

Retail Banking Services in Public and Private Sector Banks

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ABSTRACT

Retail banking provides financial services to the general public. Also referred to as consumer or personal banking. Retail banking is a bank executed transactions directly with consumers, rather than corporations or other banks. Retail banking services are provided both on online portals and offline branches. Online retail banking has made it easier for individual consumers to avail of home loans, personal loans, car loans, open fixed and recurring deposits, transfer money, etc. However, the range of services and products offered could vary from bank to bank. Services offered include saving and transactional accounts, mortgages, personal loan, debit cards and credit cards.

Keywords- Personal banking, Offline branches, Individual consumers, Transactional accounts, Mortgages.

Review of literature

Gopal K.S. (1997) in his article, stated that quality of services rendered by a bank could often be the single most important factor which can make customer shift loyalties and business to other banks.

Mahadevan. S. and Dr. Balasubramanian (2001) in their article, explained that interest in the need and measurement of quality was understandably high and most important. The important relationship between service quality customer satisfaction and purchasing behavior remain largely unexplored.

Mushtaq A. Bhat (2004) in his article stated that the customers' perception with respect to service quality of all banks was below their expectations, and the researcher had suggested heavy investments on tangibility and improvement in other dimensions of service quality.

Surya Rao. U and Swarnalatha Raju. C. (2006)¹ in their article stated that the banks at times, pay attention to service quality issues and assigned very low priority to identification and satisfaction of customers' need. The need of the hour was to build up competitiveness through enhanced service quality thus making the banks more market oriented and customer friendly.

The term services is not limited to personal services like auto servicing, beauty parlours, medical services, legal services, consultancy services etc.

Service has been defined in several ways as follows:

1. "Service refers to social efforts which include government to fight five giant evils, want, disease, ignorance, squalor and illness in the society."

¹ Surya Rao. U. and Swarnalatha. C, "TQM in Public Banks", SMART Journal of Business Management Studies, Vol. 2, No. 1, January-June 2006, P. 45.

2. “Services are activities, benefits or satisfactions which are offered for sale or are provided in connection with the sale of goods.”

Marketing of Services

The term marketing refers to those plans, promotional strategies and delivery of goods and services to the clients or customers, worked upon by the marketing department in an organization. By marketing these services, their providers are expected to satisfy and cater to the needs of customers. When a customer buys a service in the service market, he buys the time, knowledge, skill or resources in the form of someone else products, made by the provider or supplier of any of these services.

Marketing a service implies marketing something intangible and it is like marketing a promise to consumers. Strategies for selling target toward generating confidence in the consumers. In the marketing of products or goods, there is something intangible and definite, besides some plus and minus points. There exists substantial opportunities to convince them. But in the service industry where situations as to promise is sold, it is very difficult to assess situations as to where and when these promises may fail. Building of credibility takes time and requires strategic planning. This makes it clear that it is difficult proportion to sell these services. Today, marketing has emerged as a strategic tool to ensure customer-satisfaction. The organizational goals like satisfying the customers and generating profits need accomplished through innovative and dynamic marketing strategies. How and in which manner should innovation help in marketing efforts determine the magnitude of organizational success.

Retail Banking Services

The banking sector is passing through a period of rapid and non-forecasted changes in response to the changes in the social, economic, political and cultural spheres, the world over. Banks were faced with a major challenge of competition and greater awareness among the customers and their increased demands for special services. At the same time, some of the services offered by banks there is a wider diversification of services to the customer.

In the new business climate, the customer is more often a purchaser of service than a product. Services can be both intermediate and final. Banking and Transportation to name a few are basically intermediate. Speed and quality are the ultimate tests of customer satisfaction. In the newly emerging service dominated economies, the management principles require re-look. This is precisely the focus here, bring out the essence of what needs to be done by the services must be customer drives.

Retail Banking Products:

- Deposits
- Loans, Cash Credit and Overdraft
- Negotiating for Loans and advances
- Remittances
- Book-Keeping (maintaining all accounting records)
- Receiving all kinds of bonds valuable for safe keeping

In the modern world, banks offer a variety of services to attract customers, However, Some of common available banking products in general and retail banking products in particular are explained below so as to have a glimpse of retail banking industry in India.

Credit Card

Credit Card is “post paid” or “pay later” card that draws from a credit line-money made available by the card issuer (bank) and gives one a grace period to pay. If the amount is not paid full by the end of the period, one is charged interest. A credit card is nothing but a very small card containing a means of identification, such as a signature and a small photo. It authorizes the holder to change goods or services to his account, on which he is billed. The bank receives the bills from the merchants and pays on behalf of the card holder. These bills are assembled in the bank and the amount is paid to the bank by the card holder totally or by instalments. The bank charges the customer a small amount for these services. The card holder need not have to carry money/cash with him when he travels or goes for purchasing. Credit cards have found wide spread acceptance in the ‘metros’ and big cities. Credit cards are joining popularity for online payments.

Debit Cards

Debit Card is a “prepaid” or “pay now” card with some stored value. Debit Cards quickly debit or subtract money from one’s savings account, or if one were taking out cash. Every time a person uses the card, the merchant who in turn can get the money transferred to his account from the bank of the buyers, by debiting an exact amount of purchase from the card. customer get a debit card along with a Personal Identification Number (PIN). When he makes a purchase, he enters this number on the shop’s PIN pad.

Automated Teller Machine

The introduction of ATM’s has given the customers the facility of round the clock banking. The ATM’s are used by banks for making the customers dealing easier. ATM card is a device that allows customer who has an ATM card to perform routine banking transaction at any time without interacting with human teller. This service helps the customer to withdraw money even when the banks are closed. This can be done by inserting the card in the ATM and entering the Personal Identification Number and secret Password.

ATM’s are currently becoming popular in India that enables the customer to withdraw their money 24 hours a day and 365 days. It provides the customers with the ability to withdraw or deposit funds, check account balances, transfer funds and check statement information.

E-Cheques

The e-cheques consists five primary facts. They are the consumers, the merchant, consumer’s bank the merchant’s bank and the e-mint and the clearing process. This chequing system uses the network services to issue and process payment that emulates real world chequing. The payer issue a digital cheques to the payee and the entire transactions are done through internet. Electronic version of cheques are issued, received and processed.

Electronic Funds Transfer (EFT)

Many modern banks have computerized their cheque handling process with computer networks and other electronic equipment’s. These banks are dispensing with the use of paper cheques. The system called electronic fund transfer (EFT) automatically transfers money from one account to another. This system facilitates speedier transfer of funds electronically from any branch to any other branch. In this

system the sender and the receiver of funds may be located in different cities and may even bank with different banks. Funds transfer within the same city is also permitted. The scheme has been in operation since February 7, 1996, in India. The other important type of facility in the EFT system is automated clearing houses. These are the computer centers that handle the bills meant for deposits and the bills meant for payment. In big companies pay is not disbursed by issued cheques or issuing cash. The payment office directs the computer to credit an employee's account with the person's pay.

Telebanking

Telebanking refers to banking on phone services. A customer can access information about his/her account through a telephone call and by giving the coded Personal Identification Number (PIN) to the bank. Telebanking is extensively user friendly and effective in nature.

- To get a particular work done through the bank, the users may leave his instructions in the form of message with bank.
- Facility to stop payment on request. One can easily know about the cheque status.
- Information on the current interest rates.
- Information with regard to foreign exchange rates.
- Request for a DD or pay order.
- DeMat Account related services.
- And other similar services.

Mobile Banking

A new revolution in the realm of e-banking is the emergence of mobile banking. On-line banking is now moving to the mobile world, giving everybody with a mobile phone access to real-time banking services, regardless of their location. But there is much more to mobile banking from just on-line banking. It provides a new way to pick up information and interact with the banks to carry out the relevant banking business. The potential of mobile banking is limitless and is expected to be a big success. Booking and paying for travel and even tickets is also expected to be a growth area. According to this system, customer can access account details on mobile using the Short Messaging System (SMS) technology where select data is pushed to the mobile device. The wireless application protocol (WAP) technology, which will allow user to surf the net on their mobiles to access anything and everything. This is a very flexible way of transacting banking business. Already ICICI and HDFC banks have tied up cellular service providers such as Airtel, Orange, Sky Cell, etc. in Delhi and Mumbai to offer these mobile banking services to their customers.

Internet Banking

Internet banking involves use of internet for delivery of banking products and services. With internet banking is now no longer confined to the branches where one has to approach the branch in person, to withdraw cash or deposits a cheque or request a statement of accounts. In internet banking, any inquiry or transaction is processed online without any reference to the branch (anywhere banking) at any time. The Internet Banking now is more of a normal rather than an exception due to the fact that it is the cheapest way of providing banking services. As indicated by McKinsey Quarterly research, presently traditional banking costs the banks, more than a dollar per person, ATM banking costs 27 cents and

internet banking costs below 4 cents approximately. ICICI bank was the first one to offer Internet Banking in India.

Demat

Demat is short for de-materialisation of shares. In short, Demat is a process where at the customer's request the physical stock is converted into electronic entries in the depository system. In January 1998 SEBI (Securities and Exchange Board of India) initiated DEMAT ACCOUNT System to regulate and to improve stock investing. As on date, to trade on shares it has become compulsory to have a share demat account and all trades take place through demat.

Funds Transfer

One can now avail a bouquet of funds transfer services through Internet banking

- Transfer funds within your own accounts
- Transfer funds to third party account held in the same bank
- Make an Inter bank funds transfer to any account held in any bank including State Bank Group
- Pay any VISA credit card bill
- Transfer funds to religious and Charitable institutions
- Record standing instructions to transfer a fixed amount at a scheduled frequency for a period not exceeding one year
- Transfer funds to NRE PIS accounts to facilitate online trading

Immediate Payment Service (IMPS)

Immediate Payment Service (IMPS) is an instant interbank electronic fund transfer service through mobile phones. It is also being extended through other channels such as ATM, Internet Banking, etc.

Inter Bank Transfer

Inter Bank Transfer enables electronic transfer of funds from the account of the remitter in one Bank to the account of the beneficiary maintained with any other Bank branch. There are two systems of Inter Bank Transfer - RTGS and NEFT. Both these systems are maintained by Reserve Bank of India.

RTGS - Real Time Gross Settlement - This is a system where the processing of funds transfer instructions takes place at the time they are received (real time). Also the settlement of funds transfer instructions occurs individually on an instruction by instruction basis (gross settlement). RTGS is the fastest possible interbank money transfer facility available through secure banking channels in India.

NEFT - National Electronic Fund Transfer –RBI has introduced an Electronic Fund Transfer system called “The Reverse Bank of India National Electronic Funds Transfer System”.

The objects of the NEFT system are:

- a) To establish an Electronic Fund Transfer system to facilitate an efficient, secure, economical, reliable and expeditious system of fund transfer and clearing in the banking sector throughout India.
- b) To relieve the stress on the existing paper based funds transfer and clearing system.

NEFT-Process Flow

The parties to a funds transfer under NEFT system are:

- a) The sending bank
- b) The sending service centre
- c) The NEFT clearing centre
- d) The receiving service centre and
- e) The beneficiary branch

Core Banking Solutions

Core Banking Solutions is new jargon frequently used in banking circles. The advancement in technology especially internet and information technology has led to new way of doing business in banking. The technologies have cut down time, working simultaneously on different issues and increased efficiency. The platform where communication technology and information technology are merged to suit core needs of banking is known as Core Banking Solutions. Here computer software is developed to perform core operations of banking like recording of transactions, passbook maintenance, and interest calculations on loans and deposits, customer records, balance of payments and withdrawal are done.

Farmer's deposit scheme

Money can be deposited into an account on daily basis. The amount may be as small as rupees Ten. It can be called a recurring deposit scheme, as the money is deposited almost daily. The micro-savings product provides the customer with access to a savings account with convenient features. The product combines security, convenience (proximity, convenient opening times and minimal paperwork), appropriate design (frequent deposits, small variable amounts and quick access) and positive returns. Term loan is extended for on lending to micro saving clients.

Gold Scheme

The rate of the Gold available with you will be arrived and fixed by the bank authorities based on the market value as on the date of Gold deposit scheme and a fixed deposit receipt or a pass bill will be issued by the bank to the individual. After mature date the Gold will be returned with interest. Generally the Gold deposit scheme duration is 3 to 7 years. After deposit one year locking period is there. Hence before one year the cancellation is not permitted in this deposit scheme. Only on completion of one year, even though the duration of time is not completed the deposit can be cancelled by the individual. In this procedure the individual has to pay penalty.

Electronic Bill Payment (EBP)

By using EBP service you can bid goodbye to queues and paper work. Electronic/Online bill paying services offer a variety of bill management and payment features to make your life simpler and more efficient. The services vary in what they offer, so make sure the service you pick can fill your needs.

Digicash

Digital cash is a system of purchasing cash credits in relatively small amounts, storing the credits in your computer, and then spending them when making electronic purchases over the Internet. Theoretically, digital cash could be spent in very small increments, such as tenths of a cent (U.S.) or less.

Most merchants accepting digital cash so far, however, use it as an alternative to other forms of payment for somewhat higher price purchases. There are several commercial approaches to digital cash on the Web. Among these are eCash from DigiCash and Cybercash. Digital cash can also be stored on an electronically sensitive card. See smart card and micropayment .

Statutory Liquidity Ratio

SLR stands for Statutory Liquidity Ratio. This term is used by bankers and indicates the minimum percentage of deposits that the bank has to maintain in form of gold, cash or other approved securities. Thus, one can say that it is ratio of cash and some other approved to liabilities (deposits) It regulates the credit growth in India.

Pradhan Mantri Awas Yojana (PMAY)

Pradhan Mantri Awas Yojana (PMAY) – Housing for all (Urban) Mission is launched in compliance with the objective of National Mission Housing providing Housing for All by 2022. This mission will provide central assistance to implementing agencies through States and UTs for providing houses to all eligible families/beneficiaries by 2022. The scheme envisages the provision of interest subsidy to EWS and LIG segments to enable them to buy or construct houses.

Salient features of the scheme are as under:-

1. Purpose- The scheme is available to only urban poor's in EWS/LIG category. Mission with all component has become effective from the date 17.06.2015 and will be implemented upto 31.03.2022.
2. Eligibility for Credit Link Subsidy Scheme (CLSS) -
 - EWS-Annual household income upto Rs.3 lacs
 - LIG-Annual household income between Rs.3 lacs to 6 lacs.
3. Affordable Housing through CLSS -
 - Interest subvention subsidy for EWS and LIG for new house or incremental housing.
 - EWS- House sizes upto 30 sq.m.
 - LIG-House sizes upto 60 sq.m
 - The credit linked subsidy will be available only for loan amounts upto Rs.6 lacs and additional loans beyond Rs.6 lacs, if any, will be at nonsubsidized rate.
4. Housing and Urban Development Corporation (HUDCO) and National Housing Bank (NHB) have been identified as Central Nodal Agencies (CNAs) to channelize this subsidy.
5. The eligibility and repaying capacity- The eligible loan amount would be assessed by the Bank on the basis of cost of project, income criteria and repaying capacity etc of the borrowers as per regular existing guidelines of our Home Loan.

Rate of Interest, Margin, Repayment period is as per our Home loan scheme.

Home Decor Loans

Individuals/group of individuals/members of cooperative society who owns a house/flat are eligible to avail Home décor loans. These loans are provided for furnishing the house/flat, interior decoration/air conditioner etc. Disbursement depends on the nature of repair/renovation.

Personal Loans

Personal loans are basically unsecured in nature and are backed by the personal guarantees only. As credit risk and delinquency rates are more in this segment, public sector banks tread cautiously in this segment and private banks to do it aggressively. But post global financial crises, this credit segment is now private banks have become cautious and also due to southward movement in the demand side.

Individual Depository Accounts

Depository accounts to individual retail customers for holding debt and equity instruments. Securities traded on the Indian exchanges are generally not held through a broker's account or in street name. Instead, an individual has his own account with a depository participant for the particular exchange. Depository participants, including us, provide services through the major depositories established by the two major stock exchanges. Depository participants record ownership details and effectuate transfers in book-entry form on behalf of the buyers and sellers of securities. It provide a complete package of services, including account opening, registration of transfers and other transactions and information reporting.

Door Step Banking

Here, there is no need for customer to visit the branch for getting services or products from the bank. This means banking services and products are made available to a customer at his place of residence or work.

Reverse Mortgage

Reverse Mortgage loan, seeks to generate income from the property owned and resided in by the senior citizen to enable them to lead an independent and dignified life. For these citizens, it is an additional mechanism to supplement their existing sources of income, while at the same time remaining the owners of their property and continuing to occupy it.

Under this scheme, a senior citizen – aged above 60-(borrower), mortgage the self-occupied residential property belonging to him/her to the banker(lender) who on assessment of the market value of the property will make a periodical payment to the borrower during his/her life time. The borrower does not have to repay the loan or interest to the lender and can continue to occupy the property. The loan (including accumulated interest) is repaid from the proceeds of the sale of the property, on the death of the borrower/ in the event of the borrower leaving the property permanently. The mortgage may also be released if the loan and interest is repaid by the heirs/borrower.

Bancassurance

The bank insurance model (BIM), also sometimes known as bancassurance or allfinanz, is the partnership or relationship between a bank and an insurance company, or a single integrated organisation, whereby the insurance company uses the bank sales channel in order to sell insurance products, an arrangement in which a bank and an insurance company form a partnership so that the insurance company can sell its products to the bank's client base.

In order to achieve these, advertising through press, television, hoardings, sponsorship of events, bus / train panels should be taken up by the organizations across the country. An intensive advertising campaign on both TV and press should be taken up highlighting the newly introduced services.

Foreign Currency Exchange

Banks deal with foreign currencies. As the requirement of customers, banks exchange foreign currencies with local currencies, which is essential to settle down the dues in the international trade.

Consultancy

They can expand their function to a consultancy business. In this function, banks hire financial, legal and market experts who provide advice to customers regarding investment, industry, trade, income, tax etc.

Bank Guarantee

Customers are provided the facility of bank guarantee by modern commercial banks.

When customers have to deposit certain fund in governmental offices or courts for a specific purpose, a bank can present itself as the guarantee for the customer, instead of depositing fund by customers.

From the above, it can be understood that the Indian banks under both public sector and private sector have been offering numerous, customer friendly diversified retail products to their customers in accordance with the changing tunes of time.

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