

Retail Banking in India: Overview, Growth and Opportunities

Dr.Lokesha M N.

*Assistant Professor of Economics, Government First Grade College, Channarayapatna, Hassan District
Email:lokeshmgkn@gmail.com*

Abstract

Retail banking, also known as consumer banking, is a business in which banks offer services to individual customers, rather than to companies, businesses or other banks. Services offered include savings and transaction accounts, mortgages, personal loans, credit and debit cards. India also saw the rise of commercial banks after the financial sector reforms in the early nineties. There are many signs that show this. Commercial banks in India are fast becoming one of the key drivers of the entire banking industry and have seen significant growth in recent times. Retail banking is the collection of services and products that banks offer to customers and small businesses through branches, online and other modes of operations. In recent years, retail banking has become a strategic focus for the Indian financial industry. The share of retail and commercial bank accounts has increased, and the number of bank branches has continued to increase. All over the world, it has become a new trend in marketing budgets in recent years. With changes in revenue models and distribution methods brought about by globalization and globaliztion, Indian banks are shifting to media expansion, offering services through ATMs, mobile banking, and online and virtual banking.

Key words: *retail Banking, Commercial Banks, Digitalisation, Mobile Banking*

I. Introduction

As major players are exercising to cater to the retail banking needs of the second largest populated economy, more focus on local needs along with the developing trends in consumer spending is the need of the hour. As of now, customization of products to the local needs is less than the expectations of the customers. Focus on local needs may give an opportunity and access to the rural market where equivalent opportunity is available for immediate expansion. About a decade of development in the banking sector as a consequence of reforms, a large pie of the economy is still untouched by the modern banking services. Retail banking is promising a future for the bankers, an opportunity for the unemployed, enhanced service to the consumers and boost-up to the consumer goods industry.

India has a large population and land size. Significant cultural diversity and extreme income disparities between regions. retail banking, a typical banking product in which banking institutions conduct transactions directly with customers. Principles of operation of savings and trading accounts, mortgages, personal loans, debit and credit cards, etc. Law of large numbers, stochastic modeling of critical success factors. Retailer channel branding unit costs – cost per account, cost per transaction, pricing, risk management. This term is commonly used These banking services are different from investment banking, commercial banking, and wholesale banking. A remarkable innovation in the commercial banking sector is retail banking. it is, banking transactions in which banks process transactions directly with consumers rather than with businesses or other businesses Bank. Consumer lending is at the heart of retail banking. For private customer business, banks provide the following services: Individuals, small businesses, and businesses come in all sizes. In India, In the retail banking scenario, the market has changed from a seller's market to a buyer's market. retail industry Banks offer services such as account opening, credit cards, debit cards, ATMs, internet banking, telephone banking, insurance, investments, mortgages, and stock brokerage. Retail banking refers to dealing of commercial bank with private customers on both the liability and asset sides of its balance sheet.

Most of the banks in India were retail banks in their business structure. The term Retail banking includes a variety of financial products (various types of deposits). accounts, residential, consumer, auto, other types of credit accounts, debit facilities, Insurance, mutual funds, credit cards, debit cards, ATMs, and other technology-based (Various services, securities companies, utility bill payments, train ticket reservations, etc.) We serve various customer groups and primarily provide financial services such as: Individual. Simply put, it caters to the diverse banking needs of individuals.

Objectives of The Study

The objective of this paper is to explain the changing banking scenario, to analyze the opportunities and challenges of Retail Banking in India. In addition to this; an attempt is made to understand the significant priorities of banks in India. The main objectives of the study are:

1. To understand the Concept of Retail Banking in India
2. To study the evolution and Growth of retail banking sector in India.
3. To highlight various Opportunities & Challenges to Retail Banking in India

What is Retail Banking?

Retail banking is the part of the commercial banking system that serves the general public and individual customers. Also known as consumer banking. The retail banking system aims to provide banking services such as account opening, savings accounts, loans, debit cards, etc. to the citizens. This system is aimed at the general public and their personal needs when dealing with money. Businesses, businesses, and businesses that may require more complex banking solutions are excluded. For most people, banking refers to retail banking services such as savings, transactions, mortgages, debit cards, and credit cards. In India, this may not be a new phenomenon, but changing customer demographics and technological advancements have made this an integral part of daily operations. Business for private customers is conducted at local branches of commercial banks. It is important to note that it may simply be a division of a bank that caters to the general needs of individuals regarding saving and spending money.

The Evolution of Retail Banking

Initial Phase: At that time, retail banking required physically going to a bank branch. People had to go in person to deposit money, open accounts, and use various banking services. Everything was documented on paper, and people had to carefully document their account balances and transactions. This process took a lot of time and usually required several visits to the bank.

In the 1990's: Technology takes over: The 1990s brought about major changes in the Indian banking world. New technologies such as computers and electronic databases entered the market. This has made banking smoother, reducing paperwork and speeding up transactions. Automated teller machines (ATMs) were also introduced during this period. These allow people to receive cash and perform basic banking transactions outside of normal banking hours.

In the 2000's: digital revolution in retail banking: The real turning point came in the early 2000s with the proliferation of the Internet and mobile phones. This has sparked a digital revolution in banking. Banks began offering Internets banking, allowing customers to check account balances, transfer money, pay bills, and more from their home or office.

In the age of smart phones: Mobile magic: Mobile banking has become popular with the spread of smartphones. The bank has developed a user-friendly app that allows customers to carry out transactions wherever they are. Mobile banking makes managing your money much more convenient. Services like mobile wallets and peer-to-peer payments have made it even easier to transfer money between people.

Banking for everyone: A commitment to inclusion: One of the key changes is the promotion of financial inclusion. Governments and banks are working together to bring more people into the banking system. Initiatives like Jan Dhan Yojana aimed to provide every household with access to banking, insurance, and credit. These initiatives expanded the bank's customer base and contributed to poverty alleviation.

After Demonetization: Cashless Trend: The trend of cashless payments has accelerated significantly since demonetization in 2016. With physical money in short supply, people turned to digital payment methods. Platforms like online banking, mobile wallets, and UPI have become popular for fast, secure, and cashless transactions.

Finally, the journey of retail banking in India has been remarkable, moving from traditional methods to digital innovation. The simplicity and accessibility of online and mobile banking has completely changed the way we handle money. The future looks bright for banking in India as AI and further technological advancements provide more personalized and efficient services. As India continues its digital journey, the banking sector will play a key role in shaping the country's financial landscape.

What are Retail Bank Functions

From an economic perspective, all three types of retail banks exist for the following reasons:

1. Increase economic liquidity by changing the money supply

This is usually achieved by changing your interest rate and checking your credit score regularly.

2. Pooling the risk of loans reduces the probability of loan default.

Nationally mandated minimum reserve ratios also make it easier for financial institutions to deal with defaults. This ratio ensures that banks hold a certain percentage of their total customer deposits in cash.

3. Reduce borrowing costs by offering competitive interest rates

Keynesian monetary policy increases profits by raising interest rates on loans and increasing cash on hand during good times. During recessions, banks are expected to lower interest rates to stimulate consumer spending and economic growth.

How has Digitalization changed Retail Banking?

You can send money to someone, pay a bill, or apply for a loan anytime, anywhere. digital payment solution. The development of digitalization has also led to the creation of peer-to-peer payment systems (money transfer from one personal bank account to another via digital media), smartphone wallets, and virtual currencies. These options make it easy for customers to pay both in-person and online. Retail banks also use digital marketing strategies such as social media, email marketing, and search engine optimization to reach customers and promote their products and services. This makes it easier for banks to target specific customer segments and increase marketing ROI. The bank and his NBFC provide customers with a seamless and convenient experience with an end-to-end digital journey. Customers can manage their finances and conduct transactions online without having to visit a bank branch. Digitalization has also enabled banks and NBFCs to offer instant loans with faster turnaround time (TAT), including online loan applications and instant approval through direct transfer. Digital identity verification. Digitization has also led to the development of services that use biometrics and other technologies to verify customer identity. This reduces the risk of fraud and improves security.

In India, the retail banking sector has witnessed a significant shift towards digitization in the last few years. The number of digital transactions in India rose from 8.8 billion in 2016-17 to 34.3 billion in 2020-21, according to a Reserve Bank of India report. This trend is expected to continue as more Indians become tech-savvy and take advantage of digital financial services. At a high level, digitalization has revolutionized retail banking, allowing banks to offer customers simpler, more personalized, and more effective services.

Types of Retail Banks

These banks are often called cooperative banks because they cater to the needs of the general public. Sometimes referred to as private banking or mass market banking. Large commercial banks typically have local branches to accomplish a variety of retail banking purposes. Common retail bank types include:

1. Commercial Bank: Also commonly referred to as a bank. However, investment banks and financial institutions are excluded. We assist our customers through a variety of banking services, including personal banking, commercial banking, online banking, financial services, and lending.
2. Regional Rural Banks: RRBs, also known as Grameen Banks, are established at the regional level in various states of India to cater to low-income groups and people residing in rural areas. These banks provide regular retail banking services and also offer loans and mortgages.
3. Private banks: These are banks that typically operate in urban areas and target middle and upper income groups.
4. Post Office: In areas without regular banking, the national postal system provided basic banking services such as account opening, savings, and term deposits. For developing countries, it is a convenient and safe way to conduct banking transactions in areas where the less developed sections of society do not have access to banks.

Challenges and Opportunities of Retail Banking in India

In a growing economy like India, the retail banking industry has an opportunity for massive growth. The anti-poverty policies have resulted in the use of retail banking technology by customers from lower-middle-income Indian households as well. Thus the possibility of this sector flourishing is great in India. Moreover, the younger population of India is more comfortable with this banking technology and prefers to use retail banking. This provides a door of opportunity to this sector.

While this sector offers various opportunities, there are also certain challenges like,

- Provide a customised banking experience for the customer
- The ability to cater to the needs of the customer and the ability to sort out issues, if any, as soon as possible
- The need to find ways to distribute financial services and retail banking products and awareness
- Rising indebtedness is also a huge challenge

II. Conclusion:

The banking industry in India is very essential and crucial to the growth of the economy. Technology utilization has led to increases in efficiency, productivity, and penetration. Banking is an integral part of financial activity today and digital banking in India is highly advanced. The impact of banking technology on the financial performance of the public and private banking sectors positively affected on consumer. Technology will be the key to the future of banking. Therefore, banks should look for the change's initiating factor. Indian

banks must prioritize the quick and ongoing adoption of new technology. However, there needs to be a push for education among consumers and retailers as well in order for the growth of digital payments to boost the sector's operational viability.

References:

- [1]. Bhattacharya, K. M. and others (2007), Retail Banking in India - Opportunities and Challenges; A Macro Level Research Project 2006 – 07, Center for Advanced Banking and Finance Studies, ICAI Business School, Mumbai
- [2]. Dhanavel Pandi, and Revathi Murali (2017) Indian Retail Banking Industry: Opportunities & Challenges, International Journal of Current Engineering and Scientific Research (IJCESR), ISSN (Print): 2393-8374, (Online): 2394-0697, Volume-4, Issue-12, 2017
- [3]. Matilda Rozario (2015), Retail Banking, Challenges and Opportunities of Retail Banking in India, Risk to Reputation, Customer Relationship Management, Response Mechanism. Indian Journal of Applied Research, Volume: 5 | Issue: 8 | August 2015 | ISSN - 2249-555x
- [4]. Patnaik and others (2017) "Retail Banking Challenges and Latest Trends in India", 'International Journal of Economic Research', Volume14 Number12, ISSN 0972-9380 pp1-11
- [5]. Phanindra Kumar and Parashuramulu (2013) "Indian Retail Banking Industry: Opportunities and Challenges, 'Asian Journal of Multidimensional Research, Volume2, Issue5, ISSN 2278-4853 pp 4249.
- [6]. Suresh Chandra Bihari, (2016) Retail Banking Challenges and Latest Trends in India, Himalaya Publishing House
- [7]. Vijayalakshmi, B. and M. Sailaja, (2016), A Study On Contemporary Challenges and Opportunities of Retail Banking in India, Global Journal of Finance and Management. ISSN 0975-6477 Volume 8, Number 2 (2016), Pp. 131-141 © Research India Publications
- [8]. <https://ipbindia.com/what-is-retail-banking/>
- [9]. <https://www.forbes.com/advisor/in/banking/what-is-retail-banking/>
- [10]. <https://ipbindia.com/the-journey-of-retail-banking-in-india-from-traditional-to-digital-banking/>
- [11]. <https://www.entrepriseedges.com/types-of-retail-banking-in-india>