

THE GROWTH OF RETAIL BANKING SECTOR IN INDIA

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Abstract

This paper focused on The Growth of Retail Banking Sector in India. Today retail banking is being considered as one of the most innovative financial services provided by the various commercial banks, public sector banks, private sector banks and foreign banks. The commercial banking is an economic activity in the country and it is also a rapid economic growth; Consumer credit is the heart of retail banking. In retail banking services to individuals and small business concerns are dealings in large volume and low volume. Retail banking has a huge potential considering the growing demand for its products, and innovative services. The financial service provided by such as, deposits, credit and debit cards, ATM, Mortgages loans, Housing loans, Vehicle loans, Auto loans, Personal loans, Internet banking, Mobile banking, National Electronic Funds Transfer (NEFT), Real Time Gross Settlement (RTGS), Insurance Education loans, Electronic Clearing Service (ECS), Guaranteed Investment Certificates, Core banking system. This paper analyses the growth of retail banking in India and Innovative retail banking services.

Keywords: Retail Banking, Public Sector Banks, Private Sector Banks, Commercial Banks, SCBs, DEMAT Services, ATM, Online Banking, RTGS, and NEFT

Introduction

The Banking system in India is significantly different from that of other Asian Nations because of the country's unique geographic, social economic characteristics. India has a large population and land size a diverse culture and extreme disparities in income, which are marked among its regions. The Retail Banking in which banking institutions execute transactions directly with customers, Typical products, savings and transaction accounts, mortgages, personal loans, debit and credit cards, etc., Working principle; law of large numbers, probabilistic modeling critical success factors; distribution branch channels branding unit costs-cost per account, cost per transaction pricing risk management. The term is generally used to distinguish these banking services from investment banking, commercial banking or wholesale banking.

The spectacular innovation in the commercial banking sector is the retail banking. It refers to banking in which banks undergo transactions directly with consumers rather than with corporate or other banks. Consumer Credit is the heart of retail banking. In retail banking the banks provide services to individuals and small business concerns and the dealings are in large volumes and low volumes. In India the retail banking scenario has been the market changing from a seller's market to a buyer's market. Retail Banks offer services like, account opening, credit card, debit card, ATM, Internet Banking, Phone Banking,

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Insurance, Investment, Mortgages loans, stock broking and so on. Retail banking refers to the dealing of commercial banks with individual customers, both on liabilities and assets sides of the balance sheet.

Retail Banking defined as “Retail Banking is typically mass-market banking where individual customers use local branches of larger commercial banks. Services offered include savings and checking accounts, mortgages, personal loans, debit cards, credit cards and so”. The concept of Retail Banking is not new to banks but is now viewed as an important and attractive market segment that offers opportunities for growth and profit”. Retail Banking is also known as the consumer banking. Retail banking is a type of banking which is framed especially for individual consumers.

Today’s retail banking sector is characterized by three basic features;

- Multiple products (Deposits, credit cards, insurance, investment and securities),
- Multiple channels of distribution (call centre, branch, internet and Kiosk),
- Multiple customer groups (Consumer, small business and corporate).

Objectives of the Study

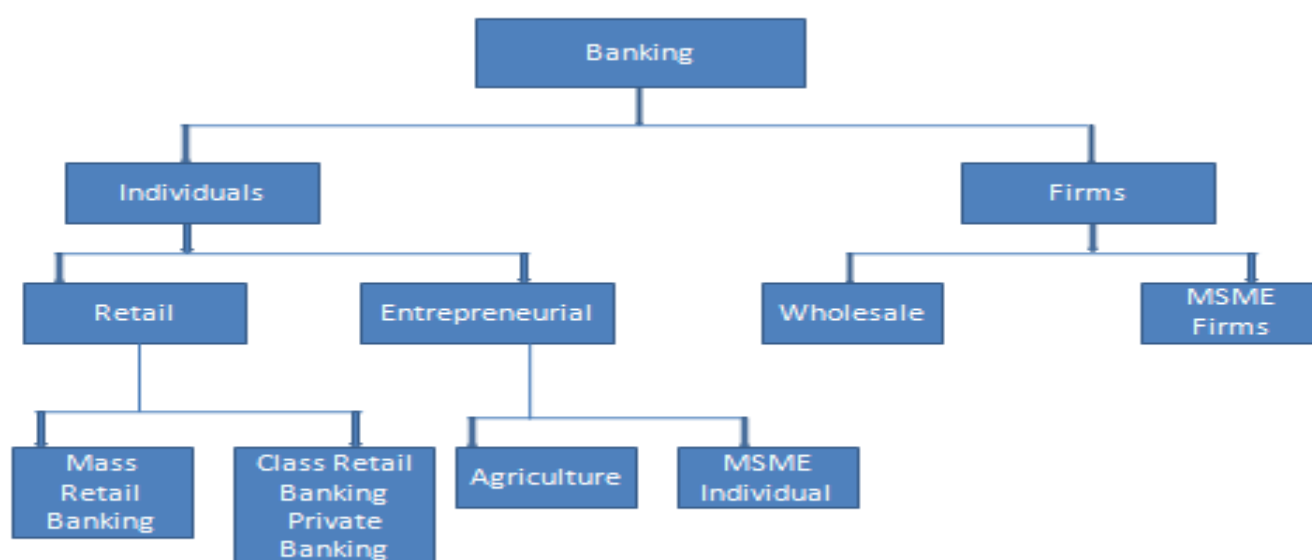
The following are the major objectives as the study;

- 1) To study the Growth of retail banking sector in India.
- 2) To study the innovative retail banking products services.

Methodology of the Study

The present study is mainly based on secondary sources. The secondary data required collected from related research paper, Annual Reports of Reserve Bank of India (RBI), different Journals and periodicals, Magazine and various book sources and World Retail Banking Reports.

Figure-1 Mass Retail banking and other Segments of Banking Sector.



Growth of Retail Banking Sector

Table-1 Retail Portfolio of Banks (Amount in Billion)

Item		Outstanding as at end March		Percentage Variation	
		2011	2012	2010-11	2011-12
1	Housing Loans	3607	4118	15.1	14.2
2	Consumer Durables	46	27	50.3	-40.9
3	Credit Card Receivables	187	223	-13.5	19.6
4	Auto Loans	1002	1162	27.8	16.0
5	Other Personal Loans	2469	3069	18.5	24.3
	Total Retail Loans	7310 (18.3)	8599 (18.4)	17.0	17.6

Source: Annual Reports of Reserve of India (2011-12)

The table -1 shows the Retail Portfolio of banks during the 2011-12. It is clearly analyzed that in 2011. The housing loan is 3607 billion which has increased to 4118 billion in 2012. The Consumer Durables loan was 46 billion in 2011. The Credit Card Receivables has contributed 187 in 2011, which has increased to 223 in 2012. The Auto loan is 1162 billion in 2012 and other personal loans is 2469 in 2011, which has increased to 3069 in 2012. It is compared with the previous year, mainly the growth in credit card receivables and other personal loans.

Table -2 ATMs of Scheduled Commercial Banks (As at end March 2012)

Sl. No	Banks Group	On-site ATMs	Off-site ATMs	Total Number of ATMs
1	Public Sector Banks	34012	24181	58193
1.1	Nationalized Banks	18277	12773	31050
1.2	SBI Group	15735	11408	27143
2	Private Sector Banks	13249	22830	36079
2.1	Old Private Sector Banks	3342	2429	5771
2.2	New Private Sector Banks	9907	20401	30308
3	Foreign Banks	284	1130	1414
	All SCBs(1+2+3)	47545	48141	95686

Source: Report on Trend and Progress of banking in India 2011-12.

Note: Excluding IDBI Bank Ltd.

The table -2 shows the ATMs Scheduled Commercial Banks during the 2011-12. The public sector bank On-site ATMs is 34012 and Off-site ATMs 24181. The private sector banks On-site ATMs is 13249 and Off-site ATMs 22830. The Foreign Banks On-site ATMs 284 and Off-site ATMs 1130. The comparison of private sector, and foreign banks, shows that On-site ATMs are less than Off-site ATMs and in public sector; On-site ATMs are more than Off-site ATMs.

Table-3 Credit and Debit Cards Issued By Scheduled Commercial Banks

(Amount in Millions)

Sl. No	Bank Group	Outstanding Number of Credit Cards		Outstanding Number of Debit Cards	
		2011	2012	2011	2011-12
1	Public Sector Banks	3.08	3.06	170	215
1.1	Nationalized Banks	0.78	0.84	80	103
1.2	SBI Group	2.30	2.22	90	112
2	Private Sector Banks	9.32	9.67	53	60
2.1	Old Private Sector Banks	0.04	0.04	12	14
2.2	New Private Sector Banks	9.28	9.63	41	46
3	Foreign Banks	5.64	4.92	3.9	3.8
All SCBs(1+2+3)		18.04	17.65	228	278

Source: Components may not add up to total due to rounding off numbers to million.

Report on Trends and Progress of banking in India 2011-12.

The table -3 shows that the Credit and Debit cards issued by Scheduled Commercial banks during the year 2011-12. It is clear that credit cards declined while debit card has been increased, and the foreign bank shows a small decline in debit cards. In the contrast more than half of the out stand credits cards and more than three-fourth of the total debit cards outstand as the end of March 2012.

Table-4 Retail Loan Portfolio of Banks

(Amount in Billion)

Sl. No	Item	Amount Outstanding		Percentage Variation	
		2016	2017	2016	2017
1	Housing Loans	7625	8530	18.5	11.9
2	Auto Loans	1543	1866	24.0	20.9
3	Credit Card Receivables	469	649	24.2	38.3
4	Education Loans	681	728	9.5	6.9
5	Other Retail Loans	2689	3355	-4.2	24.8

Source: Report on Trend and Progress of Banking in India 2016-17.

Notes: Figures in parentheses represent percentage share of retail loans in total loans and advances. The amount of total loans and advances are as provided in the off-site returns of SCBs.

The table-4 shows the Retail Loan Portfolio of banks during in the year 2016-17. It is clearly analysed that in the year 2017, the amount of various loans in retail banks has been increased, when it is compared to 2016.

Table-5 ATMs of Scheduled Commercial Bank (as at end March 2017)

Sl.No	Bank Group	On Site ATMs	Off-site ATMs	Total Number of ATMs
1	Public Sector Banks	86,545	62,010	148,555
2	Private Sector Banks	23,045	35,788	58,833
3	Foreign Banks	219	747	966
All SCBs		109,809	98,545	208,354

Source: Report on Trend and Progress of Banking in India 2016-17.

The above table-5 shows that ATMs Scheduled Commercial Bank during the year 2017. It is clearly analysed that, in public sector banks, On-site ATMs has more in number when compared to Off-site ATMs. In Private sector bank, Off-site ATMs are more than On-site ATMs. The foreign banks Off-site ATMs is more than On-site ATMs.

Table-6 Credit and Debit Cards Issued by Scheduled Commercial Banks (As at end March 2017)

Sl. No	Bank Group	Outstanding Number of Credit Cards		Outstanding Number of Debit Cards	
		2016	2017	2016	2017
1	Public Sector Banks	5.0	6.1	548.5	639.5
2	Private Sector Banks	14.7	18.6	110.3	128.2
3	Foreign Banks	4.7	5.1	3.0	4.0
All SCBs		24.5	29.8	661.8	771.6

Source: Source: Report on Trend and Progress of Banking in India 2016-17.

Note: Figures may not add up to the total due to rounding –off.

The table-6 shows the Credit and Debit Cards issued by Scheduled Commercial Bank in the year 2017. It is clearly analysed that the public sector, private sector and foreign sector banks, both the outstanding number of credit cards and outstanding number of debit cards has been intensively growth.

INNOVATIVE RETIAL BANKING SERVICES

The Reserve Bank of India laid special emphasis on technology infusion in the day to day operations of banks. Technology, apart from increasing the efficiency of banking services, is expected to boost the ongoing process of financial inclusion emphasized by RBI. In recent years increase in the number of off-site ATMs in various location as well as use of mobile phones for delivering banking outreach in remote areas. Retail banking segment in the banking industry is continuously undergoing innovations, products in Indian retail banking sector such as;

- Savings Account
- Current Account

- Term Deposit
- Credit Cards
- Debit Cards
- All Time Money (ATM)
- Mortgages Loans
- Home/Housing Loan
- Consumption loans
- Auto Loans
- Personal Loans
- Traveler's Cheques
- Certificate of Deposit
- Internet Banking
- Mobile Banking
- National Electronic Funds Transfer (NEFT)
- Real Time Gross Settlement(RTGS)
- Vehicles Loans
- Insurances Services
- Education Loan
- DEMAT Services
- Electronic Clearing Service (ECS)
- Guaranteed Investment Certificates(GIC)
- In some countries, such as the US, they may also offer more specialized accounts such as;
- Sweep accounts
- Money Market Accounts
- Individual Retirement Accounts (IRA's)
- Core Banking System.

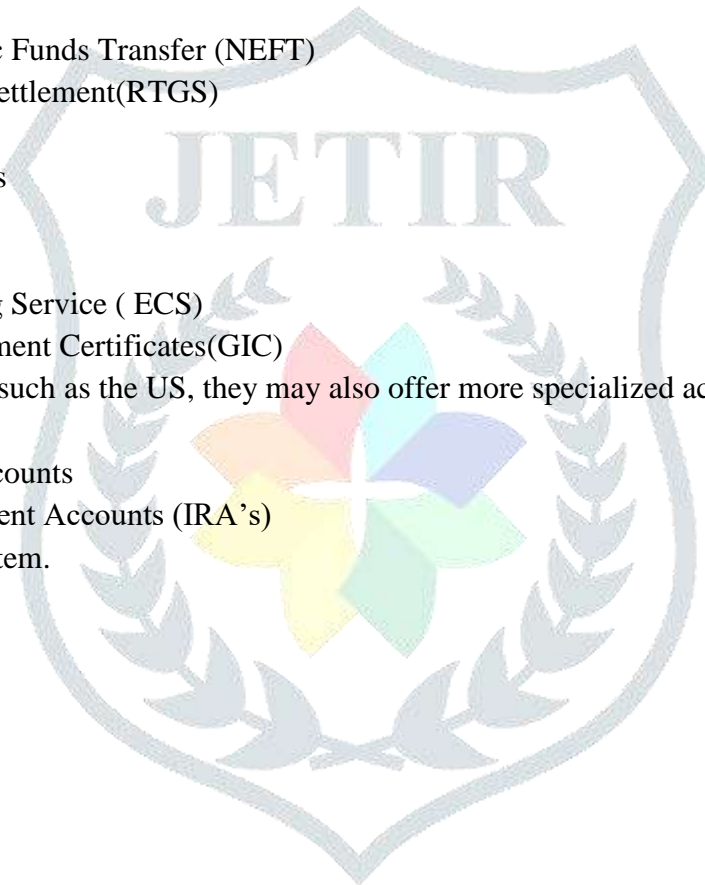
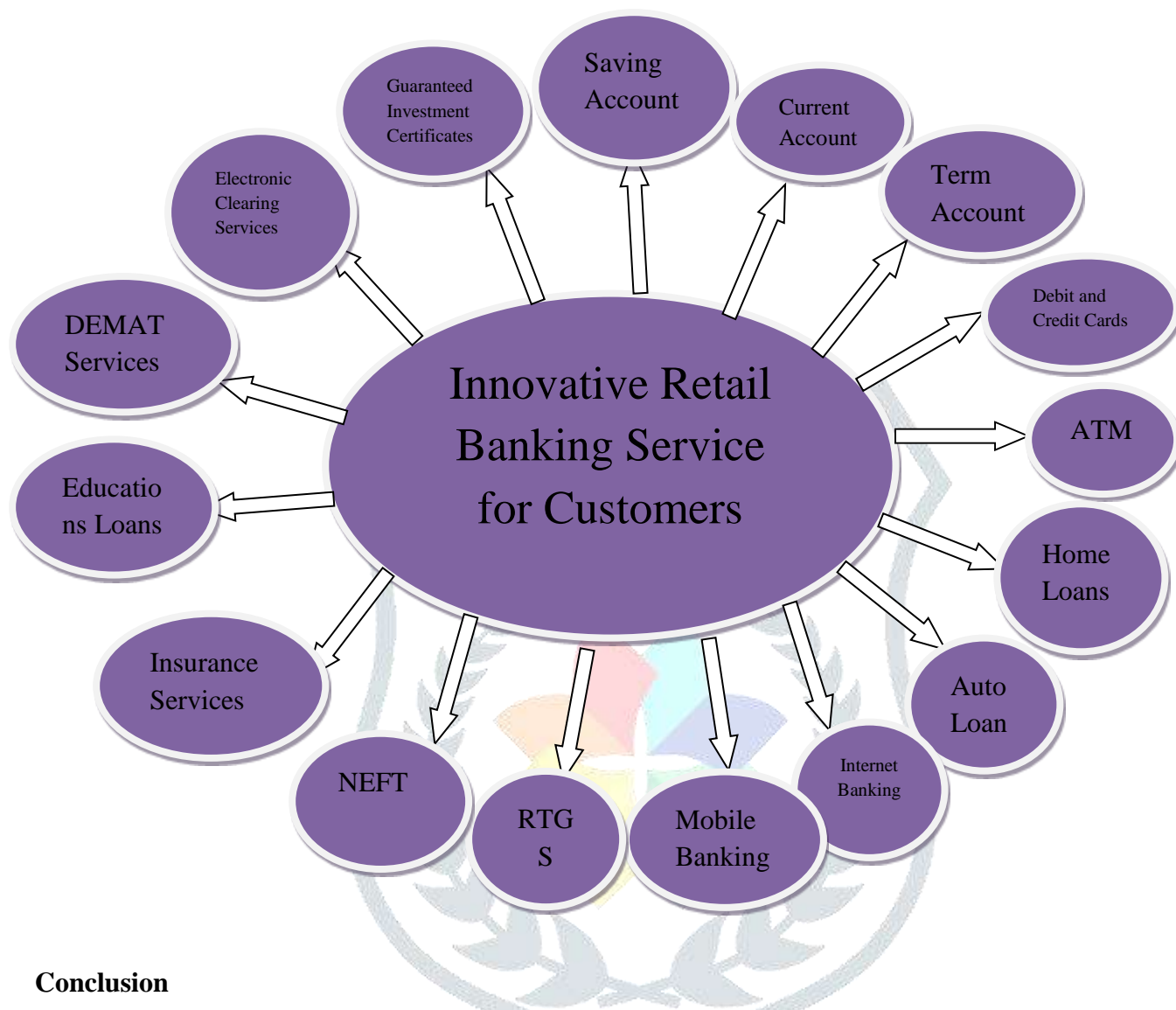


Figure-2 Innovative Retail Banking Services in India



Conclusion

The Retail banking is one of the most tremendous progress in banking sector. It is with individual's customers and banking instructions executive transaction directly with customers. The main objective of retail banking is to provide low cost banking service across the customer life cycle. Retail banking provides customers full range of financial products and banking service, it is continuously undergoing innovations, product re-engineering, adjustments and alignments, the retail banking growth in banking technology, automation and banking process that enable extension of reach and rationalization of cost, and it also advantage of reducing branch traffic. Retail banking is an able to lead growth of banking industry in future it depends on the capacity building to meet the challenges and make use the opportunity of profit. The much needed competitive edge for success in retail banking business.

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