

***Emerging Issues and Strategies of Retail Banking
in India:And Consumer Satisfaction***

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Abstract

Retail Banking is a new emerging sector in India that includes products and various services provided by banks which are increasingly used in day to day transactions. This study provides an in-depth expression of the issues and problems that arise against retail banking services in India. How to successfully address the issues and problems arising in the retail banking sector and what strategies should be developed so that the bank can be more profitable in a competitive market and provide quality services to the customers through innovation is discussed in detail. This study will prove to be very useful for the Indian banking sector and so that retail banking services can be provided to the customers more efficiently as well as the factors that will be useful for successful strategic planning.

Key words: Retail banking, Banking sector, GOI, Consumer satisfaction.

Introduction:

Financial transactions around the world are generally based on the banking system and are also mandatory. Even in India, any financial transaction is done almost without cash. The central government of India has been pushing for cashless banking since 2018, mostly using digital banking. Financial transactions, large and small, are now done by the bank and are mandatory. The banking sector in India today is facing many emerging questions and problems in the 21st century. The banking industry in India also provides many retail banking services, such as loans, fixed deposits, savings accounts, current accounts, ATM services, RTGS, NEFT etc. Banking customers even today are dissatisfied with banking services and have complaints. This study discusses in detail what strategies need to be developed to address dissatisfaction. Several problems or issues are facing retail banking services in the 21st century that have been discussed here and the strategies that the banking sector can implement to address them are emphasized by both parties such as consumers and the banking industry.

Meaning:

1 The banking regulation act, 1949 defines-

A banking company as a company which carries on the business of banking, that is to say, “accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdraw able by cheque, draft, order or otherwise.

2 According to World Bank:

“A bank is an institution whose debts i.e. bank deposits widely accepted in settlement of others people’s debts to each other”

3 What is retail banking?

“Retail Banking is a banking service that is geared primarily toward individual consumers.”

Need of the study:

We know the use of day to day banking services in India increasing in India. And as the prevalence grows, so does the banking sector. Similarly, retail banking is a new emerging brand in India. Retail banking has been used extensively in developed countries for many years and that is why there is a great need for research on retail banking in India as well. Therefore, it has become necessary to research this subject in comparison to other countries. Retail banking services and customer satisfaction are both complementary and interconnected. The basis of growth of the banking industry is mainly customer satisfaction. In the current competitive environment with the developed nations of the world, all the underdeveloped countries are now going to implement radical changes, hence the concept of retail banking services in India, its effects, contribution to the growth of the economy, its difficulties, and solutions to those difficulties. This is discussed here in this study which will be useful to the Indian banking sector to make better retail banking services in India.

Objectives of the study:

- To identify several emerging issues regarding to retail banking services.

- To frame the various strategies against issues of retail banking in India.
- To suggest remedies for improve retail banking services in India and brief concept of consumer satisfaction.

Scope of the study:

- The study specific only to retail banking in India.
- This study relates to emerging issues of retail banking services and strategies.

Literature review:

B.C.M.Patnaik, Ispeeta Satpathy, and N.R.Samal(2017), the study introduces the concept of retail Banking through the prevailing SWOT model of marketing. The strengths, weaknesses, opportunities, and challenges for retail banking in India have been studied in detail through the study of the SWOT model. The vulnerabilities and challenges of the retail banking soil in India are presented very accurately on how to transform emerging opportunities. Necessary recommendations have been made to further improve the services of retail banking in India, emphasizing the banking sector on issues such as product improvement, technological changes, quality service delivery, customer satisfaction, and employment.¹

Manoj P K (2003) explained the concept of retail banking in detail in this study. We see that from the last few years emerging changes have done in the retail banking sector and public limited well as private sector banks are facing retail banking services related issues in 21 century, it's called the author why retail banking boom? The study illustrates the latest three years of retail assets portfolio of banks has grown at CAGR 25%, while the growth rate in fiscal 2003 itself has been 35% shown. For achieve sustainable business growth and profitability to frame and fix the several strategies for retail banking are mainly focus on following,

- 1) Applying the latest technology.
- 2) Skills and experienced manpower.

¹B .C.M.Patnaik, Ispeeta Satpathy, and N.R.Samal(2017),”Retail Banking Challenges and latest Trends in India”International Journal of economic Research,vol 14,no 12,pp403-413.

- 3) Impartial and constant growth.
- 4) Strategic cost management and control.
- 5) Quality of services in risk management.
- 6) Continual market research and product.
- 7) customer satisfaction.²

Rajive G. Sharma (2013) primarily, this report provides an in-depth look at the current situation in India regarding the current rapidly growing and emerging retail banking sector. Details of the factors, trends, questions, challenges, and errors affecting the development of retail banking in the current circumstances are presented. This study will be very useful for financial institutions, MNC banks, researchers, writers, and entrepreneurs in understanding the concept of retail banking in a better and more accurate way in the important banking sector of the business world. There is a detailed discussion on what opportunities are available in the current circumstances in the field of retail banking and how they can be implemented.³

B. Vijaykumar and M. Sailaja (2016) the situation of the banking sector in India is shown here and the concept of growth of retail banking in India is briefly introduced. The real graphical view of the growth of retail banking is presented with the data from 2006 to 2016. The supply of money transactions used the US \$ 640 billion in 2006 which increased to 1727 billion in 2016. Therefore, it can be said that the last 10 years have seen an incredible leap in terms of leaps which has led to significant growth in the Retail Banking Sector by the year 2006 to 2016. A detailed analysis has done, what are the challenges of the retail banking Sector may face in the future. The study shows the reasons why retail banking in India has increased over the last 10 years and what is important here for much expansion of the range and expanse of retail banking by 2020. Six factors should be prioritized. It is recommended that the banking industry in India should focus on these six factors⁴

² Manoj P K (2003), "Retail Banking: Strategies for Success in The Emerging Scenario" Iba Bulletin, Vol 25, No 11, pp18-21.

³ Rajiv G. sharma (2013), "A Competitive Study of Retail Banking Strategies for the Future in Global Market in India" International Journal of Research in Humanities and Social Sciences, Vol 1, No 4, pp9-11.

⁴ B. Vijaykumar and M. sailaja (2016), "A Study on Contemporary Challenges and Opportunities of Retail Banking in India" Global Journal of Finance and management, Vol.8, No.2, pp.131-141.

Research methodology:

This paper is based only on secondary data and the data only concerns the Indian retail banking sector. The annual report, various books, magazines, and journals have been studied in depth to complete this research paper. Articles and researches in this field have been specially studied and the websites of IBA and RBI have also been used.

Emerging issues of retail banking for players:

External Issues
➤ Know your customer
➤ Technological issues
➤ Rural orientation
➤ Competition increasing
➤ Gov. & RBI policy
➤ Internationally changes
➤ Acting fast

❖ **Know your customer(KYC)**

KYC means to know your customer. KYC is an important part of the RBI Bank policy in India and is also mandatory for every customer, in which the banking customer discloses many things like his need, address, experience, name, choice, age, expectations, income to his home bank branch. Banks can know their customer properly from this rule. But banks have to face a lot of difficulties in doing KYC. However, banks have to move forward with determination in this regard. What is needed now is for the banking sector to realize the details of what the customer needs as the database includes a lot of personal preferences, interests, and income expectations. And so KYC can provide the required expected services to the customer and hence it can be said that retail banking works effectively.

❖ **Issues regarding to technology:**

We all have to accept that technology is now an important issue in all sectors in India and without it, no business sector can move forward. Technology is a priority in banking services

and it is difficult for the banking sector to do business without technology in the modern 21st century. Developed countries of the world have also achieved the growth of banking services through technology. To reduce the influx of people in the bank, it has been decided that retail banking services will now have to be provided wherever the customers are. Many Indian banks also do not use digital banking.

The resource must be used whether it is a public sector bank or a private sector bank. Even in remote areas, technology-based services have to be provided to customers wherever they are. Thus it can be said with certainty why technology will play a major role for a long time to come. It is now necessary to manage the technology-based portfolio of retail banking to protect the health of consumers, security of consumer financial transactions, trust, compliance with government policy, and maintaining the required profitability of the banking sector

❖ **Rural orientation:**

Recent changes in retail banking are generally taking place in cities but have not been implemented in rural areas. India has large consumer classes who live in rural areas and are overlooked. The use and implementation of technology-based retail banking services are more for urban customers while its area is very sparse and negligible in rural areas. The needs of the rural consumer class need to be met. And the rural consumer class is dissatisfied with retail banking services in India. Generally due to the low level of education in this class and lack of knowledge of retail bank services they are not able to avail of the service. Therefore, Indian banks need to be sensitive in order to satisfy such a large customer base and make a concerted effort to provide quality services to such customers by studying their needs. Nationalized banks in rural India have built a very strong structure but private banks have not yet entered the sector which can be called a weakness.

Increasing competition:

In the age of globalization, the banking sector today is highly competitive in the Indian market and hence it can be seen that in addition to the nationalized banks, private sector banks and co-operative banks are also competing. All the banks are trying to provide retail banking services to the customers better through different schemes to attract them in this cut-throat competition. The

customer and their needs must be at the center of the competition. Most of the Indian banks implement schemes that suit themselves with a focus on profitability but do not take into account the needs or desires of the customer so that they cannot succeed in this competition. How to make a profit and survive in the competition is a big question and Indian banks are facing it. For the banking sector, the competition will be more complex in the future and it will be a challenge to survive. Usually, new competitors join the competition and some of the competitors are leaving the competition.

❖ GOI and RBI policy:

Generally, any business sector is required to adhere to the control policy of its own country. In India, the GOI and the RBI have set rules and regulations to control Indian banks and maintain consumer rights. Basel 1, 2, and 3 are in force. Basel 3 has been in operation since 2018. Basel III mainly emphasizes on liquidity risk management. For which LCR and MSER have been implemented in 2015 and 2018. In general, Indian banks have adopted the concept of profitability at any cost, so that the implementation of RBI norms is negligible and therefore the rights of banking customers cannot be protected so that many banks are weakened. Failure to comply is seen as weakening financially.

Internationally changes:

Now the market through the internet is not only limited to India but also spread all over the world i.e. this market can also be called the international market. In the field of retail banking, it has become necessary to study the steps taken by the banks of developed nations in the international arena. Indian banks only give more importance to the factor in profitability. What is new at the international level is not studied. As a result, Indian banks are weaker than those of developed nations. The consumer class in India is aware and is regularly conscious of the changes adopted by foreign banks in retail banking through technology. So consumers seem to feel the lack and difference in India towards retail banking services.

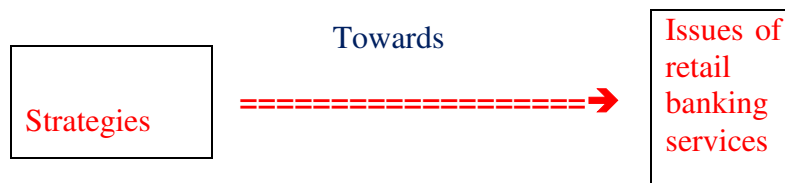
Acting fast:

As important as decision making in any business sector is, it needs to be implemented as quickly as possible. In the Indian banking sector, banks make decisions about their products or services

but delay in implementing them. Indian banks do not adopt the method of quick implementation so that the good opportunities available in the market have succumbed and due to which the competitors take advantage. Due to market research, Indian banks do not decide in proper time that should be implemented quickly and expeditiously. In an age of competition, banks are quick to make decisions and implement them. The limitation of nationalized banks is that the decision-makers are different while the executors are also different, which leads to delays. And the banks that recognize these opportunities and implement them quickly are called leading banks. Thus, Indian banks are facing the problem of speedy implementation.

Strategies towards Retail banking for players:

To successfully face to emerging issues, it is necessary to make powerful strategies towards issues. Here some of the strategies are discussed following and for successfully retail banking implementation in the Indian banking sector, it is important.



❖ Empower of bank's manpower:

It is a fact that employees always have the much and most important contribution to any successful business sector. Without a skilled worker or manpower in the business, you cannot face any issue and it is also difficult. Employees in the retail banking sector are always in the front line. The banking sector can easily face any complex problem if the employee is given a respectable salary, incentives, respect, and proper training. Thus the satisfaction of the employees of the banking sector and their appointment in sufficient numbers can be considered as a part of the strategy.

❖ Self services allow to customers:

The banking sector needs to take advantage of retail banking services wherever the customer is and provide retail banking services in such a way that there is less need to go to the bank. The

time has come for the banking sector to provide technology-based banking products and services to the customers with adequate security. Amazon and Google provide a comprehensive platform for online services. In general, a strategy should be developed to provide the product or service that the customer wants, wherever he wants.

❖ **Educate your customers:**

Banks in India are required to provide sufficient information about their new products or services to the customer. There is yet a large consumer segment in India that is unaware of digital banking and needs to be educated about retail banking services. Banks have already launched services like online banking, digital banking, and banking app but a large segment of consumers are hesitant to use it so it is very important to educate this segment of consumers about the complete security of every transaction online, then retail banking services effectively will use. The prevalent can be increased satisfactorily in India.

❖ **Customer satisfaction:**

The consumer is the king of the market and makes maximum use of his purchasing power when purchasing a good or service. Considering the needs of the customers, it can be said that the customers will get more satisfaction if the banks provide retail banking services very well. If any Indian bank does not recognize the needs of its customers and does not satisfy them, then the consumer class leaves the bank. The banking sector should formulate strategies that can provide services related to customer income and needs.

❖ **Product innovation:**

Innovation in any business sector is a necessary factor in today's age of technology. Innovation brings a definite benefit to both the banking industry and consumer society. Due to innovation, market research, product, or service research continues in the business. In the banking sector, especially in the retail banking sector, the emphasis is on how to provide high-quality products and services to the customers. The truth is that consumers will no longer choose old and antique products and services. Only banks that prioritize innovation and research will be able to grow and survive in today's competitive market age.

❖ **Identify opportunities:**

There is perfect competition in the Indian banking sector. Banks need to identify the opportunities available in a competitive market. It should identify the available opportunities and formulate a corresponding strategy to maximize profits and increase profitability. Thus more emphasis should be placed on market research and customer needs to identify available opportunities.

❖ **Competitors' behavior:**

The study of a competitor's behavior and its products or services is very essential in business when it comes to strategic planning. The competitor's products and services should be at the focus of the strategy. Strategies have to be formulated based on the details of the competitors in the market. It is also important to predict how the competitor will behave against the strategies, we have devised so the role of competitor behavior is very important when we make effectively our strategies.

Concept of consumer satisfaction:

The customer always tries to use his purchasing power to buy better and quality products or services and also hopes to get the expected satisfaction from it. Customers buy the same bank products and services that meet their expectations. Thus banks can no longer ignore the expected needs of customers and the satisfaction they get. It is certain that the banking sector will now have to prioritize customer satisfaction.

Future of retail banking:

The prevalence of retail banking services like online banking, saving account, mobile banking, digital banking, credit card, banking App are increasing day by day. From now on, financial transactions have to be done mostly by the bank. Cashless transactions have been announced by the GOI since 2017, so it is now certain that the coverage, scope, and use of retail banking services will be much higher in the future. A special study is also required for it to be presented in away. Thus, the future of retail banking services is bright.

Conclusion:

The concept of retail banking services is growing rapidly in countries around the world. The study discusses the issues and issues facing retail banking services in India and how to successfully deal with such issues and develop strategies for them. A brief concept of customer satisfaction is also explained here. Indian banks need to understand the concept of profitability as well as the expected needs of banking customers and customer satisfaction.

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