

EMPLOYMENT AND BANKING INDUSTRY IN INDIA

Dr. S.Sasikumar, M.A., M.Phil., Ph.D.,
Assistant Professor,
Department of Economics,
Guru Nanak College (Autonomous), Chennai.
Email: sasi_seetha85@yahoo.co.in.

Abstract

With manpower planning still in its infancy, emphasis has all along been given to financial and physical targets in Indian planning. The result has been that optimal deployment of human resources has not received due attention in our Five-Year-Plans. The sectoral targets of the plans have somehow underplayed the need for linking them with their employment potentially and therefore, notwithstanding the growth rate going up, the problem of unemployment has been assuming gigantic proportions from one plan to another plan period. Even major investments in some sectors have received little consideration in so far as the potential they have in creating employment opportunities is concerned. In fact, Indian Planning has thus far considered the factor of employment as incidental to economic development and not as a necessary accompaniment.

Key Words: Employment, Banking, Planning and Economic Development

INTRODUCTION

With manpower planning still in its infancy, emphasis has all along been given to financial and physical targets in Indian planning. The result has been that optimal deployment of human resources has not received due attention in our Five-Year-Plans. The sectoral targets of the plans have somehow underplayed the need for linking them with their employment potentially and therefore, notwithstanding the growth rate going up, the problem of unemployment has been assuming gigantic proportions from

one plan to another plan period. Even major investments in some sectors have received little consideration in so far as the potential they have in creating employment opportunities is concerned. In fact, Indian Planning has thus far considered the factor of employment as incidental to economic development and not as a necessary accompaniment.

In a situation where only 45 per cent of the total population constituted the total work force, obtaining as it is in India, certainly the unemployment position must afflict every section of the community. It poses a very serious threat to the very process of development as also political stability in the country. We are now having nearly 26.5million workers (net) added to the labour force every year and this figure is likely to double over the next 25 years. At this rate, about 125 million people were added to the labour force by 2010 AD. Of this, agriculture would be able to absorb only 75 million or so. The remaining 50 million people will require to be given gainful employment and a larger part of it will have to be found in the employment schemes of the Government. It is here that the commercial banks of the country have a crucial role to play for mitigating the intensity of unemployment particularly amongst the educated people of the country.

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As surveyors of credit, banks can help achieve this objective of encouraging self-employment in the economy through more dynamic and purposeful plans. However, credit alone cannot achieve economic development or ensure success of all self-employment ventures or even sustain employment ventures or even sustain employment promotion. Nevertheless, public banks have to play a much bigger role in financing schemes aimed at generating additional employment in the rural as well as in urban areas, especially for the self-employed persons and small entrepreneurs and farmers.

After nationalization of the major banks, the banking industry has become an important sector for generating employment opportunities. The instrument of credit policy in our country needs to be fully geared towards mitigating the impact and ultimately removing the scourge of unemployment through a

network of branch expansion. Given imagination, dash and enterprise, the nationalized banks can play a crucial role in creating employment, directly and indirectly, through branches by launching upon special credit schemes for the benefit of unemployed persons as also for employment generating projects.

It would be useful to know that since the nationalization in July, 1969 the number of offices of all commercial banks in the country rose from 8262 at the end of June, 1969 to 26996 at the end of December, 1977. As a result, the average population per bank office came down from 65000 to 20000 during this period, significant improvements have taken place over the years in the provision of banking facilities in unbanked and under banked areas. To some extent, it has resulted in a progressive reduction in regional disparities in the provision of banking facilities. Despite, however, this rapid expansion in banking facilities, much still remains to be done for the coverage of unbanked rural and semi-urban centres.

Taking into account the overall objective of providing banking facilities in the unbanked centres, it has been decided that each unbanked community development block in the country should be provided with a bank office latest by the end June, 1978. The proportion of commercial bank offices in rural areas to the total number of offices rose significantly from 22.2 per cent at the end of June, 1969 and further to 41.1 per cent at the end of December, 1977. Branch expansion thus provides commercial banks the much needed opportunity to tone up the efficiency and strive for the optimum utilization of their manpower, especially in rural and semi-urban areas.

As supplemental to expansion in bank branches, the credit schemes of banks can also help in augmenting employment opportunities. For example, liberal loans to the unemployed will make them self-employed. In fact, self-employment is something that can be given a real boost by bank loans on a mass scale. Although the impact of credit granted by public sector banks to the different categories of borrowers has yet to be assessed in terms of the actual absorption of unemployed people through credit,

experience convinces us that both branch expansion and liberal credit policy of banks do help in rehabilitating unemployed people.

Banking sector contribute to the solution of one of the gravest problems of Indian economy, must require foresight, courage and conviction on the part of bank executives. They have, therefore, to give up the part of bank executives. They have, therefore, to give up their conservative approach to traditional banking and adjust themselves to the changed circumstances with the dynamism that is required of them. Flexibility and liberal attitude towards terms of repayment and rate of interest should be their forte.

The top management must delegate more powers to the branch agents for using their discretion in the employment-oriented credit policy for the purposes granting loans. So far, bank credit has not been granted from the angle of creating self-employment opportunities even as we adopted the policy of more lending to priority sectors and to weaker sections. A study on the sectorial deployment of bank credit, particularly be nationalized banks, would be interesting and revealing. During 2017, food finance absorbed over Rs. 890 crores and the banking system financed 72.5 per cent of food procurement out of its resources. This explains why the share given to other sectors of the economy has not been picking up over the years. There is perhaps a greater need today than ever to examine the need and use of bank credit by different sector of the economy so that no sector is prepared and no sector gets starved of funds which could be utilized for pushing up production and employment.

Indeed, gone are the days when banking theorists, accepting the private profitability as the desideratum, analysed the efficiency of banks from the point of view of banks per se rather than from the point of view of how the economy is affected by the functioning of banks. Therefore, instead of thinking about the immediate effects of its policies, banks must consider their overall long-run effects. It is pertinent to note that bank credit increases velocity of money that augments investment capital

without at the sometime involving any increase in money supply in the country. Therefore, granting of liberal loans to unemployed will not have adverse effect in the economy by way of rise in price.

At same time, deposit mobilization of banks has to be strengthened. At present. Deposits work out to Rs.90 to 95 per capita in the country. In other words, hardly 18 per cent of the GNP is banked at present. Banking industry must influence savings and banking habit of the people. Let the credit and deposit mobilization policies of banks be placed in their proper perspective to serve as weapons to fight the menace of unemployment through removing impediment to economic growth, let the obsession with traditional concepts of liquidity employment through removing impediment to economic growth. Let the obsession with traditional concepts of liquidity and profitability die a natural death at the altar of growth and employment. In this way, the banking sector would become integrated in our planning process as a helping hand for solving the problem of unemployment.

CONCLUSION

Eradication of unemployment in ten years is one of the goals of the Government. To achieve this goal, their economic policy lays stress on labor-intensive agriculture, small-scale and rural and cottage industries. Apart from this, the Government lays emphasis on self-employment potential in the economy. The Finance Minister had informed the LokSahha on November 29, 1977 that the Government had accepted a scheme under which groups of banks with a headquarters in a region would come together and set up a common recruitment machinery. His decision is of great significance for nationalized banks. Its objective is to ensure impartial recruitment for providing personnel at various levels. It lays appropriate emphasis on keeping in view the requirements of the participating banks. The scheme now comes in the wake of the dissolution of the Banking Service Commission which remained a non-starter since its inception in 1975 as a centralized recruitment agency for the nationalized

banks. Now the central government has removed the Banking Service Recruitment Board (BSRB) recruitment systems. It is a major setback to the socially and economically weaker sections in India. The central government has removed the planning commission as a policy decision.

Commercial banks should now direct their operations to become leaders in development rather than merely following the developed areas to maximize private profitability. Every branch of banks should aim at having a certain number of proposals to be considered for self-employment schemes. Banks should have talented staff for rendering efficient service in developing their own manpower requirements as also in helping the economy through improving opportunities for self-employment.

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