22.5.'21. Thiry M. V. Shunmugavel Nadar of Tuticorin was elected as Chairman of the Board and the Bank threw open its doors to the public on 11.11.1921 to begin a career that has been steady, sure and successful.
The first set of directors consisted of nine members. Thiru M.V. Shunmugavel Nadar who was the first Chairman of the Board continued as Chairman till his death. Mr. N. P. Issac was appointed as agent of the Bank and he served for 15 years and retired in 1937. M/S. A.C. Paul Nadar and Rathinavelu Nadar were appointed as legal advisers. Mr. W.J. Sironmani was appointed as auditor. M/S. A.R.A.S. Arumugasamy Nadar and M.V.E. Rathinasamy Nadar were appointed as honorary Managing Directors.

The Bank was inaugurated by Thiru T.V. Balagurusamy Nadar, then President of Nadar Mahajana Sangam and the Bank commenced business at 9 AM on 11.11.21 in South Raja Street, Tuticorin. The statutory meeting was held on 19.4.22 and the directors in their report appealed to the nadar public to take shares and pass all their banking business to the Bank. The first general meeting of the shareholders was held on 26.2.1923. The Bank became a scheduled bank on 11.5.35 and was also admitted as a member of the clearing house at Madras. In 1936, the head office was shifted to its own building at Beach Road, Tuticorin.

The Bank changed the caste name and assumed its present name on 26th of November 1962 to clear possible misunderstanding that may arise that the Bank's sphere of service was narrow.

The objects of the Bank were

1. "To establish and carry on the business of the Bank whereof the head office shall be at Tuticorin with such branches or agencies, as may from time to time be determined upon.

2. To foster and develop the resources of the community or class called Nadars.

3. To carry on the business of banking in all its branches and departments including the borrowing, raising or taking up of money, the lending or advancing of money on securities and property, the discounting, purchasing selling of and dealing in Bills of Exchange, Promotes, drafts, hundis and other instruments and securities whether transferable or negotiable or otherwise, the granting and issuing letters of credit, the buying and selling of and dealing in bullion and species negotiating of loans and advances, receiving of money and valuables on deposit or for
safe custody or otherwise opening of savings banks, the collecting and transmitting of money and securities, the managing of property and transacting all kinds of agency business commonly transacted by bankers.

4. To borrow by way of discount, cash credit or overdraft or upon bond and disposition security, mortgage, debenture, bill, promissory note, or in any other manner and to grant security for all or any of such funds and by way of security of such sums and by way of security to dispose, mortgage, pledge or change to whole or any part of the property and assets and revenue of the Bank including uncalled capital and to dispose transfer and convey the same absolutely or in part with the usual powers or sale to lenders and creditors.

5. To purchase, take on lease or otherwise acquire any immovable or movable property and rights or privileges which the Bank may think necessary or convenient.

6. To acquire and undertake the whole or any part of the banking and discount business of any person or persons or company carrying on any business which this bank is authorised to carry on.
7. To enter into any agreement for sharing profits with any person or persons or company carrying on or engaged in any business or transaction which this Bank is authorised on or engaged in.

8. To take or concur in the taking of all such steps and proceedings as may seem best calculated to uphold and support the credit of the Bank and to obtain and justify public confidence and to avert or minimise financial disturbances which might affect the Bank.

9. To establish and support or aid in the establishment and support of associations and funds calculated to benefit employees or ex-employees of the Bank or the dependants or connections of such persons, to grant pensions and advances and to make payment towards insurance and to subscribe or guarantee money for the education of and other benevolent objects relating to the members of the Nadar Community.

10. To sell, improve, manage and develop exchange, lease, mortgage or otherwise deal with or any part of the property and rights of the Bank.
11. To do all or any of the above things as principals, agents, contractors, trustees or otherwise and by or through trustees, agents or otherwise and either alone in conjunction with others.

12. To do all such other things as are incidental or conducive to the attainment of the above objects.

2.2. The Shareholders:

The shareholders furnish the required capital and assume risks. They are the real owners of the company and they are given certain rights to exercise control over the affairs of the company. The directors are elected among the shareholders and so their control may be termed as shareholders control. The shareholders are given certain rights as individuals and as a group. As an individual the shareholder has the right to attend meetings, to cast vote either in person or by proxy, to receive dividends, to share in the assets of the company on its dissolution, to inspect statutory books and to transfer his shares. As a group, they decide the broad policy of the working of the company and discuss Profit and Loss Account and Balance sheet. They see the accounts are properly audited and they approve the rate of dividend and elect directors.

1. Memorandum of Association of Nadar Bank Ltd., 11.5.1921.
Share capital means the capital raised by a company by the issue of shares. The word capital in connection with the bank is used in several senses. It may mean authorised, issued, paid up and reserve capital of the bank. Authorised or Registered or Nominal capital is the nominal value of shares under which the bank is authorised to issue by its Memorandum of Association. This is the maximum capital which the Bank will have during its life time unless it is increased. Issued capital is the nominal value of that part of authorised capital offered to the public for subscription. Paid up capital is that part of issued capital which has been paid by the shareholders. Reserve capital is that part of uncalled capital which can be called only in the event of winding up.

The authorised capital of the Bank was Rupees ten lakhs at the time of inception. It was increased to Rupees twenty lakhs during 1980 and raised to Rupees sixty lakhs on 31.3.90. The paid up capital of the Bank was Rs. 1.77 lakhs

at the time of its formation. It was raised to Rs. 5.10 lakhs after 25 years, which remained for a period of another thirty two years. In 1980, it was increased to Rupees ten lakhs. At present the paid up capital of the Bank is Rs. 28,44,540.

Table I and Fig. I shows the growth of share capital of the bank from 1979 to 1990.

Table I : Growth of share capital (1979-1990)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year</th>
<th>Authorised Capital (in lakhs)</th>
<th>Issued, subscribed and paid up capital (in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1979</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>2.</td>
<td>1980</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>3.</td>
<td>1981</td>
<td>20</td>
<td>14</td>
</tr>
<tr>
<td>4.</td>
<td>1982</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>5.</td>
<td>1983</td>
<td>30</td>
<td>19</td>
</tr>
<tr>
<td>6.</td>
<td>1984</td>
<td>30</td>
<td>19</td>
</tr>
<tr>
<td>7.</td>
<td>1985</td>
<td>30</td>
<td>19</td>
</tr>
<tr>
<td>8.</td>
<td>1986</td>
<td>30</td>
<td>19</td>
</tr>
<tr>
<td>9.</td>
<td>1987</td>
<td>30</td>
<td>19</td>
</tr>
<tr>
<td>10.</td>
<td>March 1989</td>
<td>30</td>
<td>19</td>
</tr>
<tr>
<td>11.</td>
<td>March 1990</td>
<td>60</td>
<td>28</td>
</tr>
</tbody>
</table>

Source : 68th Annual Report (1989-90) of Tamilnad Mercantile Bank Ltd.,
Fig. 1: Growth of Share Capital
It is clear from the above table that the share capital of the Bank has been increasing from 1980. It shows an increase of 280% from 1980 to March 1990. During 1989-90, 94,813 shares were issued at par on right basis in the ratio of 1:2 and they were fully subscribed. It shows that the shareholders have a great confidence on the performance of the Bank.

2.3. **Directors**: Sec. 2 (13) of the Companies Act 1956 defines a director as any person occupying the position of a director by whatever name called. The first directors are usually named in the Articles of Association. When the Articles is silent, persons signed in the Memorandum of Association will become first directors. Thereafter, the directors are appointed in annual general meeting.

The qualification of a director shall be his holding of shares of the nominal value of Rs. 5000 in the Bank in his registered name. At the annual general meeting
of the Bank in every year, one third of the directors for the time being or if their number is not three or a multiple of three, then the number nearest to one third shall retire from office. Retiring directors shall be eligible for re-election. Any casual vacancy occurring among the directors may be filled by the Board. The Board shall have power to appoint a person as an additional director provided the number of directors and the additional directors together shall not at any time exceed the maximum strength fixed for the Board by the Articles. Such person shall hold office only up to the date next annual general meeting of the Bank, but shall be eligible for appointment in the Bank as a director at that meeting.

Ever since the opening of the Bank, its business has been carried on under direct and immediate control of the Board of Directors. All the important matters as to policy sanction of credit and appointment of staff are attended to by the Board and all the advances made between meetings are also reviewed and scrutinised. During the first twenty five years, two hundred and sixty five board meetings were held and all the decisions taken were unanimous.
The first Board of Directors consisted of nine directors in which M/s. M.V.E. Rathinasamy Nadar and M.M.Sinnamani Nadar were elected as managing directors. But the two directors resigned their posts in September 1927. The Board took over the management of the Bank under its immediate and direct control. The routine work was being entrusted to the Agent who acted as representative of the Board of Directors.

The system of direct management by the Board through the Agent was found to be not quite suitable after the opening of branches at Colombo and Madras. In 1937, the system of management by director in charge was introduced under which a local director was entrusted with the supervision of each office. The Board delegated some of its powers to him regarding sanction of credits and advances and control of staff within prescribed limits.

The following powers and authorities are expressly given to and conferred upon the Board:-

a) "to purchase, buy, take on lease or acquire a land and to construct buildings for office or for the residence for the Chairman or any other employees of the Bank and to pay either in cash or otherwise for such buildings.

b) to purchase all furniture, utensils and other things necessary for a banking house, office or residence and fit up the banking premises for carrying on the business of the Bank.

c) to authorise or empower the Chairman or other officers to exercise and perform all or any of the powers imposed upon the Board by the Memorandum of Association or Articles of Association subject to conditions imposed by the Board.

d) to appoint, remove or suspend such managers, officers, clerks and servants for permanent, temporary or special services and to determine their powers and duties and fix their salaries.
e) to raise or borrow money from time to time by bonds, debentures or promissory notes or by opening current accounts or by receiving advances with or without security or by mortgaging any lands, buildings, machinery, goods or other property of the Bank.

f) to make, draw, accept, endorse, negotiate or sell promissory notes or bills of exchange and other negotiable instruments.

g) to undertake on behalf of the Bank the payment of all rent and performance of all convenants, conditions and agreements contained in or reserved by any lease that may be granted or otherwise acquired by the Bank.

h) to insure all or any of their buildings, goods, stores or other property or any securities of the Bank either separately or conjointly for such period as the Board may think proper.

i) to purchase the reversion or reversions and to acquire any interest in all or any of the lands for the time being held by the Bank under lease.
j) to execute all deeds, agreements, contracts, receipts and other documents that may be necessary for the purposes of the Bank.

k) to compromise any debt or claim or to give time to any debtor for the payment of his debt.

l) to act on behalf of the Bank in all matters relating to bankrupts and insolvents.

m) to commence, institute, prosecute and defend all such actions and suits as the Board may think necessary or defend on the part of the bank and to compromise or submit to arbitration any such actions and suits as the Board in their discretion may think fit.

2.4. Organisation Structure:

"Organisation is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work more effectively together in accomplishing objectives".

1. Dr. S.C. Sakesna "Business Administration and Management" (Sahitya Bhavan, Agra 1985) P.183.
A good organisation must enable the management to maximise the output or resources through the provision of efficient men, machine and system and must ensure smooth and effective network of communication and information. It must offer interesting and meaningful jobs to all individuals working in the organisation and it must create, maintain and develop its own image or individuality.

Organisation structure is concerned with functional division of work within the organisation as a whole and within each department. As a work planning tool it is valuable because it allocates work and inhibits duplication of effort. In the area of personnel management, it is valuable because it creates parameters of responsibility and authority in terms of assignments and levels, delineates reporting mechanisms and establishes the basis for interfunctional relations.

As shown in Fig. 2, before 1988, under the control of the Chairman of the Bank, there were three Deputy General Managers who acted as Regional Managers and they had a direct control over the branches in their regions. Assistant General Managers came under the control of Deputy General Managers and they had no direct contact with the branches.
Fig 2 shows organisation structure of the Bank before 1988.

Fig 2

Organisation structure of the Bank (before 1988)

Shareholders

Board of Directors

Chairman

Deputy General Managers

(Regional Managers)

Assistant General Managers

Branch Managers

Clerks

Sub Staff.
Fig. 3

Organisation structure of the Bank (after 1988)

Share holders

Board of Directors

Chairman

General Manager (Administration)

Assistant Gen. Manager

1. Establishment

2. Funds

3. Inspection

4. Personnel

1. Operations

2. Credit

3. Legal

4. Foreign exchange

General Manager (Operations)

Assistant Gen. Manager

Regional Managers

Region I | Region II | Region III

Accounts Officers | Accounts Officers | Accounts Officers

Branch Managers | Branch Managers | Branch Managers

Clerks | Clerks | Clerks

Sub staff | Sub staff | Sub staff
The Chairman of the Bank is appointed by the Board of Directors for a period of five years at a time. He is responsible for convening board meetings once in a month. He is acting as a link between the directors and the staff. He carries out the decisions of the Board.

General Managers assist the Chairman in executing decisions of the Board. They are responsible for implementation of policies laid down by the board. In the Bank, there are two General Managers as General Manager (Administration) and General Manager (Operations) with a view to achieve excellence and effectiveness in management and to improve the efficiency all levels.

Under General Manager (Administration) there are Assistant General Managers looking after establishment, funds, inspection and personnel departments.

Establishment department looks after the premises and assets of the Bank. It prepares salary and overtime bills, looks after income tax matters and submits returns to tax authorities. It also looks after the maintenance of premises, furniture and fixtures, machines and equipments.
Funds Department makes proper investment of funds of the Bank in Government and other securities to satisfy liquidity requirements and with a view to utilise idle funds during periods of low demands for bank funds.

Inspection department is concerned with the inspection of functioning of branches. It is manned by a number of inspectors who inspect the branches according to the programme drawn up by the department. The inspectors submit reports regarding irregularities noticed in branches or60h may relate to advances, maintenance of books and accounts and staff matters.

Personnel department is responsible for recruitment of personnel, arrange for pre-employment training and conduct internal promotion examinations. The department is also responsible for matters relating to confirmation and grant of increments, maintenance of leave records, staff discipline, transfers, provident fund and gratuity.

Under General Manager (operations), there are Assistant General Managers entrusted with operations, credit, legal and foreign exchange departments.
Operations department is charged with the responsibility of a review of bank's procedures and rules and also the forms and registers used. It suggests simplification of procedures and rules as well as standardisation of forms and registers.

Credit department formulates lending policies on the basis of guidelines and directions received from the Reserve Bank from time to time. The department has to sanction loan proposals where they exceed the limits stipulated for regional offices. It must give publicity to the lending schemes framed.

Legal Department is headed by the Law Officer and his function is to advise the Bank when disputes arise between the Bank and constituents on the one hand and the Bank and the employees on the other. The department is responsible to effect changes in the standard forms as and when there are amendments to various Acts.

Foreign exchange department is dealing with advances in relation to export and import trade. It conducts surveys to select branches to do this business and also determines the services to the rendered at each such
branch. The department can enter into agreements with other banks in foreign countries as correspondents. It can train the personnel in foreign exchange business and issue letters of credit, provide guarantees and sanction trust receipt loans in relation to imports.

The General Manager (Operations) have full control over the regional offices and through the regional offices, he can exercise control and supervision over all the branches. The General Manager (Administration) have control over the regional offices and branches relating to all insurance matters, customer service and customer cell.

Generally, the Organisations may be either centralised or decentralised. Centralisation refers to a systematic reservation of authority at central points within the organisation. It connotes that many of the decisions pertaining to the work are made not by those doing the work but at a point higher up in the organisation. Every manager must reserve to himself certain authority for overall planning, direction, motivation and control. Centralisation

facilitates personal leadership. It provides for integration. It promotes uniformity of action and makes possible successful handling of emergencies.

Decentralisation of the organisation refers to the systematic effort to delegate to the lowest levels. It lessens the burden of top management. It makes diversification easy. It improves motivation and improves performance of managers.

At the time of inception of the Bank due to the meagre number of branches, the Bank adopted the policy of centralised management. Subsequently the management of the Bank found that it was not quite suitable. Hence, the scheme of management by director incharge was introduced under which local director was entrusted with the supervision of working of each office.

When the number of branches began to increase, especially after 1973, the bank is adopting the decentralised polices. The management delegates its powers to the Chairman, who in turn decentralises his. authority and responsibility with General Managers. Thus, the Board decentralises its powers for the smooth working of the Bank and it is found successful.
Delegation is the dynamic of management. It is the process a manager follows in dividing the work assigned to him so that he performs that part which only he because of his unique organisational placement can perform effectively and so that he can get others to help him with that remains. As the volume of work increases, a manager has to delegate part of his work to others. It involves delegation of some of his authority. The problem created by centralisation can be solved by a judicious application of the process of delegation. Delegation relieves the manager of some work which should and can be done by subordinates. The process of delegation consists of assignment of duties, conferring authority and carrying out responsibility.

In the Bank the branch manager delegates routine matters to his subordinates both clerks and sub staff. He defines responsibility and authority and motivates them. At the same time, he maintains adequate controls and provides necessary assistance whenever needed. Lastly, he evaluates the results achieved in the course of delegation.

2.5. Levels of Management: "Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way."

The administration and management of the institution can be studied on both levels of authority and responsibility of the institution. Broadly, the levels of management are at top level, middle level and supervisory or lower level.

Top level management refers to those who occupy the top functional position in the organisation and who are entrusted with the responsibility of planning and executing policies.

The middle and lower levels of management work within the framework of goals and policies decided by the top management. Co-ordination and control of work within the department is the responsibility of the departmental heads.

In the Bank, the management is in the hands of directors who elect Chairman. Both the directors and the Chairman will constitute the top level management. The Chairman of the Bank occupies the top functional position in the organisation with the responsibility of executing the decisions of the Board.
Under him, two general managers are appointed to achieve excellence and effectiveness in the management and to improve efficiency at all levels. General Manager (Administration) is entrusted with planning and development, personnel management, financial accounting, inspection, legal and branch control. General Manager (Operations) is entrusted with the control of credit planning, credit decisions and foreign exchange.

The regional managers, who are in equal cadre of Assistant General Managers, come under the direct control of General Managers. For the sake of convenience, there are three regional offices situated at Tuticorin, Madurai and Madras. The regional managers have the control over the branches situated in their respective regions.

The branch managers come under control and supervision of the regional managers. They have the powers to sanction loans upto specified limit and are responsible to send various returns and statements to regional offices and head office whenever they are being called for. The branch managers have the direct control over the clerical cadre staff and sub staff working in their branches.
The Fig 4 shows the levels of management of the Bank

Fig 4
Levels of Management

CHAIRMAN  Top

General Managers

Assistant General Managers
(Regional Managers)  Middle

Branch Managers

Clerks

Sub Staff  Lower
2.6. Personnel Management:

For the first fifty years, there were 125 employees employed in the Bank. The number of employees increased to 1599 on 31.3.1991. The personnel department of the Bank is responsible for recruiting and selecting the qualified personnel for the jobs.

Recruiting is the discovery of potential applicants for actual or anticipated organisational vacancies. "Recruitment is a process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organisation".

There are different sources through which recruitment of personnel can be made. The Bank recruits its employees through advertisements in leading newspapers. For the clerical cadre, an university degree with first class is the qualification prescribed by the Bank. In case of nationalised banks, the candidates with +2 or S.S.L.C. are eligible for appointment as clerks. The Bank prefers first class graduates because the cost and time of training

is cheaper and such graduates have easy grasping power. For officers cadre, there is no direct recruitment.

Selection is the process whereby applicants are segregated into various categories according to their acceptability for employment. The primary objective of selection is to choose those individuals who are best qualified for employment. The objective of selection process is to determine whether an applicant meets the qualifications for a specific job and to choose the applicant who is most likely to perform well in that job.

The Bank conducts the written test for the applicants on the recommendations of the Institute of Banking Personnel Service, which is an approved autonomous body of the Reserve Bank of India. The candidates who come out successfully in the test will be called for an interview which is conducted by a committee constituted by the Board of Directors. The successful candidates in the interview have to undergo medical test and produce medical fitness certificate at the time of joining the Bank.

Training is the organised procedure by which people learn knowledge and/or skills for a definite purpose.

1 Dale S. Beach "Personnel the management of people at work" (Macmillan publishing company New York 1980). P.358.
The objective of training is to achieve a change in the behaviour of those trained. The trainees shall acquire new manipulative skills, technical knowledge and problem solving ability or attitudes. Training can help employees increase their level of performance on their present job assignments.

Before 1988, the successful candidates in the interview would be placed under training for a period of five months. During this period, they were paid a sum of Rs.300/- per month as stipend. After the completion of apprenticeship period, they were put in one year probation period and later on their services were confirmed by the Bank. After 1988, the above system was completely abolished. The persons selected for the clerical cadre need not undergo training. The Bank has opened a training institute at Nagercoil in 1978 to impart training to the staff. Table II shows the list of training programmes conducted by the Bank for the last five years.

Table II  Training Programmes

<table>
<thead>
<tr>
<th>Year</th>
<th>Clerks</th>
<th>Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>29</td>
<td>37</td>
</tr>
<tr>
<td>1987</td>
<td>219</td>
<td>278</td>
</tr>
<tr>
<td>1988</td>
<td>479</td>
<td>74</td>
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<tr>
<td>1989</td>
<td>450</td>
<td>160</td>
</tr>
<tr>
<td>1990</td>
<td>450</td>
<td>160</td>
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</table>
The institute conducts two weeks induction programme for newly recruited clerks and two weeks programme on Advanced Banking for the clerks who have completed five years service. For Officers, it conducts induction programme for a period of three weeks and orientation programme for a period of three weeks and orientation in foreign exchange for one week. The specialised programmes for officers are also conducted on Rural Branch Development Programme, Credit Management Programme and Personnel Management and Industrial Relations. The institute also conducts workshops on prevention of sickness/nursing of sick units, computer appreciation and refinance schemes of Industrial Development Bank of India/National Bank for Agriculture and Rural Development.

Promotion is usually defined as a movement to a position in which responsibilities are increased. It is an increase in rank. Ordinarily promotion is regarded as a change that results in higher earnings.

In the Bank, promotion is based on seniority and merit. Usually seniority is given sixty percent importance and the 40 per cent weight is given to merit. Seniority eliminates all disputes and discontent among employees.
When merit is rewarded by promotion, every person would be induced to do his best. If promotions are based on merit, all senior posts would be manned by competent persons only. The bank conducts written tests for promotion and successful candidates will be selected in interview.

Transfer involves the shifting of an employee from one job to another without special reference to changing responsibilities. Transfer can be made to satisfy the needs of employees to utilise properly the services of employees and to help the employees to add up to their convenience.

Every organisation should have a just and impartial transfer policy which should be known to each employee. In the Bank, there is no hard and fast rule for transfer in case of clerical cadre employees. When they are appointed or employed in North India, usually after a period of three years, they will be transferred to the branches within Tamilnadu State either on their own request or at the option of the management. When they want promotion, they must work outside Tamilnadu for a minimum period of three years. For officers, there is a strict policy of transfer after a period of three years.
Salaries normally refer to monthly rates paid to clerical, administrative and professional employees who are called white collar workers. Usually, the Bank revises its scales of pay once in three years. The pay revision is effected through the settlement between the management and employees as per the Industrial Disputes Act 1947 and the Industrial Disputes (Central) Rules, 1957.

The following are the scales of pay as agreed between the management and employees of the Bank from 1.4.88, and is valid for period of 5 years.

Subordinate staff: 815-20-835-25-860-30-980-35-1120-40-1360-50-1510 (20 years)

Clerical staff : 900-50-1000-75-1300-100-1700-110-2140-120-2500-215-2715-120-2835 (20 years)

Officer’s scale
   I  2000-100-2100-120-3780
   II 2820-120-4140
III 3660-120-4260-130-4910
IV 4390-130-4910-140-5050-150-5500
V 5200-150-6400
VI 5800-150-6550

In addition to the above pay they were entitled to get the following:

1. Dearness Allowance was paid at the rate of 1.20% of pay for sub staff and 1% of the pay for the clerical staff for every rise of 4 points over 332 in the quarterly average of All India average working class consumer index (General) Base 1960 - 100 subject to a maximum of Rs. 15.80 Ps for every such rise.

ii. City compensatory allowance was paid to the employees who were working in the branches where the population is more than five lakhs.

iii. House rent allowance was paid to the employees who are working in the branches where the population exceeds than ten thousands.
iv. Cycle allowance - Members of subordinate staff who are required by the Bank to use cycle on regular assignment for outdoor duties eligible for cycle allowance. In the urban centres it was Rs.20 per month and in all other places Rs. 15 p.m.

v. Hill station allowance - 7% to 10% of the pay was paid to the employees who are working in the branches which are situated at a height over 1000 metres.

vi. Medical Aid- when a staff completed first five years of service, he would be entitled to receive medical allowance @ Rs. 350/- per calendar year. Thereafter he is entitled to receive Rs.500 per calendar year.

vii. Over time allowance - The staff who worked after banking hours are entitled to receive over time allowance for 120 hours per year.

viii. Washing allowance - It is applicable to subordinate staff who have wear uniforms. Every month they would be paid washing allowance @ Rs. 25/-.
2.7. Welfare measures: Labour welfare may be defined as work for improving the health, safety, general well-being, and efficiency of employees. It denotes voluntary effort of employers to improve the conditions of their employees. Welfare measures are partly humanitarian, partly economic, and partly civic. It is humanitarian as it aims at providing certain facilities and amenities of life to employees. It is economic because it improves the efficiency of workers. It is civic because it promotes a sense of responsibility and dignity among employees.

The bank provides the following welfare measures to its employees:

1. Provident Fund: The management of the Bank contributes 10% of the pay and dearness allowance towards provident fund for its employees. In case of nationalised banks, the contribution is 10% of the pay only.

2. Bonus: For the last twenty years, the Bank is paying 20% of the pay as bonus to its employees. A special bonus of one month salary was given in view of the silver Jubilee celebration in 1946. The nationalised banks are paying 8.33% of the pay as bonus to their employees.
3. Ex gratia payment: Usually employees drawing the salary above Rs.2500 per month are not entitled to receive bonus as per the Payment of Wages Act. Hence the Bank is paying one month pay as ex-gratia payment for the employees drawing a salary above Rs.2500 per month. Such a facility is not available in nationalised banks.

4. Housing Loan: The Bank is providing housing loan facilities to its employees on the following basis:

a) Sub staff are eligible to get housing loan up to Rs. 40,000.

b) Clerical staff are permitted to avail of housing loan upto Rs.70,000.

c) The officers can utilise the housing loan upto Rs.1,10,000 either for the purpose of construction of a new residential house or for the purchase of existing house.

The following are the maximum limits of housing loan facility in nationalised banks:

a) Sub Staff - Rs. 70,000

b) Clerical staff - Rs. 1,10,000

c) Officers - Rs. 1,50,000
5. Vehicle loan: Usually 95% of the cost of the vehicle is given as vehicle loan to the employees of the Bank. 4% interest is charged for the first loan and the loan amount is repayable within 48 months.

Table III and Figure 5 shows the staff strength of the Bank

<table>
<thead>
<tr>
<th>Year</th>
<th>Officers</th>
<th>Clerks</th>
<th>Sub staff</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>106</td>
<td>549</td>
<td>174</td>
<td>829</td>
</tr>
<tr>
<td>1981</td>
<td>121</td>
<td>674</td>
<td>208</td>
<td>1003</td>
</tr>
<tr>
<td>1982</td>
<td>141</td>
<td>737</td>
<td>230</td>
<td>1108</td>
</tr>
<tr>
<td>1983</td>
<td>153</td>
<td>816</td>
<td>256</td>
<td>1225</td>
</tr>
<tr>
<td>1984</td>
<td>168</td>
<td>887</td>
<td>273</td>
<td>1328</td>
</tr>
<tr>
<td>1985</td>
<td>174</td>
<td>869</td>
<td>296</td>
<td>1339</td>
</tr>
<tr>
<td>1986</td>
<td>200</td>
<td>934</td>
<td>306</td>
<td>1440</td>
</tr>
<tr>
<td>1987</td>
<td>230</td>
<td>965</td>
<td>306</td>
<td>1501</td>
</tr>
<tr>
<td>1988</td>
<td>263</td>
<td>991</td>
<td>312</td>
<td>1566</td>
</tr>
<tr>
<td>1989</td>
<td>261</td>
<td>980</td>
<td>314</td>
<td>1555</td>
</tr>
</tbody>
</table>

Source: Collected through personal interview with Assistant General Manager. (Personnel)
The staff strength of the Bank can be explained with the help of least square method. By using this method we can predict the growth of staff in the near future.

**Staff strength Trend**

<table>
<thead>
<tr>
<th>Year</th>
<th>Staff strength</th>
<th>x</th>
<th>x</th>
<th>xy</th>
<th>Trend value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>1003</td>
<td>-4</td>
<td>16</td>
<td>-4012</td>
<td>1057.48</td>
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<tr>
<td>1982</td>
<td>1108</td>
<td>-3</td>
<td>9</td>
<td>-3324</td>
<td>1128.25</td>
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<tr>
<td>1983</td>
<td>1225</td>
<td>-2</td>
<td>4</td>
<td>-2240</td>
<td>1199.02</td>
</tr>
<tr>
<td>1984</td>
<td>1328</td>
<td>-1</td>
<td>1</td>
<td>-1328</td>
<td>1269.79</td>
</tr>
<tr>
<td>1985</td>
<td>1339</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1340.56</td>
</tr>
<tr>
<td>1986</td>
<td>1440</td>
<td>1</td>
<td>1</td>
<td>1440</td>
<td>1411.33</td>
</tr>
<tr>
<td>1987</td>
<td>1501</td>
<td>2</td>
<td>4</td>
<td>3002</td>
<td>1482.10</td>
</tr>
<tr>
<td>1988</td>
<td>1564</td>
<td>3</td>
<td>9</td>
<td>4698</td>
<td>1552.87</td>
</tr>
<tr>
<td>1989</td>
<td>1555</td>
<td>4</td>
<td>16</td>
<td>6220</td>
<td>1623.64</td>
</tr>
<tr>
<td>9</td>
<td>12,085</td>
<td>60</td>
<td></td>
<td>4246</td>
<td></td>
</tr>
</tbody>
</table>

The equation of the line of trend is

\[
Y = a + bx \\
a = \frac{\sum y}{n} = \frac{12065}{9} = 1340.56 \\
b = \frac{\sum xy}{\sum x} = \frac{4246}{60} = 70.77
\]

There is an early increase of 70.77 staff.

\[
Y_c = 1340.56 + 70.77x
\]

When we expect the staff strength for 1991, x will be 6.

\[
Y_{1991} = 1340.56 + 70.77(6) \\
= 1340.56 + 56 + 424.62 \\
= 1765.18
\]

Approximately 1765 staff
2.7. **Branch Expansion**: The Bank was opened on 11.2.21 at 9 AM in South street, Tuticorin and shifted to its own building in Beach Road in 1936. Between 1931 and 1937 branches were opened at Madurai, Dindugal, Colombo, Madras, Theni, Virudhunagar, Tirunelveli and Sivakasi. Of these, Tirunelveli and Sivakasi branches were closed in 1939 on account of unprofitable working. Madras and Theni branches were closed in 1942 and 1943 respectively as a result of war conditions. In the first 25 years since its inception, the Bank had only four branches in Madurai, Virudhunagar, Dindugal and Sivakasi.

After independence, the Banking Companies Act (Now called the Banking regulations Act) was passed in 1949 which was a comprehensive legislation applying to all banking companies. It provided facilities for the safe and sound conduct of banking business in our country. Since 1968 more branches were opened in rural areas.

Table IV and Fig. 6 shows the branches opened during the period 1979-1990.

1 Silver Jubille of the Nadar Bank Ltd., (1921-1946).
Table IV
GROWTH OF BRANCHES

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>73</td>
</tr>
<tr>
<td>1980</td>
<td>82</td>
</tr>
<tr>
<td>1981</td>
<td>94</td>
</tr>
<tr>
<td>1982</td>
<td>96</td>
</tr>
<tr>
<td>1983</td>
<td>103</td>
</tr>
<tr>
<td>1984</td>
<td>106</td>
</tr>
<tr>
<td>1985</td>
<td>108</td>
</tr>
<tr>
<td>1986</td>
<td>108</td>
</tr>
<tr>
<td>1987</td>
<td>108</td>
</tr>
<tr>
<td>1988-89</td>
<td>115</td>
</tr>
<tr>
<td>1989-90</td>
<td>115</td>
</tr>
</tbody>
</table>
Fig. 6. GROWTH OF BRANCHES

- Number of branches vs. years from 1979 to 1990.
Table IV  the growth of branches is explained with moving average, given below

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of</th>
<th>3 Yearly</th>
<th>3 Yearly</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>73</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>1980</td>
<td>82</td>
<td>249</td>
<td>83</td>
</tr>
<tr>
<td>1981</td>
<td>94</td>
<td>272</td>
<td>90.67</td>
</tr>
<tr>
<td>1982</td>
<td>96</td>
<td>293</td>
<td>97.67</td>
</tr>
<tr>
<td>1983</td>
<td>103</td>
<td>305</td>
<td>101.67</td>
</tr>
<tr>
<td>1984</td>
<td>106</td>
<td>317</td>
<td>105.67</td>
</tr>
<tr>
<td>1985</td>
<td>108</td>
<td>322</td>
<td>107.33</td>
</tr>
<tr>
<td>1986</td>
<td>108</td>
<td>324</td>
<td>108.00</td>
</tr>
<tr>
<td>1987</td>
<td>108</td>
<td>331</td>
<td>110.33</td>
</tr>
<tr>
<td>1988-89</td>
<td>115</td>
<td>338</td>
<td>112.67</td>
</tr>
<tr>
<td>1989-90</td>
<td>115</td>
<td>----</td>
<td>----</td>
</tr>
</tbody>
</table>

2.3. OTHER ACTIVITIES

In general meeting, the bank may declare dividends to be paid to shareholders in proportion to the amount for the time being called and paid up in respect of their shares but no dividends shall exceed the amount recommended by the Board. The average dividend for the first twenty five years was worked at 5.6% free of income
tax. Till 1987 the Bank paid 20% dividend and in 1988-89, it allocated 30% of the net profits for declaration of dividend.

In general meeting the Bank may upon the recommendations of the Board resolve to capitalise any part of the amount for the time being to the credit of reserves or to the credit of profit and loss account or otherwise available for distribution. A share premium account may be applied in paying up of unissued shares to be issued to the members of the Bank as fully paid bonus shares. The accounts of the Bank shall be examined every year and the correctness thereof ascertained by one or more auditors. The accounts may also be audited for any period less than a year if the Board think fit. The provisions of the Companies Act 1956 and the Banking Regulations Act, 1949 shall apply to appointment, removal, tenure of office, remuneration, powers and duties of auditors.
2.9. **DEPOSITS** :

The Bank accepts different kinds of deposits from the public. In addition to fixed, recurring, savings and current accounts, it also offers special deposits like Navarathinamala and mathukuvial and issue of cash certificated. There is an increase of deposits from Rs. 4.2.81 crores in 1980 to Rs. 226.04 crores on 31.3. '90. Thus there is a tremendous growth of deposits which shows a record of more than five hundred percent during the above ten years.

2.10. **ADVANCES** :

The bank makes advances mainly to manufacturers, traders, agricultureists and small scale industrialists. It grants advances on the basis of some securities. Advances are also given on the basis of personal security, discounting bills and provides overdraft facilities. The amount of advances increased from Rs. 22.87 crores in 1980 to Rs. 124.35 crores on 31.3.90. Every year, there is a growth rate of 15% on advances.