

RETAIL BANKING

DEFINITION:

“Retail banking is typical mass-market banking where individual customers use local branches of larger commercial banks. Services offered include: savings and checking accounts, mortgages, personal loans, debit cards, credit cards, and so”

The Retail Banking environment today is changing fast. The changing customer demographics demands to create a differentiated application 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 than never before. Increasing use of modern technology has further enhanced reach and accessibility.

The market today gives us a challenge to provide multiple and innovative contemporary services to the customer through a consolidated window as so to ensure that the bank's customer gets “Uniformity and Consistency” of service delivery across time and at every touch point across all channels. The pace of innovation is accelerating and security threat has become prime of all electronic transactions. High cost structure rendering mass-

market servicing is prohibitively expensive.

Present day tech-savvy bankers are now more looking at reduction in their operating costs by adopting scalable and secure technology thereby reducing the response time to their customers so as to improve their client base and economies of scale.

The solution lies to market demands and challenges lies in innovation of new offering with minimum dependence on branches – a multi-channel bank and to eliminate the disadvantage of an inadequate branch network. Generation of leads to cross sell and creating additional revenues with utmost customer satisfaction has become focal point worldwide for the success of a Bank.

RETAIL BANKING AN INTRODUCTION

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. 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. 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. This is in contrast to wholesale banking where the customers are large, often multinational companies, governments and government enterprise, and the financial institution deal in small numbers of high value transactions.

The concept is not new to banks but is now viewed as an important and attractive market segment that offers opportunities

for growth and profits. Retail banking and retail lending are often used as synonyms but in fact, the later is just the part of retail banking. In retail banking all the needs of individual customers are taken care of in a well-integrated manner.

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

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

ORIGIN OF BANKING

Banks are among the main participants of the financial system in India. Banking offers several facilities and opportunities.

Banks in India were started on the British pattern in the beginning of the 19th century. The first half of the 19th century, The East India Company established 3 banks The Bank of Bengal, The Bank of Bombay and The Bank of Madras. These three banks were known as Presidency Banks. In 1920 these three banks were amalgamated and The Imperial Bank of India was formed. In those days, all the banks were joint stock banks and a large number of them were small and weak. At the time of the 2nd world war about 1500 joint stock banks were operating in India out of which 1400 were non- scheduled banks. Bad and dishonest management managed quite a few of them and there were a number of bank failures. Hence the government had to step in and the Banking Company's Act (subsequently named as the Banking Regulation Act) was enacted which led to the elimination of the weak banks that were not in a position to fulfil the various requirements of the Act. In order to strengthen their weak units and review public confidence in the banking system, a new section 45 was enacted in the Banking Regulation Act in the year 1960, empowering the Government of India to compulsorily amalgamate weak units with the stronger ones on the recommendation of the RBI. Today banks are broadly classified into 2 groups namely—

(a) Scheduled banks.

(b) Non-Scheduled banks.

BENEFITS OF RETAIL BANKING

Traditional lending to the corporate are slow moving along with high NPA risk, treasure profits are now loosing importance hence Retail Banking is now an alternative available for the banks for increasing their earnings. Retail Banking is an attractive market segment having a large number of varied classes of customers. Retail Banking focuses on individual and small units. Customize and wide ranging products are available. The risk is spread and the recovery is good. Surplus deployable funds can be put into use by the banks. Products can be designed, developed and marketed as per individual needs.

SCOPE FOR RETAIL BANKING IN INDIA

- o All round increase in economic activity
- o Increase in the purchasing power. The rural areas have the large purchasing power at their disposal and this is an opportunity to market Retail Banking.
- o India has 200 million households and 400 million middleclass population more than 90% of the savings come from the house hold sector. Falling interest rates have resulted in a shift. “Now People Want To Save Less And Spend More.”

- o 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.
- o 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.

ADVANTAGES AND DISADVANTAGES OF RETAIL BANKING

ADVANTAGES

Retail banking has inherent advantages outweighing certain disadvantages. Advantages are analyzed from the resource angle and asset angle.

RESOURCE SIDE

- o Retail deposits are stable and constitute core deposits.
- o They are interest insensitive and less bargaining for additional interest.
- o They constitute low cost funds for the banks.
- o Effective customer relationship management with the retail customers built a strong customer base.

- o Retail banking increases the subsidiary business of the banks.

ASSETS SIDE

- o Retail banking results in better yield and improved bottom line for a bank.
- o Retail segment is a good avenue for funds deployment.
- o Consumer loans are presumed to be of lower risk and NPA perception.
- o Helps economic revival of the nation through increased production activity.
- o Improves lifestyle and fulfils aspirations of the people through affordable credit.
- o Innovative product development credit.
- o Retail banking involves minimum marketing efforts in a demand –driven economy.
- o Diversified portfolio due to huge customer base enables bank to reduce their dependence on few or single borrower
- o Banks can earn good profits by providing non fund based or fee based services without deploying their funds.

DISADVANTAGES

- o Designing own and new financial products is very costly and time consuming for the bank.
- o Customers now-a-days prefer net banking to branch banking. The banks that are slow in introducing technology-based products, are finding it difficult to retain the customers who wish to opt for net banking.
- o Customers are attracted towards other financial products like mutual funds etc.
- o Though banks are investing heavily in technology, they are not able to exploit the same to the full extent.
- o A major disadvantage is monitoring and follow up of huge volume of loan accounts inducing banks to spend heavily in human resource department.
- o Long term loans like housing loan due to its long repayment term in the absence of proper follow-up, can become NPAs.
- o The volume of amount borrowed by a single customer is very low as compared to wholesale banking. This does not allow banks to to exploit the advantage of earning huge profits from single customer as in case of wholesale banking.

OPPORTUNITIES

Retail banking has immense opportunities in a growing economy like India. As the growth story gets unfolded in India, retail banking is going to emerge a major driver.

The rise of Indian middle class is an important contributory factor in this regard. The percentage of middle to high-income Indian households is expected to continue rising. The younger population not only wields increasing purchasing power, but as far as acquiring personal debt is concerned, they are perhaps more comfortable than previous generations. Improving consumer purchasing power, coupled with more liberal attitudes towards personal debt, is contributing to India's retail banking segment.

The combination of above factors promises substantial growth in retail sector, which at present is in the nascent stage. Due to bundling of services and delivery channels, the areas of potential conflicts of interest tend to increase in universal banks and financial conglomerates. Some of the key policy issues relevant to the retail-banking sector are: financial inclusion, responsible lending, and access to finance, long-term savings, financial capability, consumer protection, regulation and financial crime prevention.

CHALLENGES TO RETAIL BANKING IN INDIA

- o The issue of money laundering is very important in retail banking. This compels all the banks to consider seriously all the documents which they accept while approving the loans.
- o The issue of outsourcing has become very important in recent past because various core activities such as hardware and software maintenance, entire ATM set up and operation (including cash, refilling) etc., are being outsourced by Indian banks.
- o Banks are expected to take utmost care to retain the ongoing trust of the public.
- o Customer service should be at the end all in retail banking. Someone has rightly said, “It takes months to find a good customer but only seconds to lose one.” Thus, strategy of Knowing Your Customer (KYC) is important. So the banks are required to adopt innovative strategies to meet customer’s needs and requirements in terms of services/products etc.
- o The dependency on technology has brought IT departments’ additional responsibilities and challenges in managing, maintaining and optimizing the performance of retail banking networks. It is equally important that banks should maintain

security to the advance level to keep the faith of the customer.

- o The efficiency of operations would provide the competitive edge for the success in retail banking in coming years.
- o The customer retention is of paramount important for the profitability if retail banking business, so banks need to retain their customer in order to increase the market share.
- o One of the crucial impediments for the growth of this sector is the acute shortage of manpower talent of this specific nature, a modern banking professional, for a modern banking sector.

If all these challenges are faced by the banks with utmost care and deliberation, the retail banking is expected to play a very important role in coming years, as in case of other nations.

STRATEGIES FOR INCREASING RETAIL BANKING BUSINESS

- o **Constant product innovation to match the requirements of the customer segments**

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. The banks should come out with new products in the area of securities, mutual funds and insurance.

o Quality service and quickness in delivery

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 at the click of a button.

o 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.

O Tapping of unexploited potential and increasing the volume of business

This will compensate for the thin margins. The Indian retail banking market still remains largely untapped giving a scope for growth to the banks and financial institutions. With changing psyche of Indian consumers, who are now comfortable with the idea of availing loans for their personal needs, banks have tremendous potential lying in this segment. Marketing departments of the banks be geared up and special training be imparted to them so that banks are successful in grabbing more and more of retail business in the market.

O Infrastructure outsourcing

This will help in lowering the cost of service channels combined with quality and quickness.

O Detail market research

Banks may go for detail market research, which will help them in knowing what their competitors are offering to their clients. This will enable them to have an edge over their competitors and increase their share in retail banking pie by offering better products and services.

o Cross-selling of products

PSBs have an added advantage of having a wide network of branches, which gives them an opportunity to sell third-party products through these branches.

o Business process outsourcing

Outsourcing of requirements would not only save cost and time but would help the banks in concentrating on the core business area. Banks can devote more time for marketing, customer service and brand building. For example, Management of ATMs can be outsourced. This will save the banks from dealing with the intricacies of technology.

o Tie-up arrangements

PSBs with regional concentration can reap the benefit of reaching customers across the country by entering into strategic alliance with other such banks with intensive presence in other regions. In the present regime of falling interest and stiff competition, banks are aware that it is finally the retail banking

which will enable them to hold the head above water. Hence, banks should make all out efforts to boost the retail banking by recognizing the needs of the customers. It is essential that banks would be imaginative in predicting the customers' expectations in the ever-changing tastes and environments. It is the innovative and competitive products coupled with high quality care for clients will only hold the key to success in this area. In short, bankers have to run very fast even to stay where they are now. It is the survival of the fastest now and not only survival of the fittest.

SPECIAL FEATURES OF RETAIL CREDIT

One of the prominent features of Retail Banking products is that it is a volume driven business. Further, Retail Credit ensures that the business is widely dispersed among a large customer base unlike in the case of corporate lending, where the risk may be concentrated on a selected few plans. Ability of a bank to administer a large portfolio of retail credit products depends upon such factors :

o Strong credit assessment capability

Because of large volume good infrastructure is required. If the credit assessment itself is qualitative, than the need for follow up in the future reduces considerably.

o Sound documentation

A latest system for credit documentation is necessary pre-requisite for healthy growth of credit portfolio, as in the case of credit assessment, this will also minimize the need to follow up at future point of time.

o Strong possessing capability

Since large volumes of transactions are involved, today transactions, maintenance of backups is required

o Regular constant follow- up

Ideally, follow up for loan repayments should be an ongoing process. It should start from customer enquiry and last till the loan is repaid fully.

o Skilled human resource

This is one of the most important pre-requisite for the efficient management of large and diverse retail credit portfolio. Only highly skilled and experienced man power can withstand the river of administrating a diverse and complex retail credit portfolio.

o Technological support

This is yet another vital requirement. Retail credit is highly technological intensive in nature, because of large volumes of business, the need to provide instantaneous service to the customer large, faster processing, maintaining database, etc.

EMERGING ISSUES IN HANDLING RETAIL BANKING

O KNOWING CUSTOMER

‘Know your Customer’ is a concept which is easier said than practiced. Banks face several hurdles in achieving this. In order to that the product lines are targeted at the right customers-present and prospective-it is imperative that an integrated view of customers is available to the banks. The benefits flowing out of cross-selling and up-selling will remain a far cry in the absence of this vital input. In this regard the customer databases available with most of the public sector banks, if not all, remain far from being enviable.

What needs to be done is setting up of a robust data warehouse where from meaningful data on customers, their preferences, there spending patterns, etc. can be mined. Cleansing of existing data is the first step in this direction. PSBs have a long way to go in this regard.

O TECHNOLOGY ISSUES

Retail banking calls for huge investments in technology. Whether it is setting up of a Customer Relationship Management System or Establishing Loan Process

Automation or providing anytime, anywhere convenience to the vast number of customers or establishing channel/product/customer profitability, technology plays a pivotal role. And it is a long haul. The Issues involved include adoption of the right technology at the right time and at the same time ensuring volumes and margins to sustain the investments.

It is pertinent to remember that Citibank, known for its deployment of technology, took nearly a decade to make profits in credit cards. It has also to be added in the same breath that without adequate technology support, it would be well nigh possible to administer the growing retail portfolio without allowing its health to deteriorate. Further, the key to reduction in transaction costs simultaneously with increase in ability to handle huge volumes of business lies only in technology adoption.

PSBs are on their way to catch up with the technology much required for the success of retail banking efforts. Lack of connectivity, stand alone models, concept of branch customer as against bank customer, lack of convergence amongst available channels, absence of customer profiling, lack of proper decision support systems, etc., are a few deficiencies that are being overcome in a great way. However, the initiatives in this regard should include creating flexible computing architecture amenable to changes and having scalability, a futuristic approach, networking across channels, development of a strong Customer Information Systems (CIS) and adopting Customer Relationship

Management (CRM) models for getting a 360 degree view of the customer.

***O* ORGANIZATIONAL ALIGNMENT**

It is of utmost importance that the culture and practices of an institution support its stated goals. Having decided to take a plunge into retail banking, banks need to have a well defined business strategy based on the competitive of the bank and its potential. Creation of a proper organization structure and business operating models which would facilitate easy work flow are the needs of the hour. The need for building the organizational capacity needed to achieve the desired results cannot be overstated.

This would mean a strong commitment at all levels, intensive training of the rank and file, putting in place a proper incentive scheme, etc. As a part of organizational alignment, there is also the need for setting up of an effective Corporate Marketing Division. Most of the public sector banks have only publicity departments and not marketing setup. A fully fledged marketing department or division would help in evolving a brand strategy, address the issue of alienation from the upwardly mobile, high net worth customer group and improve the recall value of the institution and its products by arresting the trend of getting receded from public memory. The much needed tie-ups with

manufacturers/distributors/builders will also facilitated smoothly. It is time to break the myth PSBs are not customer friendly. The attention is to be diverted to vast databases of customers lying with the PSBs till unexploited for marketing.

***O* PRODUCT INNOVATION**

Product innovation continues to be yet another major challenge. Even though bank after bank is coming out with new products, not all are successful. What is of crucial importance is the need to understand the difference between novelty and innovation? Peter Drucker in his path breaking book: “Management Challenges for the 21st Century” has in fact sounded a word of caution: “innovation that is not in tune with the strategic realities will not work; confusing novelty with innovation (should be avoided), test of innovation is that it creates value; novelty creates only amusement”. The days of selling the products available in the shelves are gone. Banks need to innovate products suiting the needs and requirements of different types of customers. Revisiting the features of the existing products to continue to keep them on demand should not also be lost sight of.

***O* PRICING OF PRODUCT**

The next challenge is to have appropriate policies in place. The industry today is witnessing a price war, with each bank wanting to have a larger slice of the cake that is the market, without much of a scientific study into the cost of funds involved, margins, etc. The strategy of each player in the market seems to be: 'under cutting others and wooing the clients of others'. Most of the banks that use rating models for determining the health of the retail portfolio do not use them for pricing the products. The much needed transparency in pricing is also missing, with many hidden charges. There is a tendency, at least on the part of few to camouflage the price. The situation cannot remain his way for long. This will be one issue that will be gaining importance in the near future.

***O* PROCESS CHANGES**

Business Process Re-engineering is yet another key requirement for banks to handle the growing retail portfolio. Simplified processes and aligning them around delivery of customer service impinging on reducing customer touch-points are of essence. A realization has to drawn that automating the inefficiencies will not help anyone and continuing the old processes with new technology would only make the organization an old expensive one. Work flow and document management will be integral part of process changes. The documentation issues have to remain simple both in terms of documents to be submitted by the customer

at the time of loan application and those to be executed upon sanction.

O ISSUE CONCERNING HUMAN RESOURCES

While technology and product innovation are vital, the soft issues concerning the human capital of the banks are more vital. The corporate initiatives need to focus on bringing around a frontline revolution. Though the changes envisaged are seen at the frontline, the initiatives have to really come from the 'back end'. The top management of banks must be seen as practicing what preaches. The initiatives should aim at improved delivery time and methods of approach. There is an imperative need to create a perception that the banks are market-oriented.

This would mean a lot of proactive steps on the part of bank management which would include empowering staff at various levels, devising appropriate tools for performance measurement bringing about a transformation – 'can't do' to 'can do' mind-set change from restrictive practices to total flexible work place, say. By having universal tellers, bringing in managerial controlling work place, provision of intensive training on products and processes, emphasizing, coaching etiquette, good manners and best behavioural models, formulating objective appraisals, bringing in transparency, putting in place good and acceptable reward and punishment system, facilitating the placement of young /youthful staff in front-line defining a new role for front-line staff by projecting

them as sellers of products rather than clerks at work and changing the image of the banks from a transaction provider to a solution provider.

***O* RURAL ORIENTATION**

As of now, action that is taking place on the retail front is by and large confined to metros and cities. There is still a vast market available in rural India, which remains to be tapped. Multinational Corporations, as manufacturers and distributors, have already taken the lead in showing the way by coming out with exquisite products, packaging and promotions, keeping the rural customer in mind. Washing powders and shampoos in Re.1 sachet made available through an efficient network and testimony to the determination of the MNCs to penetrate the rural market. In this scenario, banks cannot lack behind.

In particular PSBs, which have a strong rural presence, need to address the needs of rural customers in a big way. These and only these will propel retail growth that is envisaged as a key strategy for portfolio expansion by most of the banks.

SOME CRITICAL ISSUES

o CUSTOMER SERVICE

Customer service is perhaps the most important dimension of retail banking. While most public sector banks offer the same range of service with similar technology/expertise, the level of customer service matters the most in bringing in more business. Perhaps more than the efficiency of service, the approach and attitude towards customers will make the

difference.

Front line staffs have to be educated in this regard. A scheme of entrusting a group of important customers to the care of each employee/officer with a person to person knowledge and intimacy can be implemented all sundry advices/notices such as Dr. /Cr. advices. TDR maturity advices, etc. whether signed by employees or officers should be identifiable by the name of those signing, and inviting customers to contact them for further assistance in the matter.

A customer centred organization has to be built up, whose ultimate goal is to "own" a customer. Focused merchandizing through effective market segmentation is the need of the hour. A first step can be the organization of the various retail branches to enter for different market segments like upmarket individuals, traders, common customers, etc.. For the SIB (Small Industry and Business) sector banks, the focus should be on identifying efficient units and allocations of loans to these units. These banks should try Merchant Banking services on a small scale.

With agricultural output growing at a fast rate and mechanization setting in, banks should try to cater to the credit needs of the people involved in this profession. A wide network is absolutely imperative for this sector.

Separate branches/divisions should be opened for traders and similar government businesses. Special facilities for cash tendered in bulk and immediate issue of drafts, by extending facilities like "guarantee bond" system, will go a

long way in mitigating problems faced by traders who are the major customers for drafts issue. Provision for cash counting machines in these branches will reduce the monotony of cashiers and unnecessary delays, thus resulting in better productivity and ultimately in improved customer service. The personal segment is however the most important one. With the urban segment moving away because of disintermediation and competition from foreign banks, retail banks should focus on the rural/semi-urban areas that hold the maximum potential. Innovative schemes like "paper-gold" schemes can be introduced. In the urban areas, private banking to affluent customers can be introduced, through which advisory and execution services could be provided for a fee. Foreign currency denominated accounts can also be introduced for them.

Nationalized banks compare very poorly with the foreign banks when it comes to the efficiency in services. In order to improve the speed of service the bank should.

- Improve the rapport between the controlling offices and the branches to ensure that decisions are communicated fast.
- Make sure that the officials as well as the staff are fully aware of the rules so that processing is faster.

o TECHNOLOGY

In the current scenario, the importance of technology cannot be understated for retail banks which entail large volumes, large queues and paperwork. But most of the banks are

burdened with a large staff strength which cannot be done away with. Besides, in the rural and semi-urban areas, customers will not be at home in an automated, impersonal environment.

The objective would be to ensure faster and easier customer service and more usable information, instantly, economically and easily to all those who need it -customers as well as employees. Proper management information systems can also be implemented to aid in superior decision making.

Communication technology is especially needed for money transfer between the same city and also between cities.

There are inordinate delays in India because of geographical and other factors. Modern technology can make it possible to clear any check anywhere in India within three days.

Installation of FAX facilities at all the big branches will facilitate speedy transfer of payment advices.

Computerization will be of great help in improving back-office operations. At present, 60% of India's rural branches can have PCs. These can be used for quick retrieval and report generation. This will also drastically reduce the time bank staffs spend in filling and filing returns. Housekeeping operations can also be speeded up.

o PRICE BUNDLING

Price bundling is a selling arrangement where several different products are explicitly marketed together to a price that is dependent on the offer. As banks are multi-product firms this strategy is more applicable to retail banking. Price

bundling offers several economic and strategic benefits to a bank. It offers economies of, utilization of the existing capacities and reaching wider population of customers. Bank can get the benefits of information and transacting. In the process of extending variety of services, banks are acquiring enormous amount of customer information. If this information is systematically stored, banks can efficiently utilize this information in order to explore new segments and to cross-sell new services to these segments. Cross-selling opportunities and larger customer base can also be the motive for merger against usually stated advantage of cost savings. Price bundling can be used in order to lengthen the relationship with a customer. It will reduce the need of resources to be put on acquiring new customers and saves time of the bank. Among the strategic benefits, price bundling may cause less aggressive competition; it differentiates its products compared to rivals in the same market where the products are sold individually or in other kinds of bundles.

Retail banking offers many services and it gives an opportunity to the bank to combine different services in different kinds of bundles. In many cases demand for one service affects the demand for another service, for example current or savings account and payment services are highly related, and here price bundling is a better alternative than individual selling. Banks have to analyze the customer segment and bundle products before applying the pricing strategies.

The first step in price bundling decision is to select the customer segment. The bundle is targeted to choose a strategic objective. If there are two products (A and B) that are considered to be bundled together, the comprehensive strategic objectives for the different customer segments are:

- Cross-selling to customers that only buy one of the products.
- Retaining customers that already buy both of the products.
- Acquiring new customers when they buy neither product for the time being.

o INNOVATION

The scope for innovation in financial services is unlimited. Although banks have introduced a variety of deposit and loan products, the basic features of all these products are almost one and the same. Among the delivery channels, ATMs have emerged as ubiquitous money centers. Almost all banks have established their ATMs. India had only 400 ATMs, which increased to 3,600. Out of this 881 ATMs have Swadhan connectivity. It is projected that the number of ATMs will reach up to 35,000 by the end of. The question arises is, are they cash cows? The answer is certainly no. For most of the banks the overhead costs on these ATMs are far higher than the revenue generated by them. ATM operation costs are largely fixed in nature - the cost of the machine, its maintenance, replenishment of currency, and the satellite (network) connection. There should be a

minimum number of transactions to cover these costs. Banks have to innovate wide range of services in addition to cash withdrawals. ATMs should allow customers to buy postal and revenue stamps, payment of bills, event tickets, sports tickets, etc. Banks can offer ATM screens for slide show advertising also. However, the advantage of the ATM has always been speed and convenience, probably on introduction of these new services customer has to spend more time at a point. ATMs can guide the customer also. For example, if a customer's account balance has reached to bare minimum the ATM can give a helpful suggestion that "we notice your balance is low, can we help with a loan?" ATMs can be either within the premises of a branch or at a remote place. On premises ATMs are highly immune to competition, but branches can reduce the staff, on installation of ATM. The scope for wider services through off-premises ATMs is very high; it provides great opportunity for fee revenue. The cost of maintenance of off-premises ATMs is higher in terms of replenishment, cash couriers, armed security etc. In the US, approximately 23 percent of ATMs are offering sale of postage stamps. It is the right time for banks to question themselves whether ATM is a service channel, sales channel, or branding opportunity.

The future of retail banking lies more in mobile banking. Mobile telephone market is penetrating, and mobile phones are ideal to utilize Internet banking services without customer accesses to PC. By a tacit acceptance India has around three million mobile phone users and this number is

expected to reach to eight million by 2003.

Smart card revolution will further change the face of retail banking. Smart cards can store information; carry out local processing on the data stored and can perform complex calculations. At present, India has around 3.4 million smart card users and it is estimated that by the end of 2004 it will reach 14.7 million.

GROWTH DRIVERS OF RETAIL BANKING

The growth drivers of retail lending are analyzed as under:

MACRO-ECONOMIC FACTORS

- o Shift in the pattern of GDP from hitherto agriculture and manufacturing sectors to services sector with increase per capita income especially that of the younger generation. [India's industrial sector accounted for about 21.8% of GDP, where as the services sector accounted for around 56.1 of GDP in 2002-03 as per revised estimates released by Central Statistical Organization].
- o The lower uptake in the non-retail sector has compelled banks to shift their focus on retail assets - specially housing finance- for deployment of funds for a longer period, which is considered as the safest within the retail portfolio. Housing loans and other retail loans are comparatively high yielding in terms of interest spread and safer, as risk is diversified among a large number of individuals across the geographic dimensions. The sector enjoys a privilege of lowest NPAs amongst all categories of banks.

- o Depressed stock and real estate markets as compared to those prevailing in 1992-93 to 1995-96 thereby diverting deposits to the banking sectors.
- o Comparatively stable real estate prices during last 4/5 years have laid to spurt in demand for housing loans.
- o Inflation continued to be under control.
- o Keenness shown by the consumer goods/ automobile manufacturers to -push up finance schemes through market tie-up with banks with a view to increasing their marketing share.

DEMOGRAPHIC / BEHAVIORAL FACTORS

- o Growing concept of nuclear families than the joint families necessitating need for housing units as well as other items of consumer durables.
- o Increased number of dual income families resulting in higher income and savings.
- o Increased demand for dwelling units due to gradual shift of population from rural/semi-urban centre to urban/metro centre for employment.
- o Shift in the attitude of the Indian household from "save and buy" theory to a 'buy and repay' principle.
- o Increased middle-income segment and their income levels.
- o Emergence of new sectors such as Information

Technology, media, etc. In the economy that resulted in higher income opportunities and major impact on change in urban consumption pattern.

- o Awareness and sophistication in urban and semi-urban households for urban convenience. Social security and status have also contributed to higher demand for housing units, cars, etc.

FAVORABLE ROLE OF RBI

- o Inclusion of housing loans within the priority sector. Direct finance up to Rs.10 lakhs in case of rural and semi-urban areas now form part of the priority sector advances. This promoted banks to go for housing loans in a big way as it helped them to attain their targets of priority sector lending.
- o Reduction in risk weight age bank's extending loans for acquisition of residential house properties to 50 per cent from 100 per cent. Reduction in Capital Adequacy Ratio requirement has effectively doubled the credit disbursement capacity of banks.
- o Banks have elongated repayment periods of retail loans years to 50/20 years besides quoting fixed/ variable rate of interests based on their asset liability management structure and study of behavioral pattern of demand and time deposits.
- o Deregulation of interest rate with option to quote fixed/ variable interest rate.

- o Continuous reduction in bank rate, which resulted in reduction in lending rates as well.
- o South ward movement in CRR and SLR ratios increasing lending capacity of banks.

CATALYST-ROLE OF GOVERNMENT

- o Tax exemptions for payment of interest on capital borrowed for purchase/ construction of house property and principle repayment. This made housing finance affordable and within the reach of common man. [It is important to note that the housing sector has been recipient of a large number of fiscal incentives in the last 6th budgets].
- o These exemptions also changed the profile of the retail segment from hitherto cash transactions to book transactions.
- o The Government could not ignore the importance of housing sector in overall development of the economy due to the following factors:
 - Housing construction activities can generate opportunities for employment. In the present context of jobless GDP growth, this issue assumes important as the housing construction provides massive job opportunities for both unskilled and skilled man power.
 - Mass construction of houses will result in the benefits of the nation by the way of healthy standard of living,

motivation to save more and thereby providing sustainable economic recovery.

- This would also lead to growth in related industries as well.

INITIATIVES ON THE PART OF BANKS

- o The growth in retail banking has been facilitated by growth in banking technology and automation of banking processes to enable extension of reach and rationalization of costs. ATMs have emerged as an alternative banking channels which facilitate low-cost transactions vis-à-vis traditional branches / method of lending. It also has the advantage of reducing the branch traffic and enables banks with small networks to offset the traditional disadvantages by increasing their reach and spread.
- o The interest rates on retail loans have declined from a high of 16-18% in 1995-96 to presently in the band of 7.5-9%. Ample liquidity in the banking system and falling global interest rates have also compelled the domestic banks to reduce interest rates of retail lending.
- o Banks could afford to quote lower rate of interest, even below PLR as low cost [saving bank] and no cost [current account] deposits contribute more than 1/3rd of their funds [deposits]. The declining cost of incremental deposits has enabled the Banks to reduce their interest rates on housing loans as well as other retail segments loans.

- o Easy and affordable access to retail loans through a wide range of options / flexibility. Banks even finance cost of registration, stamp duty, society charges and other associated expenditures such as furniture and fixtures in case of housing loans and cost of registration and insurance, etc. in case of auto loans.
- o Offering retail loans for short term, 3 years and long term ranging term ranging from 15/20 years as compared to their earlier 5-7 years only.
- o Making financing attractive by offering free / concessional / value added services like issue of credit card, insurance, etc.
- o Continuous waiver of processing fees / administration fees, prepayment charges, etc. by the Banks. As of now, the cost of retail lending is restricted to the interest costs.

BANKS IN INDIA

In India the banks are being segregated in different groups. Each group has their own benefits and limitations in operating in India. Each has their own dedicated target market. Few of them only work in rural sector while others in both rural as well as urban. Many even are only catering in cities. Some are of Indian origin and some are foreign players.

One more section has been taken note of is the upcoming foreign banks in India. The RBI has shown certain interest to involve more of foreign banks than the existing one recently. This step has paved a way for few more foreign banks to start business in India.

This Public Sector Bank India has implemented 14 point action plan for strengthening of credit delivery to women and has designated 5 branches as specialized branches for women entrepreneurs.

The following are the list of Public Sector Banks in India

Allahabad Bank

Aadhra Bank
Bank of Baroda
Bank of India
Bank of Maharashtra
Canara Bank
Central Bank of India
Corporation Bank
Dena Bank
Indian Overseas Bank
Oriental Bank of Commerce
Punjab & Sind Bank
Punjab National Bank
Syndicate Bank
UCO Bank
Union Bank of India
United Bank of India
Vijaya Bank

List of State Bank of India and its subsidiary, a Public Sector Banks

State Bank of India

State Bank of Bikaner & Jaipur
State Bank of Hyderabad
State Bank of Indore
State Bank of Mysore
State Bank of Saurashtra
State Bank of Travancore

Banks are the most significant players in the Indian financial

market. - They are the biggest purveyors of credit, and they also attract most of the savings from the population. Dominated by public sector, the banking industry has so far acted as an efficient partner in the growth and the development of the country. Driven by the socialist ideologies and the welfare state concept, public sector banks have long been the supporters of agriculture and other priority sectors. 'They act as crucial channels of the government in its efforts to ensure equitable economic development.

The banking sector in India has undergone remarkable changes since the economic reforms were initiated in 1991-92. The period has been marketed by a slew of reforms in the sector, which provided the much needed impetus for the growth of the sector as a whole. One of the remarkable reforms found crucial to study is emphasizes of public sector banks on retail banking.

RETAIL BOOM

Keeping pace with the average 8.5 per cent growth of the Indian economy over the past few years, the retail banking sector in India has also witnessed phenomenal growth. It has faced up to the need of the hour and introduced anytime, anywhere banking, for its customers through ATMs, mobile and internet banking. It has also offered services like D-MAT, plastic money (credit and debit cards), online transfers, etc. This has not only helped in reducing operational costs but facilitated greater conveniences to its customers.

o High-Tech Banking

ATMs - With growing technological innovations, banks have significantly expanded their ATM network over the past three years. According to the RBI data as of end-June 2008, the number of ATMs in the country had climbed to 36,314 compared to 27,088 and 20,267 as at end-March 2007 and 2006, respectively.

o Loan disbursement

Technology has facilitated the growth in retail loan disbursements, making the whole process simpler and faster. The sector has delivered a growth of around 30 per cent per year over the past 4-5 years. As per the RBI data, although the retail portfolio of banks saw a slowdown to 29.9 per cent during 2006-07 from 40.9 per cent in 2005-06, the growth was faster than the overall credit portfolio of the banking sector (28.5 per cent).

o Plastic Money

Credit cards have also played an important role in promoting retail banking. The use of credit cards has been growing significantly over the last few years. The number of credit cards outstanding at the end- June 2008 stood at 27.02 million as against 24.39 million in June 2007, with usage increasing by 10.73 per cent during this period.

o Core Banking Solutions (CBS)

The concept of CBS, which allows a customer to fulfil a wide range of banking operation online, has come alive during the past four years. The number of bank branches providing CBS rose rapidly to 44 per cent at end- March 2007 from 28.9 per cent at end March 2006. Electronic fund transfer facilities and mobile banking are expected to provide a further fillip to the retail banking in the coming years.

o Future Outlook

Indian retail banking, according to a report, is likely to grow

at a CAGR of 28 per cent till 2010 to Rs 97,00 billion. So, although the revolution in retail banking has changed the face of the Indian banking industry as a whole, it has still miles to go.

The reasons for this shift to retail, particularly the housing finance segment, are many. The important among these include—

- The poor credit off take to the corporate, commercial and other business sector because of industrial slowdown.
- Risky nature of lending to corporate, given in industry recession and uncertainty prevalent in the economy.
- High disintermediation pressure, leading many highly rated corporates to tap the domestic and/or overseas markets directly for finance, rather than approaching the banks.
- Relatively safe nature of some of the retail credit finance with lesser incidence of loan turning bad.
- Rising disposable income, changing lifestyles/aspirations and willingness to spend for more luxuries of the higher middle class.
- Better availability of loans, because of the consultancy lowering interest rates, as a result of the low interest regime followed by the regulating authorities, the housing loans interest rates hailed to almost 7.5 – 8% in last 5 years.
- Increased government incentives in form of tax rebates etc. in the case of certain loans like housing loans.

- Banks are aware with abundant reserve requirement by RBI, they are searching revenues for packing the surplus funds.

FUTURE OF RETAIL BANKING

Retail banking has significant past and glorious future over the years. Retail banking has proved as an effective tool not only to improve the bottom lines of the banks concerned but also to significantly contribute to the development of the individual consumers availing the services or products in particular and to the overall development of the society in general with the needs of the consumers ever multiplying. There is definitely a vast scope for the furtherance of the Retail Banking business.

The society is made of the individuals and the environment surrounding him. As development takes place in the society, the needs of the people grow faster than ever. The wealth creation and its professional management are yet another distinct advantage the society or nation can derive from Retail Banking. The depth of the untapped resources in the retail segment is not yet measured. These resources could be channelized for nation building.

On the whole, looking ahead, the prospects of retail banking are brighter than ever and the bankers have to give continued thrust to

this area of banking. Thus, with the consumers ever multiplying needs there is definitely a vast scope for the furtherance of the retail banking business. Operationally, there is a possibility that technology go beyond merely reducing the cost & improving the quality of current products. It may prove possible, even profitable, to combine functions in new ways.

CASE STUDY

ICICI BANK

PERSONAL BANKING

PRODUCT AT GLANCE

LOANS

Online Loans

Home Loans

Loan Against Property

Personal Loans

Car loan

Two Wheeler

Commercial Vehicle

Loans against Securities

Loan Against Gold

Farm Equipment
Construction Equipment
Office Equipment
Medical Equipment
Pre-approved Loans
Retail Assets Branches
FlexiCash
Farmer Finance
Rural Housing Finance
Retail Warehouse Receipt Based Finance
Business Instalment Loans
Aquaculture Finance
Horticulture Finance
Self Help Group Finance
Channels Terminated

ACCOUNTS & DEPOSITS

Savings Account
Special Savings Account
Life Plus Senior Citizens Savings Account
Fixed Deposits
Security Deposits
Recurring Deposits
Tax-Saver Fixed Deposit
Young Stars Savings Account
Child Education Plan
Bank@Campus
Salary Account

Advantage Woman Savings Account

EEFC Account

Resident Foreign Currency (Domestic) Account

Privilege Banking

No Frills Account

Rural Savings Account

People's Savings Account

Self Help Group Accounts

Outward Remittance

Freedom Savings Account

Common Service Charges

CARDS

Consumer Cards

Credit Card

Travel Card

Debit Cards

Commercial Cards

Corporate Cards

Prepaid Cards

Purchase Card

Distribution Cards

Business Card

INVESTMENT [Tax Saving]

ICICI Bank Bonds [ICICI Bank Tax Saving Bonds]

GOI Bonds [Government of India Bonds]

Mutual Funds [Investment in Mutual Funds]

IPO [Initial Public Offers by Corporates]

ICICI Bank Pure Gold [Investment in "Pure Gold"]

Forex Services [Foreign Exchange Services]

Senior Citizens Savings Scheme, 2004

INSURANCE

Health Insurance

Overseas Travel Insurance

Student Medical Insurance

Motor Insurance

Home Insurance

Life Insurance

DEMAT

Overview

Account Opening

ISIN Lookup

Settlement Calendar

Charges

Digitally Signed Statement

Mobile Banking

Service Request Forms

Access Account Online

Membership Guide

Demat Branches

FAQs and Basic Concepts

Guidance Procedure for Transmission of Shares

ONLINE SERVICES

Branchfree Banking

smsNcash

Bill Payment (New Billers Added)

Receive Funds

Funds Transfer

Convert to EMI

Smart Money Order

Prepaid Mobile Recharge

Ticket Booking

Online Tax Calculation

Account to Card Transfer

Mobile Banking Funds Transfer

Mobile Banking [iMobile]

Shopping

Share Trading

Special Promotions & offers

Online Loans and Credit Cards

Demand Draft Online

Mumbai Suburban Season Ticket

Instant Voice Response (IVR) Banking

ATM Banking

ICICI BANK PERSONAL LOANS

ICICI Bank Personal Loan provides with instant money for a wide range of your personal needs like, renovation of home, marriage in the family, a holiday with family, child's education, Medical expenses or any other emergencies.

Key Benefits of ICICI Bank Personal Loan

- Loan up to 15 lacs
- No security/guarantor required
- Faster Processing
- Minimum Documentation
- Attractive Interest Rates
- 12-60 Months repayment options
- Loans available for both salaried & self employed individuals
- Loan on Phone" facility

ELIGIBILITY

RETAIL BANKING IN INDIA

Criteria	Salaried	Self - Employed
Age	25 yrs. - 58 yrs.	25 yrs. - 65 yrs.
Net Salary	Net annual income - Rs. 96,000 p.a	Net Profit after tax - Rs. 150000 p.a
Eligibility	Employees of Public Ltd. companies, Private Ltd. companies, Government companies or MNCs.	Doctors, MBA's, Architects, CA's, Engineers, Traders & Manufacturers
Years in current job / profession	1 Year	3 Years
Years in current residence	1 Year	1 Year

DOCUMENTATION

Documents (Pre Sanction)	Salaried	Self Employed
Latest 3 months Bank Statement (where salary/income is credited)	Yes	Yes
3 Latest salary slips	Yes	
Last 2 years ITR with computation of income / Certified Financials		Yes

RETAIL BANKING IN INDIA

Proof of Turnover (Latest Sales / Service tax returns)		Yes
Proof of Continuity current job (Form 16 / Company appointment letter)	Yes	
Proof of Continuity current profession (IT Returns / Certificate of business continuity issued by the bank)		Yes
Proof of Identity (any one) Passport / Driving License / Voters ID / PAN card / Photo Credit Card / Employee ID card	Yes	Yes
Proof of Residence (any one) Ration Card / Utility bill / LIC Policy Receipt	Yes	Yes
Proof of Office (any one) Lease deed / Utility bill / Municipal Tax receipt / title deed		Yes
Proof of Qualification Highest Degree (for Professionals / Govt employees)	Yes	Yes

CHANGING MODE OF REPAYMENT

If you wish to change the mode of repayment of the ICICI personal loan, this needs to be done with the permission of ICICI bank. Stopping payments on post-dated cheques or otherwise cancelling or revoking mandates would be considered 'committed with a criminal intent' according to the ICICI terms and conditions.

SERVICE CHARGES

- Prepayment of the loan is possible after 180 days of availing the loan.
- Foreclosure charges as applicable would be levied on the outstanding loan.
- Part pre-payment is not allowed.
- No other fees or commitment charges are levied.

Description of Charges	Personal Loans
Loan Processing Charges / Origination Charges	2* % of loan amount + Origination Charges of 1.5% of loan amount
Prepayment Charges	5% on the principal outstanding
Charges for late payment (loans)	2% per month
Cheque Swap Charges	Rs. 500/-
Cheque bounce charges	Rs. 200/-

BANK@CAMPUS

BENEFITS

Technology-enabled service, through automated channels, without physical branch access.

Benefits to the student

- [Free Internet Banking](#)
- [Free Phone Banking](#) (in select cities*)
- [Free ICICI Bank Ncash Debit Card](#)
- [Free Access to any Bank's ATM](#)
- [Other Benefits](#)

Free Internet Banking

- Enquire about balance
- Download detailed statement of accounts
- View details of all accounts maintained with ICICI Bank
- Transfer funds between your account and any other ICICI Bank account
- Pay your utility bills-mobile, electricity and telephone bills
- Request a cheque book and demand drafts
- Request to stop payment of cheque
- Report your lost Debit cards
- Open Fixed and Recurring deposits online
- Access information on personal finance, computing & the Internet, e-commerce, lifestyle etc.

- Liaise with your Account Manager
- Invest in mutual funds

Free Phone Banking

- Enquire about balance
- Request a tele-draft
- Obtain mini-statements
- Request a cheque book
- Request to stop payment of cheque
- Intimate lost Debit card
- Transfer funds between ICICI Bank accounts

Other Benefits

- Own a chequebook personalised with your name.
- Receive an annual statement of account

ELIGIBILITY

- You must be a student.
- You have to be above 18 years of age.

DOCUMENTATION

Documentation guidelines for student accounts

- Verified True Copy of college identification documents with photograph of the applicant.

(Such college shall be one of the colleges recognized by an Indian University / Technical Body or a deemed University.)

Mandatory information to be provided in account opening form includes

- Basic details like name, current address, permanent address, phone numbers, date of birth, nationality, residential status should be captured in Account Opening Form.
- College and course particulars including end date for the course.
- Details of parents / guardian - name, address, phone numbers, nationality, residential status.
- Photograph and signature
- Expected international transfer of funds in the case of foreign students.

INTEREST RATES: 3.50%

SERVICE CHARGES AND FEES

	Bank@Campus
Available to	All cities
Eligibility	Students pursuing pre-approved courses only and b/w 18-27 yrs of age
Minimum average quarterly balance	Rs 500
Charges for non maintenance of minimum quarterly average balance	Rs.250 per quarter
Cash transactions at base branch (branches in same city)	No Branch Access for cash transactions
ATM Interchange (Transactions at Non ICICI Bank ATMs)	Rs.18 per cash withdrawal and balance enquiry - Free.
Issue of DD drawn on ICICI Bank by cheque/transfer	Rs.50 per D.D. up to Rs.10, 000; Rs.3 per thousand rupees or part thereof for DD of more

	than Rs.10,000, subject to a minimum of Rs.75 and maximum of Rs. 15,000
Statement	Free Annual statement
	Free monthly e-mail statement on request
Debit Card Fees for first Account Holder	Free
Debit Card Fees for joint Account Holder	Free
Debit Card Cash withdrawal limit	Daily spending/withdrawal limit: 25,000/25,000
Internet Banking	Free
Phone Banking	Free
Mobile Banking	Free
Cheque Books	Free, Order & A/c payee only
ATM Transaction	Unlimited Free of Cost
Cheque collection charges from upcountry locations (I-Bank branch)	Free
Cheque collection charges from upcountry locations (Non I-Bank branch)	Free

HDFC BANK

PERSONAL BANKING

PRODUCT AT GLANCE

ACCOUNTS & DEPOSITS

Savings Accounts

Regular Savings Account

Savings Plus Account

SavingsMax Account

No Frills Account

Institutional Savings Account

Salary Accounts

Payroll

Classic

Regular

Premium

Defence

Reimbursement Current Account

Kid's Advantage Account

Pension Saving Bank Account

Family Savings Group

Kisan No Frills Savings

Kisan Club Savings

Current Accounts

Plus Current Account

Trade Current Account

Premium Current Account

Regular Current Account

RFC - Domestic Account

Flexi Current Account

Apex Current Account

Max Current Account

Fixed Deposits

Regular Fixed Deposit

5 Year Tax Saving Fixed Deposit

Super Saver Facility

Sweep-in Facility

Demat Account

Safe Deposit Lockers

LOANS

Personal Loans

Home Loans

Two Wheeler Loans

New Car Loans

Used Car Loans

Express Loans Plus

Gold Loan

Educational Loan

Loan Against Securities

Loan Against Property

Loans Against Rental Receivables

Health Care Finance

Tractor Loans

Commercial Vehicle Finance

Working Capital Finance

Construction Equipment Finance

Warehouse Receipt Loans

CARDS

Credit Cards

Silver Credit Card

Value Plus Credit Card

Health Plus Credit Card

Gold Credit Card

Titanium Credit Card

Woman's Gold Credit Card

Platinum Plus Credit Card

Visa Signature Credit Card

World MasterCard Credit Card

Corporate Credit Card

Business Credit Card

Debit Cards

EasyShop International Debit Card

EasyShop Gold Debit Card

EasyShop International Business Debit Card

EasyShop Woman's Advantage Debit Card

EasyShop NRO Debit Card

Kisan Card

Prepaid Cards

ForexPlus Card

GiftPlus Card

FoodPlus Card

MoneyPlus Card

INVESTMENTS & INSURANCE

Mutual Funds

General & Health Insurance

Bonds

Knowledge Centre

Equities & Derivatives

Mudra Gold Bar

PAYMENT SERVICES

NetSafe

Merchant Services

Prepaid Refill

BillPay

Visa BillPay

InstaPay

DirectPay

Visa Money Transfer

e-Monies Electronic Funds Transfer

Excise & Service Tax Payment

Online Payment of Direct Tax

Religious Offerings

Donate to Charity

ACCESS YOUR BANK

NetBanking

OneView

InstaAlerts

MobileBanking

ATM

PhoneBanking

Email Statements

Branch Network

HDFC BANK PERSONAL LOANS

FEATURES & BENEFITS

- **Borrow up to Rs 15, 00,000 for any purpose** depending on your requirements.
- Flexible Repayment options, ranging from 12 to 60 months.

- Repay with easy EMIs.
- One of the lowest interest rates.
- **Hassle free loans** - No guarantor/security/collateral required.
- Speedy loan approval.
- Convenience of service at your doorstep.
- **Customer privileges**
 - If you are an HDFC Bank **account holder**, we have special rates for you.
 - If you are an existing **Auto Loan customer** with a clear repayment of 12 months or more from any of our approved financiers or us, you can get a **hassle free personal loan (without income documentation)**.
 - If you are an existing HDFC Bank **Personal Loan customer** with a clear repayment of 12 months or more, we can **Top-Up your personal loan**.

- **Credit Shield**

In case of death or total permanent disability of the loanee, the loanee/nominee can avail of the Payment Protection Insurance (Credit Shield) which insures the principle outstanding on the loan upto a maximum of the loan amount. Principle outstanding is defined as the amount of loan outstanding (not including any arrears in payment or interest thereon) at the Date of Loss, having accounted for payments made and interest accruing as determined in the Policy. Hence, the amount covered does not include any principal

added because of non - payment of EMI and also will not include interest/ accrued charges.

- **Personal Accident Cover**

In order to ensure that your family is taken care of we also offer a Personal Accident cover of Rs.2,00,000 at a nominal premium.

ELIGIBILITY & DOCUMENTATION

SALARIED INDIVIDUALS

Salaried Individuals include Salaried Doctors, CAs, employees of select Public and Private limited companies, Government Sector employees including public sector undertakings and central, state and local bodies:

Eligibility Criteria

- Minimum age of Applicant: 21 years
- Maximum age of Applicant at loan maturity: 60 years
- Minimum employment: Minimum 2 years in employment and minimum 1 year in the current organization
- Minimum Net Monthly Income: Rs. 8,000 p.m (Rs. 10,000 in select cities)

Documents required

- Proof of Identity (Passport Copy/ Voters ID card/ Driving Licence)
- Address Proof (Ration card Tel/Elect. Bill/ Rental agr. / Passport copy/Trade licence /Est./Sales Tax certificate)
- Bank Statements (latest 3 months bank statement / 6 months bank passbook)
- Latest salary slip or current dated salary certificate with latest Form 16

SELF EMPLOYED (PROFESSIONALS)

Self employed (Professionals) include self - employed Doctors, Chartered Accountants, Engineers, MBA Consultants, Architects, and Company Secretaries.

Eligibility Criteria

- Minimum age of Applicant: 25 years
- Maximum age of Applicant at loan maturity: 65 years
- Years in business: 4 to 7 years depending on profession
- Minimum Annual Income:
Rs. 100000 p.a.

Documents required

- Proof of Identity (Passport Copy/ Voters ID card/ Driving Licence).
- Address Proof (Ration card Tel/elect. Bill/ Rental agr. / Passport copy/Trade licence /Est./Sales Tax certificate).
- Bank Statements(latest 6 months bank statement /passbook)

- Latest ITR along with computation of income, B/S & P&L a/c for the last 2 yrs. certified by a CA
- Qualification proof of the highest professional degree

SELF EMPLOYED (INDIVIDUALS)

Self Employed (Individuals) include self-employed - Sole proprietors, Partners & Directors in the Business of Manufacturing, Trading or Services.

Eligibility Criteria

- Minimum age of Applicant: 21 years
- Maximum age of Applicant at loan maturity: 65 years
- Years in business: 5 yrs continuous business experience
- Minimum Annual Income: Rs. 1, 00, 000 p.a.
- Available in select cities

Documents required

- Proof of Identity (Passport Copy/ Voters ID card/ Driving Licence)
- Address Proof (Ration card Tel/elect. Bill/ Rental agr. / Passport copy/Trade licence /Est./Sales Tax certificate)
- Bank Statements(latest 6 months bank statement /passbook)
- Latest ITR along with computation of income, B/S & P&L a/c for the last 2 yrs. certified by a CA
- Proof of continuation (Trade licence /Establishment /Sales Tax certificate)

- Other Mandatory Documents (Sole Prop. Decl. Or Cert. Copy of Partnership Deed, Cert. Copy of MOA, AOA & Board resolution.)

SELF EMPLOYED (PVT COS AND PARTNERSHIP FIRMS)

Self Employed (Pvt. Cos and Partnership Firms) include Private Companies and Partnership firms in the Business of Manufacturing, Trading or Services

Eligibility Criteria

- Years in business: Minimum of 3 years in current business and 5 years total business experience
- Business must be profit making for the last 2 years
- Minimum Annual Income: Rs 100000 p.a.
- Available in select cities

Documents required

- Address Proof (Ration card Tel/elect. Bill/ Rental agr. / Passport copy/Trade licence /Est./Sales Tax certificate)
- Bank Statements(latest 6 months bank statement /passbook)
- Latest ITR along with computation of income, B/S & P&L a/c for the last 2 yrs. certified by a CA
- Proof of continuation (Trade licence /Establishment /Sales Tax certificate)
- Other Mandatory Documents (Sole Prop. Decl. Or Cert. Copy of Partnership Deed, Certified true copy of

Memorandum & Articles of Association (certified by Director)
& Board resolution (Original).

BALANCE TRANSFER

If you have a personal loan from any other bank with a clean repayment record, simply transfer the loan to us and save substantially.

Benefits

- Minimal processing fees.
- No income documentation.
- Fast Processing.
- Repayment through Standing Instruction facility.

FEES & CHARGES FOR PERSONAL LOAN

Description of Charges	Personal Loan
Loan Processing Charges	Upto a maximum 2% of the loan amount
Pre-payment charges	Upto 4% of the Principal Outstanding
No Due Certificate / No Objection Certificate (NOC)	Nil
Charges for late payment of EMI	@ 24 % p.a on amount

	outstanding from date of default
Charges for changing from fixed to floating rate of interest	Not applicable
Charges for changing from fixed to floating rate of interest	Not applicable
Charges for changing from floating to fixed rate of interest	Not applicable
Stamp Duty & other statutory charges	As per applicable laws of the state
Credit assessment charges	Not applicable
Non standard repayment charges	Not applicable
Cheque swapping charges	Upto Rs 500/- per event
Loan cancellation / re-booking charges / Re-scheduling	Upto Rs 1000/-
Bounce Cheque Charges	Upto Rs 450/- per Bouncing
Statement Charges (per statement)/ Repayment Schedule	Upto Rs 500/-
Legal / incidental charges	At actual

“5”YEAR TAX SAVING FIXED DEPOSIT

FEATURES & BENEFITS

- Minimum Amount: Rs.100/-
- Multiples of Rs.100/-

- Maximum Amount: Rs. 1 lac (in a FY)
- Tenure - 5 years (lock in period)
- Rate of Interest -9.50% p.a, Senior Citizen rate - 10.00%
- No Partial/Premature withdrawal allowed
- Sweep-in not allowed
- No OD or pledge allowed
- In the case of joint holder deposit, the deduction from income under section 80C of the Act shall be available only to the first holder of the deposit.

ELIGIBILITY

The following can apply for a 5 Year Tax Saving Fixed Deposit

- Resident Individuals
- Hindu Undivided Families

An initial deposit of Rs. 100/- is required to open a Tax Saving Fixed Deposit.

INTEREST RATES

When you open a Fixed deposit with HDFC Bank

- Your interest is calculated on a quarterly basis
- Interest for re-investment is calculated every quarter, and the Principal is increased to include interest earned during the previous quarter.

Tax at source is deducted as per the Income Tax regulations prevalent from time to time.

RATE of INTEREST

- Normal rate: 9.50% p.a.
- Senior Citizen rate: 10.00%

TAX DEDUCTIONS

Tax Deductions For Re-Investment Fixed Deposits

The following will be applicable for a 5 Year Tax Saving Fixed Deposit

- TDS will be deducted when interest payable or reinvested per customer, per branch, exceeds Rs 10,000 in a financial year.
- A consolidated Annual TDS Certificate will be mailed to you after the end of the financial year, including details of all TDS deductions during the year.

Applicable TDS Rates

Resident Individuals & HUF	Tax Rate	Surcharge	Education Cess	TOTAL
Payment upto 10 lacs	10%	----	3%	10.30%
Payment equal to & above 10 lacs	10%	10%	3%	11.33%

- If you are exempt from paying tax, you need to present Form 15H when you open a Fixed Deposit and subsequently at the beginning of the following financial year.
- At the end of the financial year, the TDS will be deducted on the basis of interest accrued on the Fixed Deposit (s) even if this interest has not been credited.

CONCLUSIONS

Retail banking is the fastest growing sector of the banking industry with the key success by attending directly the needs of the end customers is having glorious future in coming years.

Retail banking sector as a whole is facing a lot of competition ever since financial sector reforms were started in the country. Walk-in business is a thing of past and banks are now on their toes to capture business. Banks therefore, are now competing for increasing their retail business.

There is a need for constant innovation in retail banking. This requires product development and differentiation, micro-planning, marketing, prudent pricing, customization, technological upgradation, home / electronic / mobile banking, effective risk management and asset liability management techniques.

While retail banking offers phenomenal opportunities for growth, the challenges are equally discouraging. How far the retail

banking is able to lead growth of banking industry in future would depend upon the capacity building of banks to meet the challenges and make use of opportunities profitably.

However, the kind of technology used and the efficiency of operations would provide the much needed competitive edge for success in retail banking business. Furthermore, in all these customer interest is of chief importance. The banking sector in India is representing this and I do hope they would continue to succeed in this traded path.