

## Millennial and Retail Banking Trends in India

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### Abstract

The banking industry has a direct impact on the economy and growth of the nation. A bank is now one of the most important aspects of modern life. In order to conduct financial activities, customers and banks have a strong interaction. Retail banking is one of the significant current phenomena's among the several advantages provided by the banking industry to the customers. Typically, the common masses are the intended consumer for retail banking services, and they gradually advance to a stage known as "class retail banking." The stage in which the bank offers its customers standardized banking products and services is known as "mass retail banking." During this period, the banks make an effort to develop a sizable enough customer base that can act as a reliable source of finance. On the other side, "class retail banking" refers to the phase in which the bank provides personalized goods and services aimed at a certain customer group, high net worth individuals. Private banking is another name for retail banking that targets a specific market sector. How the bank's products are addressing demand and customer demands across a range of income levels the study has highlighted the difficulties faced by retail banking when providing services to customers.

Keywords: Digital Innovation, Retail banking, SWOT Analysis

### Introduction

The provision of services by a bank to individual customers rather than to businesses, corporations, or other banks is known as retail banking, also referred to as consumer banking. Mortgages, personal loans, debit and credit cards, savings and transaction accounts, and other services are available. After the financial sector reforms in the early 1990s, India also saw a rise in retail banking. Numerous indicators point in this direction. India's retail banking sector has experienced rapid growth in recent years and is now one of the main drivers of the country's whole banking industry. The assortment of goods and services that banks offer to consumers and small businesses through their branches, the Internet, and other channels is known as retail banking.

The term "retail banking" refers to the supply of banking goods and services to individual consumers, usually for non-commercial uses. Offering products on both sides of the balance sheet is part of retail banking, for example, offering fixed, current, and savings accounts on the liability side and mortgages and loans (such as personal, home, vehicle, and educational loans) on the asset side. Retail banking also includes providing customers with credit cards, depository services, and other para-banking goods and services including capital market goods, insurance goods, etc. Retail banking services therefore roughly match to those offered throughout the middle stage of banking evolution. Although there are fantastic development potential in retail banking, there are also enormous challenges.

### **Objectives:**

1. To examine Indian retail banking trends.
2. To explore the SWOT analysis of Indian retail banking.

### **Evolution of Retail Banking:**

The retail banking sector is changing as a result of strong factors. Growth is still elusive, costs are difficult to control, and ROEs are steadfastly low. Economics and business concepts are being impacted by regulation. Technology is quickly changing from a costly problem to a powerful enabler of both a positive customer experience and efficient operations. Innovative non-traditional players are upending the current order by putting the client first. The number of service providers is growing. Customers are expecting more and higher standards of value and service. There is never been less trust.

In developed markets, banking has undergone three major periods of development over time. These three phases roughly correspond to the stages of real economic development in the different jurisdictions.

a) Initial Phase: During this time, banks were primarily focused on providing the most fundamental intermediation services, such as providing access to savings accounts and credit for business needs, as well as facilitating payment services like remittances.

b) Intermediate Phase: In addition to offering the same services as in the first phase, banks also started making loans for consumer spending. Additionally, banks began providing para-banking services like insurance and others. The need for these services is principally brought on by the economy's shift from a phase of expansion driven by investment (output) to one driven by consumption. Retail banking is important at this point in the economy's and society's development.

c) Advanced Phase: In addition to the services provided in the intermediate phase, banks are now offering high-end savings and investment products, wealth management services, and structured products to both private persons and businesses. In other words, the financial system now begins to assist speculative activities in addition to supporting production and

consumption activities. At this point, private banking, a sophisticated variation of retail banking for "classes," becomes important.

### **SWOT Analysis of Retail Banking:**

#### Strengths:

- **Diversified Asset Portfolio:** Financial products and services are available in a wide variety in retail banking. These include deposit products, mortgage loans, house loans, loans secured by equity shares, vehicle loans, car loans, bill payment, credit cards, debit cards, etc. Banks benefit from this diverse asset portfolios by seeing better profits and relatively reduced NPA (non-performing Assets).
- **New growth driver:** Due to intense competition over the past few years, the spread and profitability of commercial loans have decreased. Additionally, as a result of deregulation and an increase in consumer lending rates, the retail sector's risk-adjusted return has surpassed that of commercial loans.
- **CRM tools:** The implementation of customer service and quality through the use of CRM tools will assist banks in gaining consumer acceptance of their banking product and contentment, which will ultimately result in profit for them.
- **Innovative product development:** There is limitless room for growth and innovation in the financial services industry. Banks should speak with their clients to learn about their financial needs and problems so that they can shape their strategies for developing products and services, marketing them, and ultimately selling them to please their clients.
- **Economies of scale:** Banks can benefit from information & transactions through retail banking. Through extended services, banks have more information available to them. They should systematically keep track of this client information because doing so will enable them to use it effectively to identify new market niches and promote their new services.

#### Weaknesses

- **Reduces profitability:** Managing the extensive choice of products and services, which also requires a large workforce and high-end technology, involves a significant capital investment in retail banking. All of this lowers the banks' overall profitability.
- **Avoids Corporate Sector:** The corporate sector, which is the engine of the Indian economy, is avoided by retail banking. Banks should effectively manage their business clients by offering larger loans, lower credit limits, etc. Because corporate clients have clearly defined financial policies and projects, they are simple to handle.
- **Technology shifts:** Banks' ability to flourish may be hampered if they cannot keep up with new developments in the field. Additionally, a significant amount of capital must be

invested in the technology, and if it fails, the bank's reputation and some of its customers may suffer.

- **Marketing:** For a bank to be successful in retail banking, it must have both effective internal and external marketing tactics. The management in retail banking demands staff members who can appropriately introduce a product and the Latest Trends in India to their clients. If this is not the case, even a really good product may fail. The staff must be knowledgeable about the things they are selling.

#### Opportunities:

- **Increase in per capita income:** Over the past few years, there has been an increase in per capita income, and this trend is projected to continue. Additionally, compared to past generations, the younger population is more at ease taking on personal debt. Due to economic expansion & greater employment, their purchasing power has also increased. Additionally, due to the formation of the government by a majority rather than the previous government coalition, India's GDP is anticipated to expand at a very good rate.
- **Innovation in goods and services:** This market has more room for innovation as banks strive to offer their clients more and more goods and services as requested. Banks can continuously alter their goods and services to meet consumer demand and survive in this cutthroat environment.

#### Threats:

- **Large loan payouts:** Increasing competition has forced banks to give out a lot of customer loans, including credit card, auto, housing, and school loans, on simple terms with little to no verification. As a result, there are now more instances of loan payback defaults. This has led to an increase in the bank's nonperforming assets and bad debts (NPA). This was a significant contributing factor to the global slump.
- **Privacy concerns for customers:** From the perspective of the customer, one of the main challenges is that bank customer care professionals call their clients at any time at their places of employment to advise them about new products & services. Customers who are busy can be inconvenienced by this.

#### **Modern retail banking trends:**

1. **Removing friction from the customer journey:** Despite decades of discussion in the banking sector about customer centricity and improving the customer experience, most businesses have struggled to break down product silos or use internal data to create a contextual digital experience.

2. Increasing the use of data and sophisticated analytics: The digital banking research has observed a widening divide over the past 18 months between firms that are embracing the possibilities of contextual insights and digital transformation and those who stick with the status quo.

3. Enhancing multichannel delivery: As customers become more digitally savvy, they will use self-service touch points as their initial point of contact, only contacting branches or contact centre operators for the most complicated interactions. Branch and contact centre encounters will be more crucial than ever in developing human relationships with customers as a result of the migration of transactional interactions to digital channels.

4. Digital payments are becoming more widely used, but cash is still the preferred method of payment for many people, particularly in low-value transactions and among several demographic groups. Speed, acceptance worldwide, secrecy, lack of costs, and other characteristics of cash encourage its continuous use. A contemporary payments infrastructure is still lacking in several emerging nations, and some cultures have little faith in the financial system.

5. The majority of banks and credit unions around the world are still conducting business while operating under a regulatory ambiguity that is anticipated to remain a difficulty for the foreseeable future. The majority of financial institutions continue to try their best to meet risk and compliance requirements as well as supervisory expectations, despite the fact that politicians and regulators are not anticipated to make many significant changes.

### **THE NEW MILLENNIUM'S PRIORITIES**

Each bank must create a distinct strategy to deal with this shifting environment. In order to prosper in this constantly shifting environment, banks must be certain of the stance they want to take: either to lead the industry, quickly follow the leaders, or manage defensively by delaying change. To react to rapid change and unpredictability in the future, they must have flexibility and agility. However, success will come from successfully executing the proper balance across the following six priorities, regardless of the strategy chosen.

Retail banks should focus on the following six things in 2023 to succeed:

1. Creating a business model that is customer-centric.
2. Distribution optimization.
3. Simplifying operational and business models.
4. Getting the upper hand in information.
5. Fostering creativity and the skills needed to do so.
6. Actively managing capital, rules, and risk.

## Conclusion

In India's banking industry's development, retail banking is crucial. Only when the services are at the lowest level do customers feel satisfied with the numerous banking products. Since mass production methods are needed for retail banking, the development of technology has made it possible for banks to create the proper technology-based delivery channels. The regulators' and policymakers' drive for inclusive growth in the wake of the global financial crisis has also given retail banking a boost. Banks are seen by governments all around the world as being essential to advancing financial inclusion. Additionally, companies must have a well-defined plan in place to handle these issues, which should take into account relationships with other parties and the application of lessons learned from other sectors.

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