

# “Consumer Perception on Retail Banking in India”

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## Abstract

Retail banking refers to provision of banking services to individuals and small business where the financial institutions are dealing with large number of low value transactions. Fixed, current / savings accounts on the liabilities side; and mortgages, loans (e.g. personal, housing, auto, and educational) on the assets side, are the more important of the products offered by banks. Related ancillary services include credit cards, or depository services.

It also known as Consumer banking is the provision of services by a bank to individual consumers, rather than to companies, corporations or other banks. Services offered include savings and transactional accounts, mortgages, personal loans, debit cards, and credit cards. The term is generally used to distinguish these banking services from investment banking, commercial banking or wholesale banking. It may also be used to refer to a division or department of a bank dealing with retail customers.

**Key Words:** Consumer Banking, Ancillary Services by Banks, Organizational Structure of Banks in India, Multiple Banking Products, Distribution Channels and Retail Banking Activities.

## I. INTRODUCTION

The typical products offered in the Indian retail banking segment are housing loans, consumption loans for purchase of durables, auto loans, credit cards and educational loans. The loans are marketed under attractive brand names to differentiate the products offered by different banks. While new generation private sector banks have been able to create a niche in this regard, the public sector banks have not lagged behind. Leveraging their vast branch network and outreach, public sector banks have aggressively forayed to garner a larger slice of the retail pie.

### A. Introduction of New Delivery Channels

Retail customers like to interface with their bank through multiple channels. Therefore, banks should try to give high quality service across all service channels like branches, Internet, ATMs, etc.

- Tapping of unexploited potential and increasing the volume of business
- Infrastructure outsourcing
- Detailed market research
- Cross-selling of products

- Business process outsourcing
- Tie-up arrangements

### B. Today's retail banking sector is characterized by three basic characteristics:

- Multiple products (deposits, credit cards, insurance, investments and securities)
- Multiple channels of distribution (call center, branch, and internet)
- Multiple customer groups (consumer, small business, and corporate).

Retail banking in India is not a new phenomenon. It has always been prevalent in India in various forms. For the last few years it has become synonymous with mainstream banking for many banks. By international standards, however, there is still much scope for retail banking in India. After all, retail loans constitute less than seven per cent of GDP in India vis-à-vis about 35% for other Asian economies — South Korea (55%), Taiwan (52%), Malaysia (33%) and Thailand (18%). As retail banking in India is still growing from modest base, there is a likelihood that the growth numbers seem to get somewhat exaggerated. One, thus, has to exercise caution in interpreting the growth of retail banking in India.

In India there is lots of scope for Retail Banking exist its own virtue by its offerings experiments and implementation of several schemes. Some of the scopes are discussed below.

## II. SCOPE FOR RETAIL BANKING IN INDIA

- All round increase in economic activity.
- Increasing in the purchasing power. The rural areas have the large purchasing power at their disposal and this is an opportunity to market Retail Banking.
- India has 200 million households and 400 million middle class populations more than 90% of the savings come from the household sector. Falling interest rates have resulted in a shift. “Now People Want To Save Less And Spend More.”
- Nuclear family concept is gaining much importance which may lead to large savings, large number of banking

services to be provided are day-by-day increasing.

- Tax benefits are available for example in case of housing loans the borrower can avail tax benefits for the loan repayment and the interest charged for the loan.

### III. OBJECTIVES OF THE STUDY

- To know the Customer's preference and perception towards different products of Retail Banking.
- The main objective of this project is to study the awareness and satisfaction of customers regarding Retail Services providing by banks.
- In this dynamic Retail Banking scenario, the study is an attempt to understand the different models and strategies adopted by the bank, their performances across Retail Banking business lines and also derive the inferences for the future. The study is intended to present a holistic picture of the retail banking space in India.

#### A. Multiple Products

The products included in retail banking are—

- Various types of deposits/accounts.
- Credit and debit cards
- Loans (Personal, Auto, Housing etc.)
- Insurance, mutual funds etc.

#### B. Multiple Channels of Distribution

- Internet banking
- Mobile banking
- Call centers

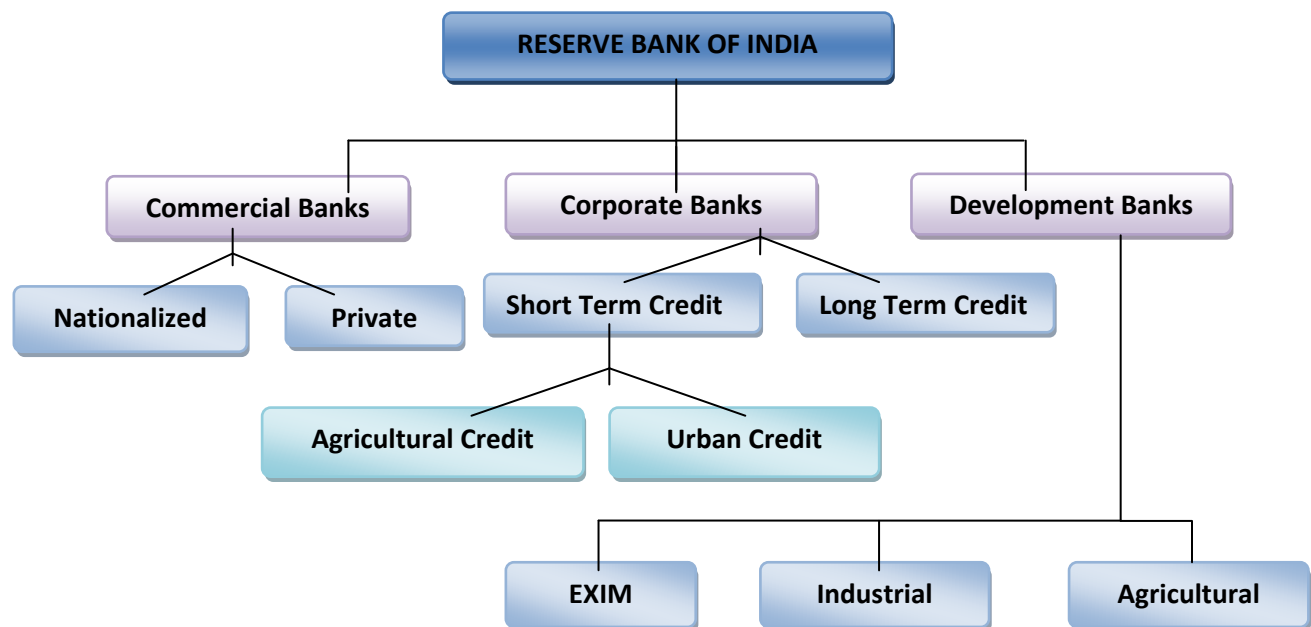
#### C. Multiple Customer Groups

- Individual customers
- Petty businesses
- Small and Medium Enterprises (SMEs)

The Indian Banks are competing with one another to grab a pie of the retail banking sector, As the Report on Trend and Progress of India, 2003-04 has shown that the loan values of these retail lending typically range between Rs.20, 000 to Rs.100 lack. The loans are generally for duration of five to seven years with housing loans granted for a longer duration of 15 years. The changing customer demographic demands to create differentiate applications based on scalable technology, improved service and banking convenience. Higher penetration of technology and increase in global literacy levels has set up the expectations of the customer higher. Increasing use of modern technology has further enhanced reach and accessibility.

#### D. Organizational Structure of Banks in India

In India banks are classified in various categories according to different criteria. The following charts indicate the banking structure.



This chart shows that banks are categorized under several heads and called in different names. Every bank almost provide all of the Retail Banking services which are listed below and categorized into the

multiple heads which are adequate and much influenced in banking sector.

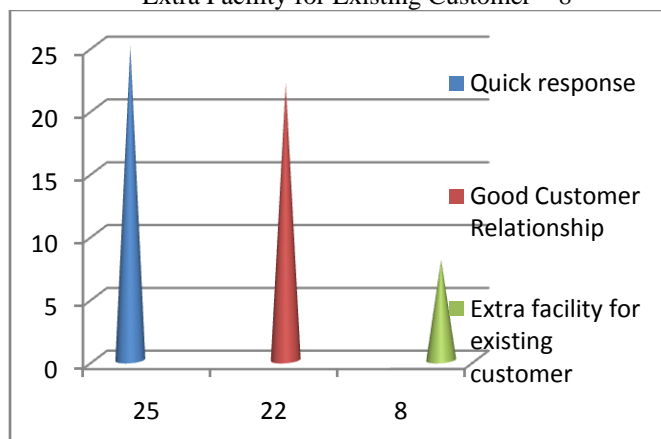
#### IV. LITERATURE REVIEW

- Jham V. (2008). Customer adoption of multi-channel usage: an empirical investigation of the banking industry. Global Academic Society Journal: Social Science Insight, Vol. 1, No. 4, pp. 38-47. ISSN 2029-0365.
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**TABLE – 1:** The given below BAR graph shows the response of 50 respondents/customers.

##### Services Expected From Banks

Quick Response – 25  
Good Customer Relation – 22  
Extra Facility for Existing Customer – 8



##### A. Interpretation

Out of 50 customers, 25 of them said that they expect 'Quick Response' from the SBI bank, 22 said they expect 'Good Customer Relationship' and 8 customers said that they expect 'Extra Facility for Existing Customer.'

**TABLE – 2:** The given Bar chart below shows the customer awareness about bank's Retail Products existence and availability.

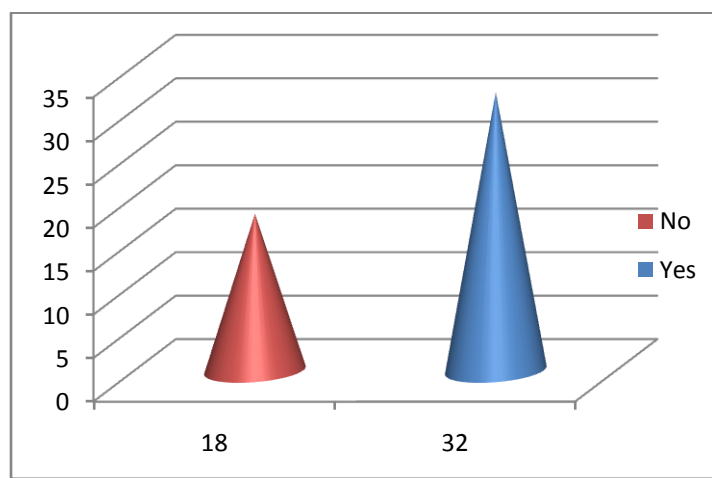
##### AWARENESS OF CUSTOMERS ABOUT RETAIL PRODUCTS

Response: Yes – 32      No – 18

- Customer Satisfaction with Retail Banking Services in Ghana Thunderbird International Business Review Volume 56, Issue 4, pages 353–371, July/August 2014

#### V. DATA ANALYSIS

Data have collected from the consumers using several different retail banking services through questionnaire, analyzed and classified the data into tables.



##### Interpretation

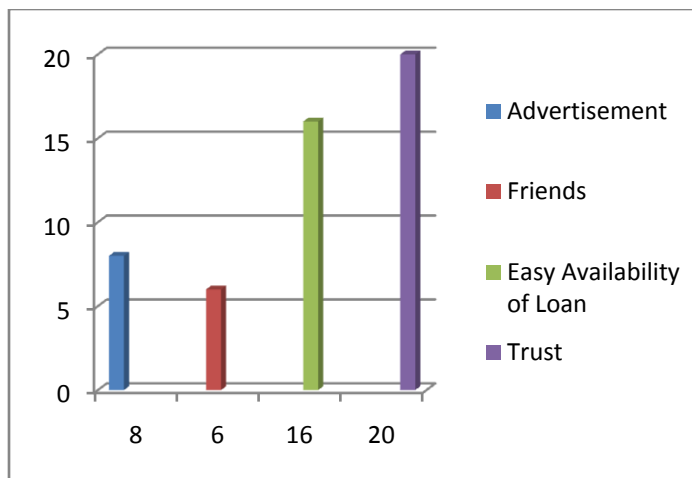
Out of 50 customers, only 32 people were known about all Retail Products and 18 of them were said that they are unaware of Retail Banking.

This shows that there is a lack of awareness nearly in 35% of people/customers of bank. We can impose many things to the customer to explain them well about our banking products.

**TABLE – 3:** The given below Bar chart shows the "What Influence on Customers While Taking loan."

##### INFLUENCING FACTOR FOR TAKING LOAN

Advertisement – 8  
Friends – 6  
Easy Availability of Loan – 16  
Trust – 20



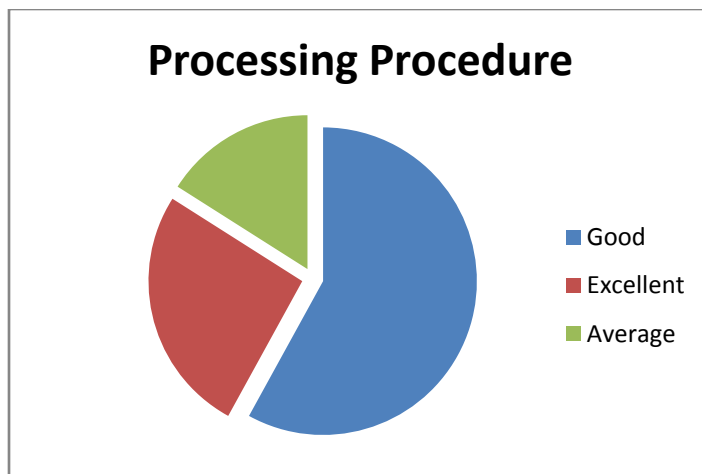
#### Interpretation

- Out of 50 customers, nearly half of them are accepted that they influenced by trust to avail loan.
- Then second most influencing factor is 'easy availability of loan'.
- The least influencing factor the customers think is 'friend circle', the reason is now-a-days there are many loan givers are available in market so no one is sure that which company/bank is so effective.
- Advertisements are not performing well as influencing factor.

**TABLE – 4:** The given Pie Chart shows the 'Processing Procedure While Availing Loan'.

#### PROCESSING PROCEDURE WHILE AVAILING THE LOAN

Good – 29  
Excellent – 13  
Average – 8



#### Interpretation

- More than half of the customers think that processing procedure while taking the loan work is good.
- Least of the customers think that the procedure is 'Average' or below average because they faced little problems and dissatisfied procedure.
- Where some of them think the procedure is so 'excellent'.

**TABLE – 5:** The given Pie Chart shows the 'Co-operation of the Bank Employees in Processing and Helping in Documentation'.

#### EMPLOYEES CO-OPERATION IN PROCESSING AND DOCUMENTATION

Excellent – 15  
Good – 28  
Average – 7



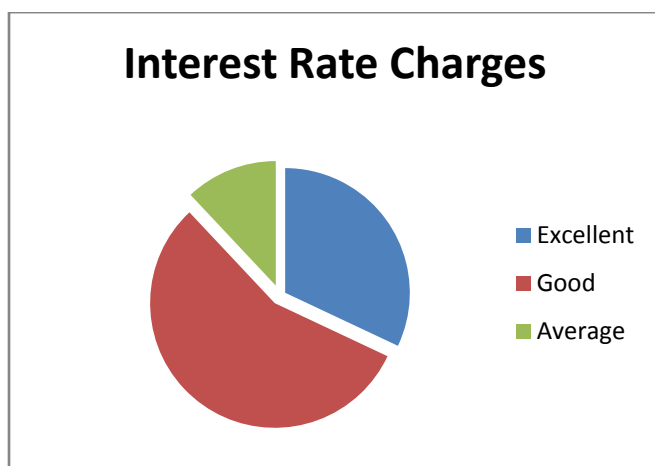
#### Interpretation

- Out of 50 Customers, most of them agreed that the bank employees are co-operative and helping in nature while processing and documentation.
- Out of 50 customers 15 people said Excellent and 7 said Average about employees' part in procedure.

**TABLE – 6:** The given pie chart shows the 'Interest Rate' Charged upon loan availability

#### INTEREST RATE CHARGES ON LOAN

Excellent – 16  
Good – 28  
Average – 6



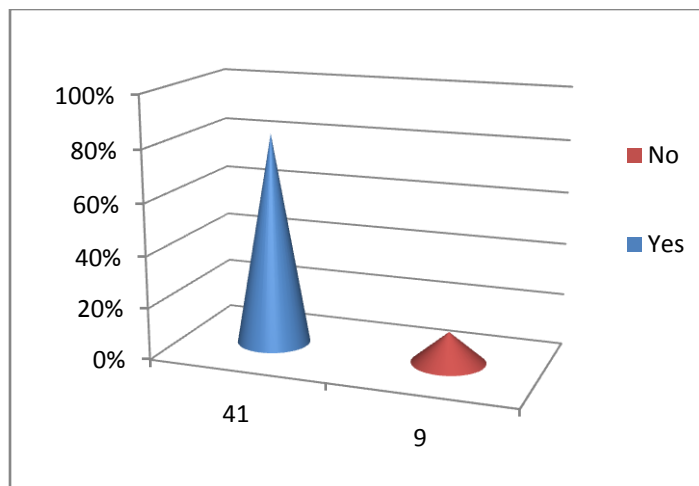
#### Interpretation

- Out of 50 customers 6 said that they are finding 'Interest Rate Charges On loan' are average.
- Sixteen of them said it is excellent and eighteen of them finding it are good.

**TABLE – 7:** The given below Bar Chart shows "Customer perception towards taking another loan from banks rather than other financial institutions in future.

#### CUSTOMER WANTS TO TAKE ANOTHER LOAN FROM BANKS

Yes – 41  
No – 9



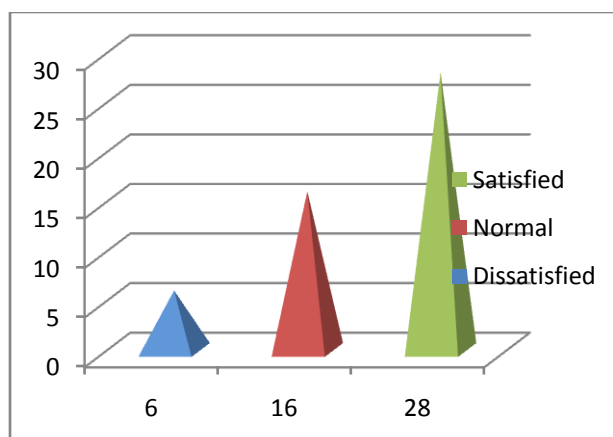
#### Interpretation

Out of 50 customers, 82% of people would like to take another loan from Banks but 12% of people would not like to take another loan from Banks.

**TABLE – 8:** The given below Bar Chart shows the 'Satisfaction Level of Customers after Availing the Loan'

#### OVERALL LEVEL OF SATISFACTION WITH BANKS

Satisfied – 28  
Normal – 16  
Dissatisfied – 6



#### Interpretation:

Here the overall position awarded by customers that how they perceived bank's performance in all the factors and categories.

- Out of 50 customers, 28 people more than 50% are found that the bank performing well and they are satisfied with it.
- Sixteen of them are thinking it as normal level of performance.
- At last 6 customers from this research sample expressed that the overall satisfaction level is not so called good, which means they are dissatisfied.

## VI. CONCLUSION

The customer database available with the banks is the best source of their demographic and financial information and can be used by the banks for targeting certain customer segments for new or modified product.

As most of the banks are offering retail products of similar nature, the customers can easily switchover to the one which offers better service at comparatively lower costs. The quality of service that banks offer and the experience that clients have, matter the most. Hence, to retain the customers, banks have to come out with competitive products satisfying the desires of the customers.

### A. Findings

- Customers were satisfied from the quick response and good customer relationship.
- Customer found employees of Banks are very helpful and co-operative.
- Most of the customers are unaware of Retail Banking products.
- Quality service and quickness in delivery
- Innovative product requirements to the customer segments
- There are no awareness programs or campaigns were organized recently.
- Customers are more influenced for taking loan from Banks because of trust on Banks.
- Customers found the procedure of availing loan simple and hassle free.

### B. Suggestions

- There should be a separate section to deal with the customer queries and other responses.
- When a customer comes to know about the product one should say more about its value and benefits until that customer gets satisfied or says good enough.
- There should be the awareness programs or advertisements run in the city or on television.
- Customer also keep time to know about what he/she is actually missing like other benefits offering by the bank.

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