1.0. THE CONCEPTUAL FRAMEWORK

The present study is a research attempt to study Manpower Planning in Indian banks which includes both public and private sector banks. In this chapter an endeavor is undertaken to offer a theoretical foundation of the concepts of the two variables: Manpower Planning and The Indian Banking Sector.

1.1. INTRODUCTION

The economic reforms introduced by the Government of India more than two decades ago changed the scenario of many sectors of the economy. The Indian Banking Sector witnessed the biggest and most significant change as a result of these economic reforms. The Banking Sector has evolved from being in a regulated environment to a de-regulated market economy, with a basket of public sector banks, private banks and foreign banks. As one of the major pillars of the socio-economic development of the country, the soundness of the banking system provides the lifeline to the economy. The ushering in of the era of liberalization, privatization and globalization (LPG) has made the banking sector competitive both domestically and globally. The level of competition has brought the consumers to the forefront and an increase in need of new and innovative products. The transformation of the banking landscape with the advent of technology has being tremendous. There is little doubt that the health of The Indian Banking Sector is sound and is expected to be better in the coming years. The financial system of India is dominated by banking, as a consistent performer in terms of valuations and increasing profits, The Banking Sector is deemed to be a major player in the Indian Economy. Banking is a service industry and is always seen as “People’s Business”. As key to the soundness The Indian Banking System not only relies on technological advancement, customer satisfaction, product innovation and
capital generation but more significantly rests with Human Resource Management. In the need to take the sector to greater heights and excellence not only domestically but globally, human capital plays a major role.

India offers varying geography and demography. This offers a large responsibility on the financial sector and especially on banks as they happen to be the engine to drive growth. Banking encompasses a whole range of services like retail banking, various retail products such as credit and debit cards, portfolio management more precisely mutual funds, corporate lending, investment banking and foreign exchange trading to name a few. All these functions of a bank need an efficient and effective Manpower Planning policy.

Indian banking is at a threshold, it faces wide and varied challenges like relentless competition, technological advancements, market driven focus and customer centricity, focus on International Banking Standards like IRAC, BASEL and IFRS norms. Manpower Planning is therefore, critical in the face of these challenges. Banking is a service driven sector and is highly manpower intensive, finding the right people for the right job, training and developing them, ensuring a growth oriented career and keeping them motivated through timely compensation and rewards at the right time is a vital role of Human Resource Management. The Indian Banking Sector has seen a radical change in its operational environment ever since banking was deregulated post 1991. From being the most protected sector for well over fifty years, banking in India was exposed to the forces of liberalization, leading to changes in the way banking was perceived and carried out. Stiff competition, changing customer profile, profit centrality and introduction of technology, the role of Manpower Planning is pivotal to take The Banking Sector to newer heights and for it to compete globally.
The Banking Sector possesses a huge opportunity in areas like, retail banking, rural banking, investment banking and internet banking. The retail banking segment has been growing consistently and is estimated to grow at 28-30 percent in the coming years. (ATM) Automated Teller Machine, mobile banking, internet banking, Demat accounts, on-line transfers, core banking, electronic fund transfer facilities, mobile banking are some of the elements that reinforce retail banking as a major force in the banking landscape. The need for credit in rural India is increasing which opens up possibilities for banks and other corporate. Mergers and acquisitions are also high in banking as banks are growing bigger in wake of relentless competition.

Human resource is a crucial element for the health and development of any organization especially in banking. Managing human resource will prove to be not only challenging but also relevant. If The Banking Sector is to deliver services, soundness, internationally recognized best practices, system, procedures, greater inclusion and customer expectations, then the entire range of human resource practices needs an overhauling. Of all the resources that are available to the banking industry, human resource is the most valuable. The human resource policy or the human resource framework in banking therefore needs to be constructed in such a way that it leads to realization of goals, rewards and responsibilities of The Banking Sector towards the development of the Indian economy. The quality of the employees of The Banking Sector is ultimately responsible for delivering quality services, meeting employee expectations, bridging the gap between customers and technology and finally achieving the bigger national goal of socio-economic development of India. Human resource issues are now at the forefront of The Banking Sector and a quick, effective and efficient redressal of these issues will lead to a more sound and strong sector ready to take on the challenges
both domestically and internationally. A robust Human resource management mechanism can help The Banking Sector to face the challenges in terms of human capital and also exploring the opportunities. The Banking Sector is often considered the mirror of the economy and for it to face the exponential growth in the coming years, management of human resource will be critical.

Various factors play an increased role in directing attention towards Manpower Planning, however environmental pressure especially globalization, introduction of technology, economic challenges and altering workforce appear specifically important (Dumaine, 1989; Dyer and Heyer, 1984; Greenhalgh, McKersie, and Gilkey, 1986).

Manpower Planning is not only a challenge for banks but a huge opportunity. Attracting and retaining the right people is a necessity in the present banking scenario as customer expectations are increasing, technological advancements are at an all high and competition is never ending and cut throat. Banks need to have quality human resource in adequate quantity.

There is an urgent need to integrate Manpower Planning with business development, business process re-engineering plans and technological advancements in The Banking Sector. If the full potential of human resource and of banking needs to be attained then Manpower Planning deserves to be the top priority. The future of banking therefore rests on Manpower Planning.

The rapid changes in the banking landscape especially the concentration on technology driven banking from an environment that was completely manual in nature has lead to a common platform of technology in banking, in this scenario the quality of human resource and its planning will be the differential factor. Manpower Planning therefore assumes great importance and requires the immediate attention of Indian Banks.
New age banking no longer rests on innovative products and meeting customer expectations, it hinges on the quality of manpower. Manpower Planning in organizations was traditionally focused on ideology of right person for the right job at the right time as the business environment was certain and stable. The emphasis of Manpower Planning was therefore on short term planning. However, the circumstances under which banks are working now have changed completely. The Indian banking sector is now working under increased environmental instability, technological reliance, demographic shifts, heightened domestic and international competition. Therefore, a well made and implemented Manpower Planning plan can ensure the competitiveness, growth and success of banks. A well made and implemented human resource plan is capable of dealing with both organizational objectives as well as is adaptable to external environment. A successful Manpower Planning Plan can provide a firm foundation for an effective Human Resource System, especially in a sector like banking. As banking is a service driven sector, the success of a Manpower Planning Plan has a direct implication on the quality of services provided. A successful, systematic and scientific Manpower Planning Plan sets the stage for rightful use and utilization of personnel and aids in identification of gaps in skills. On the other hand, an unbalanced Manpower Planning Plan will result in an uneven distribution of manpower which will have noticeable effects on service and costs.

2.0. MANPOWER PLANNING
Manpower is the life giving element of an organization. When manpower is utilized and managed to the fullest extent in an organization, individual and organizational goals are achieved. The quality and quantity of manpower is an organization ultimately manifests into productivity
leading to the achievement of organizational goals. Manpower is the most vital M of management, surpassing materials, machines, methods and money. Manpower planning or Human Resource Planning is synonyms. If put in simple terms, it means to ensue the constant availability of right number of people, right kinds of people in terms of their skill sets at the right point in time at the right places for the achievement of the organizational goals.

2.0.1. THE CONCEPT AND MEANING OF MANPOWER PLANNING

Manpower planning is a two dimensional activity which on one hand includes planning for the adequate number of qualified, skilled and competent personnel for an organization and on the other hand planning for personnel management practices to ensure the accomplishment of business and organizational goal and objectives of better sales, better profits and positive results.

At a generic level Manpower Planning is a task of answering three questions; what are the requirements of my business? , what needs to be done to meet those requirements? and what plans and strategies would I employ so that my requirements are met?

The human resource in an organization, especially with respect to the availability of talent is chiefly dependent on its Manpower Planning and talent acquisition practices. There is a huge risk of the presence of inferior or poor quality manpower, if these practices are disrupted or a systematic approach is not followed. When Manpower Planning in an organization is missing or lacks a scientific approach, the major outcome is a disturbed manpower pool i.e. excess or scarce manpower in terms of both quality and quantity. Therefore a systematic, scientific and rational approach to Manpower Planning is essential.
The performances of people who work for an organization or firm are the ultimately responsible for taking its business to success. Manpower Planning protects the organization from hiring the wrong people whose underachievement could result in massive costs to the firm. Manpower Planning focuses on hiring employees with the required skills and competencies to do their jobs effectively thereby taking the organization towards the path of success. Manpower Planning is the most important facet of the entire human resource system of an organization. The excellence of this component determines the total quality of human resource in the organization. Manpower Planning is a process directed towards the future, estimating the future necessities in terms of manpower, the quality of manpower needed to achieve organizational objectives. Manpower Planning is a portion of the complete business or corporate plan of an organization, therefore if Manpower Planning desires to be successful it needs to analyze the organizational objectives for a given time period.

Manpower Planning is one of the key components in the field of Human Resource Management, as the need to attain fresh and competent talent is always high on the management’s agenda at all times. Manpower Planning provides a sense of purpose and paves the way to direct the human resource department in an organization to determine the needs in terms of human resource of not only the entire organization as a whole but also various departments for a period of time in synchronization with organizational objectives and departmental goals.

Organizations are known to put in a lot of effort in planning for their requirements in terms of equipments, supplies, capital and finances. As rightly pointed out by (Rothwell, 1984) “People cannot be acquired, shed or developed as quickly as assets”. When human resource is treated as an organizational asset to gain a competitive victory over others, firms have
to look internally and work their weaknesses and turn them into strengths. As organizations turn to the view that human resource is a high value generating proposition, Manpower Planning comes into the picture. Manpower Planning is the function of human resource that encompasses needs in terms of staffing, forecasts availability of personnel and figures the quality and quantity of employees needed, additions or replacements required to the existing workforce to achieve the objectives of the organizations.

Manpower Planning ensures that the right people are acquired for a firm and that in the future, the needs of personnel acquiring is met. It thereby makes sure that a firm’s overall manpower needs are met over a period of time starting with now. Manpower Planning is the process through which an organization charts a plan to move from the current manpower scenario to the future manpower needs. Manpower Planning is therefore based on the concept of thinking ahead for the organization.

Manpower Planning is a course of action undertaken by organizations to evaluate their business plans so as to establish and resolve the human resource needs in the future, the human resource availability in the future, to devise actionable plans so that any human resource gap or gaps can be eliminated.

Manpower Planning is a logical and organized process that establishes the workforce competencies needed to accomplish the corporate and business objectives and making plans to fulfill these requirements. It is a meticulous plan that helps managers to determine human resource choices based on organizational mission, vision and budgets. Manpower Planning is a methodical process that detects the skills and competencies needed by employees to achieve organizational and business goals and therefore, formulating the number, time and place of people required.
Manpower Planning is a way to guarantee that an organization has in contemporary and in future scenario manpower:

- in adequate number,
- with essential skills, competencies, knowledge and experience,
- along with required personal traits,
- highly motivated,
- open to change,
- favorably placed at positions and teams,
- at the right time and
- with suitable costs.

Manpower Planning has an effect on the entire gamut of human resource activities of an organization: recruitment, selection, compensation, career planning, promotion, transfer, deputation, rotation, redeployment, succession planning, attrition, retention, training and development etc. Manpower Planning Plan helps employees to gather a clear understanding of their roles and responsibilities with the purpose of achieving the organizational goals and objectives.

The process of Manpower planning comprises of all the basics of planning: taking account of the current human resource of the organization, anticipating and forecasting the future requirements of manpower, planning for the future in accordance with organizational objectives. The planning stage is important to make provisions for human resource based on time, need, qualifications, competencies, skills and experience needed.

Manpower Planning is an attempt to take forthcoming manpower decisions based on changes in the future. Manpower Planning is not only concerned with future demands of human resource but also aids in planning for the current scenario of retirements, transfers, succession
planning, replacements in a methodical manner. Therefore, Manpower Planning is not just an approach to align manpower to achieve business and organizational goals and objectives but also to provide a competitive edge to the firm. Manpower Planning is not only the cement that binds all human resource activities but also is the tool that enables and indicates how and when activities need to be amended and changed. It places emphasis on the role of human resource department to undertake the required task of modifying manpower and workforce in terms of quantity and composition.

The central role of manpower in The Banking Sector has been recognized for a long time. The undeniable and new concern for administrators, top management and managers of banks is the requirement of a systematic, scientific and efficient Manpower Plan to deal with the changes that grip the banking landscape in modern times. Banks are required to continuously carry out Manpower Planning in conjunction with the corporate and business objectives, look at probable events and circumstances and swiftly formulate plans to tackle up-and-coming challenges. Manpower Planning in banks can be effective when it is supported by sound leadership at the top, definite vision and mission and strategic and business objectives, and encouraging and helpful manpower in various departments and functional fields.

2.0.2. DEFINITIONS OF MANPOWER PLANNING

Anderson and Pynes (2004), state that Manpower Planning is “having the right people at the right time at the right place with the right skills”.

According to Vetter (1967), the process by which management determines how the organization should move from its current manpower position to its desired position. Through planning, management strives to have the right number and the right kinds of people, at the right places, at
the right time, doing things which result in both the organization and the individual receiving maximum long-run benefits.

According to Milkovich and Boudreau (1991), Manpower Planning is the process of collecting and using information on the base of which it can be discussed the amount of resources spent on personnel activities.

According to Koubek (2007), Personnel Planning serves to achieve the goals of the organization by development prediction, setting the targets and realizing arrangements leading to current and future ensure of business tasks with adequate manpower.

According to Wayne F. Cascio (1991), Manpower Planning can be defined as effort to anticipate future business and environmental demands on an organization, and to provide the employees to fulfill that business and satisfy those demands.

According to Wayne F. Cascio (1995), “although Human resource Planning means different things to different people, general agreement exists on its ultimate objective- the most effective use of scarce talent in the interests of the worker and the organization”

According to Wendell French (1974), Human Resource Planning may be defined “as the process of assessing the organization’s human resources needs in the light of organizational goals and making plans to ensure that a competent, stable workforce is employed.”

Bulla and Scoh (1994), define Human Resource Planning (HRP) that “it is the process for ensuring that the human resources requirements of an organization are identified and plans are made for satisfying those requirements”.

Dales Beach (1975), says Manpower Planning is a process of determining and assuming that the organization will have an adequate number of qualified persons, available at the proper times, performing
jobs which meet the needs of the enterprise and which provide satisfaction for the individuals involved.

According to E.B Geisler (1967), Manpower Planning is the process of including forecasting, developing and controlling—by which a firm ensures that it has the right number of people at the right places at the right time doing work for which they are economically most useful.

Bowey (1977), has defined Manpower Planning as a "strategy for matching future manpower numbers and skills with organizational activities".

According to Magginson (1974), Manpower Planning is an integrated approach that helps to perform the planning component of personnel management so that there is proper and timely supply of people that are developed and motivated to perform their duties in order to meet organizational objectives.

As per Walker (1980), Manpower Planning is the process by which an organization is able to assess its needs in terms of human resource in dynamic circumstances and is therefore able to proceed with a plan to fulfill these needs.

Dessler (2005), has defined Manpower Planning as “a strategy for the acquisition, utilization, improvement and retention of enterprises human resources”.

Gordan Mac Beath (1969), observes that Manpower Planning has two stages: the first stage deals with “planning of manpower requirements for all types and levels of employees throughout the period of the plan” and the second stage deals with “Planning of manpower supplies to provide the organization with the right type of people from all sources to meet the planned requirements”.

Rothwell and Sredl (2000), believe that Manpower Planning “is the integration of all human resource activities with overall strategic plans.
Manpower Planning also involve the coordination of hiring, promotion, training and other diverse activities”.

Cole (2002), defines Manpower Planning as “a rational approach to the effective recruitment, retention and deployment of people within an organization, including, when necessary, arrangement for dismissing staff”.

Strainer (1971), defines Manpower Planning “as a strategy for the acquisition, utilization, improvement and preservation of an enterprise’s human resource”.

Patten (1971), defines Manpower Planning as "the process, by which an organization ensures that it has the right number of people and the right kind of people at the right place at the right time, doing things for which they are economically most useful”

Casson (1978), views that “this Conventional wisdom represents Human Resource Planning (HRP) as an all embracing policy making activity producing on a rolling basis, precise forecasts using technically sophisticated and highly integrated planning systems”.

Teresa (1999), stress that the method of estimation of future manpower requirements of a firm so that action can be taken to see that these requirements are met.

“Human resource planning is the system of matching the supply of people, internally (existing employees) and externally (those to be hired and searched for) with over a given time frame” Watters cited in Byars and Rue (1991).

As per Strainer (1971), “Manpower Planning is the strategy for the acquisition, movement and preservation of an organizations human resource”.

Leap and Crion (1993), believe that “Human Resource Planning includes the estimation of how many qualified people are necessary to
carry out the assigned activities, how many people will be available, and what if anything must be done to ensure that personnel supply equals personnel demand at the appropriate point in the future”.

Ripely (1995) defines Manpower Planning as a “the systematic assessment of future human workforce needs and the determination of the actions to meet those needs”.

According to (Rothwell and Sredl, 2000), “is an integration of all HR activities with overall strategic plans. HRP also involves the coordination of hiring, promotion, training, and other diverse activities”

2.0.3. EVOLUTION OF MANPOWER PLANNING

Manpower Planning has been a part of the management function ever since the birth of the contemporary industrial organizations (Walker, 1980).

Planning for personnel and staff is not a recent phenomenon for organizations. Manpower Planning has developed over a period of time to what it is today. The sophistication of techniques used in Manpower planning by organizations today is a result of work of decades. The initial planning was easy, practical and short term which catered to the condition and environment of those days (Storey, 1995).

Manpower Planning centered on hourly production of workers towards the first half of the 20th century. The objective of increasing efficiency through the various techniques of work engineering and industrial psychology was the need of the hour (Ling, 1965; Merril, 1959; Yoder; 1952).

Post the Second World War (1939-1945); Manpower Planning became a complex task due to the focus shifting towards employee productivity, accessibility of talented personnel and candidates to meet the demands of
goods and services, introduction of new technology and awareness on behavioral aspects of jobs.
Manpower Planning or workforce planning as it was earlier referred to gained importance and significance during the 1960s and 1970s in an era of considerable economic stability with low levels of joblessness. Manpower Planning continued to remain high on human resource’s agenda in many firms. This era called for a high degree of requirement of talented staff as there were organizational expansions and diversification and introduction to technological programs. Manpower Planning at this time was concentrated towards the supply and demand balance of personnel for managerial, professional and technical abilities. Literature of this time looked at Manpower Planning to be a link between the organization and the environment (Pattern, 1969; Vetter, 1967). It was in the 1960’s that recruitment, retention and training of personnel acquired significance and there was growing realization that these cannot be left unplanned (CIPD, 2010b). The major challenges were proper and efficient utilization of manpower in these days (Reilly, 1996).

The 1970’s was a time for the advent of new laws, governmental rules and regulation and court ruling because of which organizations started concentrating on compliance issues (Walker, 1980). Most of the companies were focusing on compliance in the light of new rules and regulation of the government related specifically to discrimination, pension and safety needs. This decade dealt with unsure costs and profits along with slow business expansion (Bramham, 1994). Reservations about the worth of Manpower Planning surfaced in the 1970’s when the economic predictions of growth coupled with low inflation were proved wrong. The entire gamut of planning and forecasting activities began to be viewed as disputable (CIPD, 2010b).
The 1980’s saw human resource departments highlighting the need for strategies that would place importance on employee attitudes and development of positive employee feeling and commitment (Zeffane and Mayo, 1994). The emphasis of Manpower Planning had now shifted from the requirement of personnel in and across organization (Walker, 1989). This led to the shifting of human resource department’s fulcrum from Manpower Planning (Richards-Carpenter, 1989). The tide of organizational restructuring followed by a corpus of redundant staff in the 1980’s led to a further downfall in the importance of Manpower Planning. The fiasco of erroneous economic forecasts along with unconstructive practice of restructuring led many to believe that planning and forecasting for the future was pointless (CIPD, 2010b). The economic slide of 1980s led to the squashing of manpower efforts as the firms were unable to establish the financial worth of Manpower Planning (Sullivan, 2002b). Several reasons played a part in the dismissal of Manpower Planning over the course of this time. (Castley, 1996) the conventional method of ‘head count’ instead of ‘head content’ stopped Manpower Planning to have the flexibility to change according to changing situations. Many changes in organizational makeup and outlook in the 1980s were not in favor of Manpower Planning. The economic alteration during these times rendered Manpower Planning to be an unsuccessful exercise (Reilly, 1996). (Minzberg, 1994) people who say that they formulate plans and that those plans succeed are frauds as things can always change.

The latter half of the 1990s saw a resurgence of Manpower Planning in the realms of human resource. Manpower Planning began to deal with the essential alterations in workforce with respect to size and composition (Zeffane and Mayo, 1994). Organizations in contemporary times have recognized the importance of Manpower Planning and are placing it high in their priority list as planning is required to be undertaken now more
than ever (Sullivan, 2002b). (Mayo, 1994) Manpower Planning during the 90’s centered on ensuring the right number of people at the right place at the right time. As organizations realized the need, role and importance of skills and competencies in accomplishment of organizational and business objectives in a dynamic business environment. Manpower Planning began to be regarded as a means to improve business performance. The altering nature of business and economic environment and requirements of the modern world have forced Manpower Planning to give way to a new approach rather than the traditional plans, methods and policies.

2.0.4. FACTORS THAT AFFECT MANPOWER PLANNING
Many things have changed ever since the advent of Manpower Planning. The environment under which banks operate is vibrant with competition from not only global banks but domestic as well. These conditions define the grounds on which Manpower Planning must be based. The scrutiny of altering circumstances therefore, needs to be essential part of the Manpower Planning process (Rothwell, 1995).

The factors that affect Manpower Planning are:

1. Business goals and objectives:
Every organization has its business goals and objectives. Effective and successful Manpower Planning needs to be incorporated with the business policies and plans of profitability, sales, production and resource utilization. Any change is business planning and objective will have an effect on Manpower Planning.
2. Environmental Scan-Internal and External:
An effective Manpower Planning Plan needs to take into account the changes, trends, patterns, policies and developments of both the internal and external environment.
Internal changes could mean changes in terms of strategy for growth and development, as well as expansion and diversification, business forecast, and management philosophy and leadership styles and vision, human resource policies of the company.
External changes that need to be considered are government rules, regulations and policies, level of development, business environment, level of technology, demographic trends, labor market conditions and level of competition.

3. Support of Management:
The backing, encouragement and support of the top management is essential for an effective and successful Manpower Planning Plan. The decisions, suggestions and opinions of personal managers need to be acknowledged by the top management.

4. An Organized Personnel Department:
Manpower Planning entails the estimation, projection, forecast and development of human resource. These activities depend heavily on the systematic and timely collection, recording, evaluation, analysis and interpretation of data, facts and figures pertaining to the manpower of the organization. An organized personnel department is therefore necessary and crucial.

5. Establishing Manpower Policies and Standards:
Ascertaining policies related to promotion, demotions, transfers, compensation, training and development and career management are crucial for the effectiveness and success of a Manpower Planning Plan.
6. **Recruitment and Selection Plan along with Training and Development facilities:**

A recruitment and selection plan encompasses the nature, type and number of employees needed. Recruitment and selection criteria, recruitment and selection techniques and time period assigned for these activities.

Training and development facilities, nature and type of training required, duration of training, availability of infrastructure and costs are also major factors in Manpower Planning.

7. **Responsibility and Accountability:**

A team of experts need to shoulder the responsibility of chalking and implementing The Manpower Planning Plan. All the facts, figures and data should be provided in a timely and systematic manner.

8. **Determine a Planning Period:**

A planning period needs to be fixed considering the type and nature of business, political, economic, social and technological environment.

2.0.4 **OBJECTIVES OF MANPOWER PLANNING**

According to Sikula (1977), “the ultimate mission or purpose is to relate human resources to future enterprise need so as to maximize the future return on investment in human resources”.

The objectives of Manpower Planning and its need can be broadly characterized as the following:

1. To make sure that the existing manpower is optimally used.
2. To forecast manpower needs in the future.
3. To establish recruitment levels in the future.
4. To evaluate the requirement in terms of skills with the current workforce or if needed acquire new candidates.
5. To match the employees to the job profiles.
6. To offer alternatives that make sure that essential resources are presented as and when needed.
7. To assess manpower costs in the wake of mergers, acquisitions and expansions and growth of firms.
8. To evaluate training needs of employees in the future and offer them an assured career path in the organization.
9. To anticipate skill requirements in the future and then offering suitable candidates by means of training.
10. To profitably place, realign and deploy manpower from excess to spare departments, areas and locations in the face of changing work culture, competition and technological upgradation.
11. To establish job positions and their quantity and quality requirements so that matching manpower within the organization can be found and if not employees having the required skills can be identified for lateral or vertical movement to fill these positions in the organization.
12. To design the development plan of employees by identifying the training needs and requirements of employees in the hierarchy so that proper and effective training can be provided to them.
13. To help plan, design and execute strategies for promotion and retention of employees.
14. To predict redundancies and evade uncalled for separations.
15. To envisage the position of the organization in the near future and prepare in advance the quantity and quality of manpower needed.
16. To help the organization in the face of planned expansions.

2.0.6. THE MANPOWER PLANNING PROCESS
Every organization has a different plan, degree and extent of sophistication with regard to Manpower Planning. However, experts of this field agree that corporate Manpower Planning has five set of
interconnected activities: (Beach, 1980) the five phases of The Manpower Planning Process;

1. **Recognize the goals, objectives and plans of the organization:**
Manpower Planning is a slice of the large corporate strategy and therefore needs to establish its personnel demand and supply forecasts on the strategic plans of the organization. If the company plans for expansion and diversification of the business owing to new products, services and ventures along with exploring new markets then, the manpower strategy should be such that it builds appropriate workforce to achieve these goals.

2. **Establish the present manpower state:**
This step usually deals with maintaining the skills inventory of the organization. The skills inventory is generally the latest and updated information of all the personnel working in the organization at present. It serves many purposes;
(i) It provides a benchmark to compare the existing manpower of the company to the desired skill sets mentioned in the demand estimates. This activity helps in determining the skills gap and ways of acquiring or developing the skills either through training or external recruitment.
(ii) It recognizes the availability of talent in the organization for the purposes of filling job vacancies and promotional opportunities.
(iii) It is helpful in organizing a schedule for personnel of technical and managerial aptitude.
(iv) It is useful in boosting the chances of employees to fulfill their ambitions of career planning and development (Beach, 1975).

3. **Predict manpower requirements and supply in the future:**
This step requires assessment of skills needed by the organization in the future time frame and statistical data and knowledge about the availability of these skilled personnel from within the realms of the organization or from outside sources.
4. **Draw programs to execute plans:**
This is an important activity of Manpower Planning as it puts into practice the plans that determine the disparity between supply and demand of skilled and competent manpower through a series of personnel management activities like recruitment and selection, performance appraisals, promotions, lay-offs, training and development.

5. **Assess the effectiveness of plans through reviews and modifications:**
The final stage of the Manpower Planning process deals with assessment of the manpower plans and how well have they been able to meet the objectives that they were set out to accomplish. The assessment phase frequently leads to amendments and revisions of goals and strategies to reach success.

### 2.0.7. CHARACTERISTICS OF GOOD MANPOWER PLANNING

1. Manpower Planning should encompass the requirements of human resource in the context of organizational objectives.
2. Manpower Planning should be aimed at clearly defined goals.
3. Manpower Planning should focus on getting the right people for the right job at the right time thereby ensuring high productivity and profitability for the organization and in the process being cost effective.
4. Manpower Planning should ultimately lead to motivation of employees.
5. Manpower Planning should always bear in mind changes in terms of time and periodicity so that these changes can be covered in the Manpower Plan.
6. The Manpower Planning Plan should be flexible to incorporate the changes in the organization and likely changes in government policies and technological developments.

2.0.8. IMPORTANCE OF MANPOWER PLANNING

Manpower is a crucial element in a labor intensive sector like banking. The preparation of manpower needs a long time. Planning is a collaborative effort and requires collection of information and data, chalking out objectives, looking at alternatives and making choices to achieve the objectives. Human resource cannot be disposed or stocked. As manpower is subject to redundancies, their skills, abilities and competencies need to be constantly enhanced through training. Whenever manpower is available, it needs to be planned for the future in the right numbers and at the right time and place. The rapid growth of banking especially since the opening of the market in 1991 has led to an enormous demand of educated, knowledgeable, skilled, capable and highly motivated manpower. Manpower Planning helps organizations to move ahead and achieve success and excellence in the 21st century by considering manpower as a source of competitive advantage.

1. Planning is the foundation of the future requirements in terms of manpower and therefore, becomes the foundation of recruitment selection and training in development of employees.

2. Employees could be trained and motivated beforehand which aids in building a pool of good quality and highly motivated employees for future needs.

3. The advances in technology have created an imbalance, surplus of manpower in certain areas and shortages in other areas. Manpower Planning helps in striking a balance.
4. Recruitment and selection plans and decisions are based on Manpower Planning and costs can be kept in control with the help of proper Manpower Planning.

5. Manpower Planning creates high quality bench strength of talented and skilled employees that can be allocated, deployed, transfer to areas to carry out the assigned tasks.

6. Manpower Planning helps in making a budget for manpower which in turn assists in making a control mechanism to check surplus or deficient manpower.

7. Scientific, methodical and efficient Manpower Planning forces the management of an organization to focus on the overall human resource policy and recognize the tee worth of human resource in achieving business and organizational goals.

8. With the aid of Manpower Planning and availability of employees and talent, the organization can make plans for diversification and growth of business.

2.0.9. RATIONALE BEHIND MANPOWER PLANNING
Modern banks are complex and are trying to counter intense competition, technological advancements and changes, customer and service centricity, innovation and product and service orientation and dynamic business environment. These challenges can be met with the help, support and efforts of a highly talented, skilled, effective and motivated manpower. The manpower system is an expression of the corporate strategic objective and is therefore a manifestation of the organizations values and ideals. A formal, systematic, practical, effective and implementable Manpower Planning process is vital for not only the success of banks but also for their survival in a competitive and altering environment.
The reasons for a systematic Manpower Planning Plan in Banks:
1. To establish and guarantee manpower needs for the future.
2. To deal with the pressures of competition, product innovations, dynamic business environment, customer expectations and delivery of services.
3. To make sure that the banks have sufficient quality and quantity of skilled, experienced, talented and motivated manpower owing to a planned, designed and implemented recruitment and selection plan.
4. To link Manpower Planning with the strategic, corporate and business objectives of the Bank.
5. To ensure government benchmarks are met in terms of set rules and regulations of the employability.

3.0. THE INDIAN BANKING SECTOR
The Indian growth story is incomplete without mentioning its efficient and effective Banking Sector. The Indian Banking Sector has many achievements to its credit over the past five decades; however the most remarkable has been its reach.

3.0.1 MEANING AND DEFINITION OF BANKS
Banks are institutions that deal with money. They attract deposits from the public and give loans on the basis of the deposits. However, with the growth and development of the economy the functions of banks have increased because of which a widely acceptable definition of banks is difficult to find. There are many definitions of banks provided by various dictionaries and scholars. The laws and acts of different countries also provide a range of definitions keeping in view the rules, regulations and control of the banking system.
Dictionary Definitions:

1. According to the Oxford English Dictionary, “a bank is an establishment for the custody of money received from or on behalf of its customers. It’s essential duty is to pay their drafts on it. Its profits arise from the use of the money left unemployed by them.”

2. According to Webster Dictionary, “a bank is an institution which trades in money, establishment for the deposit, custody and issue of money, as also for making loans and discounts and facilitating the transmission of remittances from one place to another.”

Scholarly Definitions:

1. Professor Hart says “a banker is one who in the ordinary course of his business, receives money which he repays by honoring cheques of persons from whom or on whose account he receives it.”

2. As per Sir John Paget: “Bank is that institution which performs functions of banking.”

3. According to R.S. Sayers, “we can define a bank, as an institution whose debts (bank deposits) are widely accepted in settlement of other people’s debts to each other.”

4. Professor Kindley has defined a bank as, “a bank is an establishment which makes to individuals such advances of money as may be required and safely made, and which individuals entrust money when not required by them for use.”

Definitions under the Laws of Various Countries:

The laws of different countries have defined a bank as:

1. The Indian Banking Act of 1949: As per Section 5 (B) of the Act, “Banking means the accepting for the purpose of lending or investment of deposits of money from the public repayable on
demand or otherwise and withdrawable by cheque, draft, order or otherwise.”

2. **British Bill of exchange Act, 1882:** According to this Act, “Any group of persons amalgamated or not dealing in banking business is called banks.”

3. **American Federal Law:** “Any bank, banking union, trust company, saving bank and other institution dealing in receiving payments from the public and is amalgamated under any state law is called the bank.”

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**3.1. EVOLUTION OF BANKING IN INDIA**

The history and evolution of banking in India mirrors the growth and development in trade and commerce. Banking also kept pace with the changes in political, cultural and legal developments as well as changes in life styles of people. Although some form of money economy existed in India since the times of Buddha all through the Vedic days, the concept of banking gained importance with the growth of trade and commerce. Banking eventually changed hands from individuals to groups to now companies. The advent of Industrial Revolution during the 18th and 19th centuries gave banking a significant place in the light of lending opportunities. The emergence and subsequent growth and development of banking has been far from smooth or steady. The banking sector has had to constantly re-invent and re-orient itself with the changing and growing needs of commerce and trade.

In 1779, The Hindustan Bank was the first bank to be established and later in 1786, The General Bank of India was founded. The British under The East India Company banner were credited with the establishment of three banks in the first half of the 19th century: The Bank of Bengal in 1809, The Bank of Bombay in 1840 and The Bank of Madras in 1843,
together these were known as “Presidency Banks”. The Imperial Bank of India was founded with the amalgamation these three banks on 27th January 1921. The Imperial Bank of India was taken over by The State Bank of India after the passing of The State Bank of India Act, 1955. The Reserve Bank of India (RBI) was founded under the Reserve Bank of India Act 1934 on April 1, 1935 and nationalized in January 1949. The Swadeshi Movement under the Independence movement gave a boost to The Indian Joint Stock Banking and many of the leading banks of the present times were founded around that time. By 1913, India was boosting of 41 banks including The Punjab National Bank ltd., Bank of India Ltd., Canara Bank Ltd., Indian bank Ltd., The Bank of Baroda Ltd., The Central Bank of India Ltd., etc.

3.2. TYPES OF BANKS

Banks are the lifeline of the economy and they serve people from all strata’s of the society. Banking has become customer-centric and as businesses become complex and far reaching, banks require specialized skills; as a result different types of banks have come into existence. On the basis of their function, banks are classified into the following categories:

1. Central Bank
2. Commercial Bank
3. Development Bank
4. Co-operative Bank
5. Rural Banking
6. Foreign Exchange Banks
7. Savings Banks
8. Export-Import Bank
9. Indigenous Bankers
1. Central Bank
A central bank acts as the apex institution by controlling the financial and banking system of the country. The Reserve Bank of India (RBI) is that bank in India. The RBI was established on the recommendations of the Royal Commission of Indian Currency and Finance also known as The Hilton-Young Commission. The RBI acts as a banker of the Central Government, State Governments, commercial banks, state cooperative banks and some of the financial institutions. The RBI formulates and administers monetary policy with the aim to ensure stability in prices while promoting higher production in the real sector through proper deployment of credit. The RBI plays a crucial role in maintaining the stability of exchange value of the rupee and acts as an agent of the Government in respect to India’s membership of the International Monetary Fund. The RBI also performs as array of developmental and promotional functions. Apart from these the RBI also handles the borrowing programme of the Government of India.

2. Commercial Banks
Commercial banks are by far the most prevalent banks in India. Commercial banks are organizations that operate for profits. Commercial banks offer an array of services to individuals, organizations, cooperates, businesses and government. As per the Banking Regulations Act, 1949, commercial banking consists in “the accepting, for the purpose of lending or investment, deposits of money from the public repayable on demand or otherwise, and withdrawal by cheque, draft, order or otherwise.
3. Development Banks
A development bank combines the functions of a finance corporation and a development corporation. As a finance corporation they provide medium term assistance to business undertakings in forms of loans, underwritings and investments. In the Indian context, Industrial Development Bank of India (IDBI) is a unique example of a development bank. Established in 1964, IDBI provides direct as well as indirect assistance to industries and acts as an apex term lending institution in India.

4. Co-operative Banks
Co-operative banks exist for the benefit of the group of members of the co-operative body. These banks generally offer finances for agriculture purposes. The reasons for the existence of co-operative banks are that commercial banks have been unable to cater to credit needs of rural areas. Long-term loans are needed by farmers to purchase land or to do permanent improvement on their lands; these are provided by land development banks. Short –term loans are provided by co-operative societies or banks. These short-term loans are essential for farmers as they help in purchasing fertilizers, implements, machines and seeds, etc.

5. Rural Banking
Rural Banking refers to a group of financial institutions that cater to the financing of the rural sector. These banks act as a vehicle to the process of rural development. Regional Rural Bank is an example of one such initiative. It was founded on October 2, 1975 coinciding on Mahatma Gandhi’s Birthday. The Regional Rural Bank was established with the goal of providing growth to the rural economy by helping develop agriculture, trade, commerce, industry and other productive activities in the rural areas.
6. **Foreign Exchange Banks**

These banks generally finance foreign trade of the country and discount, accept and collect foreign bills of exchange along with the buying and selling of foreign currencies. These banks also help customers to convert their money into any foreign currency that they need. Apart from these functions, they are critical to financing export and import trade.

7. **Savings Banks**

These banks perform the purpose of collecting the small savings of people. Savings banks differ from country to country; however commercial savings banks are still the most popular choice as they provide a larger and wider network of branches and better facilities for customers.

8. **Export-Import Banks**

These banks serve the purpose of financing foreign trade, especially medium and long term financing. The Export-Import Bank of India (Exim Bank) was established on January 1, 1982 as a wholly owned statutory corporation of the Central Government.

9. **Indigenous Bankers**

Indigenous bankers are those persons and firms that accept the deposits, provide loans and deal in deshi hundis. They play a vital role in the rural economy. Indigenous bankers work on a hereditary basis. They are generally individuals or private firms that receive deposits and deal in hundis or lending money. The other type is those that do not receive money and are called the village money lenders.

10. **Investment Banking**

Investment banks facilitate businesses, corporations and government bodies to raise funds to satisfy their long term capital requirements with help through the sale of shares, stocks and bonds. They operate as underwriters of the issue of securities by purchasing the entire issue of
new securities of a business or government body and then re-issuing them for public subscription at a higher price.

11. Merchant Banking
This concept is fairly new in the Indian scenario. The first bank to take the initiative was State Bank of India by opening a Merchant Banking Division in 1972. Later banks like The Bank of Baroda, Indian Bank, Punjab National Bank etc set up subsidiaries to provide specialized Merchant banking services to the corporate sector.

3.3. THE INDIAN BANKING SYSTEM

Table no 3.3.0.

Reserve Bank of India:
The Reserve Bank of India (RBI) was founded under the Reserve Bank of India Act 1934 on April 1, 1935 and nationalized in January 1949. The central office of RBI is located in Mumbai and has twenty two regional offices across the country. The RBI is governed by a board appointed by The Government of India headed by a governor.
The functions of The RBI are broadly divided into:

a) Monetary Functions;

1. Bank of Issue; The RBI devises, implements and supervises the monetary policy of India. The main goals are to stabilize prices and ensure sufficient flow of money to productive segments.

2. Regulation and supervision of the financial sector; The RBI sets the general policy of banking operations under which the banking and financial system works. The RBI is responsible for maintaining the confidence of the public in the banking system, guard the interests of depositors and offer cost effective services to customers.

3. Custodian of exchange control; One of the departments of RBI controls, manages and monitors the foreign exchange according to The Foreign Exchange Management Act, 1999. The main goal is to encourage and assist foreign trade and payment. It also helps in developing and maintaining a foreign exchange market in India. The RBI has the task of maintaining the official rate of exchange. In addition it is also responsible for maintaining the rate of exchange of the rupee, the RBI has to act as the custodian of India's reserve of international currencies.

4. To issue currency; Under Section 22 of The RBI Act, 1934, The RBI has the sole responsibility to issue currencies of all denominations. It is responsible for maintaining an adequate supply of good quality currency
notes and coins. It is also the sole authority for destroying currency that is deemed unfit for circulation.

5. **Controller of Credit;** The RBI hold The Cash Reserve Ratio (CRR) of all scheduled banks, controls the credit operations of banks both quantitative and qualitative methods. The quantitative methods include: bank rate policy, open market operation and variable reserve ratio. The qualitative controls include: margin requirements, credit rationing, regulation of consumer credit and direct action. It monitors the banking system through licensing and inspections and acts as a lender to scheduled banks if the need arises.

6. **Banker’s Bank and lender of the last Resort;** The RBI acts as the bankers' bank. Since commercial banks can always expect the RBI to come to their help in times of banking crisis, the RBI becomes not only the banker's bank but also the lender of the last resort.

**b) Non-Monetary Functions;**

1. **Supervisory Function;** The RBI along with the traditional role also performs the non-monetary function of supervising the banking activities and upholding sound and clean banking practices in India. The RBI Act, 1934 and The Banking regulation Act 1949 has endowed it with great powers to supervise and control commercial and co-operative banks with respect to issuing of licenses and establishments, branch expansion, liquidity of their assets, management and methods of working, amalgamation, reconstruction and liquidation. The RBI can carry out periodic inspection of banks and ask for necessary data or information from banks.

The supervisory role of The RBI has helped in improving the standard of banking to a great extent.
2. **Promotional Function;** The RBI undertakes various promotional functions that were earlier outside its traditional functions. The economic growth of India has increased the range of functions of The RBI as it was felt that there was a need to promote banking habits, expand the banking activities and facilities to rural and semi-rural regions and set up and endorse new finance agencies.

3. **Development Function;** The RBI is responsible for directing the growth of banking and credit policies in the direction of certain social objectives.

4. **Collection and publication of data.**

**Scheduled and Non-Scheduled Banks**

The difference between a scheduled and non-scheduled bank is determined on the basis of the activities that the banks do. Schedule and non schedule is irrelevant as the number of non schedule banks is almost nil (none).

Schedule banks are those which are included in the Second Schedule of Banking Regulation Act 1965; others are Non Schedule banks. Schedule banks are expected to maintain a certain amount of reserves with the RBI; they in return, enjoy the facility of financial accommodation and remittance facilities at concessional rates from RBI.

Scheduled banks in India constitute those banks which have been included in the Second Schedule of Reserve Bank of India (RBI) Act, 1934. RBI in turn includes only those banks in this schedule which satisfy the criteria laid down vide section 42 (6) (a) of the Act.

"Scheduled banks in India" means the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955), a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), a corresponding new bank constituted under section 3 of the
Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970), or under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980), or any other bank being a bank included in the Second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934), but does not include a co-operative bank”.

"Non-scheduled bank in India" means a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949), which is not a scheduled bank”.

3.4. COMMERCIAL BANKING IN INDIA

Table no 3.4.0
3.4.1. LIST OF COMMERCIAL BANKS IN INDIA

A) Public Sector Banks/ Nationalized Banks

1. State Bank of India (SBI)
   i. State Bank of Bikaner and Jaipur
   ii. State Bank of Hyderabad
   iii. State Bank of Indore (Merged into SBI in 2010)
   iv. State Bank of Mysore
   v. State Bank of Patiala
   vi. State Bank of Saurastra (Merged into SBI in 2008)
   vii. State Bank of Travancore

2. Allahabad Bank

3. Andhra Bank

4. Bank of Baroda

5. Bank of India

6. Bank of Maharashtra

7. Canara Bank

8. Central Bank of India

9. Corporation Bank

10. Dena Bank

11. Indian Bank

12. Indian Overseas Bank

13. Oriental Bank of Commerce

14. Punjab and Sind Bank

15. Punjab National Bank (PNB)

16. Syndicate Bank

17. Union Bank of India.

18. United Bank of India.

19. UCO Bank

20. Vijaya Bank

21. IDBI Bank
B) Private Banks in India

1. Axis Bank
2. Bank of Rajasthan
3. Bharat Overseas Bank
4. Catholic Syrian Bank
5. Centurion Bank of Punjab
6. City Union Bank
7. Development Credit Bank
8. Dhanalaxmi Bank
9. Federal Bank
10. Ganesh Bank of Kurundwad
11. HDFC Bank
12. ICICI Bank
13. IndusInd Bank
14. ING Vysya Bank
15. Jammu & Kashmir Bank
16. Karnataka Bank Limited
17. Karur Vysya Bank
18. Kotak Mahindra Bank
19. Laxmi Vilas Bank
20. Nainital Bank
21. Ratnakar Bank
22. SBI Commercial and International Bank
23. South Indian Bank
24. Tamilnad Mercantile Bank Limited
25. YES Bank
C) Foreign Banks in India
1. ABN-AMRO Bank
2. Abu Dhabi Bank Limited
3. American Express Bank Limited
4. Citibank limited
5. DBS Bank Limited
6. Deutsche Bank
7. HSBC Limited
8. Standard Chartered Bank

3.5. FUNCTIONS OF A COMMERCIAL BANK

Although the major functions of a bank involve borrowing and lending, commercial banks are involved in an array of activities and perform various functions;

1) Primary Functions
   a) Accepting Deposits
   b) Advancing Loans

A) Acceptance of Deposits:

The primary function of a commercial bank is to accept deposits from the people. Banks primarily receive the savings of people in the form of deposits and through these deposits finance the requirements of commercial and industrial organizations.

Banks take deposits from the public in various forms;

1) Savings Bank Deposits: These deposits are the small savings that people keep in banks with the purpose of withdrawing them whenever the need arises. The rate of interest offered on these deposits is calculated on the basis on the minimum deposit kept by the customer during a month. The opening of a saving bank
account entitles a customer to a cheque book, an ATM kit and a pass book in which all the entries are done.

Recurring Deposits or Cumulative Account Deposits is a variation of the saving banks account. The idea of these deposits is to inculcate the practice of conventional savings. Banks generally offer higher rates of interests on these accounts.

2) Current Deposits: These accounts are preferred by businessmen and industrialists and people who require large numbers of monetary transactions on a day to day basis. These are generally short term deposits or demand deposits. No interest is paid on these deposits as the banks cannot utilize these deposits.

3) Fixed Deposits: These are also called time deposits. These deposits result in a fixed amount of money deposited for a fixed period of time. The amount is payable after the expiry of the stipulated time. Customers keep fixed deposits with the aim of earning interest. The rate of interest is higher on fixed deposits and is generally governed by the length of the period and amount deposited. External factors like the credit of the bank and the state of the money market are also taken into account. These deposits are a non negotiable instruments and generally withdrawals are not allowed before the expiry of the stipulated time.

4) Recurring Deposits: In these a fixed amount of money is deposited at a regular interval of primarily a month. This helps in inculcating a culture of savings in people.

B) Advancing of Loans

The other function of a bank is to provide loans to businessmen and trader for a short period of time. Banks advance money in the following ways:
1) **Overdrafts**: This facility is given to special customers who are allowed to overdraw from their current accounts. However an interest is charged for the extra amount withdrawn. Overdrafts are allowed to customers to help in their temporary need as the extra amount withdrawn is to be paid within a short period of time. The amount allowed as overdraft differs from customer to customer depending on his monetary position and his relationship with the bank.

2) **Loans**: Loans are permitted by banks once they are satisfied about the financial health of the party. In advancing loans, some form of security is kept in the form of shares of approved concerns or government securities which can be easily disposed in the market.

3) **Cash Credit**: This is an agreement through which the bank agrees to let customers borrow money to a specific limit against a tangible security which could be in the form of government securities or shares of approved concerns etc. the interest in such cases is charged on the amount withdrawn by the customer and not on the limit that is allowed to him.

2) **Secondary Functions**

   a) Agency Functions

   b) General Utility Services

   a) **Agency Functions**

   Commercial banks provide services to customers. Some of these services are chargeable and some are not. The following are the agency functions provided to customers by commercial banks.
1) **Collection of Payments of Cheques, Bills of Exchange and other Letters of Credit:** Payment of cheques, bills of exchange, hundis and other letters of credited deposited by the customers is collected by the banks. For these, banks levy charges on outstation collection and local ones are free of charge.

2) **Payment of Cheques, Bills of Exchange and other Letters of Credit:** Customer write varies instrument on the basis of these banks make payments. The amount is debited by the banks.

3) **Receiving Payment for Customers:** Banks receive payment on behalf of their customers in various forms of rent, interest, installment of loans, pension, dividend, etc.

4) **Payment on Behalf of Customers:** Banks make payment on behalf of their customers through rent, interest, dividend, installment of loan, insurance payment, commission, etc.

5) **Money Transfer:** Banks transfer money from one destination to another as instructed by the customer. The instruments used for this are Bank Drafts, Postal and telegraphic transfers. Commission is charged for these services.

6) **Purchase and Sale of Shares and Securities:** On behalf of the customers, banks purchase and sell shares and securities for which they charge commission.

7) **Functions as Manager, Trustee, and Executor:** Banks on the requests of its customers function as manager, trustee and executor of implementing court and government orders.

8) **Underwriting Function:** When big industrial and business units require raising capital from the market, banks help them by writing the debentures, for this they charge commission. This is helpful in raising minimum capital on their guarantee. If the shares and
debentures are not purchased adequately, the bank buys them. This only guarantees the public’s trust in the bank.

b) General Utility Function

Banks also perform some utility functions which are useful to their customers. These functions include:

1) **Security of Wealth and Assets:** Banks provide the services of lockers for their customers. They are used for keeping their valuables like important documents, deposit receipts, jewelry, gold, etc. Lockers are charged on an annual basis.

2) **Arrangement of Traveler’s Cheques and Letters of Credit:** Traveler’s cheques and letters of credit help eliminate the risk of carrying cash. These are issued to customers by banks.

3) **Information related to Economic Position:** Banks give their clients vital information regarding the position of domestic and foreign businessmen, on the basis of these clients conduct transactions. Thereby reducing risks.

4) **Adviser on Financial Matters:** Banks provide their customers with sound advice on economic and financial matters. These aid the customers in taking prudent decisions.

5) **Information Publication:** Large commercial banks collect, analyze and publish information on economic and business activities which help clients to take easy, quick and right decisions.

6) **Accepting Bills of Exchange:** Customers write bills of exchange which are accepted by banks, thereby taking liability for making the requisite payment at maturity time.

7) **Providing Security on Loans:** Large banks offer a guarantee on the loans taken by business and industrial units from sources that
could be national and international. This security helps these units to get loans from these sources.

8) **Personal Credit:** Personal loans are provided by banks to their customers. Loans under this category include car loans, two-wheeler loans and consumer goods loans. These loans are required to be paid through installments.

9) **Public Debts Management:** On behalf of the central bank, when central and state governments raise loans in the form of debentures, banks manage public debts.

10) **Functions Related to Share Markets:** Whenever clients purchase and sell shares and debentures in the share market, banks settle accounts of clients.

11) **Foreign Exchange Management:** Commercial banks are authorized to deal in foreign exchange. Clients who need to send or receive foreign currency are given the facility by banks.

### 3.6 THE SIGNIFICANCE OF BANKS

The Banking System is the bedrock of a nation’s economy. Banks play a major role in the economic development and growth of a country. Banks are the centre of the world financial system. A strong and robust banking system is the basis of economic progress in the modern times.

The importance of banks is as follows;

1) **Mobilization of Savings:** People save money and banks act as collectors of these savings. By providing interest on these savings, banks encourage people to save which helps to curb wastage. The purpose of collecting these savings is to direct these to productive uses like trade and industries.

2) **Capital Formation:** With the small savings of people, credit and financial needs are met by banks. Trade and industry get a boost
from these savings. Use and mobilization of savings leads to capital formation. For a developing economy like India, capital formation is essential as it boosts in growth.

3) **Financing the Nation especially Trade and Industry:** For a developing economy like ours, and to maintain a healthy growth rate, industry, businesses and trade require capital in huge amounts. While people who save get interest on their savings, industrialists and businessmen get financing to meet their capital requirements.

4) **Capital Mobility:** Banks help to mobilize capital. Capital is constantly transferred from low rate of interest returns to high rate of interest returns. This further leads to consumption, production, employment and national income, which in turn aids the development of the economy.

5) **Flexibility in Monetary System and Price Stability:** The creation of credit affects the supply of money. Price stability is guaranteed through the balance of supply and demand of money by The Banking System. Banks provide flexibility in the monetary system and thereby help in price stability.

6) **Remittance of Funds:** Banks provide a cheap, simple and convenient way of transferring and remitting money.

7) **Managing of Public Finance:** State and Central governments require funds on a constant basis to meet their public expenditure. Banks help in managing public debt and act as advisers to the government and finances are managed.

8) **Developing Banking Habits:** Banking has inculcated banking habits in the public. People have started taking interest while making transactions through banks. The changes and developments in the banking system have encouraged people to use newer
technologies in every sphere of banking, this has slashed the costs and banking is cheaper and easier than ever before.

9) **Acting as advisers:** Banks apart from managing finances for businessmen and industrialists also provide cheap and easy services as agents and advisers.

10) **Employment Generation:** The central role of banks in the nation’s economy has opened new avenues in terms of employments. The expansion of trade and commerce and an integration of India’s economy to that of the world has attracted some of the best talent in India and all over the world to the banking sector.

### 3.7 THE ROLE OF BANKS

The growth and development of any nation rests on a sound banking system. Banks perform various roles in the economic development of a country, which are as follows:

1) **Formation of Capital:** Commercial banks accept deposits from people in form of savings, these help in generation of capital. This capital formation is the bedrock of the economic development of a country.

2) **Provisions of Finance and Credit:** Businesses, industries, traders and merchants are not self-sufficient in terms of finances. Banks by providing loans to these establishments help them to keep their businesses afloat.

3) **Fund Distribution between Regions:** Banks ensure proper and timely allocation of funds between regions.

4) **Market Expansion:** Banks play the role of a catalyst in increasing the size of market. Due to lack of finances and funds, increasing risks, businessmen are reluctant to expand their reach to off-shore markets. This is where banks play a crucial role in encouraging and
supporting them in many ways e.g. acting as intermediaries, accepting bills of exchange, issuing letters of credits etc.

5) **Allocation of Funds between Regions:** There is huge disparity among the regions of a country especially in terms of finance. Banks perform the vital role of collecting funds from regions which have plenty to regions that are less developed. This help to in bringing a just distribution of wealth among regions.

6) **Entrepreneurship:** Indian banks have given a huge boost to entrepreneurs by helping them in their endeavors.

7) **Helping Consumers:** With the benefits of loans for consumers on products like cars, two-wheelers, washing machines, televisions, banks have helped in improving the standard of living of customers. The facility to pay for these goods in monthly installments has made their availability easy, something that was not possible a decade ago.

8) **Bank and Priority Sector:** There has been a huge boost to priority sector with the growth in banking sector. Commercial banks with their ever increasing network of branches have given a huge relief to small traders, manufacturers, artisans, farmers, exporters. Their exploitation by money lenders has been halted and credit facilities to these sections have helped in a great deal by contributing to the development of the economy.

9) **Provide Elasticity to Supply of Money:** Banks create credit, generally more credit than deposits. This helps in maintaining demand of money efficiently. This credit has the capacity to be contracted in situations of low demand for money. Thus banks provide elasticity of the total supply of money in the market.
3.8. HISTORICAL BACKGROUND OF THE INDIAN BANKING SECTOR

The Banking System of India is different and exceptional in many ways from other countries. It is not only fascinating but also highly valuable to study the evolution of the Indian Banking System which is distinctly spread over the last five decades in terms of organization, functions, resource mobilization, various socio-economic roles, difficulties and solutions. During these five decades numerous macro economic developments, financial, fiscal and monetary policies, banking rules and regulations and external conditions have had an impact on the Banking Sector in different manners during different phases and made it what it is today.

Phase I: 1948-1968-The Indian Banking System before Nationalization

At the time of Independence in 1947 the country took over the Banking System that was largely based on the British Banking System. There were many joint stock companies doing banking business and these were focusing mainly on major cities. The financing activities of these banks were confined to the export of jute, tea etc and to the more conventional industries and products like textiles, sugar and cotton. There was however a lack of uniform laws governing banking activity. An immediate area of concern following partition of the country was the branches of banks based in Pakistan and various steps including closing some branches was taken as desired by that country. In 1949 due to the mushroom like growth of banking companies, banking failures were very common and rampant as a result, as many as 55 banks filed for liquidation or went out of banking business. Banking unfortunately did not receive the attention
from the policy makers it deserved and most of the efforts toward the regulation of the banking industry were sporadic and disjointed. The first step in this direction was to create an appropriate legislative framework for a newly independent country that would take India forward. The Banking Regulation Act passed in 1948 provided the legal framework for the regulation of The Banking System by The Reserve Bank of India. The Act which came into effect in March 1949 imposed certain regulations on the joint stock companies doing banking business in India during that time. This resulted for the first time in the banking industry being organized on uniform parameters. The Act prohibited the use of the word “Bank” by financial companies which were not in compliance to the minimum requirements i.e. a minimum paid up capital and reserves. This stipulation, which came into effect from March 1952, led to a process of flushing out financially weak banks. As a result a number of banks went into liquidation.

The RBI with its powers began collecting data from 1949 on various facets of banking. There were 620 banking companies, big and small, scheduled and non-scheduled, operating mostly in state capitals and urban areas. Imperial Bank of India was the biggest bank in those days. The present day subsidiaries of The State Bank of India were independent banking companies mostly operating in former princely states. Apart from these Indian Banks, there were 15 Exchange Banks or Foreign Banks with branches spread mainly in big cities only and they were dealing mostly with International Banking i.e. export and import commodities and their financing.

The Banking System at the time of Independence was lacking in several areas and departments. The banks focused largely on urban clientele and elusive to rural population. Therefore a large chunk of the rural population had to depend on moneylender to meet their demands of
credit. The reach of banks in rural areas was abysmal as agriculture was not considered as a great economic proposition in those days. Therefore, the agricultural sector, a crucial segment of the economy was grossly neglected and did not receive the support by The Banking System. Moreover security oriented lending was rampant with only 4 percent of the total advances were made without any security. Another major deficiency was the complete focus of banks on short-term credit therefore no source of long-term finance was available. There was a lack of a developed capital market. The only lending institution was Industrial Finance Corporation of India set up in 1948.

**The Era of Planning**

The introduction of economic planning in 1951, made it essential for the monetary and banking activity to be linked with the requirements of planning. The First Five year Plan recommended the need for The RBI to act as machinery for financing development and ensure the availability of finance flows in the required direction. The goal was to strengthen the flow of agriculture and industrial credit simultaneously widening and deepening its reach. The focus was on revival of the rural economy and providing the Banking System with the necessary tools to do so. The expansion of branches and increase in rural credit expansion to the small-scale sector became a necessary objective. The All-India Credit Survey Committee appointed under the aegis of The RBI reviewed the rural credit scene in 1954 and brought out the anomalies of rural economy as a result of capital starvation.

The committee recommended an improvement in the flow of rural credit. Following this, The Imperial Bank of India was nationalized and renamed as State Bank of India (SBI) from July 1955. The new bank was given responsibility of expanding its rural branch network within a stipulated
time frame. This lead to the introduction of commercial banks into rural credit which was earlier kept for Cooperative credit agencies that were facing a winless battle against moneylenders. To meet the credit needs of cooperatives, certain banking companies functioning in former princely states were converted in 1959 into subsidiaries of SBI, which eventually came to be known as associate banks of SBI.

The crash of the Palai Central Bank in Kerala in 1960 shook the trust in The Banking System therefore, RBI came out with two schemes to stabilize The Banking System. One was the establishment of the Deposit Insurance Corporation, to ensure small depositors. The second scheme was the compulsion to merge and amalgamate weak banks with weak financial structure into bigger and viable banks. Through the Banking Companies (Amendment) Act, 1963, RBI acquired powers to restrain control over the affairs of banks of particular groups of persons, regulate loans, advances and guarantees given by banks and to appoint/remove banks executives personnel. The Co-operative Banking System in 1966 was brought under the statutory supervision and control of The RBI.

During these years The Indian banks established overseas branches so that their participation in external trade i.e. foreign exchange transactions could be improved.

Considerable changes were seen in banking with the shift of focus in financing of textiles and sugar industries to heavy industries development, financing of cement, chemicals, iron and steel and engineering as emphasized by The Second Five Year Plan. Another area like export financing drew attention, leading to the set up of Export Credit Guarantee Corporation in 1964. A shift was also noticed in the method of lending.
The Eve of Nationalization

Although banking had taken successful strides both in terms of its functions and geographical reach there were still numerous rural and semi-urban areas that were untouched. Prime segments like agriculture, small-scale industries and exports were still ignored over large industries and big established houses which contained major facilities of credit. The government therefore in 1968 imposed social control over banks by amending banking laws. The goal was the achievement of an efficient and equitable distribution of banking resources with the focus on the needs of the economy and the priority sectors. The RBI was now showered with wider powers pertaining to the matters of appointment of heads of banks, directors on the board of banks and auditors. The outcome of these changes were many including the incorporation of credit planning as a major part of formulation of credit policy and introduction of Lead Bank scheme so that banking acts as an instrument of development. This social control of banking proved to be a milestone in the evolution of banking policy.

Phase II: 1969-1991-Post Nationalization

This phase began with the appointment of the Banking Commission in 1969, which recommended changes in the structure, procedure and policy for The Indian Banking System. The goals of nationalization were growth, increase in regional balance, extending the banking system to common man in rural and semi-urban areas; reaching out banking facilities in areas that were earlier ignored by banks leading to more areas of economic activities coming under the banking umbrella. The commission however did not get enough time to complete its goals as it was overtaken by swift politico-economic developments, which culminated in the nationalization of 14 major Indian scheduled
commercial banks in the private sector on July 19, 1969. On April 15, 1980 six more private sector banks were nationalized, thereby extending the area of public control over the Indian Banking Sector. Nationalization was viewed as a major step to ensure adequate flow of capital into productive areas in conjunction with priority areas in planning. The main goal of nationalization was growth which was to be achieved through the following means:

- reduction in regional imbalance of economic activity
- to get The Banking System within the reach of common man in rural and semi-urban areas
- to extend banking facilities to areas not served by banks so that they may not only mop up potential savings but also meet credit gaps in agriculture, small scale industries and other neglected sectors of the economy.

The aim was to get all the areas of economic activity within The Banking System. The two significant aspects of nationalization were therefore: rapid expansion of branches and channelizing credit according to priorities.

During the phase of nationalization the growth and development of the Indian Banking System was unparalleled. The end of the second decade of nationalization witnessed sophisticated Indian Banking with a wide network of branches, tremendous resources at its disposal and extensive credit operations.

**Branch Expansion**

The branch licensing policy laid down by the RBI giving its nod to the opening of branches in rural and semi-urban areas, backward regions and under-banked states so that the inter-regional disparities could be tackled and to increase the reach of banking to the common and small man in rural and semi-urban areas.
Resource Mobilization
Another aim of branch expansion was to accumulate national savings both actual and potential to direct them into investments according to plan priorities.

Credit Operations
The RBI’s credit policy had laid increased emphasis on channelizing of bank credit to preferred sectors and borrowers of small means. Annual targets were rolled out for lending to priority sectors as a whole with sub-targets for weaker sections of the society. The way banking had spread in rural and semi-urban areas, mobilization of deposits and credit extension. The Banking Sector underwent a revolution from being branded as class banking to mass banking.

Social Banking
The use of banking as an instrument to promote socio-economic objectives was an important development after nationalization. To achieve the objectives of social banking, special institutions and schemes were sponsored by the Government of India and the RBI. During the seventies, the banking policy was re-oriented to secure a reduction in income inequalities, concentration of economic power and class disparities.

Problems and Consolidation
The extraordinary growth that The Indian Banking System witnessed over the past two decades prior to the reforms, gave rise to many problems which came to the forefront in the mid- eighties. The constraints under which the banking sector was working and functioning brought many flaws to the forefront. From low operational efficiency, inadequate capital base, high level of non-performing assets, low profitability, unhealthy balance sheets to unsatisfactory customer service. In short the very health and viability of the Banking Sector came under the microscope.
The period from 1985-1991 came to be known as the period of consolidation for the Banking System leading to actions on many fronts. Each bank was asked to prepare action plans covering organization and structure, house-keeping training, customer service, credit management, recovery of loans, productivity and profitability. The banks were asked to introduce modern technology in banking operations, following the recommendations of the Rangarajan Committee on computerization of banks. Greater emphasis was laid on the financial viability of banks through improvement in profitability, strengthening the capital base of banks and allowing them flexibility in several areas of their operations.

The progress made by The Banking System in terms of geographical and functional reach, resource mobilization and credit deployment was laudable. However, it showcased all the qualities of a repressed financial system.

**Phase III: 1992-2004-Regime of Reforms**

The period between 1992-2002 may be regarded as the present or the current phase in the evolution of Indian banking. The second phase from 1969-1991 which started with the nationalization of banks, this phase began with a fundamental deviation from regulated banking towards market-oriented banking, which were a result of the introduction of financial reforms, especially banking reforms. India’s economic reforms program started as a response to the macro-economic crisis that unfolded in the early 1990. The crisis led rising inflation, high level of fiscal deficit, low growth and unsustainable current account deficit and the Gulf war of 1990 made way for a serious balance of payment situation. Staring at the most serious balance of payment crisis, the Government of India initiated a measure of stabilization and structural adjustment, with far and wide reaching consequences that changed the banking landscape if India.
The Process of Reform

The main tenets of economic reforms comprised of

a) Economic stability so that inflationary and balance of payment pressures can be controlled,

b) deregulation of the financial sectors and removal of the license and permit system from all spheres of production and domestic trade in order to encourage and promote competition,

c) liberalization of international trade in various sectors to promote competition and efficiency by removing the high degree of protection enjoyed by the domestic industry and

d) Integration with the world economy to draw capital and modern technology.

However the success of the economic reformers in the desired sectors was not possible unless parallel reforms in the financial sector were undertaken. The fruits of a liberalized economy would be impossible to reap unless The Banking Sector responds to the needs of the market-oriented economy. Thus reforms in the financial sector were imperative to liberalization of industrial and trade policies.

Banking Reforms

The financial reforms were aimed at improvement in the overall monetary policy framework, strengthening financial institutions and gradual integration of the domestic financial system into the global economy. Within these policy goals, banking reforms had a specific task to achieve:

a) A suitable modification in the policy framework within which banks operate,

b) Improvement in the financial health and competitive capabilities of banks,
c) Building financial infrastructure relating to supervision, audit and technology and,
d) Up gradation of the level of managerial competence and the quality of human resource.

The Banking reforms based on these specific tasks had two aspects; macro-level policy changes and micro-level policy reforms. Macro-level policy changes were aimed at the removal of external constraints on The Banking System in totality therefore, creating a climate in which banks could function in sync with liberalization. Micro-level reforms emphasized with the specifics of individual banks and banks as a whole so that the internal constraints on their functioning could be overcome.

**Major Components of Reforms**

With an eye to consolidate gains and to ensure that The Indian Financial Sector is in sync with the global realities, The Indian Government introduced Structural Reforms in The Financial Sector. Accordingly a high level committee chaired by Mr. M. Narasimham was set up on August 14, 1991 to examine all aspects related to the structure, organization, functions and procedures of the financial system. Based on the recommendations of the committee, a comprehensive reform of The Banking System was put in place in 1992-93. The recommendations of the Narasimham committee report (1) have been the foundation for the reform measures and these recommendations are a landmark in the evolution of banking policy in the country as they transformed The Indian Banking System from a highly regulated to a more market-oriented system. The major components of banking reforms are as follows:

1. By modifying the policy framework by making cash reserve ratio (CRR) and statutory liquidity ratio (SLR) to act as external constraint on their profitability of banks. Deregulation of administrative structure of
interest rates was another feature of reforms. The various lending rates were rationalized and interest rates were made market-oriented for most of the transactions except for small borrowers and savings bank deposits. The main feature of the deregulation of the interest rates has been a step by step approach. For maximum advantage of open market operations, many policy changes were made in the government securities market with reference to yields, sales procedures, network of dealers and maturity patterns. These were aided by measures to discontinue automatic monetization of fiscal deficit by phasing out the issue of adhoc treasury bills.

These modifications in the policy framework carried under the aegis of reforms have lead to greater reliance on indirect instruments of monetary control.

2. Improving the financial soundness of banks with the introduction in 1992, of prudential norms and regulations, in order to ensure safety and soundness of banks and impart greater transparency and accountability in operations. Prudential norms introduced relate to income recognition, provisioning for bad and doubtful debts and capital adequacy. Prudential norms helped served two purposes. First, they bought out in the open the true position of the banking system’s loan portfolio and second the norms have helped to arrest its deterioration. Over time the norms have been progressively tightened.

3. Strengthening the institutional framework by creating a competitive environment for banks to increase their efficiency and performance. Efficiency refers not only to allocation efficiency but functional efficiency as well. Banks were facing stiff competition from non-banking finance companies (NBFCs), mutual funds and from within the industry as well. While existing banks have been allowed greater flexibility, new banks are now introduced and set up in the private sector to increase
competition. In 1993, RBI announced guidelines for the entry of private sector banks. Approvals were given for the establishment of new foreign banks to set up their operations in India and existing foreign banks were allowed to expand their branch network.

4. Strengthening of supervisory mechanism for a sound banking system. An alert mechanism is in place for monitoring compliance with prudential norms and directives of RBI and other regulatory agencies. The system of external supervision stands revamped by the establishment of the Board for Financial Supervision, with the operational support of the Department of Banking Supervision of RBI. In sync with international practices of supervision, a three-tier supervisory model comprising of onsite inspection, off-site monitoring and a periodical external auditing based on CAMELS (capital adequacy, asset quality, management, earning, liquidity and systems controls) has been put in place. Development finance institutions and non-banking finance institutions were also brought into the regulatory ambit of RBI.

**Narasimham Committee (1998):**
A “Committee on Banking Sector Reforms” headed by Mr. M. Narasimham was appointed by the Government of India to review the implementation of the reforms recommended by the earlier committee and also to look ahead and chart the reforms necessary in the years ahead. The task was also to make Indian banking strong and well equipped to compete effectively and efficiently in a fast changing global environment. The report submitted by the committee in April 1998, made various and wide reaching recommendations covering various facets of banking policy, institutional, supervisory and legislative dimensions. The recommendations of the committee covered: capital adequacy, asset quality, non-performing assets (NPAs); directed credit; prudential norms;
disclosure requirements; asset liability management; earnings and profitability; systems and methods in banks; restructuring including mergers and amalgamations; reduction of government and RBI shareholding to 33% in the public sector banks; devising effective regulatory norms and review of banking sector laws. These recommendations are being progressively implemented.

4.0. OBJECTIVES OF THE STUDY
1) To study Manpower Planning in Public Banks.
2) To study Manpower Planning in Private Banks.
3) To study factors affecting Manpower Planning in Public Banks.
4) To study factors affecting Manpower Planning in Private Banks.
5) To comparatively analyze the process and impact of Manpower Planning in Public and Private Banks.
6) To suggest recommendations to facilitate Manpower Planning for organizational growth.

5.0. RATIONALE OF THE STUDY
As one of the leading emerging economies of the world, the growth and development of India is firmly placed in the hands of The Banking and Financial Sector of the economy. The rationale behind the selection of The Banking Sector lies in the momentous transformation it has experienced from the beginning of 1990’s till now. As a consequence of this transformation the human resource function in general has undergone substantial changes. The growth of the sector coupled by the entry of new banks post liberalization, globalization and privatization forced banks to commence a wave of reforms. With boost in the number of branches, emphasis on technology, focus on customers, persistent competition and introduction of new banking functions, the entire gamut of human
resource system needed an overhauling with major changes in human resource practices, policies, functions, activities and structure. One of the major fields of human resource that requires attention in the modern times and in the future is Manpower Planning including recruitment and selection, career planning, placements, transfers, promotion, performance assessment and training and development. Proper, effective and efficient Manpower Planning in banking is indispensible to the improvement in overall growth, development, skills, competencies, attitudes and level of motivation of employees. This backdrop of sweeping change was an inspiration to choose The Banking Sector as a subject of inquiry with focus on Manpower Planning.