

## RETAIL BANKING-HOTTER THAN VINDALOO

**Natika P. Jain, Lecturer**

St. Francis Institute of Management & Research

Mt. Poinsur, Borivali (West)

Mumbai-400 103.

### 1. Genesis of the Statement

#### 1.1 Indian Retail Banking Scenario

What is the nature of retail banking? In recent book, retail banking has been described as “hotter than vindaloo”. Considering the fact that vindaloo, the Indian – English innovative curry available in umpteen numbers of restaurants of London, is indeed very hot and spicy, it seems that retail banking is perceived to be the in – thing in today’s world of banking. Retail banking in India has fast emerged as one of the major drivers of the overall banking industry and has witnessed enormous growth in the recent past. The Retail Banking Report encompasses extensive study & analysis of this rapidly growing sector. It primarily covers analysis of the present status, current trend, Major issues & challenges in the growth of the retail banking sector. This study helps in Banks, Financial institutions, MNC Banks, academicians, Consultants and researchers to have a better understanding of the booming opportunities in retail banking in India. The issue of retail banking is extremely important and topical. Across the globe, retail lending has been a spectacular innovation in the commercial banking sector in recent years. The growth of retail lending, especially, in emerging economics, is attributable to the rapid advances in information technology, the evolving macroeconomic environment, financial market reform, and several micro – level demand and supply side factors. India too experienced a surge in retail banking. There are various pointers towards this. Retail loan is estimated to have accounted for nearly one – fifth of all bank credit. Housing sector is experiencing a boom in its credit. The retail loan market has decisively got transformed from a seller’s market to a buyer’s market. Gone are the days where getting a loan was somewhat cumbersome. All these emphasize the moment that retail banking is experiencing in the Indian economy in recent years. The banking scenario in India is at the crossroad and is continuously evolving, but the progress has been remarkable over the past decade.

When one enters any bank, one would try to catch the eye of an employee. Depending on the size of the bank, there will be any number of employees working unmindful of a customer’s entry. With the exponential growth of touch points and sophistication, the frontline sales force is assuming the role of a relationship person and is constantly under the microscopic observation of the customer. At a time when channel innovation has become the order of the day to encourage effective banking habits among customers, a vital component of the supply chain, namely customer interface is totally missing. With the advent of liberalization, the banking industry had made a head start towards the best banking practices at each interaction point of the supply chain. However, the Indian landscape is not a replica of the west and is in fact unique. Here is a look at the flipside of some of the common practices of Indian banks. Retail banking is, however, quite broad nature – it refers to the dealing of commercial banks

with individual customer, both on liabilities and assets sides of the balance sheet. Fixed, current/saving account on the liabilities side; and mortgages, loan (Eg. personal, housing, auto and education) on the assets side, are the major important of the products offered by banks. Related ancillary services include credit cards, or depositary services. Today's retail banking sector is characterized by three basic characteristics:

1. Multiple products ( deposits, credit cards, insurance, investment and securities )
2. Multiple channels of distribution ( call center, branch, internet and kiosk ); and
3. Multiple customer group ( consumer, small business and corporate )

Retail banking has immense opportunities in a growing economy like India. India is recognized as the second most attractive retail Destination. The rise of Indian middle class is an important contributing factor in this regard. The percentage of middle to high income in Indian household is expected to continue rising. 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 generations. Improving consumer purchasing power, Coupled with more liberal attitudes towards persona debt, is Contributing to India's retail banking system. The combination of the above factors promises substantial growth in the retail sector, which at present is in the nascent stage. Due to Building of services and delivery channels, 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 lending, and Access to finance, long-term savings, financial capability, consumer Protection, regulation and financial crime prevention. What are the Challenge for the industry and its stakeholders?

## **1.2 Global Retail Banking Scenario**

### **1.2.1 Introduction**

Retail lending across the globe has been a showcase of innovation in the commercial banking sector. Countries like China and India have emerged as potential markets with huge investment opportunities. The higher growth of retail lending in emerging economies is attributable to fast growth of personal wealth, favorable demographic profile, rapid development in information technology, the conducive macro – economic environment, financial market reforms, and several micro – level supply side factors. The retail banking strategies of banks are undergoing major transformation, as banks adopt a mix of strategies like organic growth, acquisitions and alliances. This has resulted in paradigm shift in the marketing strategies of the banks. Public Sector Banks players are adopting aggressive strategies, leveraging their branch network and their customer vase to earn a larger share of the retail pie. Banks are also going in for innovative strategies like cross selling and packaged selling of retail products. At the same time, new foreign players are also entering this high growth sector. The boom in retail banking has helped in increasing the competition from upcoming sectors like mutual funds. The banking scenario in India is at the crossroads and is continuously evolving, but progress has been remarkable over the past decade. With the exponential growth of touch points and sophistication, the frontline sales force is assuming the role of a relationship personal is continuously under the microscopic observation of the customer. At a time when channel innovation has become the order of the day to encourage effective banking habits among customers, a vital component of the supply chain namely, customer interface is totally missing. With the advent of liberalization the banking industry had

made a head start towards the best banking practices at each interaction point of the supply chain. However the Indian landscape is not a replica of the west and is in fact unique

### **1.2.2. Declining Bad Debts and Provisions**

As retail banking has gone global- chances have reduced of advances going bad.NPA level has reduced; this is due to high competition in banking industry, low interest rates and consumer level maintenance. Most of the advances are secured in retail- where recovery is possible by sale of securities. The technological aggression has resulted in new modes of Distribution of banking products. Today consumers have various options to choose from. Banks are trying their best to acclimatize customers to the new product and facilities in anticipation of reduced costs and ease of operation and flexibility for the customers. These new creation have resulted in different channels of distribution of banking products and services. The transaction simplicity through these channels is drawing people to these banks, not just for banking products but for other ancillary products such as payment of utility bills and insurance premium.

The growth in ATM has helped in cash movements through ATM's. Whenever new channels are introduced, such offerings should be integrated, indicating strategic use of channels to enhance customer information and value. Hence for mere survival, banks need to think in terms of integrating the difference channels that are bound to grow with time. Call centers (support services): banks have picked up the nuances of getting closer to the ultimate customer and separated the sales and services functions. With call centers, services are being offered by simulating customer interaction. The initiation of such call center services was much appreciated but very few changes have been effected since then and they are losing their efficacy. The model since inception being the same, data are increasingly built around it. With such huge database, calls are being queued up, causing irritation to customers due to high waiting time. Banks have two options before them:

(a) Change the modal and develop call centers around Customers.

(b) With the help of technology banks can redefine the acceptable waiting time for callers (customers) before they terminate the call for want of services from tele -executives, towards improving the service levels of the Banks.

### **1.2.3 Technology**

Technology underlies the above two features. This is taken to be cutting edge among banks and for real product differentiation the public and private players are becoming savvy. With increasing emphasis on technology, banks try to leverage the Good aspects of it and venture into areas of cross selling their products through various channels. The cost savings and the ease of effecting a transaction through technology are increasingly recognized and are compelling banks to carry the same to almost all the dimensions of banking. Incidentally, the more advanced the technology, the higher the cost saving generated with much wider coverage resulting in quicker, cheaper and reliable service. Banks should allow the earlier facilities to sink into the culture of the customers before any new facilities are launched. Also, the earlier facilities should be embedded with services so that customers not only appreciate new technology, but are also in a position to operate.

### **1.2.4 Revenue Growth**

As expansion in retail banking through call centers and technology have helped to increase retail business globally , it has helped us increase revenue and advances. The retail banking has helped to increase the revenue , as they are for longer terms and repayment is regular , with most of the accounts EMI being paid . This has helped in decrease in NPA level and in revenues.

## **2. Rationale of the study**

Retail lending across the globe has been a showcase of innovation in the commercial banking sector. Countries like China and India have emerged as potential market with huge investment opportunities. The higher growth of retail lending in emerging economies is attributable to fast growth of personal wealth, favorable demographic profile, rapid development in information technology, the conducive macro– economic environment, financial market reforms, and several micro – level supply side factors. The retail banking strategies of banks are undergoing major transformation, as banks adopt a mix of strategies like organic growth, acquisitions and alliances. This has result in a paradigm shift in the marketing strategies of the banks. Public sector Banks players are adopting aggressive strategies, leveraging their branch network and their customer base to earn a larger share of the retail pie. Banks are also going in for innovative strategies like cross selling and packaged selling of retail products. At the same time, new foreign players are also entering this high growth sector.

## **3. Objectives of the study**

The main objectives of study are:

1. To understand Global retail banking vis –a – vis Indian scenario .
2. To Highlight the regulatory factors involved in Indian retail banking industry.
3. To understand and analyses that whether the banking industry would combat the competition from upcoming sectors like mutual funds?
4. To highlight various issues and challenges before this industry.

## **4. Hypotheses of the study**

As the changing phases of retail banking scenario easy availability of loans , has helped in increasing consumer debts . The lower rates of interest for housing loan , each and everyone dreams to have house of their own .Auto finance , market people dream to have car of their own . This has started causing concern as there are rising consumer debts . The debts are long term without taking into account unforeseen contingencies Retail credit being secured the NPA level is still favorable there is air as declining bad debts .RBI changes the CRR either by reducing or increasing to ease liquidity pressure . The fluctuations in interest rate, money laundering are causes of worry in retail banking . The easily availability of Housing Loans has causes growing incidence of funds– by presenting forged documents for availability of refinance care should be taken to scrutinize the documents .There is lot of competition and it can be countermanded by cross sell of third party products and increase customer retention mobilization of cheap deposits and causing objections to outsourcing agencies . The cross selling of products helps to increase our non – interest income , increase customer retentions increase revenue growth and outcome competition in retail banking .

**Some of the hypotheses are:**

- 1) To understand that retention of customers is going to be a major challenge.
- 2) Rising indeptness could be cause of concern.
- 3) Information technology could pose both opportunities & challenges.
- 4) Also competition on retail banking, to increase revenue growth through cross sell & customer retention may pose challenge.
- 5) The positive assumptions are that NPA level still remains favorable, declining bad debts, secured credit.

**5. Research Methodology**

The data used shall be drawn from the in house and source like Banking related Journals, Research papers, Trade associations, Monitoring of industry News& Developments. Also for comparison information from few bank profiles will be collected.

**6. Utility of study**

To find out the underlying factors driving the growth of retail banking. What are its effect on our banking system. To analyze the changing scenario considering the Indian consumer acceptance level to suggestion regarding improving the consumer acceptance level to this retail banking products. The study will bring out retail banking growth phase in Indian scenario and future challenges and consumer's role in the retail banking.

**7. Various issues and challenges**

First retention of consumers is going to be a major challenge. According to a research by Reich help and Sesser in the Harvard Business Review, 5 percent increase in customer retention can Increase probability by 35 percent in banking business, 50 percent in insurance and brokerage, and 125 percent in the consumer credit card market. Thus, banks need to emphasize retaining customers and increasing market share.

Second, rising indebtedness could turn out to be a cause for concern for the future. India's position, of course, is not comparable to that of the developed world where household debt as a production of disposable income is much higher. Such a scenario creates high uncertainty. Expressing concerns about the high growth witnessed in the consumer credit segments the Reserve bank has, as a temporary measure, put in place risk containment measures and increased the risk weight from 100 percent to 125 percent in case of consumer credit including personal loans and credit cards.

Third, information technology posses both opportunities and challenges. Even with ATM machines and interest banking, many consumers still prefer the personal touch of their neighborhood branch bank. Technology has made it possible to deliver services throughout the branch bank network, providing instant updates to checking accounts and rapid movement of money for stock transfers. However, this dependency on the network has brought IT Department's additional responsibilities and challenges in managing, maintaining and optimizing the performance of retail banking networks. Illustratively, ensuring that all bank products and services are available, at all times, and across the entire organization is essential for today's retail banks to generate revenues and remain competitive. Besides, there are network management challenges, where by keeping these complex, distributes networks and

applications operating properly in support of business objectives become essential. Specific challenges include ensuring that account transaction applications run efficiently between the branch office and data centers.

Fourth, KYC issues and money laundering risks in retail banking is yet another important issue. Retail lending is often regarded as a low risk area for money laundering because of the perception of the sums involved. However, competition for clients may also lead to KYC procedures being waived in the bid for new business. Banks must also consider seriously the type of identification documents they will accept and other processes to be completed. As the rate of interest are fluctuating, banks are going in for Floating/fixed rates non-education of customers, ability to take risk factor to be comfortable with existing or to be paid installments.

The outsourcing agencies are often having impact on the retail business of banking. The outsourcing agencies call up customers; pressure them for availing of different facilities, not educating them Of Hidden charges, etc. The credit cards issued are activated and issued without the Knowledge of the customers. Also fluctuating interest rate risks are causing lot of problems. The main objective in retail banking shall be maintaining the interest rates. If the interest rates rise constantly, the Income ratio rise is not in a same proportion, so chances are that Housing loans for longer period may turn bad.

Thus interest rate risks, money laundering and outsourcing are Affecting the performance of the bank .Alternatives to credit card reward programs are increasing as a result of new payment technologies and business models. Credit card issuers have been the main beneficiaries of reward programs, While merchant loyalty programs have failed abysmally . However , new technology and business models will allow merchants and payment providers to benefit from rewards programs , according to the new report, Making Loyalty Pay : Examining the Relationship between Rewards and Payments .

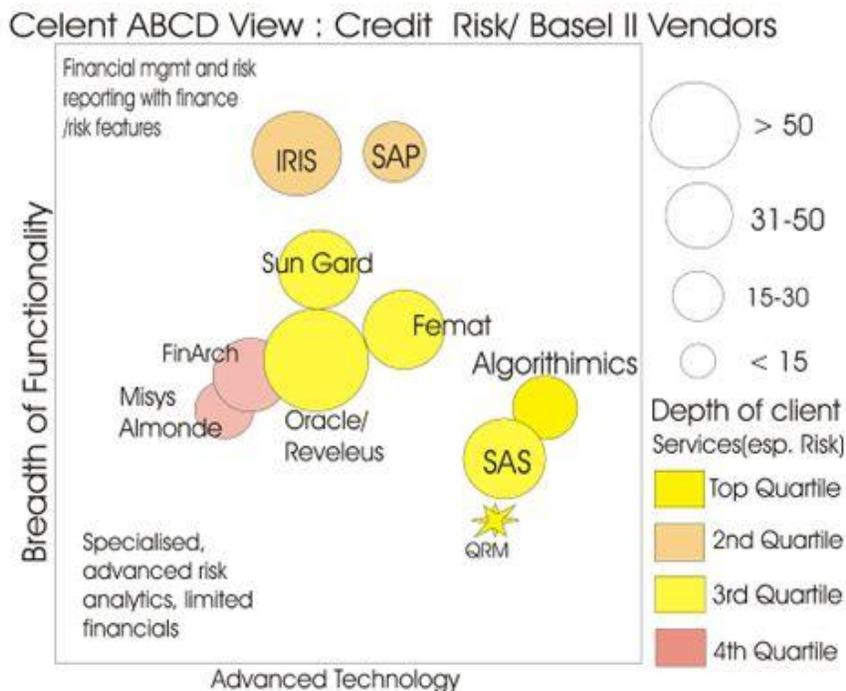
New technology and business models are shifting the reward and payments landscape and will alter the traditional relationship among payment providers, merchants, and technology providers . Online, mobile and biometric payments will compete with credit cards and use rewards programs to build loyalty.Coalition – oriented and merchant- sponsored payment networks are models that will help merchants benefits from reward programs . These new technologies and business models may benefits merchants, technology providers , and payments providers while minimizing issuer payment revenue cannibalization that comes about as consumer shift their payment and reward preferences . “ While issuer reward programs have been quite successful in achieving their objectives , most merchant loyalty programs, particularly grocers, convenience stores, and gas stations, have failed miserably in their loyalty objectives,” says Dan Schatt , author of the report and senior analyst . “ Increasingly, new business models and technology are being introduced that will expand the loyalty pie and fuse issuer and merchant interests and expand the pie for all parties.” In this report , companies and technology initiatives best positioned to deliver reward programs to further the loyalty objectives of merchants and payment providers . Credit and debit cards rewards programs that are most prevalent in today’s market and provides a glimpse as to how merchants and payments providers will position reward programs in the next few years . Credit Card Rewards Programs Have Had A Direct Impact On Lowering Churn But Will Face Increasing Competition From Alternatives. The Basel II norms are meant for the bank for maintaining the capital adequacy Ratio as prescribed by the RBI . maintain Risk factor and

risk factor management . As immovable properties cannot be liquidated immediately they are considered to be unsecured advances .But of late the Act of RBI has helped in taking possession of immovable properties.

## 8. Competition

### 8.1. Combat competition and risk

To combat the competition from upcoming sector like mutual funds, insurance and other third party products, Banks have entered into tie ups with the above mentioned companies and enjoys commission i.e. Non interest Income. Thus banking industry should combat the competition from private and foreign banks by having a control of interest fluctuation , avoiding money laundering , outsourcing agencies for verification having proper standard and qualification .The pressure to adhere to aggressive Basel II deadlines for many first – wave institutions has meant that additional business benefits such as better management of risk/ returns enhanced pricing, and more sophisticated risk management practices have largely been left by the wayside . Basel II implementations have been progressing for the past five years within first- wave institutions. This momentum has reached significant milestones in Europe and, to varying degrees, in the Asia – pacific region and elsewhere. The past few years have seen large – scale, resource – intensive projects deliver the new Basel framework, with firms spending on average between \$ 50 - \$ 100 million (or 3- 7 bps of assets) on their Basel II programmes . However , despite good progress towards deadlines this year for first – wave institutions , many firms have focused on completing the regulatory aspects of Basel II . In a new report, Beyond Basel II : Evaluating the Financial and Credit Risk Solution Vendors , assessing offering from ten vendors . The report examines the state of the market for risk management solutions and the innovative vendors that are helping institutions transition beyond regulatory basics.



## 8.2 Advanced Technology

“ Looking forward , as Asian , Eastern European , Middle Eastern and most recently , US institutions begin their initiatives in earnest ; there are lessons to be learned from first – wave projects . From an IT perspective , data quality issues , technology integration challenges , and adaptability of risk management systems are often cited as concerns in realizing the full benefits of risk initiatives , “ says Cubillas Ding , Senior analyst and author of the report – “Technology considerations and the solutions adopted stand as major underpinnings in realizing success.”

This study uncovers market trends in risk management, as well as broader capital planning and financial analysis practices . It also examines the solution aspects of financial and credit risks , as well as implementation lessons in the context of Basel II related initiatives . This report is intended to be a guide for institutions who are planning their risk initiatives , implementing risk management solutions , or migrates their businesses to the new Basel II regime .

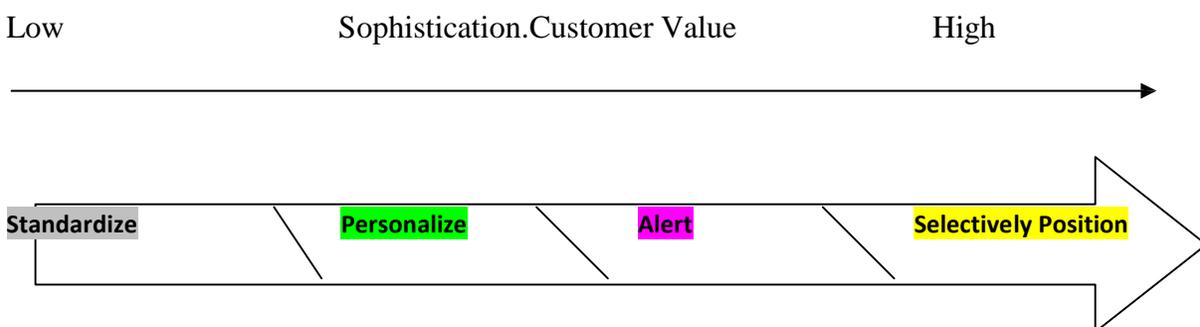
## 9. Products Analysis

### 9.1 ATM's

Advanced Functionality ATMs : Promise meets Reality innovative financial institutions are transforming ATMs into more than just a cash withdrawal machine by investing in advanced functionality to improve customer service, lower costs , and strengthen their brand .

In a new report, Advanced functionality ATMs: Promise Meets Reality, it explores promising examples of advanced functionality being implemented at ATMs in North America today . Leading banks are working to transform the ATM into an effective relationship device . Banks are integrating ATMs with other Bank channels and implementing personalization capabilities , alerts , and targeted marketing to solidify customer relationships and build their brand .

Leveraging the ATM as a cross – Channel Relationship Device



<p>1)Standardize customer experience across all ATMs and across all Channel</p> <p>2)Bring the functional range of the ATM closer to that of other channels such as online banking</p> <p>3)Examples: Use same account naming conventions across channels.”Primary checking account” on the online channel should not appear as “CHQ1” at the ATM.</p>	<p>1)Leverage static Profile and preference information that the customer can establish either at the ATM or at another channel such as online banking.</p> <p>2)Example: Personal greeting, language preference, receipt preference, preferred cash withdrawal amount(s) and associated account(s).</p> <p>3)Goal is to provide customer with an efficient ATM experience tailored to their preferences and to reduce ATM transaction</p>	<p>1)Move beyond using static customer information to leverage dynamic information on actual customer activity.</p> <p>2)Provide customer with a range of alerts across their banking activities, on-demand.</p> <p>3)Example include alerts for: low balances, withdrawals, excessive incorrect online banking log-in attempts, check reorder reminders, bill payment mortgage account, IRA contributions etc.</p>	<p>1)Combine customer preference data, activity information, and bank segmentation data to cross –sell other financial products.</p> <p>2)Provide customer with personalized offers that are partially or fully pre-approved, to increase convenience and response rates.</p> <p>3)Example: Overdraft protection, pre-approved credit card offers etc.</p>
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Banks are also examining check imaging at the ATM to lower costs and improve customer's experience . Given the limited use of self service capabilities for check deposits , shifting these basic transactions from the bank branch to the ATM continues to represent a significant cost saving opportunity for financial institutions . Customer stand to benefit from the extended deposit cutoff times and more favorable funds release policies enable by check imaging ATM- like Technology has the potential to boost self – service usage at the branch as well . Banks are faced with the need to both lower transactions costs by moving customers to self – service channels and seek more face – to – face selling opportunities , and will deploy broader range of in – store self – service concepts over the next several years .

## 9.2. Housing Financial

The Banks are concentrating on retail banking , financing on housing . There is an increased in House Finance .Today's generation is in a comfortable position to accept debts . Due to topographical distribution , adequate repayment capacity , availability of core banking service and internet facilities , the Housing finance is on zoom.Banks are aggressive in refining and takeover of housing loans , Due to difference in rates of interest and repayment , early payment charges .

The size of home loan should depend on the repayment capacity as per income. We should not only take into accounts the repayment capacity but also unforeseen expenses, investments and then decide the eligibility for availing the advanced .Since the advances are full secured , but long term of payment , may drive the accounts to be bad. Also care should be taken foe such type of advance, as frauds are on increase due to forged documents being presented . Also loan is being availed from 3 -4 banks, and thus frauds on rise due to banks being aggressive on finance for star home loan. Retail home advance has helped to increase net profit. due to rise net interest income .The size of home loan should be as per net income and take home pay percentage to be enough for other expenses. Verification of consumer and property should be proper and adequate Verification is done by rating customer and also by CIBIL Reports on record . Considering home loan to be fully secured, the banks have been aggressive on financing / Refinancing and takeover of home loans.

### **9.3. Auto Finance**

Banks are involved in retail banking advance for credit of purchase of new / second hand vehicle. The second hand vehicles are valued and comprehensive insurance of the vehicle done .The vehicle loans are given to proponents of high net worth. This helps in introducing new clients to the bank. Auto financing under retail credit is given at discounting rate. This finance has helped to increase the status in society. The driving factor for this type of advance is comfortable position to bear to EMIS high qualification, High net worth and Salary of the proponent.

### **9.4 Educational Loans**

Nowadays students prefer for higher education abroad by availing bank loans .Students loans are loans offered to students to assist in payment of the costs of professional education . These loans usually carry a lower interest rate than other loans and are usually issued by the government. Often they are supplemented by student grants which do not have to be repaid .The driving factor is repayment of loan on completion of studies or getting a job whichever is earlier .The student can complete studies and start repayment only after getting job, hence, the burden does not fall on parents . Educational loan is type of social serviced helping students to undergo further studies without burden on family. This shall help creating a better educated India .The rate of interest is also low. Repayment schedule is for 5 years after getting job.

### **9.5. Personal Loans**

Loan granted for personal , family , or household use , as distinguished from a loan financing a business . Such loans , often made for amounts under \$5,000, are usually unsecured , though in some situations the lender may require a co- singer or guarantor . If unsecured , the loan is made on the basis of the borrower's integrity and ability to pay . generally , these loans are used for debt consolidation , or to pay for vacations, education expenses , or medical bills , and are amortized over a fixed term with regular payments of principle and interest . Personal loans are readily available loans for higher net worth class to satisfy than urgency liquid payment requirements. Thus personal loans though at higher rate of interest , are easily acceptable considering their repayment capacity .Thus in short retail banking has helped to increase the availability of funds, increase social involvement and development of the society . A personal loan is an unsecured loan with fixed payment and a fixed payment schedule. It can be used for debt consolidation, home improvement, or any other need. One can use this loan for anything – you can consolidate credit card and loan balances that have high interest rates, make home improvement, pay off your tuition bills or just have extra cash on hand.

## 10. Analysis and Interpretation

- 1) Fighting customer attrition is a top priority at US and Canadian banks, and for good reasons: customer defection rates are up to 7 times higher in the US and Canada than in Western Europe. A new report explains why. In a new report, "Customer attrition in Retail Banking: the us Canada, the UK, and France," analyzes why customer defection rates are so much higher in the US and Canada than the UK and France.
- 2) The report , Which s based on a survey of more than 30 banks , reviews trends affecting customer attrition in the UK and France, analyzes how Canadian and American bankers have addressed attrition so far , and reports on their success . The report also suggests tactics that north American banks should pursue to get a 10 % defection rate or better .
- 3) Over the past two years , half of top US and Canadian banks have seen their defection rates decrease by an average of 10 % , while defection rates have remained the same for 40% . Only 10% have experienced increased attrition. The best organizations in the US and Canada have achieved a 12% customer defection rate "This achievement is the result of banks' Deployment of various tactics , such as providing free checking accounts , promoting online banking and bill payment , and improving customer service," says Gwenn Bezard , celent analyst and author of the report .
- 4) Nonetheless , Banks have learned that there are limits to the effectiveness of their current approach "Banks have hit a wall", says Bezard. "Getting a to 10 % defection rate is a real struggle."
- 5) Celent's survey revealed which tactics were successful at reducing attrition and to what extent. According to the report, free checking accounts offer only marginal improvements in customer attrition and , in some cases , actually because sky rocketing defection rates when users have to pay exceptional fess such non – sufficient – fund ( NSF ) fees . Moreover , the positive impact of internet banking and bill payment on attrition stared to decline at some institution . Over the next 2-3 years , more institutions are likely to experience similar disappointments . Finally, celent's research showed that , once a certain level of customer service in reached , further improvement has little or no effect on attrition rates .

## 11. Outcome of the study

- 1) The study has helped to understand the needs of consumer for retail products . The additional contribution of research methodology and comparisons from different profiles has helped to reconnect to the needs of consumers for their wide income level for their retail requirement.
- 2) The study has helped to learn the driving factors for retail banking and its effects on banking systems , the study of Indian consumer requirements and improving the consumer acceptance level to retail banking products The studyt has helped and has brought about retail banking growth phases , Indian scenario and future challenges in retail banking .
- 3) First , consumer service should be the be – all and end – all of retail banking . The institutional mechanism has to enhance the quality of customer service , to the individual customer in particular . The codes will bring about greater transparency in the

system and also tackle the issue of information asymmetry .

- 4) Second , sharing of information about the credit history of households is extremely important as far retail banking is concerned . Perhaps due to confidential nature of banker – customer , banks have a traditional resistance to share credit information on the client , not only with one another , but also across sector . Globally , credit information Bureaus have , therefore , been set up to function as a repository of credit information – both current and historical data on existing and potential borrowers . The database maintained by these institutions can be accessed by the leading institutions . In Indian case , the credit information Bureau ( India ) limited (CIBL ) , incorporated in 2000 , aims collating and disseminating credit information pertaining to both commercial and consumer borrowers. At the same time banks must exercise due diligence before declaring a borrower as defaulter .
- 5) Third , outsourcing has become an important issue in the recent past .With the increasing market orientation of the financial system and to cope with the competition as also to be benefits from the technological innovations such as , e- banking, the banks are making use of “outsourcing” as a means of both reducing costs and achieving better efficiency . While outsourcing does have various cost advantages , it has the potential to transfer risk, management and compliance to third parties who may not be regulated . A basic requirement in this context is that a regulated entity seeking to outsource activities should have in place a comprehensive policy on outsourcing including a comprehensive outsourcing risk management Programme to address the outsourced activities and the relationship with the service provider. Application of these principles in Indian context is under consideration
- 6) Finally, retail banking does not refer to lending only. In the whole story of retailing one should not forget the role played by retail depositors . The homemaker , the retail shopkeeper , the pensioners , self employed and those employed in unorganized sector – all need o get a place in the banks . Furthermore, the nature, scope and cost of service need to be monitored to assess whether there is any denial, implicit or explicit, of basis banking services to the common person and bank have been urged to review their existing practices to align them with the objective of financial inclusion.

## **12. Conclusion**

There is a need of constant innovation in retail banking. In bracing for tomorrow , a paradigm shift in bank financing through innovation products and mechanisms involving constant up gradation and revalidation of the bank internal systems and processes is called for . Banks now need to use retail as a growth trigger. This requires product development and differentiation , innovation and business process reengineering , micro – planning , marketing , prudent pricing , customization , technological up gradation , home/electronics/mobile banking , cost reduction and cross selling. While retail banking offers phenomenal opportunities for growth, the challenges are equally daunting. How far the retail banking is able to lead growth of the banking industry in future would depend upon the capacity building of the banks to meet the challenges and make use of the opportunities profitably. However , the kind of technology used and the efficiency of operations would provide the much needed competitive edge for success in retail banking business . Furthermore, in all these customer interest is of paramount importance . The banking sector in India in demonstrating it very well .

### 13. Limitation of the study

Due to time constraint few products would be analyzed and also for comparison few banks will be taken into consideration. Availability of the data would also be one of the limitation of the study.

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