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RETAIL BANKING IN INDIA

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ABSTRACT

Retail Banking is one of the most innovative financial services provided by the Public Sector Banks, Private Sector banks and foreign banks. Retail Banking has a demand for its products namely, term deposits, consumerable durable loans, Auto loans, debit cards, credit cards, ATM facilities, online banking, etc. Like, other developed countries, India too have developed retail banking. It refers to provision of banking service that is geared primarily toward individual and small business. To satisfy the needs of the consumers it willing turn, increase the revenue growth. Thus it becomes crucial for the banks to understand the consumer's expectation when they choose retail banking services. Understanding the expectations it will be helpful in making different strategies and develop new options from which the consumer can choose. The Present paper aims to study the current retail banking in India and also the opportunities and challenges which are coming up due to relaxation of economy by the government. Retail Banking is recognized as an important factor for an economic development of a country.

Keywords: Retail Banking, Financial services, Public Sector Banks, Economic development.

INTRODUCTION: Retail banking is new platform on which banks are building their growth strategies. Now the activities under retail banking umbrella have wide end encompass the loans and other financial services sectors product as well. Explosions of Retail banking activities has to bring in a particular direction in the banking sector to redefined their business and lending strategies

“Retail banking is a banking service that is geared primarily towards individual consumer. Retail banking entities provide wide range personal banking services. Although retail banking is, for the most part, mass market driven, many retail banking products may also extend to small and medium sized business. The evolution of retail banking is traced back to the opening of foreign banks in India. The PSBs were generalized banks and there was no

specific demarcation as retail and wholesale banking .Foreign banks who started functioning, set the trend and in the later 19670 and early 1980s came out with their consumer banking models with mixed liability and assets Products specifically targeted at the personal segment. The entry of new generation private sector banks in the early 1990s created a new approach to retail banking by banks. With the advantages of technology initiatives and redefined business model for retail had aggressively entered the market space creating a retail-war and capture their share of the pie in the liberalized economy. Retail banking in India during 1999 to 2004 had grew by annual growth rate of 30.5%and this percentage has increased in the next 5 year. The total size of retail banking assets which was \$ 66 bn in 2005 has reached to \$300 bn in 2010. Even with this higher growth rate retail banking has the potential for the growth .The contribution of retail assets to gross domestic product in India is 6% as against 15% of china This indicates the lower level of penetration of retail banking in India and strengthens the strategies of retail bankers.

RESEARCH METHODOLOGY:

The study is based on both primary as well as secondary data. Primary data was collected through discussion. Secondary data was collected from various websites, book, magazines journals, etc. The survey was to identify to the factor to which a

customer is giving importance while selecting the bank for services

Objectives of the study:

The present study is based on following objectives:

1. To study the Role of Retail Banking in India.
2. To study Opportunities and Challenges in Retail Banking in India.
3. To study Strategies in Retail Banking in India.

.ROLE OF RETAIL BANKING:

Retail banking is the innovation of the 21st century. India has a rapid growing in retail banking. Retail banking is a banking service that is geared primarily towards individual customer. If focuses on consumer markets. Retail banking is market banking where individual customers use local branches of larger commercial banks. The services offered by retail banking include saving and checking accounts mortgages, personal loans, debit cards, credit cards etc. IT takes cares of the banking needs of an individual customer. It provides banking products and services to individuals. Retail banking contains multiple products, channels and customer groups. Most of the India have been retail banks in their business composition.

Indian Retail banking includes:

- Credit cards, Debit cards and ATM.
- Housing Loans.
- Personal loans.
- Consumption loans
- Education loans
- Vehicle loans.
- Insurance
- Demat services.
- Online services.

Retail lending has been the key profit and spectacular innovation in the banking sector. Retail banking used to be synonymous with saving account and fixed deposits with cheque based deposit slip based transactions. Retail loans were usually restricted to housing loans. This has changed in the last decade, especially in India. The RBI's report on Trend and Progress of India (2003-2004) has shown that the retail lending ranges between Rs.20000 to Rs.100 Lakh which are generally for duration of 5-7 years with housing loans granted for H5 years. It reveals some new trends in the growth of credit. There is rapid growth in retail credit as against corporate advances, which may reveal itself in accumulating NPAs in banking sector and may focus on indebtedness of households in the medium term. Retail lending takes the lead in November 2004. Economic growth which is one

of important propellers of the growth of retail banking in India. It is reflected in the Income of the households. Income can be divided in consumption and savings. Both provide fuel to the engine of retail banking. It is now true that the face of the Indian consumer is changing. This is reflected in a change in urban household income. The direct fall out of such a change will be the consumption patterns and the banking habits of Indians, which will be towards retail products. The banking organizations are seeking ways to increased automated access to wider range of products..

OPPORTUNITITES AND CHALLENGES IN RETAIL BANKING:

- Retail banking is going to emerge a major driver. The rise of Indian middle class is an important contributory factor in this regard. The Percentage of middle to high- income households is expected to continue rising.
- Retail banking is more competitive than ever. Community banks, credit unions, and national banks are all competing for the same customers. Now that pretty much every aspect of banking can be done online, banks' target audience and competitive market are no longer defined by its geography but

instead by banking regulation, technology, and advertising budgets.

- The younger population not only wields increasing purchasing power but as far as acquiring personal debt is concerned, they are perhaps more comfortable than previous operations generations
- Improving consumer purchasing power coupled with more liberal attitudes towards personal debt, is contributing to India's retail banking segment.
- Retail banking will need innovative thinkers to improve data security, develop new customer-centric solutions, market products to new customer segments, and remodel internal processes to improve efficiency. Talent will be actively recruited by competitors, so it's important for organizations to understand their employee engagement and develop strong strategies to retain their top performers.
- The combination of above factors promises substantial growth in retail sector, which at present is in the recent stage. Due to bundling of services and delivery channel, the areas of potential conflicts of interest tend to increase in universal banks and financial conglomerates.
- Some of the key policy issues relevant to the retail-banking sector are : financial inclusion

responsible ending, and a access to finance, long term savings, financial capability and consumer protection..

- The issue of money laundering is important in Retail Banking. This compels all the banks to consider seriously all the documents which they accept while approving the loans.
- The issue of outsourcing has become important in the very recent past because various core activities such as hardware and software maintenance, entire ATM set up by Indian banks.
- Banks are expected to take care to retain ongoing trust of the public.
- Customer service should be at the end all in the retail banking it takes months to find a good customer but only seconds to loose one. Thus strategy of knowing your customer (KYC) is important. .
- The banks are required to innovative strategies to meet customer's need and requirements in terms of service/products etc.
- The dependency on technology has brought IT departments, additional responsibilities and managing, maintaining and optimizing the performance of retail banking networks. It is equally important that banks should maintain security to keep faith on customer.

- The efficiency of the operation would provide the competitive edge for the success in retail banking in coming years.
- The customer is importance for profitability if retail banking business, so banks need to retain the customers in order to increase the market share.

STRATEGIES IN RETAIL BANKING:

- The customer database available with the banks is the best source of their demographic and financial information and can be used by the banks for targeting certain customer segments for new or modified product. The banks should come out with new products in the area of securities, mutual funds and insurance.
- As most of the banks are offering retail products of similar nature, the customers can easily switchover to the one, which offers better service at comparatively lower costs. To retain the customers, banks have to come out with competitive products satisfying the desires of the customers.
- The Indian retail banking market still remains largely untapped giving a scope for growth to the banks and financial institutions. Marketing departments of the banks be geared up and special training be imparted to

them so that banks are successful in grabbing more and more of retail business in the market.

- PSBs have an added advantage of having a wide network of branches, which gives them an opportunity to sell third-party products through these branches.
- In the present regime of falling interest and stiff competition, banks are aware that it is finally the retail banking which will enable them to hold the head above water. Hence, banks should make all out efforts to boost the retail banking by recognizing the needs of the customers. It is essential that banks would be imaginative in predicting the customers' expectations in the ever-changing tastes and environments
- Banks can devote more time for marketing, customer service and brand building. For example, Management of ATMs can be outsourced. This will save the banks from dealing with the intricacies of technology.
- Outsourcing of requirements would not only save cost and time but would help the banks in concentrating on the core business area. Banks can devote more time for marketing, customer service and brand building.

CONCLUSION:

Retail banking sector as a whole is facing a lot of competition ever since financial sector reforms were started in the country. Retail Banking has potential for growths even through there are challenges to be met. The banks have to use technological facilities to earn competitive advantages .If this is done then the potential in retail banking can be realized. There is a high level of cooperation between banks retailers' customers and customers, Retail banking has brought drastic make over all banking scenario in India. There is a need for constant innovation in retail banking. This requires product development, micro planning, marketing pricing, customization, risk management or assets and liability management techniques the retail banking able to lead to growth of banking industry in future would depend upon capacity of banks to make challenges and make use of opportunities profitably. Retail banking has proved as an effective tool not only to improve the bottom lines of the bank concerned but also to contribute to the development of the individual consumers availing the services or products in particular and to the overall development of the society in general with the needs of the consumers ever multiplying. There is definitely a vast scope for the furtherance of the Retail Banking

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