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National
Skill Development
Corporation

Human Resource and Skill Requirements in the
**Banking, Financial Services
& Insurance** Sector (2022)

– A Report



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Human Resource and Skill Requirements in the Banking and Financial Services Insurance Industry*

Study on mapping of human resource skill gaps in
India till 2022

*Interim

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1. Environment Scanning and Competitiveness of BFSI Industry

1.1. The Global BFSI Industry

Global financial markets witnessed turbulent conditions during the most part of 2007-08 as losses on US sub-prime mortgage loans escalated into widespread financial stress, raising fears about stability of banks and other financial institutions. According to estimates of the International Monetary Fund (IMF), global GDP is expected to decelerate from 5.0 per cent in 2007 to 4.1 per cent in 2008 and further to 3.9 per cent in 2009¹.

In the face of slowing down of the global economy in 2007-08, India and China remained the main drivers of global growth backed by strong productivity gains and progressive integration into the global economy. The Indian banking sector is growing at a fast pace, outperforming the Indian economy with a CAGR of 7% from 2000 to 2008. The total assets of the scheduled commercial banks has increased by 25% from Rs. 3,459,946 crore in 2007 to Rs. 4,326,469 crore during 2008, while the deposits collected by the banks during the same period has increased by 23%. According to the sources of Economist Intelligence of India, deposits as a percentage of GDP is expected to grow from the estimate of 62.5% in 2004 to 82.7% during 2013, at the same time, the total financial assets as a percentage of GDP are expected to grow from 365.8% to 563.1% during the same period.

According to a study conducted by FICCI, the penetration of banking services stands at 35% in India, which is much lesser than other countries. Thus, with the background of lower penetration level when compared to other developing/developed nations, India has a significant potential for improvement given the vibrant economy.

1.2. Overview of India's BFSI Industry

Banking & Financial system of the country plays a substantial role in promoting the long term growth of the economy. The major segments of the Industry are Banking, Insurance and Mutual Funds. Banking and Insurance sector contributed 6% of GDP during the year ended 2008. Sector's contribution to GDP during the period 2001 to 2008 has grown at a CAGR of 11.5% in real terms.

¹ Source: RBI Report, 2008

Figure 1: The Indian Financial System –A snapshot

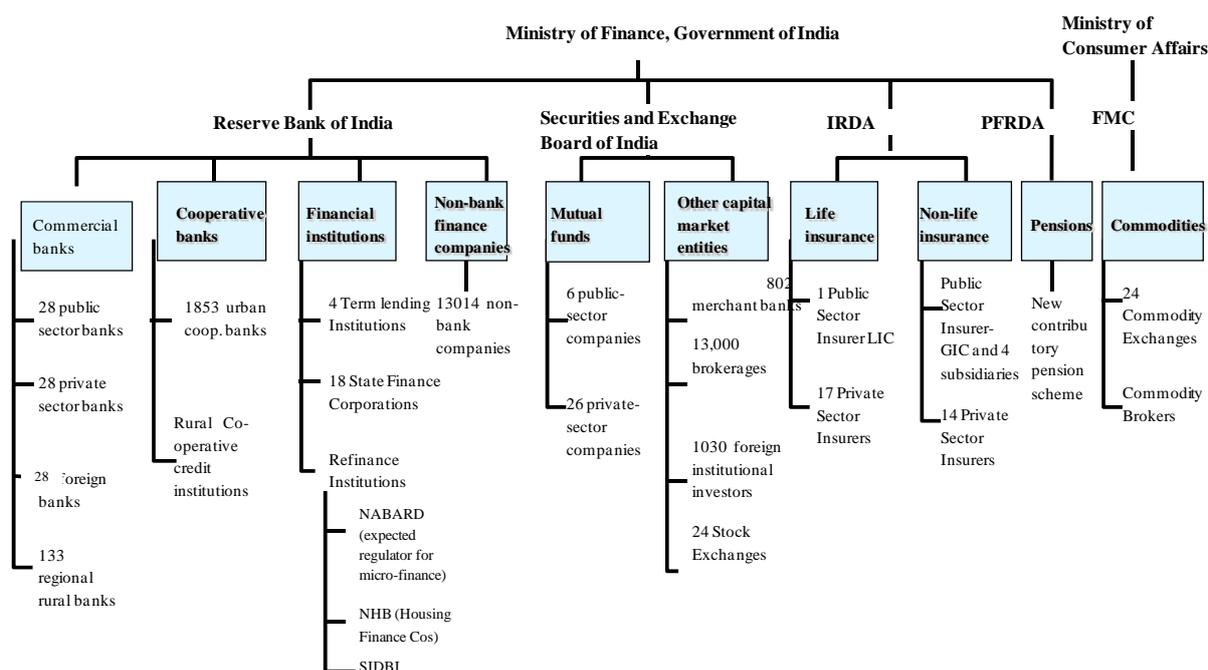


Figure 2: Key Players in Indian Banking Industry and their products offering

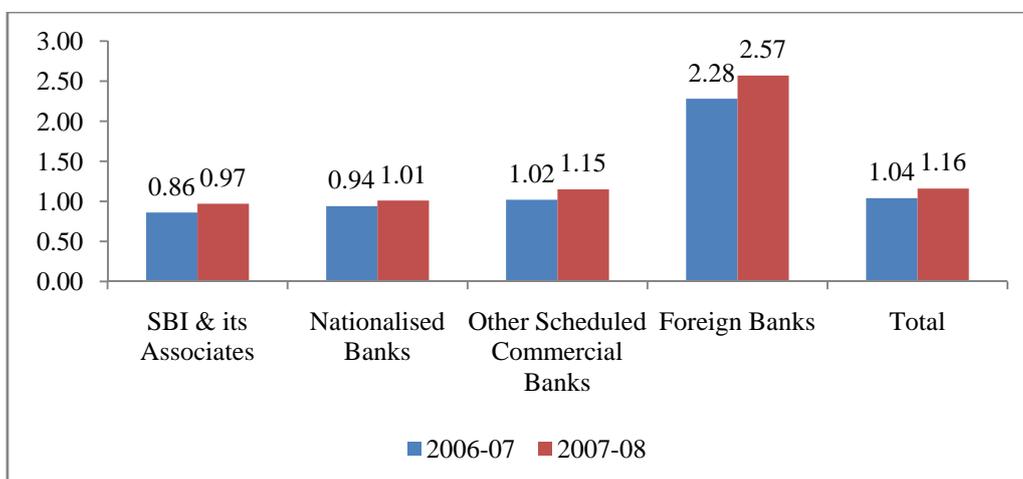
<p>Key Players</p> <ul style="list-style-type: none"> • State Bank Of India • Punjab National Bank • Canara Bank • Bank Of Baroda • Bank Of India • Union Bank Of India • IDBI • ICICI Bank • HDFC Bank • Axis Bank • J&K Bank • Federal Bank • Standard Chartered Bank • Citibank • HSBC • ABN Amro • Deutsche Bank • Bank Of America 	<p>Loan Type:</p> <ul style="list-style-type: none"> • Working Capital finance • Term Loan • Project Finance • Personal Loans • Home Loans • Vehicle & Personal Loan • Agriculture Loans <p>Deposit Type:</p> <p>Regular fixed Deposits Recurring Deposits Savings Account Deposit Current Account Deposit</p> <p>Other Services:</p> <p>Mutual fund and Insurance unit sales. Wealth management. Capital Market and Advisory services Payment and remittance services</p>	<p>Borrower Type:</p> <ul style="list-style-type: none"> •Corporate- <ul style="list-style-type: none"> ○ Large Corporate ○ SME •Retail •Agriculture <p>Investee Type:</p> <p>Government Corporate Financial Institution Institutional Investor Retail Investor</p>
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1.3. Banking

Currently, India has 79 scheduled commercial banks out of which 28 are public sector banks, 23 are private banks and 28 are foreign banks. The Indian Banking Industry performance in terms of Return on Assets, has improved marginally from 1.04% during the 2007 to 1.16% in the 2008. Deposits

mobilised by the banks has increased from Rs. 32,889 crore in FY2007 to Rs. 42,206 crore in FY2008 registering a growth rate of 28%. During the same period, advances extended by the banks has increased from Rs. 24,161 crore to Rs. 31,355 crore at a growth rate of 30% (Y-o-Y).

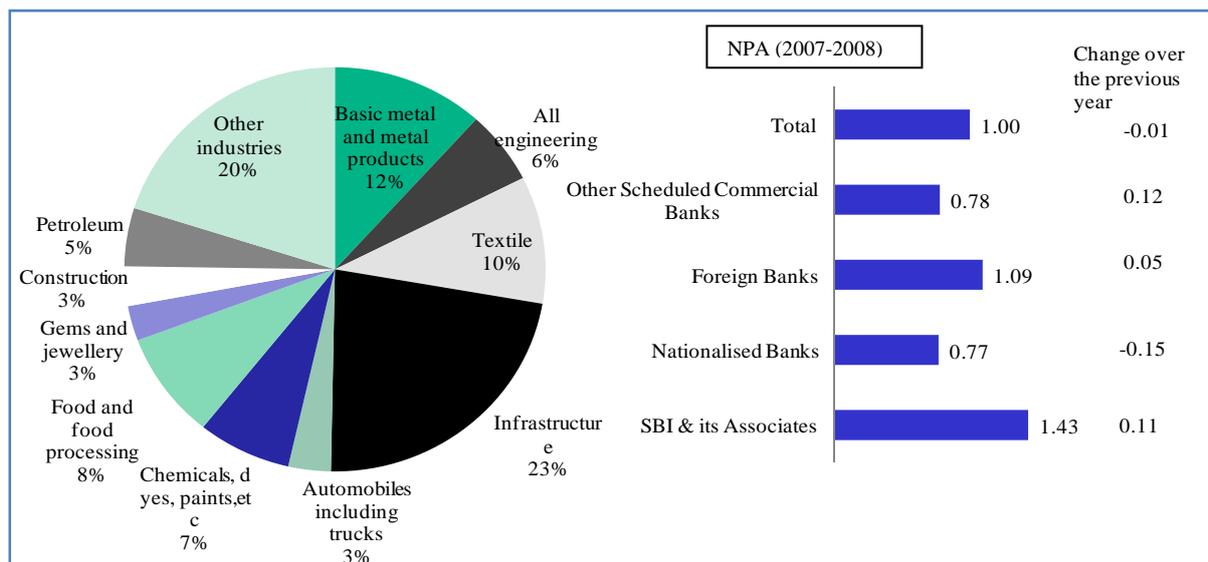
Figure 3: Banking Segment – Return on Asset²



Source: RBI and IMAcS analysis

The role of bank credit is an important factor to be examined in, as it helps to create the favourable situation as well as maintain it for a long period to boost economy. The following chart explains the industry wise credit given by banks to various sectors. 23% of the bank credit has been extended to infrastructure sector during the FY2008.

Figure 4: Banking Industry – Industry wise credit and Net Non-performing assets (2007-2008)

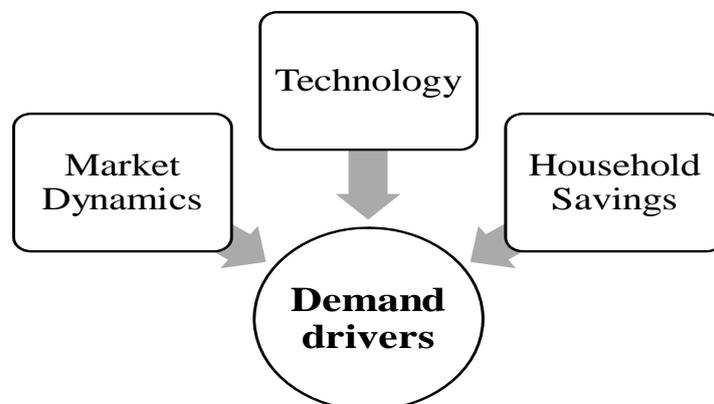


Source: RBI and IMAcS analysis

² Return on Asset: A measure of profitability, equal to earnings divided by total assets.

1.3.1. Demand Drivers for Banking Segment

Figure 5: Major demand drivers for banking industry



Market dynamics

- Increasing reach of banks into rural areas and Tier2/Tier3 cities. Banks aim to achieve a penetration level of 74% and 81.5% in 2013 and 2018³.
- Micro finance emerging as a major thrust area
- Increasing Mergers and acquisitions to reap the benefits of consolidation.
- Improving competitiveness in terms of lower interest rates, increased productivity, better working capital management, deleveraging.
- Growth in Indian exports and imports.

Technology

- Technology in banking is drawing more and more customers for banking related products and services as they become more cost effective and customer friendly. Banks renders various technology based services such as mobile banking, net banking, tele banking, atm/credit cards, etc.
- Banking sector spend about 46% of its technology budget in business continuity, 32% for adding product functionality/new products/new features and the remaining 22% in new technology which can change the business process⁴.

Household savings

- Bank deposits have been the mainstay of the saving process in the Indian economy and banks have played an increasingly important role in stepping up the financial savings rate, physical savings, nevertheless, have tended to grow in tandem with the financial savings. With the shrinking share of household sector deposits in total deposits, banks need to explore ways of

³ Ernst & Young

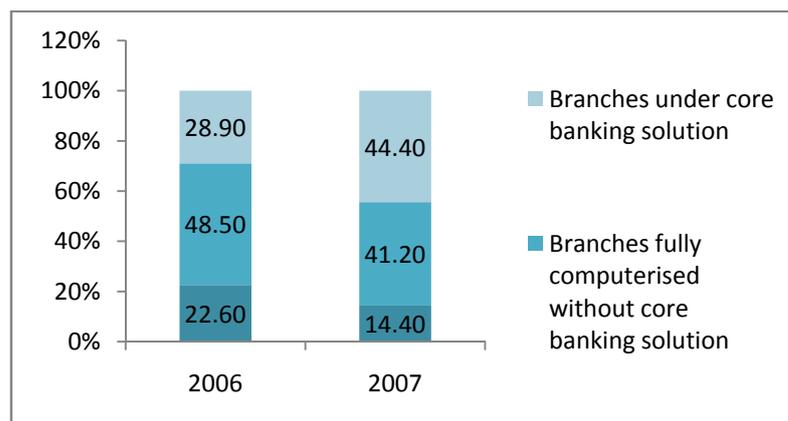
⁴ PricewaterhouseCoopers, Financial express

broadening the depositor base, especially in rural and semi-urban areas by offering customised products and features suitable to individual risk-return requirements.

1.3.2. Key Success Factors

- Outsourcing of activities to achieve greater efficiencies and reduce overheads. While new entrants and substantial industry growth drive outsourcing among the private and foreign players, inefficiency among the employees to handle front-end functions drives the public sector banks. Banking industry's outsourcing size is estimated as Rs.4.08 billion and is expected to grow at a CAGR of 47% for the next 4 years.⁵ This is expected to generate significant employment opportunities.
- Consolidation through mergers and acquisitions to reduce the operating cost of banks which has increased at an annual growth rate of 21% during 2008.
- Six Sigma strategies in banking to bring down the transaction time for the customers. For example, ICICI bank adopting six-sigma to reduce the transaction time to almost one third of the current transaction time.
- Ability to adopt technology. Indian banks have been making significant investments in technology. In addition to the computerization of their front-office operations, the banks have moved towards back-office centralization. Banks are also implementing "Core Banking" or "Centralized Banking", which provides connectivity between branches and helps offer a large number of value-added products, benefiting a larger number of customers. A number of banks have joined together in small clusters to share their ATM networks.

Figure 6: Computerisation in PSB - (As at end-March)



Source: RBI

- Ability to tap the retail market can be an important success factor for banks. Retail Finance market has grown rapidly over the last 4-5 years and the momentum is expected to continue.

⁵ The Indian Banker

- Ability to tap into new markets and to venture into new areas such micro finance, investment banking, bancaassurance etc.
- Ability to transform Plain Vanilla banking' to “multi-specialist” banking offering wide range of services to increase reach ability and to retain customers.
- Ability to offer new customised product for the targeted population.
- Proper Asset liability management.

1.3.3. Key Risk Factors

- Asset Quality Stress: Liquidity shortage faced by small and leveraged companies might translate into a solvency crisis and uncertainty on personal incomes of the borrower has increased the risk of banks. The net NPA ratio of the SBI and its associates and other scheduled commercial banks is 1.43% and 1.09% at the end of FY08 as compared to 1.32% and 0.97% at the end of FY07.
- Operating expenses of public sector bank is much higher than the Private and foreign banks.
- Customer defaults will affect the performance of the banks.
- Increase in interest rates reduces the competitiveness of banks in lending. Short term interest rate has moved from 6.11% during March 2006 to 9.15% as on Aug 13, 2008⁶.
- Liberalisation of norms for the entry of foreign players, pose a threat to Indian players.

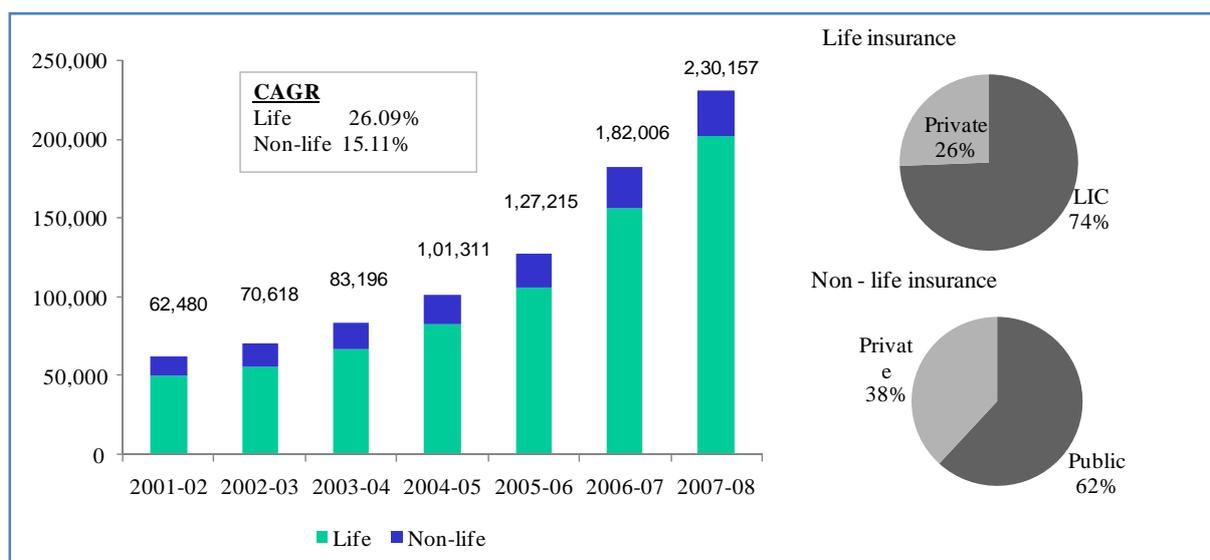
1.4. Insurance

The insurance industry in India has come a long way since the time when businesses were tightly regulated and concentrated in the hands of a few public sector insurers. Following the passage of the Insurance Regulatory and Development Authority Act in 1999, India abandoned public sector exclusivity in the insurance industry in favour of market-driven competition. This shift has brought about major changes to the industry. The inauguration of a new era of insurance development has seen the entry of international insurers, the proliferation of innovative products and distribution channels, and the raising of supervisory standards.

Insurance has two sub-segments, life insurance and non-life insurance. Total premium collected by the insurance segment for all the life and non-life insurance policies has grown at a CAGR of 24.27% over the period 2002 to 2008. LIC is the largest player in the life insurance segment contributing to 74.39% to the total life insurance premium collected.

⁶ RBI report 2008

Figure 7: Insurance Segment –Growth in insurance premium (2002 – 2008)



Source: IRDA and IMAcS analysis

The Indian life insurance market is still under-penetrated and far from maturity. In 2008, it constituted approximately 4% of the country’s GDP, as compared to the life insurance penetration rate of around 8%-10% of the GDP in other Asian countries.

1.4.1. Demand Drivers for Insurance Segment

- Changing consumer behaviour, GDP growth rate, changing socio economic demography, and natural calamities occurring from time to time are the key contributors.
- Appointment of agencies by insurance sub-committee to create life insurance awareness.
- Growth in rural insurance has been emphasised since the nationalisation of life insurance business. Tapping the rural segment and the government support for the same are major demand drivers for rural penetration.

1.4.2. Key Success Factors

- Life insurance is a product that is “sold to” consumers, not a product that is “bought by” consumers. Success is therefore achieved through distribution
- Ability to reduce the distribution cost- Distributing products through agency channel is expensive, as an advisor spends more time and money to travel and convince clients. Tying up with district central co-operative banks and regional rural banks and also taking the help of non-government organisations and self-help groups for distribution.
- Ability to line up plans to aggressively increase the market share by launching cost-effective models to target rural segment.
- Lower premium is one of the key success factors for insurance companies.

1.4.3. Key Risk Factors

- Insurance contracts are long term in nature, involving higher level of uncertainty.
- Direct selling agents led distribution system generates quick volumes, but can be difficult in terms of managing sales quality.
- The slowdown in the economy reduces the disposable incomes of people, leading to shortage of money for people to purchase insurance schemes. Many small and medium businesses either did not buy insurance covers, like fire insurance, or went for lower cover to save money. Also the sharp drop in sales of commercial vehicles, tractors and near stagnation in car sales led to a big drop in insurance premiums.
- Less robust industrial growth has reduced the growth in Non-life insurance segment.
- Risk of high turnover of agents is a huge drain on the financials of the insurers who spend lot of money and time on prospecting, appointing and training of these agents. The policies procured by these agents are rendered orphan on their termination and thereafter result often into lapsation due to lack of servicing support.
- Corporate agents: The image of the profession of Agency too suffers a setback since the public in general and prospective agents in particular perceive it as lacking in stability, thus making it more difficult for insurers to find good agents.

1.5. Non Banking Financial Companies (NBFC)

In terms of the Section 45I(f) (read with Section 45I(c)) of the Reserve Bank of India (RBI) Act, 1934, as amended in 1997, the principal business of NBFCs is that of receiving deposits, or that of a financial institution (FI), such as, lending, investment in securities, hire purchase (HP) finance or equipment leasing (EL). As shown in figure below, NBFCs in India are a combination of heterogeneous entities.

Figure 8: Types of NBFC

Entity	Principal Business
Asset Finance Companies (AFCs)	Financing of physical assets supporting productive/economic activity, such as automobiles, tractors, lathe machines, generator sets, earth moving and material handling equipments, moving on own power and general purpose industrial machines. Principal business for this purpose is defined as aggregate of financing real/physical assets supporting economic activity and income arising there from is not less than 60% of its total assets and total income respectively.
Investment company (IC)	Acquisition of securities; includes primary dealers which, inter alia, deal in underwriting and market-making for government securities.
Loan company (LC)	Providing finance by making loans or advances, or otherwise for any activity other than its own; excludes EL/HP/Housing Finance Companies (HFCs).

Source: IMA CS Analysis

In terms of relative importance of various activities financed by NBFCs, hire purchase (HP) is the largest activity, accounting for 46.7% of their total assets at end-FY2008 (year ended March 2008), followed by loans & inter-corporate loans and deposits or ICDs (28.3%), and investments (16.4%). Some of the major NBFC in India are listed below:

- HDFC
- LIC Housing
- Reliance Capital
- Sundaram Finance
- Mahindra Finance
- Cholamandalam DBS
- Bajaj Auto Finance

1.5.1.1. Key Success Factors

- Well defined credit evaluation policies, quick turnaround time and personalized customer service, strong MIS providing timely alerts on potential defaults and the ability to handle large amounts of cash.
- Ability to manage the credit quality through strong local knowledge, close access to customers and a strong focus on recovery and collection efforts.
- Ability to penetrate into the niche segments and specialisation enables NBFCs to command high yields that translates into high profitability

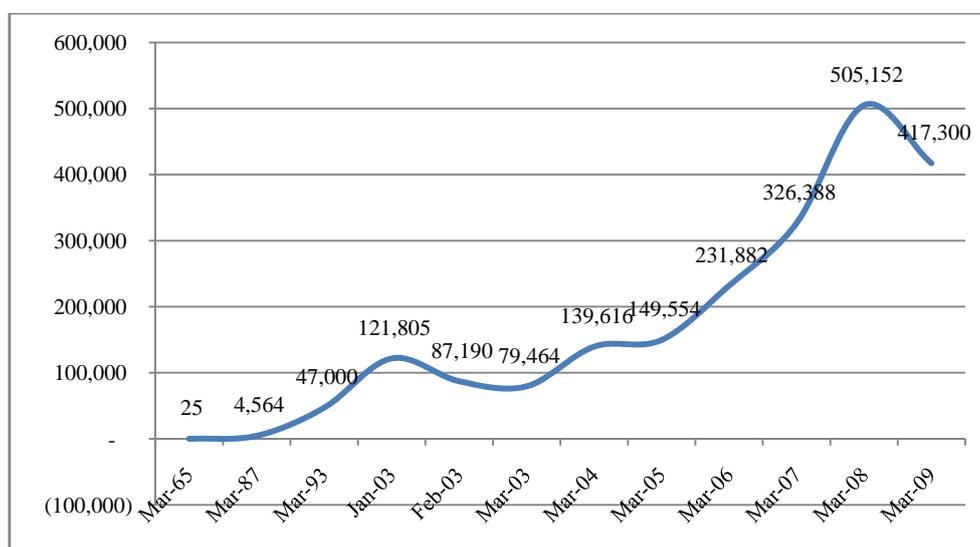
1.5.1.2. Key Risk Factors

- ***Threat from banks:*** A few banks like ICICI, ABN Amro, Citibank etc have already announced big plans or entered, to tap the rural and micro-finance market. The extent of threat will depend on the extent to which banks can acquire the specialised capabilities required for the niche segments and the market share they can eventually manage to capture.
- ***High sensitivity to an economic downturn:*** In case of an economic downturn (though highly unlikely in the medium term), because of the nature of the target segments (low and middle income), NBFCs are likely to be the first and worst hit.
- ***Tighter regulatory regime:*** Given the nature of the current regulatory regime, NBFCs are likely to face tighter control.
- ***Cost of funds:*** NBFCs have high cost of funds when compared to banks.

1.6. Mutual Funds

There are over 30 fund houses managing a couple of hundred schemes in the Indian mutual fund industry⁷. As of the end of March 2009, India's mutual funds had assets under management of Rs. 417,300 crores. India's market for mutual funds has generated substantial growth in assets under management (AUM) over the past 10 years, but as shown in figure below, this rate of growth has been particularly impressive during the period 2005 to 2008. There was a slight decline in the AUM during the year 2008-09 owing to the global financial crisis, however, India's low penetration level (AUM to GDP ratio) as compared to other developed economies, indicates significant scope for future growth.

Figure 9: Growth in Assets under Management (Rs Crore)



Source: AMFI

The Indian MF industry has gone through some evolutionary changes.

- **Phase-I (Mar-65 to Mar-87):** The only player during Phase-I is UTI.
- **Phase II (Mar-87 to Mar-93):** Entry of non- UTI, public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual Fund was the first non- UTI Mutual Fund established in June 1987.
- **Phase III (Mar-93 to Jan-03):** Entry of private sector mutual funds. As at the end of January 2003, there were 33 mutual funds with total assets of Rs. 1,21,805 crores The Unit Trust of

⁷ Cygnus Industry monitor

India with Rs.44,541 crores of assets under management was way ahead of other mutual funds

- **Phase IV (Since Feb-03):** UTI was bifurcated into two separate entities and with recent mergers taking place among different private sector funds, the mutual fund industry has entered its current phase of consolidation and growth.

Currently, there is need for more product innovations for higher penetration level to increase the customer base. There is also a need to evolve the distribution channels. Many of the mutual fund players, has tied up with various banks and institutions and even with the department of post to help increase the volume of business apart from the traditional channels. All these initiatives will give birth to more employment opportunities at the customer touch point level.

Table 1: Top 10 Mutual Fund players based on AUM as at the end of Apr-2009 (Rs. In mill)

#	Mutual Fund	AUM
1	Reliance MF	883,879.88
2	HDFC MF	638,806.32
3	ICICI Prudential MF	560,492.76
4	UTI MF	544,899.90
5	Birla Sun Life MF	518,292.69
6	SBI MF	308,750.16
7	LIC MF	261,152.68
8	Kotak Mahindra MF	216,476.28
9	Franklin Templeton MF	206,337.20
10	Tata MF	194,388.18

1.6.1. Demand Drivers for Mutual Fund Segment

The demand drivers for the mutual fund industry are discussed below:

- Favourable economic and demographic factors
- Under-penetrated market with a scope of increasing penetration and insurance density (per capita insurance premium)
- Expanding distribution reach with insurers using multiple channels to reach out to customers
- Private life insurers offering specialised products and unit-linked schemes coupled with quality customer service.
- Penetration into untapped rural market.

1.6.2. Key Success Factors

- ***Product innovation:*** Apart from the plain vanilla product, add-ons to tackle the changes in the economic environment will help the players in creating a niche for themselves.
- ***Customer focus:*** Helping investors in understanding economic trends and their impact on mutual fund, disclosure of portfolio evaluating funds, addressing the doubts of customers on questions specific to mutual fund investing and offering information/advice through newsletters etc will increase the product reach ability.
- ***Market innovation:*** Tailor made asset allocation service bundled up with other services such as tax advices and other wide range of research services, helps the players to retain the customers.
- ***Brand building:*** With a strong brand, players will be in a better position to market their products.
- ***Distribution channels:*** Distribution channels need to be sufficiently large to tap investments from all corners and segments

1.6.3. Key Risk Factors

- Investments made through mutual fund are exposed to market risk. The NAV of units issued under the scheme can go up or down, depending on factors and forces affecting capital markets
- Given the recent financial crisis, fund managers are facing challenges through redemptions, lower sales, and a flight to safety

2. Human Resource and Skill Requirements in the Banking & Financial Services Industry

IMaCS has covered the following segments in analyzing the human resource and skill requirements in the Banking and Financial Services Industry:

1. Banking
2. Insurance
3. Non Banking Financial Companies (NBFC)
4. Mutual Funds
5. Financial Intermediaries

Estimated current employment in the above segments is provided in the table below:

Table 2: Employment in Various Segments in BFSI Industry

<i>Industry segments</i>	<i>Total employment (In '000s)</i>	<i>% of total</i>
Banking*	1100 – 1200	25 – 30%
Insurance*	200 – 300	4 – 5%
NBFC*	25 – 30	0 – 1%
Mutual Funds*	15 – 20	0 – 1%
Financial Intermediaries	2500 – 3000	65 – 70%
Total	4000 – 4500	100%

Source: RBI, IRDA, Capital line, IMaCS analysis; *On-rolls employee

Apart from the on-rolls employment there is significant contractual employment across all the above segments through various financial intermediaries such as Direct Selling Agents (DSA's), Insurance agents, Mutual Fund Advisors, etc.

These intermediaries play an important role and are primarily involved in selling products of the respective industry segments. These intermediaries work on commission basis and are not part of the company payrolls. These are also known as 'Feet-on-street'.

2.1. Banking

2.1.1. Current employment pattern

The banking activity in India is currently concentrated primarily in the metro and urban areas as shown in the table below:

Table 3: Concentration of total outstanding credit and deposits

<i>Region</i>	<i>Outstanding credit</i>	<i>Total deposit</i>
Metro	63%	54%
Urban	17%	21%
Semi-urban	11%	14%
Rural	9%	11%
Total	100%	100%

Source: RBI, IMaCS analysis

As seen in the table above, metro and urban regions accounts for around 80% of total outstanding bank credit and 75% of total bank deposits. In line with the concentration of banking activity, the manpower employment is also concentrated in the metro and urban areas as shown below.

Table 4: Regional Distribution of human resource

Region	Percentage Break-up
Metro & Urban	60%
Semi-urban	21%
Rural	19%
Total	100%

Source: RBI, IMAcS analysis

The geographic distribution of human resource is provided in the table below

Table 5: Geographic distribution of human resource

Region	Percentage Break-up
South	28%
West	19%
North	18%
East	16%
Central	16%
North-east	2%
Total	100%

Source: RBI, IMAcS analysis

Southern region accounts for the maximum human resource employment followed by the western and northern region.

Looking at the state-wise employment of human resource in the banking industry, the top five states accounts for approximately 47% of total employment with Maharashtra accounting for 13% of the total banking workforce.

Table 6: State wise distribution of human resource in banking

S. No.	State	Percentage of total people employed
1	Maharashtra	13%
2	Uttar Pradesh	10%
3	Tamil Nadu	9%
4	West Bengal	8%
5	Kerala	7%
6	Andhra Pradesh	7%
7	Gujarat	6%
8	Karnataka	5%
9	Delhi	5%
10	Punjab	4%
11	Others	26%
	Total	100%

Source: RBI and IMACS analysis

2.1.2. Process flow and profile of people employed

The banking operations can be categorised under the following three broad categories:

- Corporate Banking – Also known as wholesale banking, it caters to corporate clients and also include investment banking functions
- Retail Banking – Retail banking is primarily branch based banking and it caters to retail public at large
- Treasury – Treasury function focuses on the asset liability management of the bank and covers activities in various markets i.e., G-secs, forex, interest rates, bullion, equity and alternative assets.

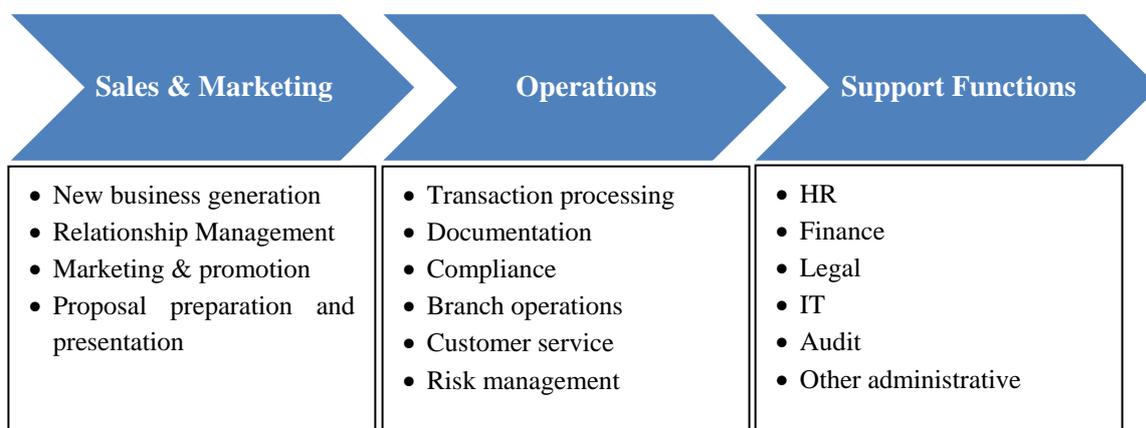
We will understand the steps involved in a loan transaction to understand the typical process flow in a banking organisation:

- **Loan origination** – This can be either in the form of acquisition of new clients or selling new loan products to an existing client. In retail banking this function is handled by the branch sales executive or sales manager, whereas in case of corporate banking relationship managers are vested with the responsibility of generating new businesses.

- **Credit appraisal** – After the identification of customer and the suitable loan product, a proposal is prepared by the sales team. This note specifies the facility proposed to be extended to the borrower and highlights the credit worthiness of the borrower. This note is then reviewed by a separate credit team which conducts an independent evaluation of the credit worthiness of the borrower and accepts or rejects the proposal based on its analysis
- **Documentation** – If the proposal is accepted then it moves to documentation stage where necessary documents and agreements are executed between the borrower and the Banks. Banking being highly regulated industry, documentation forms an important step in the whole process
- **Disbursement** – After documentation, the next stage is disbursement where the amount sanctioned is provided to the borrower based on the agreed terms and conditions
- **Servicing of accounts** – The loan taken by the borrower has to be regularly serviced with regular payment of applicable interest and principal repayment to ensure the smooth functioning of the accounts.

Based on the above transaction the typical function of a bank can be categorised in three broad functions as shown below

Figure 10: Typical activities in the Banking function



The percentage of people employed in each of the above function is specified below:

Table 7: Distribution of human resource by functions (for on-roll employee only)

Function	Percentage of people
Operations	55-60%
Sales & Marketing	25-30%
Support functions	10-15%
Total	100%

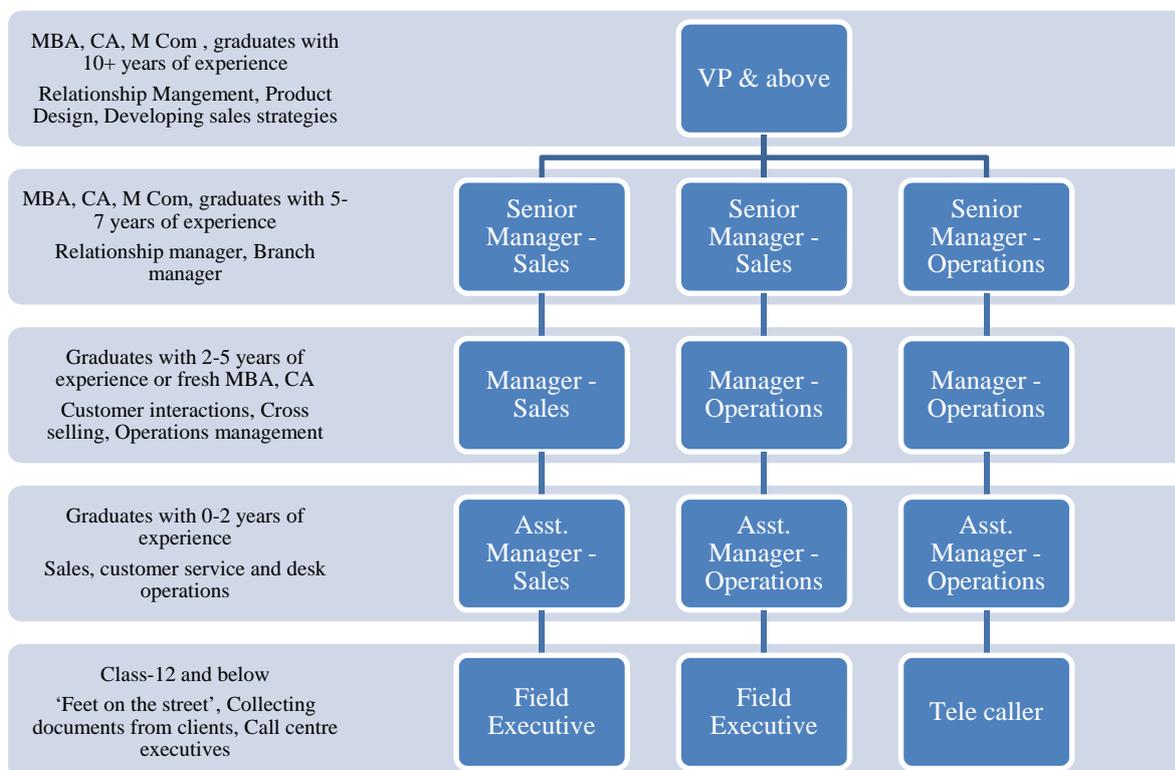
Source: Primary Research and IMaCS analysis

As seen from the above table majority of the people, 55-60%, are involved in the operational activity in the banks. Apart from the on-rolls employee there are also contractual workers, mostly in private banks, through Direct Sale Agency (DSA) model. These agencies works on contract basis and is involved in the following functions

- Sales pitch, mostly through phone calls and primarily in the retail segment
- Field activity to collect documents and meeting potential client
- Call centre activities

To support all the above activities, the profile of people employed in a banking industry is shown below

Figure 11: Profile of people vis-a-vis educational qualification and experience



The education-wise distribution of workforce is provided in the figure below:

Table 8: Distribution of human resource by education level in banking

Education Level	% of people	Functional area assigned
MBA, CA, CS, ICWA	50-60%	Corporate banking, Treasury, Compliance, Risk, Credit, HR, Management
Other Graduates & below	20-30%	Back office operations, Retail banking, Support functions
Engineers	10-20%	IT, Retail banking, Back office operations
Total	100%	

Source: Primary Research and IMA CS analysis

As seen from the above table the majority of the people employed in banking industry are from highly skilled category such as MBA, CA, CS, ICWA and equivalent.

2.1.3. Skill requirement and skills gaps

Traditionally banking industry employs highly skilled people with specialised education qualification for most of its functions. However, over the last few years there has been an increasing trend to outsource some of the activities through DSAs. This outsourcing has resulted in creation of employment opportunities for minimally educated people which were not earlier part of the banking system in the form of customer care support and tele marketing/ tele sales persons. These people are expected to possess good communication (spoken, written) skills, high level of perseverance, high energy level, emotional intelligence, and aptitude for repetitive work, integrity and managing customer’s expectations.

We will analyse the skill requirements and gaps across various functions and levels in the banking organisation

Table 9: Skill requirements and skill gaps in retail banking

Role	Skills required	Skill Gaps
Executive - Sales	<ul style="list-style-type: none"> ▪ Detailed understanding of various retail banking product ▪ Understanding of the bank procedures and documentation related with each products ▪ Awareness of regulatory norms 	<ul style="list-style-type: none"> ▪ Knowledge of the Banking Industry (understanding the role of banking in Indian economy, players in the market, public vs private banks, different kind of customers like urban, rural and their needs) is poor

Role	Skills required	Skill Gaps
	<ul style="list-style-type: none"> ▪ Orientation towards generating high volumes ▪ Ability to work in regulated environment ▪ Good communication skills ▪ Ability to meet and chase targets ▪ Ability to understand customer need and suggest suitable product ▪ Patience and perseverance ▪ Presentable and pleasing personality 	<ul style="list-style-type: none"> ▪ Selling skills – ability to present bank products in an attractive manner, highlight key positive features, understand and capture the customer needs quickly, ability to establish credibility, cross-selling, up-selling, follow up, humility ▪ Sales effectiveness – how to convert opportunity into sales with minimum effort, ability to distinguish prospective customer with a ‘window shopper’, networking ▪ Presentation - communication skills, self-presentation, understanding of customers’ background and exact needs
Executive - Operations	<ul style="list-style-type: none"> ▪ Complete understanding of banking operations ▪ Understanding of regulations governing banking operations ▪ Sound understanding of standard operating procedures ▪ Bank MIS System ▪ Good accounting skills (in case of back office) ▪ Knowledge of banking software like Finacle ▪ Preparing reports, MIS etc ▪ Basic knowledge of computers ▪ Ability to detect fake notes by usage of UV ray technology ▪ RBI clean note policy ▪ Orientation to pick up KYC norms ▪ Adherence to processes 	<ul style="list-style-type: none"> ▪ Understanding of banking operations ▪ Lack of knowledge on Banking law and practice - Knowledge of Negotiable Instruments Act, application of laws to day-to-day operations, ability to leverage on different aspects of application of law ▪ Ability to work in regulated and stressful environment

Role	Skills required	Skill Gaps
Branch Manager	<ul style="list-style-type: none"> ▪ Complete knowledge of banking operations, regulations and products ▪ Legal norms ▪ People management ▪ Deciding on sales targets for individual executives based on overall branch target ▪ Focus on branch profits ▪ Trouble shooting ▪ Motivating people ▪ Escalating critical issues zonal/regional office 	<ul style="list-style-type: none"> ▪ People management ▪ Not much technical skill gaps as they are experienced and well versed with banking system
Field executive (under DSA)	<ul style="list-style-type: none"> ▪ Knowledge of the various products ▪ Knowledge of the various documents including KYC ▪ High level of perseverance ▪ High energy level ▪ Emotional intelligence ▪ Aptitude for repetitive work ▪ Integrity ▪ Managing customer's expectations ▪ Selling skills ▪ Good communication (spoken, written) skills 	<ul style="list-style-type: none"> ▪ Poor knowledge of banking products ▪ Poor communication skills ▪ Poor selling skills

Table 10: Skill requirements and skill gaps in corporate banking

Role	Skills required	Skill Gaps
Relationship Manager	<ul style="list-style-type: none"> ▪ Detailed understanding of various banking product available for the corporate and product structuring ▪ Institutional sales ▪ Understanding of the bank procedures and documentation related with each products ▪ Day to day interaction with the client 	<ul style="list-style-type: none"> ▪ Awareness about product structuring ▪ General economic awareness and ability to establish a dialogue with the client ▪ Communication skills

Role	Skills required	Skill Gaps
	<ul style="list-style-type: none"> ▪ General economic awareness and awareness specific to the industry of the client ▪ Awareness of regulatory norms ▪ Orientation towards generating high value deals ▪ Ability to work in regulated environment ▪ Very good communication skills as they are required to deal with senior people from the company ▪ Ability to meet and chase targets ▪ Presentable and pleasing personality 	
Senior Relationship Manager	<ul style="list-style-type: none"> ▪ People management ▪ Relationship management of large corporate client ▪ Handling of big ticket transaction ▪ Deal origination ▪ Supervision of transaction 	<ul style="list-style-type: none"> ▪ Not much skill gaps experienced as they are fairly experienced and competent

Table 11: Skill requirements and skill gaps in treasury

Role	Skills required	Skill Gaps
Manager - Treasury	<ul style="list-style-type: none"> ▪ Understanding of asset liability management concept ▪ Complete understanding of the all asset classes ▪ Quick with numbers ▪ Analytical bent of mind ▪ Quick decision making ability ▪ Ability to work under pressure 	<ul style="list-style-type: none"> ▪ Awareness of asset liability management concept ▪ Understanding of all the asset classes ▪ Quick decision making ability

Table 12: Skill requirements and skill gaps in support function

Role	Skills required	Skill Gaps
Assistant Manager / Manager	<ul style="list-style-type: none"> ▪ Sound understanding of accounting concepts for credit appraisal ▪ Knowledge of various laws and regulations to ensure compliance ▪ Risk management concepts ▪ Ability to coordinate with teams from other departments ▪ Aptitude for compliance and documentation 	<ul style="list-style-type: none"> ▪ Accounting concepts and credit evaluation ▪ Knowledge of various laws and regulations governing banking operations ▪ Risk management ▪

2.2. Insurance

2.2.1. Current employment pattern

An estimated 0.2 - 0.3 million people are employed as on-rolls employee in the insurance industry. On the other more than 2.5 million people are employed as intermediaries, either in the form of agents or brokers, in insurance industry. Thus the major employment in the insurance industry is driven by intermediaries who sell the insurance policies for the companies on commission basis. Various forms of intermediaries employed in the industry are

- Individual agents
- Corporate agents (including Banks)
- Insurance brokers

Among the above the majority category is individual agents. As per Insurance Regulatory and Development Authority (IRDA), currently 2.5 million individual life insurance agents are employed in the industry. The number of life insurance corporate agents and brokers are 2415 and 281 respectively. Non-life insurance also has a similar structure; however, as life insurance intermediaries can also sell non-life insurance products, there will be very few stand alone non-life insurance agents. Thus we have not considered non-life agents separately for employment estimation. Also two major segments of non-life insurance, auto & health insurance, is covered separately under the auto and healthcare sector reports. Thus we have focussed on life insurance for our analysis.

Table 13: State wise distribution of life insurance agents

S. No.	State	Percentage of total people employed
1	Uttar Pradesh	12%
2	Andhra Pradesh	11%
3	Maharashtra	10%
4	Tamil Nadu	7%
5	West - Bengal	7%
6	Gujarat	6%
7	Kerala	6%
8	Karnataka	5%
9	Rajasthan	5%
10	Madhya Pradesh	4%
11	Others	28%
	Total	100%

Source: IRDA and ImaCS analysis

Top 10 states accounts for 72% of the total life insurance agents employed, with Uttar-Pradesh accounting for the maximum number of individual life insurance agents.

Table 14: Geographical distribution of life insurance offices

Region	Private Companies	LIC
Metro	10%	12%
Urban	18%	19%
Semi-urban	42%	34%
Others	30%	35%
Total	100%	100%

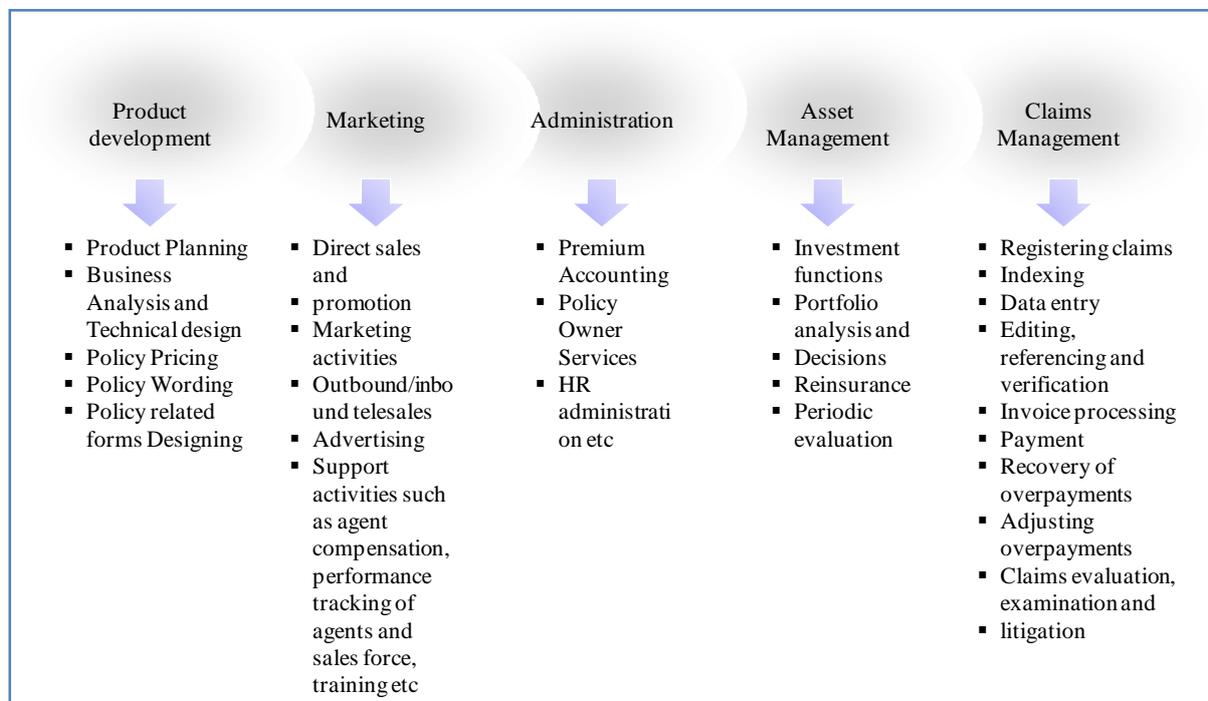
Source: IRDA and ImaCS analysis

The geographic distribution of life insurance office suggests that both LIC as well as private companies have approximately 70% of the offices in the semi-urban and rural areas.

2.2.2. Process flow and profile of people employed

Typical activities in an insurance organisation is depicted in the figure below

Figure 12: Typical activities in the value chain of Insurance



The process starts with product development where the idea is conceptualised and converted into marketable product. Once the product is ready for selling the marketing team introduces the product to the agents and the agent takes the product to the final consumer. The premium collected from selling of policy is invested by the asset management team of the. There is also a separate team for claims management and administration & support functions.

Table 15: Distribution of human resource in insurance industry

Function	Percentage of people
Product Development	1%
Claims Management	10-15%
Admin & support functions	10-15%
Asset Management	1%
Sales & Marketing	60%-70%
Total	100%

Source: Primary Research and IMaCS analysis;

As seen in the above table the maximum employment is in the sales and marketing function. Also as discussed earlier apart from the in-house sales and marketing, the insurance companies also employ intermediaries at large numbers for selling of insurance policies.

Table 16: Distribution of human resource by education level in banking

Education Level	% of people	Functional area assigned
Actuaries	1%	Product development and pricing
CA, MBA and equivalent	50%-60%	Product development, Management, Marketing, Asset Management
Other Graduates & below	20%-30%	Claims management, Operations, Sales
Engineers and equivalent	10%-15%	Claims management, Operations, Sales, IT
Total	100%	

Source: Primary Research and IMACS analysis

As seen in the above table around 50-60% of the people employed in the insurance industry are from the highly skilled class. It also requires actuaries which are very highly skilled people and available in very few numbers. There are about 300 actuaries in total in India.

Apart from the above educational breakup, there is huge number of people employed as agents or advisors. The educational qualification of these agents varies from class-12 pass outs to graduates and above also.

2.2.3. Skill requirement and skills gaps

Majority of the employment (on-rolls) in insurance industry is in highly skilled class with specialised job responsibilities. Apart from the on-rolls employment there is huge number of people employed as selling agents and advisors and they require basic knowledge on insurance, finance and selling skills

The major employment potential exists in the agent/advisors function in insurance industry. Also as we will see in the table below that the major skills gaps also exists in the same category of people.

We will analyse the skill requirements and gaps across various functions and levels in the insurance industry in the following table

Table 17: Skill requirements and skill gaps in the insurance industry

Function	Level	Skills required	Skill gaps
Product development	Manager – Product Development	<ul style="list-style-type: none"> ▪ Understand the changing needs of the consumers ▪ Ability to conceptualise new product based on the market survey ▪ Co-ordinate with the actuarial team to convert the idea into product ▪ Co-ordinate with the product committee to get the approval for the product ▪ Ability to frame policies appropriate to the product 	<ul style="list-style-type: none"> ▪ Generally very experienced senior people are involved in this function and no major skill gaps
	Actuary	<ul style="list-style-type: none"> ▪ Ability to convert the basic design into marketable product ▪ Determine the commercial considerations and risk factors ▪ Develop models for pricing and profit testing ▪ Address regulatory aspects on the product design and pricing 	<ul style="list-style-type: none"> ▪ This is a specialised role and not much skill gaps exists here. However, there is lack of
Sales & Marketing	Marketing Manager	<ul style="list-style-type: none"> ▪ Sound understanding of the insurance concept ▪ Understand competencies required to become an agent/advisor and bring agent/advisor on-board ▪ Train the agents/advisors and monitor their progress ▪ Understanding of the organization requirements and pushing and promoting the required product mix ▪ Direct selling in case of group 	<ul style="list-style-type: none"> ▪ Understanding of the insurance industry ▪ Understanding of the competencies requires to become agent/advisor and bring on-board the right set of advisors/agent

Function	Level	Skills required	Skill gaps
		<p>policy</p> <ul style="list-style-type: none"> ▪ Ability to handle multiple sales channels – e.g. through dealerships, agents, bank partners, referrals, brokers and other intermediaries ▪ Leadership and team management skills ▪ Excellent motivation and communication skills 	
	Advisors/Agent (Intermediary)	<ul style="list-style-type: none"> ▪ Understanding of the insurance domain ▪ Complete understanding of the insurance products ▪ Financial concepts such as IRR, PV, etc ▪ Financial planning and ability to understand the need of the customer ▪ Asset classes awareness ▪ Generate leads and convert it into business ▪ Documentation and compliance knowledge ▪ Good communication skills ▪ Presentable and pleasing personality 	<ul style="list-style-type: none"> ▪ Understanding of the insurance domain ▪ Lack of product knowledge ▪ Financial planning and concepts ▪ Communication skills ▪ Asset classes awareness ▪ Presentation skills ▪ Aptitude to compliance
Operations	Claims Management	<ul style="list-style-type: none"> ▪ Knowledge of the underlying insurance product to evaluate and analyse the claim ▪ Knowledge of the documents required for verification of claims ▪ Basic understanding of legal terminology used in the policy 	<ul style="list-style-type: none"> ▪ Lack of product knowledge ▪ Aptitude for compliance ▪ Time management skills

Function	Level	Skills required	Skill gaps
		<ul style="list-style-type: none"> ▪ Aptitude for documentation and compliance ▪ Good coordination skills to coordinate with various teams to settle the claims ▪ Excellent computer and time management skills to maintain the turnaround time 	
	Administration	<ul style="list-style-type: none"> ▪ Basic computer knowledge and typing skills ▪ Knowledge of accounting concepts for premium accounting ▪ Detailed understanding of the company's MIS systems, related trouble shooting ▪ Basic aptitude for documentation and compliance ▪ Coordination skills (especially with the sales team) ▪ Timely deposit of cheque for claims 	<ul style="list-style-type: none"> ▪ Usage of the MIS system, how to generate reports, trouble shooting ▪ Insufficient awareness of regulations, compliance, company values and objectives and company culture ▪ Basic aptitude for documentation and compliance
Asset Management	Portfolio Manager	<ul style="list-style-type: none"> ▪ Very good portfolio management skills ▪ Sound understanding of the risk appetite of the company ▪ Ability to determine the right asset mix ▪ Knowledge of the liquidity requirements of the company based on historical claims data 	<ul style="list-style-type: none"> ▪ Generally very experienced senior people are involved in this function and no major skill gaps

2.3. Non-banking Financial Companies (NBFC)

2.3.1. Process flow and profile of people employed

The activities of a NBFC company are very similar to a banking organisation; however, NBFC's are less regulated as compared to a banking company. The functional distribution of manpower in a NBFC is provided below:

Table 18: Distribution of human resource in a NBFC

Function	Percentage of people
Product Development	1%-5%
Credit appraisal & evaluation	10%-15%
Collections & recovery	10%-15%
Sales & Customer support	40%-50%
Other support functions	15%-20%
Total	100%

Source: Primary Research and IMaCS analysis

Apart from the above functional distribution, the NBFCs also outsource some of its sales, collection and operation functions to DSAs. The proportion of activities outsourced varies from one company to another

Table 19: Distribution of human resource by education level in NBFC

Education Level	% of people	Functional area assigned
CA, MBA and equivalent	50%-60%	Product development, Credit Management, Marketing, Sales
Graduates & Engineers	20%-30%	Credit appraisal, Operations, Collections
Diploma and below	10%-15%	Collections, support functions
Total	100%	

Source: Primary Research and IMaCS analysis

2.3.2. Skill requirements and skill gaps

The following table presents the skill requirements and gaps across various functions and hierarchical/reporting 'levels' at a NBFC.

Table 20: Skill requirements and skill gaps at NBFC

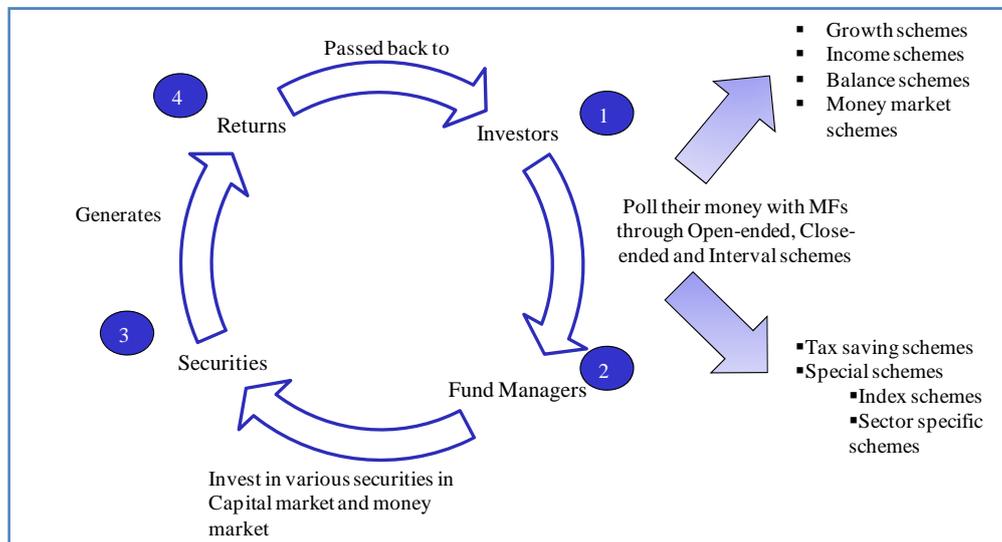
Function	Level	Skills required	Skill gaps
Sales and customer support	Senior sales executive	<ul style="list-style-type: none"> ▪ Understanding of products offered by the NBFC ▪ Knowledge of RBI rules and guidelines applicable to NBFC ▪ Ability to guide junior sales executives and drive them towards getting more business ▪ Ability to convince to buy from NBFC ▪ Good communication & motivation skills ▪ Presentable and pleasing personality 	<ul style="list-style-type: none"> ▪ Knowledge of the NBFC industry and products offered ▪ Leadership skills ▪ Ability to convince to buy from NBFC ▪ Communication and motivation skills
	Junior sales executive	<ul style="list-style-type: none"> ▪ Ability to efficiently check that all documents required for loan processing have been correctly submitted by the customer ▪ Detailed understanding of the products so as to be able to explain the same to the customer ▪ Understanding of the procedures related with each product ▪ Knowledge of documentation related with loan products ▪ Communication skills 	<ul style="list-style-type: none"> ▪ Limited knowledge of the local language tends to be a hindrance ▪ Insufficient knowledge of competitors' products and hence limited ability to highlight the benefits of the own products as against competitors products
Credit appraisal and evaluation		<ul style="list-style-type: none"> ▪ Ability to decide what percentage loan to offer to the customer based on the customer's ability to repay the loan ▪ Ability to check the standing of guarantors provided by the customer ▪ Ability to interview customers who 	<ul style="list-style-type: none"> ▪ Ability to decide what percentage of financing can be done ▪

Function	Level	Skills required	Skill gaps
		<p>have applied for the loan and determine their capacity to repay the loan</p> <ul style="list-style-type: none"> ▪ Knowledge of RBI rules and guidelines applicable ▪ Ability to decide the loan term ▪ Ability to determine the percentage interest to be charged to customers based on various parameters ▪ Reading balance sheet and understanding ratios 	
Collections and recovery		<ul style="list-style-type: none"> ▪ Ability to keep track of collections being receivable from customers ▪ Ability to determine which customers are defaulting ▪ Ability to identify which customers are expected to default based on past history of payment ▪ Ability to segregate customers into various categories based on their level of default and take appropriate actions for collections – e.g. Reminder calls to customers who delay payments, legal warning to customers who successively default on payment 	<ul style="list-style-type: none"> ▪ Limited knowledge of laws and their application on a case-basis ▪ Inadequate relations with local police
Product design		<ul style="list-style-type: none"> ▪ Ability to track the market and study what auto loan products are being offered by competitors ▪ Ability to design loan products addressing needs of customers according to their profile and the product being purchased ▪ Ability to build in maximum profitability in designed loan products 	<ul style="list-style-type: none"> ▪ Limited ability to track the market and understand customers products

2.4. Mutual Funds

The typical activities in the mutual fund industry are shown in the figure below:

Figure 13: Typical activities in the value chain of Mutual Fund



Source: IMAcS analysis

The employment distribution in a mutual fund company across various functions is provided in the table below:

Table 21: Distribution of human resource in a mutual fund company

Function	Percentage of people
Investment and research	5%-10%
Fund accounting, Transfer agency, Other operations and Administration	20%-30%
Sales & Marketing	50%-60%
Total	100%

Source: Primary Research and IMAcS analysis

Apart from the break-up shown above, large numbers of intermediaries are employed in the mutual fund distribution as a mutual fund distributor or advisor. The majority of the sale in the mutual fund business is driven by these intermediaries and thus they are very important participant in the mutual fund industry. Given the critical role the intermediaries play in the mutual fund industry, the intermediaries are required to clear a exam conducted by the Association of Mutual Funds in India (AMFI) and obtain the necessary certification.

The skill requirement and skill gaps in the mutual fund industry are discussed in the table below:

Table 22: Skill requirements and skill gaps at NBFC

Function	Level	Skills required	Skill gaps
Investment & research	Fund Manager	<ul style="list-style-type: none"> ▪ Portfolio management skills ▪ Awareness of the various asset classes ▪ Ability to identify buying and selling opportunity ▪ Understanding of risk return tradeoff ▪ Knowledge of the liquidity requirement ▪ Expertise in the respective industry sector or asset class 	<ul style="list-style-type: none"> ▪ The fund managers are fairly experienced and senior and no major skill gap exists at this level
	Research Analyst	<ul style="list-style-type: none"> ▪ Understanding of the industry sector that is being tracked ▪ Excellent financial knowledge for valuation ▪ Excel modelling ▪ Awareness of the critical issues affecting the company being tracked 	<ul style="list-style-type: none"> ▪ Specialised job and highly skilled people with specialised degree in finance employed. No major skill gaps in this category
Sales (Through intermediary)	Advisor/ Financial planner	<ul style="list-style-type: none"> ▪ Understanding of the mutual fund industry and concept ▪ Complete understanding of the products ▪ Financial concepts such as IRR, PV, etc ▪ Financial planning and ability to understand the need of the customer ▪ Ability to communicate clearly the associated risk of the product ▪ Ability to communicate clearly the expenses and fund management charges associated with the product 	<ul style="list-style-type: none"> ▪ Financial planning and concepts ▪ Communication skills ▪ Asset classes awareness ▪ Presentation skills

Function	Level	Skills required	Skill gaps
		<ul style="list-style-type: none">▪ Asset classes awareness▪ Generate leads and converting it into business▪ Documentation knowledge▪ Good communication skills▪ Presentable and pleasing personality	

2.5. Financial Intermediaries

As discussed in the earlier sections, the financial intermediaries are a major category of employment in the financial sector and play an important role in the industry. They help to take the product to masses and thereby achieve penetration in the retail segment. The major categories of intermediaries as discussed in the earlier sections are:

- Insurance agents/Advisors
- Direct Selling Agents (employed generally by bank and NBFC)
- Mutual fund distributor/Advisor

Among the above, insurance agents is the major category and employs the maximum chunk of people. Also the above roles are not standalone and people generally play multiple roles. For example, an insurance agent might also be selling mutual fund products.

As regards the skills, the skill expectations are basic as specified below:

- Basic understanding of the industry
- Knowledge of the respective products
- Awareness of the asset classes
- Basic financial concepts such as compounded return, IRR, etc.
- Soft skills such as communication and selling skills

The above skills are basic and can be imparted to a class-12 pass outs in short duration course ranging from 1 month to 3 months. However, there is no structured training institute or programme to cater to this category of people

2.6. Projected Human Resource Requirements

2.6.1. Projected human resource requirements across sectors⁸

Based on the growth expected in the Banking and Financial Services Industry (BFSI), it is expected that about 8.4 million persons would be employed in the BFSI industry. The incremental human resource requirement between 2008 and 2022 is expected to be about 4.2 million. The segment-wise composition will be as follows:

Table 23: Projected human resource requirement between 2008 and 2022 (in '000s)

<i>Industry segments</i>	<i>2008</i>	<i>2022</i>	<i>Incremental</i>
Banking*	1100 – 1200	1400 – 1500	350
Insurance*	200 – 300	350 – 400	150
NBFC*	25 – 30	40 – 45	10
Mutual Funds*	15 – 20	20 – 25	15
Financial Intermediaries	2500 – 3000	6000 – 7000	3700
Total	4000 – 4500	8000 – 9000	4225

Source: IMAcS analysis; *On-rolls employee

As seen in the above table the majority of the incremental requirement is in the financial intermediary segment which is primarily driven by the planned development, such as JnNURM, of cities and towns where the financial services penetration is low.

2.6.2. Possible focus areas for skill building

Based on our industry interaction and projections we feel that exist a case for targeting skill building initiatives in the following areas:

Figure 14: Potential areas for skill building



Source: IMAcS analysis; Please note that the above list is indicative and not exhaustive

⁸ Our overall approach to macro-economic modeling and forecasting is explained in a separate annexure

This report has been prepared by **ICRA Management Consulting Services Limited (IMaCS)**.

IMaCS is a multi-line management and development consulting firm headquartered in India. It has an established track record of over 15 years in consulting across various sectors and countries. IMaCS has completed over 950 consulting assignments and has worked in over 30 countries across the globe. Through the process of carrying out several assignments over the last decade and half, IMaCS has accumulated considerable analytical and consulting expertise, backed by the following capabilities:

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- Knowledge of key factors of success in different projects and programmes.
- Ability to research emerging trends in the economy, as well as in specific sectors.
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The Education and Skills practice at IMaCS focuses on identifying skill gaps, mapping future skill requirements, and formulating strategies to address them. Our service offerings encompass diagnosis, design and implementation of education and skill development interventions for government and private sector.



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