IJARSCT

ISSN (Online) 2581-9429

International Journal of Advanced Research in Science, Communication and Technology (IJARSCT)

International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal

IJARSCT

Impact Factor: 6.252

Volume 2, Issue 3, July 2022

Review of India's Retail Banking Industry

Prof. Felix Anthonysamy and Shaikh Muskan Samsuddin

Jai Bharat College of Commerce (Night), Mumbai, Maharashtra, India

Abstract: *The financial activity of banking is crucial to the economy as a whole as well as to the individual. The face of banking services is evolving and becoming more appealing as the economy as a whole does as well. To entice more clients, a number of innovative features have been added to banking services. Retail banking has long been a crucial component of banking operations all throughout the world, but it has only recently acquired major traction. Despite the fact that credit cards and other retail financial goods first became available on a global scale in the 1980s, India's financial revolution didn't start until 1995, when foreign banks and new-generation private banks took the lead. The theoretical features of retail banking, such as its problems and difficulties, current trends in retail banking, its potential future expansion in India, and its difficulties, have been attempted to be covered in this essay.*

Keywords: difficulties, retail banking, strategies, and portfolio of banking

I. INTRODUCTION

One of the most important roles in the modern, global economy is played by banking. It is necessary for business and industry. Consequently, it is a significant commercial agency. Despite the fact that banking has existed in some capacity since antiquity, modern banking is a comparatively recent development. It came forth as a result of economic need and the Industrial Revolution. Its presence is very advantageous to a country's industrial and economic growth.

II. INDIA BANKING SECTOR

Despite being highly developed, India's banking business still lags behind international standards in terms of scale, products, and services. Indian banks have come to the realisation that in addition to organic growth, they also need to grow inorganically in order to compete with other market players. In this situation, the banking sector has mostly concentrated on retail banking. The most significant factors in the resurgence of retail banking have been the emergence of new economies and their quick expansion. In fast expanding countries like India, changing lifestyles, quick advances in information technology and other service industries, as well as rising income levels, have all led to the growth of retail banking.

Retail loans make up only 8 to 9% of India's GDP, compared to 35% in other Asian economies, therefore Indian banks are vying for market share in this sector, which has tremendous growth potential. Retail banking nevertheless encounters challenges such low client churn, the development of technologically advanced facilities and investments in them, security issues, Know Your client (KYC) rules, credit evaluation regulations, etc.

III. LITERATURE ON RETAIL BANKING IN INDIA

Retail banking is when financial organisations that deal with a lot of low-value transactions offer banking services to private citizens and small enterprises. Banks are not unfamiliar with the idea, but it is now recognised as a sizable and valuable market niche that presents growth and profit prospects. Due to excess liquidity, growing corporate reliance on capital markets, rising middle-class incomes with greater purchasing power and debt-handling capacity, rising middle-class incomes, rising nonperforming assets (NPAs) from corporate portfolios, and the growth and potential for future growth of the credit card industry, banks have transitioned from wholesale banking to retail banking. Retail banking in India's expanding economy has a wide range of prospects. Retail banking will become a key driver in India's growth story. Some of the most significant policy problems for the industry are financial inclusion, responsible lending and access to finance, long-term savings, financial competence, consumer protection, regulation, and financial crime prevention. Bank credit portfolios in India are evolving quickly. Retail lending is taking over more and more of bank credit. As a result, retail lending interest rates have also reduced. Banks should focus their risk management efforts on consumer loans' risk and return characteristics, revenues from consumer loans, consumer loan losses, collection tactics, product structure, and lending rules when it comes to retail banking.

WHAT IS RETAIL BANKING?

Retail banking includes demand facilities and client-specific services in addition to retail deposit schemes, retail credit, retail loans, credit cards, debit cards, insurance products, mutual funds, and depository services. As a result, retail banking includes a range of financial services and goods that contribute to both the assets and liabilities of banks. Mortgage, vehicle, consumer, and educational loans are just a few of the many loan products that may be found on the assets side of the retail banking balance sheet. Retail banking is characterised by the following traits:

- Skillful credit evaluation;
- Ongoing and regular follow-up;
- Strong processing capacity;
- Competent human resources;
- Technical support, and
- Trustworthy documentation

INDIA'S RETAIL BANKING ECOSYSTEM

Although "retail banking" is not a novel concept to banks, it is now seen as a sizeable and lucrative market niche that presents growth and profit prospects. Although the terms "retail lending" and "retail banking" are sometimes used synonymously, the latter term refers only to a subset of retail banking. All individual customers' demands are comprehensively met in retail banking. There are three key aspects that set the modern retail banking business apart:

- many goods (deposits, credit cards, insurance, investments, and stocks);
- Various channels of distribution (call centre, branch, and web) and
- A variety of clientele (consumers, small businesses, and corporations).

RATIONALE FOR USING RETAIL BANKING

Since 1991, the government has implemented financial sector changes that have led to fierce rivalry among banks for corporate loans, forcing them to lend even at PLR or sub PLR and provide other valuable services to big, high-value firms at substantially lower rates. As a result, most banks have seen a decrease in interest spreads and a drop in profitability.

Retail advances offer an appealing interest margin of 3% to 4% since retail borrowers are less sensitive to interest rate swings than corporate borrowers, but corporate loans only give an average return of 0.5% to 1.5%. The fact that retail customers are too dispersed to properly negotiate adds to the huge interest spreads on advances. Retail loans are comparatively resistant to recession and continue to deliver even during a period of economic slowdown, but corporate loans are frequently sensitive to trade swings.

Retail markets are growing as a result of rising income levels among a middle class that is expanding and becoming more prone to consume in order to raise their standard of living. This market's 2.50 percent yearly growth is driving up household credit demand. The potential is considerable given the nation's current penetration rate of just over 2%. The growth rate of this industry is projected to accelerate in the upcoming years given the nation's ample liquidity. Banks now have a substantial chance to increase the size of their loan portfolios.Innovative products like asset securitization can give banks fresh chances to maintain ideal asset liability management and capital adequacy.Banks can cross-sell various retail items including credit cards, insurance, mutual fund offerings, demat services, and more to investors and depositors through retail banking.

DRIVERS OF INDIA'S RETAIL BANKING BUSINESS

What factors have led to the growth of retail? Let me simply outline some of the primary causes.

A consumer boom was initially powered by economic expansion and the associated rise in purchasing power. Few countries can equal India's economic record, which saw its GDP develop at a consistent 6.8 percent annual rate over the ten years that followed 1992.

Second, a vast qualitative and quantitative growth potential in consumption is indicated by shifting consumer demographics. India has one of the youngest populations of any country, with 70% of its citizens under the age of 35. India's population advantage was recognised as a key benefit in the Goldman-Sachs BRIC report, which forecast a prosperous future for Brazil, Russia, India, and China.

Thirdly, technological considerations were important. Debit cards, online and telephone banking, and 24-hour access to accounts have all attracted a large number of new clients to the banking sector. Retail banking in India has grown as a result of the widespread use of credit/debit cards, automated teller machines, direct debits, and phone banking.

Fourth, over the past two years, the banks' Treasury revenue, which has boosted their bottom lines in previous years, has been dropping. Retail business is a great way to increase profits under such circumstances.

Fifth, by boosting demand for it, the drop in interest rates has also helped the growth of retail credit.

RETAIL BANKING SERVICES & PRODUCTS

(A) PRODUCTS FOR RETAIL DEPOSITS: There are numerous retail banking products available, including savings accounts, current accounts, recurring accounts, fixed deposit accounts, NRI accounts, corporate salary accounts, free demat accounts, kid's accounts, senior citizen schemes, locker facilities, cash credit facilities, free demand draught facilities, etc.

(B) RETAIL PRODUCTS FOR LOANS: Banks provide loans for a variety of objectives with a range of terms, including short-, medium-, and long-term. Personal loans, mortgages, student loans, auto loans, business loans, loans for durable goods, and loans secured by shares of stock and other securities.

(C) RETIRED SERVICES: Lockers, depository services, credit and debit cards, phone and internet banking, anywhere, anytime, any way banking, automated teller machines, gift cards, etc. are all included in this.

IV. CONCLUSION

Indian consumers seek to better their quality of life, even if it means borrowing money for things like homes, consumer goods vehicles, vacations, etc. The Indian mentality is also changing. Borrowing and lending are no longer stigmatised. The demand for consumer items, cars, and mortgages are all subject to further rising pressure from peer pressure and the demonstration effect. These new developments all significantly improve retail banking.

Customers of retail banking are generally devoted and do not frequently change banks. Marketing, mass selling, and the capacity to categorize/select customers using a scoring system and data mining are made possible by a large number of retail clients. Banks may save costs, realise economies of scale, and boost their bottom line by increasing the volume of their retail business. Banks can build business ties with clients to keep their current business and draw in new ones through product developments and aggressive pricing techniques.

REFERENCES

[1]. 1993, Anderson EA and MW Sullivan. "The Antecedents and Consequences of Customer Satisfaction for Firms", Marketing Science, Vol. 12 Spring, pp. 125–43.

[2]. Peggy JohneAthanassopoulou and C. Axel, 2004. International Journal of Bank Marketing, Vol. 22 No. 2, "Effective Communication with Lead Customers in Developing New Banking Products",

[3]. "Trust and Performance in Cross-Border Marketing Partnerships: A Behavioural Approach," Aulukh P, M Kotabe, and A Sahay, 1996, Journal of International Business Studies, Vol. 27 No. 5, pp. 1005–1032,

[4]. In 1951, L.J. Cronbach published "Coefficient Alpha and the Internal Structure of Tests" in Psychometrica. 1987's Crosby Stevens. Journal of Marketing Research, November, pp. 404–411: "Effects of Relationship Marketing and Satisfaction, Retention, and Prices in the Life Insurance Industry,"

[5]. CT and MR ennewBinks, 1996. British Journal of Management, "The Impact of Service Quality and Service Characteristics on Customer Retention: Small Business and Their Banks in UK."

[6]. Jamal Ahmad, "Customer Satisfaction and Retail Banking: An Assessment of Some of the Key Antecedents of Customer Satisfaction in Retail Banking", International Journal of Bank Marketing, Vol. 4 No. 5, p. 146, 2002

[7]. James D. Lenskold, "Customer-Centric Marketing ROI", Marketing Management, Jan./Feb. 2004, vol.