

F.No.4/11/5/2011-IR  
Government of India  
Ministry of Finance  
Department of Financial Services

Jeevan Deep, IIIrd Floor,  
Parliament Street, New Delhi  
Dated the March 14<sup>th</sup>, 2012

To

The Chief Executive Officers of Public Sector Banks (including IDBI).

Subject: **Policy on Succession Planning in Public Sector Banks.**

Sir,

I am directed to refer to this Department's letter of even number dated 22.2.2012 on the above subject and to say that the comments of various PSBs were discussed during the meeting held on 7.3.2012 with GM(HR) of all PSBs. As agreed to, a Policy on Succession Planning in Public Sector Banks+ has been prepared and is enclosed herewith.

2. The Banks are, therefore, requested to prepare a Succession Plan for the next five years, for consideration of the Board of Directors, keeping in mind the above guidelines. The Succession Plan may be finalized before 31.03.2012 and put into effect for the year 2012-13 onwards.

Encl: as above

Yours faithfully,  
Sd/-

(Manish Kumar)

Under Secretary to the Government of India

Copy to:

- 1) Secretary(FS)
- 2) JS(PFI) and JS(IF)
- 3) All Government Nominee Directors.

### **Policy on Succession Planning in Public Sector Banks.**

It has been noticed that presently many Public Sector Banks (PSBs) do not have a well conceived policy for Succession Planning. Therefore, Government is of the view that there is urgent need for PSBs to first identify key verticals as per their business plan and assess the requirement for specialized and skilled manpower for manning key positions in these verticals. Thereafter, they should identify high potential individuals from within their ranks for grooming and equipping with specialized skills or plan for recruitment in a way that will ensure the filling up of these key positions, well in time.

2. **KEY VERTICALS** – The following key verticals could be identified for the purpose of Succession Planning:-

- 1) Credit (Agri.)
- 2) Credit (others)
- 3) IT
- 4) HR / Training
- 5) Treasury
- 6) Forex
- 7) Marketing
- 8) Law
- 9) Risk Management
- 10) Internal Audit

**(Note: Banks may add or delete any verticals from the above illustrative list considering their business mix and business plan.)**

3. **MANPOWER PLANNING** – To begin with, a Manpower Plan should be prepared by the Bank taking into account the business plan for the next five years, requirement of staff, requirement of specialized skills, recruitment procedures, attrition rates, promotion channels, etc. A pool of about three times the number of anticipated vacancies at each level & every vertical may be ensured. While doing this exercise, progressive reduction in employees' cost to income ratio and increase in per employee productivity should be taken into consideration. For this purpose, officers be selected keeping in view their qualifications, experience and willingness. They would be given intensive in house, and external training.

4. **RECRUITMENT PLAN** – Having made a Manpower Plan, Banks may identify the manpower requirement in these key verticals for the next five years and prepare a Recruitment Plan which will ensure that the anticipated manpower requirement and skill set needs are addressed. While doing this assessment, the availability of skill/specialization in the bank and gaps if any, may be taken into consideration

5. **PROMOTION AND PLACEMENT POLICY** – The promotion and placement policy of the Bank should also be geared to ensure that adequate number of officers is promoted to fill the key positions in the identified verticals. Identified high potential individuals should be given exposure in field positions as well as in two or three specified verticals of the Head Office and wherever possible, in overseas branches. It should be ensured that sufficient officers are kept in waiting to man key positions as soon as they become vacant, so that there is no leadership gap.

6. **TRAINING POLICY** . In tandem, Banks must develop a Training Policy which ensures suitable skill up-gradation and capacity building of identified officers. Banks may consider devising schemes for full or partial funding of tuition fees of deserving employees wanting to take admission in reputed institutes for advanced courses. They may also be attached in offices of Correspondent Banks for on-the-job training and grooming for manning these key positions.

7. **RETENTION POLICY:** Banks may make systematic retention policies for creating and fostering an environment to encourage employees, addressing their diverse needs/grievances, developing a positive inter se relationship. Policy might include providing meaningful work to employees, giving them challenging tasks, enabling them to be part of the decision making process and offering them training and development opportunities. Policy may provide for suitable rewards & recognition and defined career path for High Potential individuals holding key positions. Provision of signing a contract/bond with employees being given specific training can be considered.

8. **EMPLOYEE ENGAGEMENT / WELLNESS POLICY:** Banks may devise innovative and creative schemes which enhance the Quality of Work Life and welfare of officers/employees and their family members, benefits in the form of monetary/non-monetary in appreciation of their general wellbeing and the constraints (associated with the job) they have to face, schemes which augment their Work Life Balance etc.

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