

A Study on Retail Banking As A Credit And Investment Tool for Banks in India

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Abstract

The concept of retail banking is not new to Indian banking industry; it is existing from olden days but was at lower rate, whereas in the recent years it has grown immensely and became one of the vital services for the banking sectors to survive in Indian economy. In India both public sector and private sector banks are equally competing with each other towards offering Retail Banking services at affordable cost by maximizing profit and also benefited to all types of customers by fulfilling their desired needs. India is also moving towards retail banking innovations and out of total banking lending's, retail loans plays a vital role in recent years, for the purpose of maximizing profits banks have selected these retail banking services as a better investment tool and marketed to the different types of customers according to their needs, thus can compete in the industry. The present study aims to focusing on the how Retail Banking services acted as a investment tool to the banker, how banker is marketing the retail services for maximizing profits, what are the components of retail banking products and benefits to banker while providing retail banking services.

KEYWORDS: Retail Banking, Innovations Maximizing profits, Investment tool, Benefits

INTRODUCTION

In India both public sector and private sector banks are equally competing with each other towards offering Retail Banking services, as these services are highly profitable and has reasonable operating cost. In India retail loans constitute around 7% of GDP which is expected to grow very faster in future because of heavy population in India as compared to other nations.

OBJECTIVES OF THE STUDY

The objective of this paper is to explain the changing banking scenario, to analyze the how retail banking services acted as a investment tool for the purpose of maximizing profits. The main objectives of the study are:

- 1 To know the meaning of Retail banking in India.
2. To know the reasons for banker to invest in retail banking services in India
3. To analyze the reason for marketing retail banking services by banks in India
5. To know the promotional tools for retail banking services in India
6. To highlight components of retail banking products
7. To know the benefits to banker on retail banking services in India.

RESEARCH METHODOLOGY

All information included in this paper are based on Secondary data collected from Books, News papers & Journals and Internet.

Meaning of Retail Banking:-

It refers to the dealing of commercial banks with individual customer, both on liabilities and assets sides of the balance sheet. Fixed, Current/Savings accounts on the liabilities side; and

mortgages, customers loans on the assets side, are the more important of the products offered by banks. Related ancillary services include credit cards, or depository services.

RETAIL BANKING AS INVESTMENT TOOL TO THE BANKER:-

Following are the reasons for the banker to invest in retail banking services

The fast growth of globalization in the recent era has resulted into thinning spreads. Therefore the task of improving profitability has become much more complex. An increase in the yield on funds depends upon:

1. Yield on advances by branches.
2. Yield on Investments by the treasury.

Investments of the fact that yield on advance are more than the yield on investment; the investments portfolio is growing at speedy manner for Banks in India. It is catching up with the total advances of the bank. The reason is not hard to find, which is mainly on account of lack of adequate avenues for profitable and safe use of funds to corporate and other sectors.

Hence, retail banking helps banks in allocation of capital to individuals at a better spreads, considering both allocation and rewards.

Banks offers retail credit services based on consumer durables, car loan, housing finance and educational loans. The disbursals through branches are given emphasis because of the following reasons:

1. The yield on advances is better than the yield on investments. Therefore disbursals through branches would result into increase their profit margins.
2. The disbursements through branches spreads the risk (i.e., one should not keep all the eggs in one basket)
3. The interest rates at which the liquid funds are converted to performing assets proportionately contribute to the good rate of interest, increasing this portfolio will enhance the profitability of the bank.

More over it has become very tedious to retain the corporate clients because of alternative avenues available to them for raising funds at cheaper rates. This is yet another reason why bank has to focus on individuals and retail lending as a corporate strategy.

REASONS FOR MARKETING OF NEW RETAIL BANKING PRODUCTS SERVICES BY BANKS:-

With the exception of loans, few baking products have the potential to bring new customer relationship to a bank. Alternative investment products have the potential because they appeal to depositors who might not otherwise be in the bank. Hence banks started marketing out beyond the banks customer's base to the extend part new retail investment services due to following reasons.

1) IT ENCOURAGES CROSS FINANCIAL NEEDS: Retail banking will bring in new customer relationship to the financial institution as corollary, the program will encourages cross selling opportunities within a bank and customers.

2) IT MEETS THE FINANCIAL NEEDS: Despite the banking type services offered by various other organization, a banked still has the greatest potential to meet the customers total financial needs even when a customer whose investment profile is long term and aggressively growth oriented needs the foundation of the investment pyramid, which starts with checking the account and a certain amount of short term liquid reserves for emergencies in a saving account. Many investment services programs offer investment type insurance products and some offer life and other insurance products as well.

3) IT HAS SALES CULTURE:

The reason banks are just beginning to learn about sales orientation has to do with the history of banking. Till recently bankers had a product that everyone wanted-money, in the form of loan, If consumers wanted a product they got it from the bank based on the bank terms. But now banks are no more primary lenders. Banks are not always the lowest cost providers of funds or the most accessible source of money. Customers have to be drawn into the institution, and then relationship has to be built and nourished. This is done through proactive marketing and consultative selling Incentives play an important role too. The relationship characterizes the securities on the industry at its best. Any financial benefit or plan chalked out by both the banker and customer. Helping the customer surely helps bank to have a solid and lifetime relationship with that customer.

PROMOTION TOOLS FOR RETAIL BANKING PRODUCTS SERVICES:-.

A) CUSTOMER INFORMATION: This is a good promotion tool in selling banks products. Yet the hidden objective is the role the customer can play in promoting the bank, the concept of customer context may be designed to extract opinions regarding the improvement of the service towards customer satisfaction. For example customers should be involved in providing valuable information in the form of feedbacks of different products of the banks. These are the inputs for devising a strategy to increase bank-customer relationship involvement as well as good customer service.

B) CUSTOMER SUGGESTION: a customer's suggestion can be elicited as a regular periodic activity. Banks may wait for its customers to offer suggestions for improving bank performances in several service areas, to improve bank image and attract large customers towards banks for retail products.

C) CUSTOMER NEED AND CONVENTIONS: These convention platforms between customers and banks branch management. The details as to agenda and plan of action are shared with bank and customer.

COMPONENTS OF RETAILBANKING PRODUCTS:

There are six key components to selling alternative investment in a financial institution:

1. Choosing the right structure.
2. Preserving the special relationship of trust that a financial has with its customers.
3. Determining the appropriate sales philosophy for the program.
4. Implementing a relationship selling program.
5. Developing an internal marketing program.
6. Choosing what products are most appropriate for an alternative investment program.

Building customer relationship has become the topic for any kind of selling relationship; also called need based selling never talks about solving an issue. Sales are never the end objective. The work is done with customer to help to meet their needs accordingly. Relationship selling means staying in contact with customers, offering advice as needs change. Drafting a financial plan and working with customers and helps them better to understand overall financial need both long and short term

BENEFITS TO BANKS UNDER RETAIL BANKING SERVICES:

- A) Bank can satisfy customer's needs.
- B) Bank can maintain the customer's relationship.
- C) Bank can know the customer's perception in competitive banking.
- D) Bank can Analysis customer turnover.
- E) Bank can Know how to keep customers satisfied.
- F) Banks Know about, customer value creation.
- G) Banks Can Know about customer's benefits.
- H) Banks can Study methods regarding increasing bank revenue.

CONCLUSION:

In banking sector lots of innovations is happened after globalization and privatization in Indian economy, retail banking services are the one of the best innovation made by the banker in the recent years for the purpose of growth and development of Indian economy.

Retail banking offers need based services to each and every different customer as per their income level, as per their preferences, as per their personal satisfaction at lower cost.

India's high population made the banker to offer wide range of products and services through retail banking services for the purposes of maximizing profit and survive in the banking industry through technological developments that are happening in recent years.

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