

## **TOP 5 PRIORITIES FOR FUTURE OF RETAIL BANKING INDUSTRY IN INDIA**

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### **ABSTRACT**

*When a bank caters to consumers rather than businesses or other financial institutions, we say that they are engaging in retail banking. Savings and checking accounts, mortgages, personal loans, debit and credit cards, and prepaid debit cards are the primary retail banking products. Following the implementation of financial sector reforms in 1992, retail banking in India saw a significant uptick. India's retail banking business has quickly become a key driver of the country's broader banking sector's expansion in recent years. Current economic conditions need a greater concentration on retail banking products by Indian financial institutions in order to maintain profitability and long-term client connections. The growing percentage of retail deposits and loans on commercial bank balance sheets, as well as the steadily expanding number of bank branches, all point in this direction. For the average person, their primary point of contact with banks is through retail banking. The term "retail banking" describes the sale of financial goods and services to consumers rather than businesses. Goods offered by retail banks may be found on both the liability and asset sides of the balance sheet. Liability products include deposit accounts like checking and savings, while asset products include mortgages and loans of many kinds (including personal, home, vehicle, and student). Credit cards, deposit services, and goods and services from the insurance and capital markets sectors, among others, are all examples of the para-banking activities that fall under the umbrella of retail banking. As a result, retail banking services roughly approximate to those provided during the banking industry's middle period of development. Although retail banking presents enormous expansion potential, it also presents formidable difficulties.*

**Keywords:** Environment, Various, Expectations, Expand

### **1. INTRODUCTION**

**In-Store Banking** The term "retail banking" describes the sale of financial goods and services to consumers rather than businesses. On the liability side, banks have traditionally relied on a large number of retail depositors. That's why, when we discuss retail banking, we tend to concentrate on retail lending as an asset class. As a result, retail banking entails the provision of products on both the liability and asset sides of the balance sheet, such as fixed and current accounts and mortgages and various types of loans (including personal, housing, auto, and educational loans). Credit cards, deposit services, and goods and services from the insurance and capital markets sectors, among others, are all examples of the para-banking activities that

fall under the umbrella of retail banking. As a result, retail banking services roughly approximate to those provided during the banking industry's middle period of development. It is important to note that retail banking, which encompasses all products and services relating to the consumption and speculative function of the economy, has become relevant in these jurisdictions now that real economies in most developing countries have matured enough to demand products and services offered not only during the intermediate phase but also during the advanced phase.

For the average person, their primary point of contact with banks is through retail banking. Brick-and-mortar bank branches and ATMs are common places to find these services. Retail banking services are now made available through a variety of channels, including traditional locations, automated teller machines (ATMs), the telephone, and the internet. Some western retail banks serve customers exclusively through their websites and do not maintain any brick-and-mortar locations. However, retail banking is typically handled by a separate division within a bank, and the number of banks that cater solely to retail customers is small.

Services offered by retail banks typically begin with the general public as their intended clientele before progressing to what can be described as "class retail banking" When a bank provides its customers with standard banking products and services, this is known as "mass retail banking." The banks now are making an effort to attract a large enough clientele to provide a reliable source of revenue. However, in the "class retail banking" phase, the bank caters to a specific subset of its clientele—high-net-worth individuals—by providing them with specialised products and services. It's possible to use the term "private banking" to refer to retail banking that caters to a specific subset of consumers. For many financial institutions, providing banking services to small borrowers and SME clients is considered part of their larger mass retail banking services. Individuals, farmers, and business owners who have relied on retail banking for their financial needs can eventually upgrade to commercial banking and banking for entrepreneurial ventures (SMEs). This is especially true because many service delivery (high volume, low value transactions) and risk management procedures (score model, model based capital evaluation) features of retail banking are equally relevant to small enterprises managed by sole proprietors.

### **1.1 Characteristics of Retail (Mass) Banking**

There should be uniformity in retail banking's offerings. These items are not tailored to specific customers; rather, they are sold "as is." Let's compare them to items sold in a branded store for ease of understanding. In shops, you pay exactly what is displayed and described on the price tag. There is no bias in any of the provided goods or services. Therefore, retail banks' products should share these same qualities. In addition, a variety of retail banking products are available through a wide variety of distribution methods (branch, internet, ATM,

telephone). The banks should prioritise effectiveness in providing these services. Since retail (mass) banking entails reaching out to a group, the bank must have proper systems, structure, staff, and procedures in place to cope with the group, its characteristics, its behaviour, and its dynamics.

## **2. LITERATURE REVIEW**

**Anandalakshmy A** (2018) When a bank deals with individual clients, as opposed to large institutions like businesses or other banks, we call this retail banking. Savings and checking accounts, as well as other transactional accounts, mortgages, personal loans, debit cards, and credit cards, are all part of the range of services provided. To differentiate these banking services from investment banking, commercial banking, and wholesale banking, the phrase "corporate banking" is commonly used. Retail banking, often known as consumer banking or personal banking, describes the services provided by a bank to individuals as opposed to businesses. The bank has made efforts to obtain state-of-the-art banking technologies and a highly qualified and motivated workforce. The idea is to include corporations that hold sizable market shares in expanding economic subsectors. The bank's leadership is committed to further broadening the institution's revenue streams and strengthening its competitive standing in the banking industry.

**Iipseeta Satpathy** (2017) For the average person, their primary point of contact with banks is through retail banking. The term "retail banking" describes the sale of financial goods and services to consumers rather than businesses. Goods offered by retail banks may be found on both the liability and asset sides of the balance sheet. Liability products include deposit accounts like checking and savings, while asset products include mortgages and loans of many kinds (including personal, home, vehicle, and student). Credit cards, deposit services, and goods and services from the insurance and capital markets sectors, among others, are all examples of the para-banking activities that fall under the umbrella of retail banking. As a result, retail banking services roughly approximate to those provided during the banking industry's middle period of development. Though there is a lot of room for development in retail banking, the industry also faces some formidable obstacles. Banks need innovation if they are to expand in the face of stringent consumer protection regulations, dangers from a slowing global economy, and rising client demands. Challenges and emerging trends in India's retail banking industry are the primary focus of this article.

**Kuldeep Singh** (2014) Recent years have seen phenomenal expansion in India's retail banking sector, making it a key factor in the country's banking sector as a whole. Growth in retail banking product demand, including loans, credit cards, and individualised goods and services, is a logical consequence of rising consumer spending. In-depth research and analysis of the burgeoning retail banking industry are available in the Retail Banking Report.

The expansion of the retail banking industry is analysed, including its current state, its future prospects, and the key concerns and obstacles that it faces. Banks, financial institutions, MNC Banks, academics, consultants, and researchers may all benefit from reading this paper to learn more about the exciting new possibilities in India's retail banking sector.

**James F. Devlin** (2004) Trends in the relative relevance of choice factors in selecting a retail bank are analysed in this research. Most notably, it separates the characteristics that have been much more essential over time and those that have become significantly less important in driving decision. The investigation makes use of a quantitative technique, basing its conclusions on the feedback of 7,033 customers. The results demonstrate that recommendations have become the single most influential factor in making a purchase decision. Incentives, product variety, and economic considerations like interest rate and taxes and charges have all grown in prominence as well. It used to be that picking a bank because it was close to where you lived or worked was a major element in making a decision. Choosing based on a bank's image and reputation and expectations regarding level of service are two of the variables that have stayed relatively stable throughout time.

**Mbablemhle Bhengu** (2016) High levels of personal contact and ongoing price competition define South Africa's retail banking industry. To stand out from the crowd of financial institutions, a bank must provide exceptional service. The study modified the SERVQUAL model for use in the financial sector. In order to ensure statistical validity, the study used a probability sampling strategy. The views of MBA students on the quality of banking services were tested using a simple random sampling method. An empirical study conducted at a South African university found that MBA students were generally unsatisfied with the services offered by local retail banks. Tangibles, dependability, empathy, responsiveness, and reliability were some areas where service encounters fell short.

### **3. GROWING INTEREST IN RETAIL BANKING**

It's vital to look into the history of banking in order to comprehend the current fad for retail banking among financial institutions.

There have been three main eras in the history of banking in developed economies. Each jurisdiction's real economy may be said to be in one of three stages of development that roughly track with one another.

- Initial phase: The primary function of banks during this time period was to act as intermediaries between their customers and the real economy by providing basic services such as savings accounts, loans for business, and money transfers.

- Intermediate phase: The banks continued to provide the original phase's services, and also expanded into consumer lending. Para-banking services, such as insurance, were also made available by banks. The shift from an investment (production) led growth phase to a consumer led growth phase is mostly responsible for driving up demand for these services. At this point in time in history, retail banking is important to the functioning of both the economy and society.
- Advanced phase: High-end savings & investment products, wealth management products, and structured products are just a few of the new services that banks provide their customers, both individuals and businesses, in addition to the services provided in the transitional phase. What this means is that the financial system now actively supports speculative activity alongside production and consumption. At this point, it becomes sense to consider private banking, an evolved form of retail banking for the 'classes.

Several recent trends help to explain why retail banking has become so popular in emerging markets. This is the point that economies enter a liminal phase. When banks were first developing, policymakers were concerned with making sure money could go to businesses that needed it. In recent years, however, authorities have grown more lenient in permitting banks to lend even for consumption reasons, since loan demand from fundamental industrial and infrastructural sectors has dropped. The availability of enabling technology is the second development that has bolstered banks' ambitions in retail banking. Banks may now develop suitable technology-based distribution channels in light of the fact that retail banking necessitates mass manufacturing methods. The quest for inclusive growth by regulators and policymakers in the aftermath of the global financial crisis has also provided a boost to the retail banking sector. Banks are seen as crucial by governments worldwide as they help advance the aim of financial inclusion. A bank-led financial inclusion approach has also been advocated for in India, which sees mass-market retail banking as a crucial step toward its goal of achieving financial inclusion for all its citizens. The need for financial institutions to diversify their income streams and open up new profit channels is another factor contributing to retail banking's rising profile. Over time, financial institutions have come to see the excluded masses as a possible source of profit, realising that trade for the impoverished wherever in the globe is more viable than commerce for the affluent. The cliché that "Retail Banking is the Future of Banking" is one that commercial banks just can't ignore.

#### **4. GROWTH OPPORTUNITIES AND CHALLENGES OF RETAIL BANKING IN INDIA**

In a developing country like India, the potential for retail banking is enormous. The number of Indian households with medium and high incomes is on the increase and is likely to

continue doing so. Young people have more disposable income and less aversion to taking on debt than their elders, which is an issue.

Together, they guarantee explosive development for the retail industry, which is just now beginning to show signs of life. There is a lot of room for expansion in retail banking, but the industry also faces some serious difficulties.

- Customer loyalty and acquisition are two of the biggest issues that banks face today.
- Increasing debt levels also pose a serious problem for retail banks in India.
- There are possibilities and threats associated with the most notable rising FinTech themes.
- Banks must figure out how to market retail banking services and products using all available digital and direct channels.

## **5. PRIORITIES FOR FUTURE OF RETAIL BANKING IN INDIA**

If we want to see the economy as a whole thrive, the status quo financial system cannot provide the foundation for such growth. Taking a stand against the future landscape and uncertainties necessitates banks, therefore here are some goals for the future of retail banking that would bring India one step closer to complete financial inclusion.

- **Customer-Centric Business Model**

Customers, not goods or distribution points, will become the focal point of a bank's organisational structure. Rather than trying to force their goods on clients, they will appreciate that each one has different wants and requirements and adapt their services accordingly.

- **Social Media will be The Media**

Using social media to connect with, interact with, inform, and gain insight into retail banking consumers is the future of the industry. It will also serve as a venue for consumers to learn about and evaluate competing banking services.

- **Customer Relationship**

The retail banking sector places a premium on investing in measures that will increase client trust. The public expects financial institutions to act ethically and responsibly. Taking the

lead in the public discussion is a huge win for banks. Institutions devoted to banking will disseminate information on money management, economics, and the advantages of banking to the general public.

- **Cybersecurity**

Customers' worries about data privacy and security are rising as more aspects of their lives, including finances, are moved online, making cybersecurity an absolute must for retaining long-term client connections. Financial institutions must conform their plans to internal and external standards for business operations, risk management, and compliance.

- **Business Process Outsourcing**

Several retail banking tasks might be completed more quickly and at a lower cost if they were outsourced. Additionally, it will aid banks in honing down on their primary functions. The focus of banks will shift to customer service, brand development, and marketing.

## **6. Conclusion**

Competition in retail banking has increased since financial sector reforms in India. The banking industry today is always striving to both maintain and grow its client base. All of the world's banks are vying for more of your retail business. Retail banking should be constantly innovating in the following areas: product development and differentiation, marketing, microplanning, prudent pricing, technological up gradation and customization, home/electronic/mobile banking, asset liability management, and effective risk management and techniques. However, new products receive almost little attention from Indian financial institutions. To truly be innovative, a solution must be developed that can be used everywhere, not only in urban centres and on the internet. Financial institutions should be resilient in the face of adversity and proactive in seizing profitable opportunities. Technology and efficient management are crucial to the success of any retail banking operation. The banks now have an advantage over their rivals because to this. Furthermore, being a responsible bank should prioritise serving the interests of its customers. Instead of focusing just on raising per capita debt, this industry should aim to generate wealth on a broader, more systemic scale. Rapid shifts in consumer behaviour, rising expectations, an explosion of available channels, disruption, innovation, and new technology are all having a significant impact on the retail banking sector of the financial services business. To achieve full financial inclusion, governments throughout the world see retail banking as crucial. There is a pressing need for retail banks to address these concerns if they want to thrive in the years ahead.

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