



A Competitive Study of Retail Banking Strategies for the Future in Global Market in India

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Abstract:

Retail banking in India has fast emerged as one of the major drivers of the overall banking industry and has witnessed enormous growth in the recent past. The Retail Banking Report encompasses extensive study & analysis of this rapidly growing sector. It primarily covers analysis of the present status, current trends, major issues & challenges in the growth of the retail banking sector. This report helps in Banks, financial institutions, MNC Banks, academicians, consultants and researchers to have a better understanding of the booming opportunities in retail banking in India. However, through the power of today do advanced text analytics solutions, retail banking leaders can now conduct deep analytics and use those insights to drive key business decisions, deliver proactive service, and formulate competitive business strategies. Using customer analytics to drive proactive response is a key capability retail banks need to turn insight into action. Today's advanced customer analytics and engagement platforms allow providers to transform customer conversations into action.

Keywords: *Business strategies. Credit card, Customer, Retail banking*

1. Introduction

The trends and challenges with the ever-increasing tech-savvy society we live in today are carrying over into the retail banking industry. Retail banking customers are more connected now than ever, with most of our customers' homes having more technology in them than our branches. Couple these technology trends with major shifts in the way customers want and choose to bank, and it is clear why many in the financial services industry are re-evaluating the way their institutions operate and deliver products and services.

2. Indian Retail Banking Overview

Driven by the recession and increasing media coverage of bank industry fraud, today's banking customers are more aware and selective about their banking choices. At the same time, regulatory changes and the Credit Card Act combined with dwindling profits among Retail banks are resulting in industry developments such as:

- Introduction of Checking Fees for certain customer segments.
- Debit card charges and restrictions.(to help address mandated lower debit card swipe fees)
- Monthly charges for paper statements and in-person customer service.
- New annual fees, ranging from Rs.20 to Rs 599, for credit cards.
- Fees for images of canceled checks.
- Rs.25 per transfer to use a savings account for overdraft protection.
- New or increased ATM fees for non-customers.
- Reduction or cancelation of Reward Programs.

As a result, there is increased scrutiny and speculation regarding the threat of higher customer attrition levels.

3. Present Scenario

- Indian retail banking has been showing phenomenal growth.
- In 2011-12, 78% of credit growth came from retail.
- Over the last 5 years CAGR has been over 68%.
- Retail credit level crossed Rs.1028K Crore in 2011-12.
- Market has transformed into a ‘buyer’s market’ from a ‘seller’s market’
- Comprises of multiple products, channels of distribution and multiple customer groups.

4. Challenges

- Sustaining Customer loyalty
- NPA reduction & Fraud prevention
- Avoiding Debt Trap for customers
- Bringing Rural masses into mainstream banking
- Lack of Credit information of Retail customers from the Banking system
- CIBIL is addressing the issue only to a certain extent
- No system to eliminate multiple finances, including Personal Loans
- Higher level of NPA from Personal Loans
- Higher Loan-to-value ratio may emerge as a problem during recession
- Sale of assets without any control from the bank in the case of Consumer Credit
- Growing incidents of frauds and cyber crimes

5. Strategies for Future

5.1 Understanding Customer Sentiment

Do your customers like you? Do they prefer your competition? Are your marketing messages resonating? If so, why? If not, what are their issues? Sentiment analysis helps organizations understand what customers think about their brand and offerings. The ability to track customer sentiment gives banks the insight they need to determine where and how to prioritize change.

5.2 Cross-channel Analytics

While social media channels such as Twitter provide a real-time view of customer conversations, it’s important to remember that customers communicate with their banks in a variety of ways, and analyzing customer conversations across all communication channels is important for any bank that wants a complete and accurate picture of the customer experience.

5.3 Spotting Emerging Issues

Today’s empowered customers often turn to the Internet when they encounter a problem. The company’s web site is a critical tool for communicating with customers, while keeping support costs low. Using advanced analytics, banks can identify these types of issues or “hot spots” as they’re emerging. By tracking issues over time, banks can get a sense of both emerging issues and those that have gone from a “normal” level of complaint to a serious or “hot” level.⁴

5.4 Detecting Intent to Churn

Understanding and then managing bank customer churn before it happens is critical to the success of any retail bank. New regulations are being introduced and designed to protect consumers. Churn happens in both directions, both to and away from the bank. The ability to

identify which customers are getting ready to make a switch, understand why, catch them in the process and connect with them to provide offers to mitigate the change or to encourage a move to your bank provides both opportunities to win new customers and retain existing customers. This ability can thereby drive new revenues and preserve existing relationships.

5.5 Monitoring the Success of a New Offering

In the banking industry, new product and service introductions are expensive, requiring the coordination of multiple front end and back end systems, marketing campaign development, and training for contact center agents, to name just a few factors. Using advanced text analytics, providers and manufacturers can now get fast feedback on new product introductions directly from the market, and use that intelligence to adjust their launch strategies to the realities of the market.

6. Future of Retail Banking

1. The accelerated retail growth has been on a historically low base
2. Penetration continues to be significantly low compared to global bench marks
3. Share of retail credit expected to grow from 42% to 68%
4. Retail credit expected to grow to Rs.1080,000 crs by 2012 at an annual growth rate of 67%
5. Dramatic changes expected in the credit portfolio of Banks in the next 5 years
6. Housing will continue to be the biggest growth segment, followed by Auto loans
7. Banks need to expand and diversify by focussing on non urban segment as well as varied income and demographic groups
8. Rural areas offer tremendous potential too which needs to be exploited

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