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   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

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A CONCEPTUAL STUDY ON RETAIL BANKING

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ABSTRACT
In today's world where innovative financial services are being offered, the issue of retail banking is highly crucial and with a lot of potential growth. Hence, it generates interest for bankers and curiosity for researchers. Retail banking is the chain of products and services offered to individual customers and to those associated with business. The banking industry is highly competitive, with banks not only competing among each other; but also with non-banks and other financial institutions. Most bank product developments are easy to duplicate and when banks provide nearly identical services, they can only distinguish themselves on the basis of price and quality. Therefore, customer retention is potentially an effective tool that banks can use to gain a strategic advantage and survive in today's ever-increasing banking environment. It is a foregone conclusion that winds of massive change blowing across the banking industry in India forced most of the commercial banks, more so public sector banks, to resort to retail banking as a measure to attain further growth with stability. Retail banking is mass market banking, where individual customers' diverse needs are fulfilled at the local level i.e. by providing multiple products. It has been facilitated by growth of banking technology and automation of banking process. With much scope in the avenues for operations, the real challenge for the banks in the current scenario is to stand out in the midst of hard-hitting regulations of the apex body. Current paper focuses on the terms, scope and concepts of retail banking, its evolution in India, briefly discuss the scenario of Indian retail banking, also focuses on some of the major issues of Indian retail banking industry. It also visualizes the future of retail banking.

KEYWORDS
Retail Banking, Corporate Banking, Customer Retention, Credit Culture.

INTRODUCTION
The banking industry is highly competitive, with banks not only competing among each other; but also with non-banks and other financial institutions. Most bank product developments are easy to duplicate and when banks provide nearly identical services, they can only distinguish themselves on the basis of price and quality. Therefore, customer retention is potentially an effective tool that banks can use to gain a strategic advantage and survive in today's ever-increasing banking environment. Analyzing markets based on customer perceptions, designing a service delivery system that meets customer needs, and enhancing the level of service performance are all pertinent objectives for banks seeking to gain and retain a competitive advantage **(Brown and Swartz, 1989; Yavas, Benkenstein and Stuhldreier, 2004).** Service quality has received much attention because of its obvious relationship with costs, financial performance, customer satisfaction and customer retention **(Zeithaml, Berry and Parasuraman, 1996).** From a rigorous investigation of traditional service quality outcomes in which face-to-face interaction between customers and employees was the primary focus. Recently, however, technology has had a remarkable influence on the growth of service delivery options **(Dabholkar and Bagozzi, 2002)** and a profound effect on services marketing **(Bitner, Brown and Meueter, 2000).** Customer acceptance of the new automated channels of service delivery in banks brings a dramatic change in the way retail banks build and maintain a close relationship with their customers **(Mols, 2000).**

Today banks have to look much beyond just providing a multi-channel service platform for its customers. With the Phase in which the banking sector is growing, Banks concentrate more on Product designing, Technology advancement, Expanding, Recruitment, etc, forgetting one main factor - Customer Satisfaction/ Expectation, which can be fulfilled by understanding today's customers' perception about various sector banks i.e. public sector banks, private sector banks and its retail banking services too. There are other pressing issues that banks need to address in order to chalk-out a roadmap for the future:

- Number of Retail bank branches have increased from 57262 (March 2006) to 71998 (March 2011), hence reach is no more an issue in choosing a bank for the customer.
- Banking channels like ATM, Mobile Banking, Online Banking, Phone Banking etc. have made banking easier and convenient.
- Approximately 6 percentage of a retail bank's customers are lost every year because of dissatisfaction with some aspect of its value proposition.
- Average middle class Indians have more than two bank accounts.
- Dissatisfaction with banking services have gone up, as the expectations of the customers has reached a new level due to advances in technology. Complaints filed against banks have increased from 10560 (March 2004) to 75927 (March 2011).
- Inclusive Banking and RBIs strategy, to ensure all individuals have a bank account, so that any schemes launched by the government, the benefits can be rooted through bank account.

Analyzing markets based on customer perceptions and to increase the level of service quality is the need of the hour, retailing banking will assist banks in not only gaining new customers but, it will also assist in retaining the existing customers with satisfaction.

EVOLUTION OF RETAIL BANKING IN INDIA: A NEW MANTRA
Indian banks have a chequered history. The British legacy left behind a host of large and small privately-held banks. The late 1960s saw the nationalization of banks, leading to the emergence of the public sector banks. The 1990s saw the banking industry embracing technology in a massive way, led in particular by the new private banks and foreign banks. Though a number of banks had been functioning for centuries in the Indian market, the real banking started only after the Banking Reforms in 1991. Banking in India has witnessed remarkable changes and development since the onset of the processes of liberalization, globalization and privatization. The liberalization policy of the Government of India permitted entry of private players into the banking industry, which witnessed the entry of nine new generation private banks during the period 1994-97. Indian banking sector has experienced increased competition since the inception of the financial sector reforms in 1992. Examining the process of banking sector reforms in India, observe that there has been a beneficial impact on the financial system consequent upon the reforms. In view of the opening of the state controlled banking sector for private players many new generation private sector banks have penetrated into the area of banking more prominently in the domains of corporate banking and retail banking. Many of the new generation private sector banks have made appreciable strides in the area of retail banking. This has infused a sense of intense competition among the major players in the industry. **A. Prasad, Saibal Ghosh, (2007)** have evaluated the proposition that competition in the Indian banking sector has increased since the inception of the financial sector reforms in 1992 using annual data on scheduled commercial banks for the period 1996–2004. Among these series of technology innovations, Internet banking

for the retail segment is a recent phenomenon that has generated a lot of interest in the Indian banking industry. The most shocking point is that; The Private and foreign banks have been the early adopters, while the Public sector banks are the followers.
Banking is a personalized service-oriented industry and hence provides services, which should satisfy the customer's need. The competition between public sector banks and private sector banks has put pressure on the banks to improve their customer services and work for image building and brand equity. Banks are the most common institutions and media for transfer of funds and investments. The challenges ahead for banks, especially for Public sector banks with private sector banks have greatly increased with increasing competition and the growing demand for a greater variety and superior quality of banking services to the end users. The growth of the retail banking industry is one area which has generated a lot of interest primarily because of the entry of many private sector banks and foreign banks, resulting in the availability of a wide variety of innovative banking products and services for the customers.
Due to increasing competition in retail banking, understanding the customer perception about the service quality is becoming indispensable. The private sector banks are posing a very stiff competition to the public sector banks and even to co-operative banks through their initiatives for meeting customer expectations and gaining a cutting edge. This is reflected by the increasing market share and better profitability of private banks in comparison to that of public sector banks. At the same time, public sector banks have also responded to the challenges posed by the private sector banks through conscious efforts to enhance their service quality by increasing its retail banking services. In recent times, the customer orientation of the banking sector has significantly increased. The introduction of a variety of new products and services with emphasis on quality of service clearly indicates how banks address the issue of customer needs and expectations through a Customer-centric approach. The strategies adopted by the private sector banks are more in tune with those of the foreign banks, where emphasis is given to establishing superior benchmarks of efficiency, focusing on precious customers, providing impressive customer service and bringing about operating efficiencies by using high-end technology. Like the foreign banks, the private sector Indian banks recruit the finest manpower, employ state-of-the-art technologies and are oriented towards building a strong brand image. Even though the private sector Indian banks do not have an extensive range of branch networks, the emerging trends indicate that they pose a great threat to the public sector banks because of their increasing market share.

CONCEPT OF RETAIL BANKING
The word retail has its origin in French word 'retailer' and means "to cut a piece off'' or *"to break bulk".* Retailing involves a direct interface with the customer and the coordination of business activities from end to end right, from the concept or design stage of a product or offering, to its delivery and post delivery service to the customer.
'Retail banking' refers to the dealing of commercial banks with individual customers, both on liabilities and assets sides of the balance sheet **(Gopinath, 2005b)**. Similarly, **Sood (2003)** defines retail banking as "catering to the multiple banking requirements of individuals relating to deposits, advances and associated services".
The operations of any banking unit are divided into two broad categories, viz., wholesale banking or corporate banking and retail banking. The wholesale banking covers the financial needs of corporate houses, financial institutions, trusts, etc., and the size of the account is quite large. Retail banking, on the other hand, is not a new phenomenon. It has always been rampant in diverse forms. But, it has become synonymous with main stream banking for many banks lately. Typically, it refers to dealing with individual consumers both on the liability and asset side of the balance sheet. On the liability side, in the form of deposits such as fixed, current, saving account. Whereas on the asset side, in the form of various loans such as personal loans for specified/unspecified purposes, housing loan, auto loan, educational loans, mortgage loan, loans against various types of securities, etc. Besides this, the retail banking also provides various ancillary services such as mobile-banking, phone banking, internet banking, depository services, etc.
Retail Banking has emerged as a new buzzword in the Indian Banking arena. Traditionally, retail banking was confined to accepting deposits from individuals and providing them limited associated banking services such as loan against deposits, extension of locker facilities, safe custody of articles, remittances facilities, advisory services on investment, etc. Of later on, one can find that the retail banking has widened its scope by gradually securing its prominent place on the asset side (loan portfolio) of the Balance Sheets of the Banks as well. Today, most of the Indian commercial banks have largely been retail banks in their business composition. The modern retail banking encompasses retail deposit schemes, retail loans, credit cards, debit cards, mutual funds, insurance products, depository services including demat facilities and a host of other services catering to the needs of the individual customers. It refers to take care about the banking needs of the individual customers in and integrated manner.

SCOPE OF RETAIL BANKING
In today's world where innovative financial services are being offered, the issue of retail banking is highly crucial and with a lot of potential growth. Hence, it generates interest for bankers and curiosity for researchers. Retail banking is the chain of products and services offered to individual customers and to those associated with business. Corporate and retail banking offers banking products and services to corporate and retail clients respectively through various channels. A bank's functions are fundamentally divided into two categories, the corporate banking or wholesale banking and the retail banking. On one hand, corporate banking fulfills the financial needs of corporate houses, trusts academicians, consultants, researchers, companies and other financial institutions. On the other hand, retail banking is a form of mass banking where financial needs of individual consumers such as professionals, salaried persons, self-employed persons, housewives, students, etc., are dealt with. The important characteristic that differentiates corporate banking from retail banking is that in corporate banking, it is the size of the customer's account that matters, while in retail banking, it is the number of customer accounts that counts. In wholesale or corporate banking, the customer is not a surviving entity. The directors of the company operate the corporate account on behalf of the shareholders.
Even the size of the account is large and, sometimes, the amount can be in crores of rupees. The services offered under corporate banking include cash management, general banking and trade finance. Corporate customers from different industries, with a well-defined capital structure, approach the bank for credit. Banks are subjected to high risk when offering credits to corporate customers. Hence, when the amount of loan and advance is very large, banks form a consortium to finance the projects. On the other hand, in retail banking, banks have transactions directly with customers, instead of corporations or other banks. The products and services under retail banking are designed to meet the financial needs of the customers. The small size of the accounts is less risky and the large number of such accounts is more profitable for the banks. The features and characteristics of retail banking products and services are based on the customer needs and marketing strategies adopted by banks.
Development in regulation and supervision will have a tremendous effect on the banks and various channels of their operations. The trend of sustainable banking is increasing day-by-day as the customers and investors are choosing banks for investments depending on the bank's vision and service in the social and environment arena. The customer is the presiding deity for the banks as far as retail banking is concerned. Therefore all the products and services are designed and woven around him/her. Apart from providing traditional services like offering various types of deposit accounts, collection of cheques/drafts/bills of exchange, safe deposit lockers, sale and purchase of shares, issue drafts, etc., the bankers also offer innovative services such as certificate of deposits, monthly income and retirement schemes, mortgages, smart money housing deposits, personal loan, loan against gold, credit cards, debit cards, services after the regular banking hours – telephone banking, ATM services, etc. As customers are not confined to a single group, such as educational, social, etc., the products and services are designed and offered to suit diverse customers' needs.
Technology has supported the development of the financial services industry during the last few years in an unprecedented manner. It has reduced the cycle of money to the shortest possible duration, thus, resulting in the expansion of financial services both in terms of reach and volume. A number of financial institutions and intermediaries have started taking practical steps for providing comprehensive online services. Banks are not an exception as they deal with money. They act as facilitators, by accepting money from the entities that have surplus cash and transfer the same to others that need it as lending rate of interest for a bank is higher than its borrowing rate. Apart from lending and borrowing money, banks also offer a number of other services like factoring, invoice discounting, overdraft, etc.

SCENARIO OF INDIAN RETAIL BANKING

A new era in retail banking emerged during the mid 1990. This era was governed by the developments in the field of information. In retail banking segment, it is the individual customer who is at the centre. Therefore, banks operating in this segment have devised innovative delivery channels, creative advertising and branding efforts along with competitive product and pricing strategies for customers with diversified background. India provides very high-level growth potential in retail banking segment for banks. Indian economy is growing at an average of 8%, thus, providing much needed impetus to the phenomenal growth of the retail banking segment. Customers can conveniently bank these days irrespective of time and place. It has also offered services like D-MAT, plastic money (debit and credit cards), online transfers, etc. This has assisted the banks to reduce their operational costs.

Retail banking has been regarded as one of the major drivers of the total Indian banking sector. The retail banking segment of banks is experiencing many changes by adopting innovative strategies like cross-selling, packaged selling of retail products, acquisitions and alliances, leveraging their branch network, etc. Public Sector Banks (PSBs) are also adopting new strategies to retain customers. PSBs are base for the Indian banking system which accumulates more than 80 % of total banking business. Retail lending has become the hallmark of innovation in the commercial banking industry all over the world. In fact, retailing make ample business sense in the banking sector. While new generation private sector banks have been able to create a niche in this regard, the public sector banks have not lagged behind. Leveraging their vast branch network and outreach, public sector banks have aggressively forayed to garner a larger slice of the retail pie. By international standards, however, there is still much scope for retail banking in India. After all, retail loans constitute less than seven per cent of GDP in India vis-à-vis about 35 per cent for other Asian economies – South Korea (55 per cent), Taiwan (52 per cent), Malaysia (33 per cent) and Thailand (18 per cent). As retail banking in India is still growing from modest base, there is a likelihood that the growth numbers seem to get somewhat exaggerated. One, thus, has to exercise caution in interpreting the growth of retail banking in India. Developing countries like China and India have emerged as potential markets with immense investment opportunities. This high growing segment is also dominated by foreign banks. Foreign banks are doing well and are expected to win the race in India.

Though the face of the retail banking has changed the trends of the Indian banking industry as a whole, it has to improve a lot. The banking and finance sector is performing extremely well and is expected to rise exponentially in the near future. The growth of retail banking, new finance products, emergence of the private sector players in finance and overall economic growth of the country depends on the good quality of skilled and trained workforce for each level of operations for all corporate banks, financial or non-financial institutions. The constituents of financial sector such as banks, insurance companies, mutual funds, financial institutional investments, infrastructure finance, forex, etc., are growing at a phenomenal pace.

ISSUES OF INDIAN RETAIL BANKING INDUSTRY

Retail Banking has all its attendant risks. It is highly sensitive. Banks got to move cautiously. It is easy to enter, but difficult to get out. A systematic and a calculated approach is the pre-requisite for success in the long run. The following are some major issues faced by Indian Retail Banking Industry:

Technology issue: Although technology lends a supportive hand to the overall development of the banking industry through phone banking, ATMs, Credit cards, Debit cards, Internet banking, etc. there is an increasing peril of hacking, phasing and farming through which scanners are creating mayhem indulging in cyber crimes on a huge ground, which is tricky to be checked.

Agricultural/Rural Credit issue: Banks were and are unsuccessful to focus on the provisions of Agricultural Credit or Rural Credit due to it is very expensive to provide credits micro units in distant areas. It is possible, only through technology the costs can be reduced related to low unit financing.

Credit card issues: A variety of undesirable practices are implement by credit card issuing institutions and their agents, which plight the customers. Some of them are unwanted calls to members of the public by card issuing banks/direct selling agents forcing them to apply for credit card, charging very high interest rates/service charges, non-disclosure of detailed billing procedure, lack of transparency in disclosing fees/charges/penalties.

Lack of activist credit bureau: One of the major barriers in foreign players is leveraging the Indian markets in the absence of affirmative credit bureau. In the foreign countries, the risk profile can be easily mapped to things and this information can be publicly traded.

Legal framework issue: A rapid legal procedure against the customers creating bad debts is virtually missing.

Product Innovation issue: Indian banks have revealed slight or no interest in innovative tailor-made products, which is the need of the hour. The foreign banks products will not work out in our diversified economy anymore.

Focus on the Upper-class segment: All banks are targeting the upwardly mobile urban salaried class. Although the players are scattering their operations into segments like self-employed and the semi-urban rich class, major thrust is given only to this segment. Over-dependence on this segment is bound to bring in stiffness in the business.

Credit Culture issues: The spend-now-pay-later 'Credit Culture' in India is just not much preferable among the rural population. Even, lack of suitable infrastructure facilities in the rural areas frustrates the interest of private banks to access rural areas. There is also absence of prompt loan repayment culture. In other words, prompt loan repayment culture has not yet set in many sectors of society.

FUTURE OF RETAIL BANKING

In a market chock full of similar products, delivering a strong customer value proposition is one of the most important ways in which a bank can create a space for itself. Post-crisis, the balance of power has shifted clearly towards the banking consumer, who is demanding greater convenience, functionality, value, transparency, and above all high quality service and experience from his bank, and is willing to switch his service provider for these, if need be. The banking customer has also started to behave differently, and nowhere is this more apparent than in channel usage. A study conducted by *'finacle from infosys'* (research agency) in April 2011, found that being able to use self-service channels was the biggest priority for 2 out of 3 banking customers. A similar proportion interacted with their bank over multiple channels, mostly a combination of the branch, Internet and mobile. And more than half-regardless of age or channel preference-felt that technology-led channel innovation was important. How are retail banks reacting to this news? An examination of the current and emerging Trends in banking give a preview of how banks are reinventing themselves – and their channels in particular – to strengthen their proposition to customers.

1. THROUGH CHANNEL INNOVATION

a) THE MAKEOVER OF BRANCH BANKING

After some years of depressed spending, investment in branch technology is on an uptrend. An analyst firm estimates that banks' global technology expenditure will cross US$ 130 billion by 2015, of which investment in branch technology will be a significant component. That's understandable considering that approximately 80% of sales still originate at the branch. However, given the pressure to show a return on every investment, banks are being choosy about how they deploy their money. There is no doubt that some will be put into branch maintenance; but the focus is on technologies that can improve in branch customer experience. Branch experience improving technologies include enhanced ATMs/Kiosks that automate a number of functions including cash deposition and also make transacting more secure by way of biometric authentication.

In future, more branches may use monitoring technologies to see what's going on in real-time. These will also be useful to gather information about branch traffic and congestion, average wait time, peak business hours etc. Natural user interfaces – which respond to human gestures – could become a common sight within next-generation branches, as banks install very large interactive walls or windows that several visitors can browse through simultaneously for information, or as in the case of the Microsoft Surface, find, simulate and manipulate financial data on a "tabletop" sans pen and paper.

b) MUCH MORE THAN AN ATM

In the survey mentioned earlier, multi-functional ATMs ranked at the top of customers' wish list for branch innovation. For some time now, banks have been trying to equip their ATMs with higher capability. Spanish bank's redesigned sleek new ATM, which has made the user experience simpler and more intuitive, is perhaps the best indicator of what all ATMs will be like in future. Some of the ATM services that banks are either testing or rolling out include: scanning of cheques so that the machines can accept them; payment of direct taxes; acceptance of donations to charitable causes; railway ticketing; audio/voice enablement to assist visually challenged users; and audiovisual conferencing with "3D" advisors. Here, it is worth quoting the example of Gambia Bank's, which has innovated on its ATMs in such a way that customers can make cash deposits without using a debit card. Users need only click a button, confirm their account details and feed in the cash. The machine sorts out the various denominations, totals the cash and credits the account immediately.

2. THROUGH FINANCIAL INCLUSION

a) BANKING THE UNBANKED

With prime urban markets becoming saturated, banks are looking at generating business from hitherto untapped segments. Globally, it is estimated that about 2.5 billion people still lack access to formal financial services. While there's enormous potential in excluded markets, tapping it is neither easy nor viable with a traditional branch banking model. Banks, especially those in South Asia have circumvented the absence of a physical network by employing microfinance institutions, NGOs and individuals with strong local connections as agents or business correspondents, devolving the entire responsibility of acquiring, on boarding and serving customers upon them. They have set up fixed or mobile kiosks in the vicinity of customers, which act as mini branches. Now, the emergence of low cost, ubiquitous mobile technology is giving a further boost to the financial inclusion agenda of banks not just in Asia, but the world over.

However, it is also enabling non-banking players, namely mobile operators, to enter the financial domain. In most markets, these companies have leveraged their enormous reach into financially excluded markets to successfully deliver basic mobile banking/money transfer services and some are now experimenting with innovations, such as mobile wallets. This is creating some pretty interesting dynamics in the area of mobile financial services and opening up the possibility of new business models. As a result, the future may see many instances of banking institutions collaborating with network operators to extend mobile banking services in financially excluded regions.

3. THROUGH SOCIAL MEDIA

Social networking is arguably the biggest agent of change in consumer banking behavior. Even cursory observation shows how much it is a part of daily life. Today, social communities exert enormous influence over brand reputation, public opinion and purchasing decisions. Although banks, for the most part, are yet to leverage the potential of social media, they might not be able to resist its pull for long. Going forward, we can expect a wider participation by banks in popular social media. In future, social networks could be seamlessly connected to banking channels, and perhaps even evolve into one.

Times continue to be tough for banking institutions as they grapple with low consumer confidence, intense competition and regulatory restrictions in a market that is yet to recover from the crisis. On top, customers are flexing their muscles by demanding better service and experience from their bank and leaving them for another when they don't measure up to expectations. In a highly commoditized market, it is these aspects – and not product and price – that differentiate one bank from the other. And the onus of delivery rests almost entirely with the banking channel. Which is why, channel innovation will continue to play a crucial role in the future of banking. It could take many forms – a high-tech branch, a more intelligent ATM, a social media channel, on the cloud banking and a mobile phone that replaces both cards and currency, to name a few. Some of these may succeed more than others, but collectively they will reinvent the business of retail banking.

SUGGESTIONS TO EXPAND INDIAN RETAIL BANKING INDUSTRY

Retail Banking is moving from a push to a pull product with people slowly realizing its importance. Thus the passion to excel with the right attitude is what will help to attract more customers. To enlist the 'unbanked' segment of the society by the service providers is a method to enlarge the retail banking. It is this underserved segment that is now becoming the focal point especially for some of the large financial institutions. Now, the time has come for the customer to demand a product that is not currently available in the Banker's kitty and the Bank has to factually create customer-specific products. Here comes the Banker in the role of a Financial Engineer. Agricultural Credit or Rural Credit is a segment required to be explored more. It can be considered as an unbanked segment. It has always been looked upon as a charitable activity rather than a profitable activity. Lowering the limit of minimum deposit for opening new accounts as per the instructions made by Reserve Bank of India. To accomplish greater financial inclusion, all banks need to make available a basic banking 'no frills' account either with 'nil' or very low minimum balances as well as charges that would make such accounts accessible to enormous sections of population. Banks should allow the earlier facilities to descend 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. With the effective usage of the cell phone technology, coupled with web developments service providers can innovate and offer feature-rich, user-friendly mobile banking applications. In the present era much importance is needed to be given internal as well as external infrastructure. Therefore, branches may be equipped with modern state of comfort facility. Different desks especially Retail desk may be clearly identified with sign boards.

CONCLUSION

Today Retail Banking has emerged as a new buzzword in the Indian Banking arena. It is a foregone conclusion that winds of massive change blowing across the banking industry in India forced most of the commercial banks, more so public sector banks, to resort to retail banking as a measure to attain further growth with stability. Retail banking is mass market banking, where individual customers' diverse needs are fulfilled at the local level i.e. by providing multiple products. It has been facilitated by growth of banking technology and automation of banking process. With much scope in the avenues for operations, the real challenge for the banks in the current scenario is to stand out in the midst of hard-hitting regulations of the apex body. Globalization, consolidation and want of expertise are drastically redefining the banking taxonomy. Thus, the participants, be it a Indian financial player or a foreign entrant in the retail banking sector have to adopt a different approach in everything viz., products, services to hold the Indian market share, as a popular saying goes as variety is the spice of life.

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