

PRODUCT PORTFOLIO OF RETAIL BANKING SERVICES

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Abstract

Banking industry sector is considered as one of the vital contributors to the economic growth of a country. It serves as the central channel for all economic activities. The banking sector in India has undergone several changes since independence of the nation. The economic growth and prosperous of India has been influenced and accelerated by the expansion of the banking system. The Indian banking industry has shown enormous growth during the past two to three decades. Retail banking is a significant segment of elaborate banking services and as for as retail banking is considered a satisfied customer is the best person to generate positive word of mouth for its growth and promotion. Retail banking is a major form of Indian scheduled commercial banking which mainly involves individual customers rather than corporate clients. For the last few years, it has become tantamount with mainstream of banking. It provides basic banking services to the general public, including activities such as deposit, loan and payment services, financial investments, foreign exchange, and other financial activities such as insurance. Retail banking is, however, quite broad in nature. It refers to the dealing of commercial banks with individual customers, both on liabilities and assets sides of the balance sheet.

Key words: Retail banking, Portfolio, economic growth, retail loans

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INTRODUCTION

The diversified portfolio characteristic of retail banking brings comfort, profitability and efficiency and it is less risky. Retail banking has immense opportunities in a growing economy like India. Some of the key economic policies focused through retail-banking sector in India are: financial inclusion, responsible lending and access to easy finance, long-term savings, financial capability, consumer protection, regulation and financial crime prevention.

Over the years banking sector in India has grown tremendously. A good number of banks have come up in the private sector. New players in the banking sector have redefined the way business is done and public sector banks are feeling the pressure of competition. In short, shifts in demographics, incomes, attitudes and behavior, in addition to easily accessible information are empowering customers to demand greater autonomy, responsiveness and transparency services from their bankers.

RETAIL BANKING SERVICES

Today, retail banking is being considered as one of the most innovative financial services provided by the various commercial Public Sector Banks (PSBs), Private Sector and Foreign banks. There are many products in retail banking like Fixed Deposit, Savings Account, Current Account, Recurring Account, NRI Account, and Corporate Salary Account, Free Demat Account, Kid's Account, Senior Citizen Scheme, Cheque Facilities, Overdraft Facilities, Free Demand Draft Facilities, Locker Facilities, Cash Credit Facilities etc.

(i) Fixed Deposit: The deposit with the bank for a period which is specified at the time of making the deposit is known as fixed deposit. Such deposits are also known as fixed deposit or term deposit. A fixed deposit is repayable on the expiry of a specified period. The rate of interest and other terms and conditions on which the banks accepted fixed deposit were regulated by the RBI in section 21 and 35A of the Banking Regulation Act 1949.

(ii) Savings Account: Saving bank account is meant for the people who wish to save a part of their current income to meet their future needs and they can also earn interest on their savings.

The rate of interest payable by the banks on deposits maintained in savings account is prescribed by RBI.

(iii) Current Account: A current account is an active and running account which may be operated upon any number of times during a working day. There is no restriction on the number and the amount of withdrawals from a current account. Current account suit the requirements of a big businessmen joint stock companies, institutions, public authorities and public corporation etc.,

(iv) Recurring Deposit: A variant of the saving bank account is the recurring deposit or cumulative deposit a/c introduced by banks in recent years. Here, a depositor is required to deposit an amount chosen by him. The rate of interest on the recurring deposit account is higher than as compared to the interest on the saving account.

(v) NRI Account: NRI accounts are maintained by banks in rupees as well as in foreign currency. Four types of Rupee account can be open in the names of NRI:(a)Non Resident Rupee Ordinary Account (NRO), (b).Non Resident External Account (NRE), (c)Non Resident (Non Repatriable Deposit Scheme) (NRDS) and (d) Non Resident (Special) Rupee Account Scheme (NRSR). The account can be opened normally in US Dollar, Pound Sterling and Euro. The accounts of NRIs are Indian millennium deposit, Resident foreign currency, housing finance scheme for NRI investment schemes.

(vi) Corporate Salary Account: Corporate Salary account is a new product by certain private sector banks, foreign banks and recently by some public sector banks also. Under this account salary is deposited in the account of the employees by debiting the account of employer.

(vii) Demat Account: Dematerialization is a process by which physical share certificates/securities are taken back by the company or registrar and destroyed ultimately. An equivalent number of shares are credited electronically to customers depository account. Just like saving/current account with a bank one can open a securities account with the depository through a depository participant.

(viii) Kid's Account (Minor Account): Children are invited as customer by certain banks. Under this, Account is opened in the name of kids by parents or guardians. The features of kid's account are free personalized cheque book which can be used as a gift cheque, internet banking, investment services etc.

(ix) Senior Citizenship Scheme: Senior citizens can open an account and on that account they can get interest rate somewhat more than the normal rate of interest. This is due to some social responsibilities of banks towards aged persons whose earnings are mainly on the interest rate.

RETAIL LOANS

In retail banking all the needs of individual customers are taken care of in a well-integrated manner. The major portion of a bank's fund is employed by way of loans and advances, which is the most profitable employment of its funds. There are three main principles of bank lending that have been followed by the commercial banks and they are safety, liquidity and profitability. Banks grant loans for different periods like short term, medium term, and long term and also for different purpose.

(i) Personal Loans: This is one of the major loans provided by the banks to the individuals. The borrower can use for his/her personal purpose. This may be related to his / her business purpose. The amount of loan depends on the income of the borrower and his/her capacity to repay the loan.

(ii) Housing Loan: NHB (National Housing Board) is the wholly owned subsidiary of the RBI which controls and regulates whole industry as per the guidance and information. The purpose of loan is mainly for purchase, extension, renovation and land development.

(iii) Education loans: Loans are given for education in country as well as abroad.

(iv) Vehicle Loans: Loans are given for purchase of scooter, auto – rickshaw, car, bikes etc. Low interest rates, increasing income levels of people are the factors for growth in this sector.

(v) Professional Loans: Loans are given to Doctor, C.A, Architect, Engineer or Management Consultant. Here the loan repayment is normally done in the form of equated monthly.

(vi) Consumer Durable Loans: Under this, loans are given for acquisition of Television, Cell phone, Air Conditioner, Washing Machine, Refrigerator and other items.

(vii) Loans against Shares and Securities: Finance against shares is given by banks for different uses. Now-a-days finance against shares are given mostly in demat shares. A margin of 50 percent is normally accepted by the bank on market value. For these loans the documents required are normally DP notes (Demand Promissory Notes), letter of continuing security, pledge form, power of attorney. This loan can be used for business or personal purpose.

(viii) Credit Cards: A credit card is an instrument, which provides immediate credit facilities to its holder to avail variety of goods and services at the merchant outlets. It is made of plastic and hence popularly called as Plastic Money. Such cards are issued by bank to persons with minimum income ranging between Rs.50000 and Rs.100000 per annum and are accepted by a variety of business establishments which are notified by the card issuing bank. Lending Indian Banks such as: State Bank of India, Bank of Baroda, Canara Bank, ICICI, HDFC and a few foreign banks like CITI Bank, Standard Chartered etc., are the important issuers of credit card in India.

(ix) Debit Cards: It is a new product introduced in India by Citibank a few years ago in association with MasterCard. A debit card facilitates purchases or payments by the cardholder. It debits money from the account of the cardholder during a transaction.

III. TECHNOLOGY SAVVY RETAIL SERVICES

Technology is becoming the centerpiece of retail bank executives which expect their IT departments to identify and implement technology-based solutions to enhance the customer experience. Retail banking now encompasses not just branches, but also anywhere that banking services can be conveniently provided to consumers. Whether it means a service kiosk in a train station, a mini-branch in a grocery store, a premium branch in a central business district, or a bank-on-wheels that visits corporate workplaces, proximity to targeted customers ultimately matters more than having a traditional bank facade.

(i) Net Banking: Internet banking or cyber banking has changed the way business is conducted. Currently, there are three basic kinds of website facilitating Internet banking in the marketplace: information websites, communication websites and transaction websites.

Internet Banking is a convenient way to do banking from the home or office of individual bank customer. Customers can avoid the queue or delay and can experience secured internet banking

facility through online banking. With Net Banking one can easily perform various functions like: Check Account Balance, Download Account Statement, Request for a stop payment of a cheque, Request for a new cheque book, Access demat account, Transfer funds, Facilitate bill Payments and Pay Credit Card dues instantly.

(ii) Mobile Banking: Mobile banking is also a new and growing facility for banks' clients in recent years. Most of banks are providing SMS alert facility to their customers. This anywhere banking has improved banking services and enables remote banking. With one crore mobile connections and more than 250 million debit and credit card holders in India, mobile handsets offer a far wider reach than other forms of banking. Using mobile banking facility one can : Check Balance, Check last three transactions, Request for a statement, Request for a cheque book, Enquire on a cheque status, Instruct stock cheque payment, View FD details, Transfer funds and Pay Utility Bills.

(iii) Phone Banking: Telephone banking refers to using a telephone to access the account, transfer funds, request statements or cheque book simply by following recorded message and touching the keys on your phone. Mostly telephone banking use an Interactive Voice Response (IVR) which in this kind of facility customer dials the toll free telephone number and is guided by a voice response for each banking services namely: Balance in the account, Transaction status, e.g. whether cheque deposited is cleared or not, Request for issue of cheque book and Request for issue of bank statement.

(iv) Automated Teller Machines (ATM):An automated teller machine, also known as a cash machine and by several other names, is a computerized telecommunication device that provides the clients of a financial institution with access to financial transactions in a public space without the need for a cashier, human clerk or bank teller. The idea of self-service in retail banking developed through independent and simultaneous efforts in Japan, Sweden, the United States and the United Kingdom (Maymand, 2005). Following are the features available on ATMs which can be accessed from anywhere at any time: Cash Withdrawal, Cash Deposit, Balance Enquiry, Cheque Book Request and Transaction at various merchant establishments.

(vi) Smart Card: Smart card is also known as Electronic Money or e-Purse issued by banks to its customers having a size similar to that of a credit card. It represents the amount available in the customer's account which is stored in the card itself through which he/she can perform various transactions. Since a customer does not have to carry cash in his wallet, it is regarded as electronic purse. Smart cards are multipurpose cards with a capacity to function as credit cards, debit cards, and ATM cards and are thus suitable to all types of customers. The amount in the card can be reloaded anytime by transferring the required amount from the customers' account via ATMs, telephone or internet for its uninterrupted usage.

CONCLUSION:

Retail Banking is a system where a bank executes transactions directly with the customers. There are various services in retail banking such as savings account, vehicle finance, mortgages, credit cards, debit cards etc. Retail banking is an effective tool in contributing to the development of the individual consumers and to the overall development of the society. To meet the changing preferences of the customers and to stay ahead of competitors, retail bankers are bound to provide quality and efficient services.

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