

## **Impact of Voluntary Retirement Scheme on Retirees and Indian Public Sector Banks: An Empirical Exploration**

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*The paper based on a primary survey conducted in a few selected Indian cities attempts to find out the impact of Voluntary Retirement Scheme (VRS) on the post- VRS life of the employees who opted for VRS (retirees) and on the performance of Indian Public Sector Banks (PSBs). The results point out that the most important reasons for retirement were the financial attractiveness of the scheme, fear of transfer and poor health. It is also revealed that the retirees generally continued to enjoy almost the pre-retirement level of financial and social status. The financial performance of the banks shows improvement after the VRS.*

### **I Introduction**

The year 2000-2001 happens to be a landmark year in the history of Indian Banking. Indian banking industry entered the new Millennium with vastly changed outlook and strategies. The industry and Indian Banks understood the necessity and were keen to change the way they were carrying out banking business. Although, the VRS scheme came into force in the new Millennium, background work had started long back. Narasimham Committee II, also known as Committee on Banking sector reforms suggested in 1992-1993, among many management and structural issues, that VRS may be introduced in the banks to reduce over manning, wherever necessary. Thinking in that direction was also prompted by low profitability of banks, particularly that of PSBs. A serious argument in favour of improving bank profitability was made in the report submitted by Tarapore Committee on Capital Account Convertibility (CAC) in May

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