RETAIL BANKING: A STUDY OF INDIAN PRACTICES

A thesis submitted to the University of Hyderabad in partial fulfilment of the award of the degree of

DOCTOR OF PHILOSOPHY
in

MANAGEMENT

By

M. V. SIVAKUMARAN
Reg. No. 03MBPH01

SCHOOL OF MANAGEMENT STUDIES
UNIVERSITY OF HYDERABAD
HYDERABAD – 500046
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DEDICATED TO

Late Thiru. Morappakkam Gangadharan Vedachalam

and

Late Thirumathi. Navaneetham Vedachalam,

my beloved parents,

for being the inexhaustible source of

inspiration and motivation throughout my life.

DECLARATION

I, Morappakkam Vedachalam Sivakumaran, hereby declare that this thesis entitled **"Retail Banking: A Study of Indian Practices',** submitted by me, under the guidance and supervision of **Dr. S. Mallikharjuna Rao**, is a bonafide research work which is also free from plagiarism.

I also declare that this thesis has not been submitted previously in part or in full to this University or any another University or Institution for the award of any degree or diploma. I hereby agree that my thesis can be deposited in Shodganga/INFLIBNET.

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CERTIFICATE

This is to certify that the thesis entitled **"Retail Banking: A Study of Indian Practices",** submitted by **Morappakkam Vedachalam Sivakumaran**, bearing Regd.No.03MBPH01, in partial fulfilment of the requirement for the award of Doctor of Philosophy in Management, is a bonafide work, carried out by him under my supervision and guidance, which is also free from plagiarism.

The thesis has not been submitted previously in part or in full to this or any other University or Institution for the award of any degree or diploma.

Dr. S. Mallikharjuna Rao
Research Supervisor

// Countersigned//

Prof. V. Sita
Dean

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- Morappakkam Vedachalam Sivakumaran.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS

ATM	Automated Teller Machine
CAGR	Compound Annual Growth Rate
CO	Controlling Office
CRM	Customer Relationship Management
DSCBs	Domestic Scheduled Commercial Banks
EMEA	Europe, Middle East and the African Countries
INR	Indian Rupees
iOS	iphone Operating System (Apple)
ITEBS	Information Technology Enabled Banking Services
LTV	Lifetime Value
NA-1	Sample Bank - 1 from the Nationalised Banks
NA-2	Sample Bank - 2 from the Nationalised Banks
NA-3	Sample Bank - 3 from the Nationalised Banks
NA-4	Sample Bank - 4 from the Nationalised Banks
NABs	Nationalised Banks
NE-1	Sample Bank – 1 from the New Private Sector Banks
NE-2	Sample Bank – 2 from the New Private Sector Banks
NPSBs	New Private Sector Banks
OL-1	Sample Bank – 1 from the Old Private Sector Banks
OL-2	Sample Bank – 2 from the Old Private Sector Banks
OL-3	Sample Bank – 3 from the Old Private Sector Banks
OPSBs	Old Private Sector Banks
PBT	Profit Before Tax
RB	Retail Banking
RBI	Reserve Bank of India
SBG	State Bank Group
ST-1	Sample Bank from the State Bank Group
TEBPs	Technology Enabled Banking Products
USPs	Unique Selling Propositions
USSD	Unstructured Supplementary Service Data
WAP	Wireless Application Protocol

CHAPTER – 1

INTRODUCTION

1.1 Introduction

The Indian Economy entered a critical phase in 1991, and opened itself up for privatization, liberalization and globalization, as there was no other choice. Banking was the most important sector which faced this huge challenge of drastic change. The impact of change within the next ten years was so deep and disturbing that it led to many banks becoming weak and vulnerable, almost overnight, as it were. The protected markets vanished into thin air. Interest rates were deregulated and fierce competition set in. The fight for survival became the upper most instinct among banks and the word "Profit" suddenly shed all the dirtiness around it, especially for the public sector banks. With the growing competition and the consequent stiff fight for survival, banks have now come to realize that the corporate sector has lost much of its potential for deposits and loans at attractive terms. The focus turned on the retail sector. Since retail banking focuses on individual customers, the huge untapped potential provided enormous scope for banks in India to grow, profitably. And the results are already obvious. The Census of India, 2001 found that less than 35.5% of the total households in India were being served by banks in 2001, of which 30.1% were in rural areas and 49.5% were in urban areas. Within 10 years, from the 2011 Census, we see that the households covered more than doubled from 682.31 Crores to 1448.15 Crores. The percentage of households covered also registered a sharp increase of 23.20% moving from 35.5% to 58.7%. And the geographical distribution of these banked households also shows a healthy trend with 54.4% being rural and 67.8% urban moving up from 30.1% and 49.5% respectively.

Joydeep Sengupta and Renny Thomas (2005) said that India's retail banking market is expanding rapidly, with total annual revenues expected to more than double, to $16.5 billion, by 2010, from about $6.4 billion today. And this trend is very well borne out by the performance of the biggest bank in India, the State Bank of India: their Retail banking revenues moved up from Rs. 27654 Crores in FY 2007-08 to Rs. 82613 Crores in FY 2012-13, a 300% growth within a short span of five years. The more important indicator of the focus of attention and action is that the revenues from the Corporate/Wholesale Banking segment in FY 2012-13 stood at 65688 Crores which is much lower than the retail banking contribution. These are indications, loud and clear, of where the action is focused in Indian Banking: Retail Banking.

Retail banking is not something novel to banks but only the renewed focus on the retail segment is new because of the compulsions of the competitive environment which forced banks to look for avenues for improving fee based incomes, and higher returns from lending to the retail segment at higher rates of interest than what can be expected from the industrial and corporate sectors. Prior to liberalization banks were focusing only on Institutional and Industrial banking for obvious reasons of scale and attractive returns, since competition was absent in the banking sector with standard interest rates for assets and liabilities. The economic reforms of the early 1990s changed all that completely. The new Private Sector Banks that were allowed to be opened in the mid-1990s, as part of the liberalization and market reform process in banking, brought retail banking into limelight. They had the benefit of technology to attract and sustain large volumes of retail banking business. This created a sort of revolution in this banking segment that the existing players, the other commercial banks, especially the Public Sector Banks, had to sit up and take note of, in order not to miss out on this emerging market potential.

Successful retail banking requires large scale technology support and innovative applications to handle volumes, to bring in cost-efficiency, to reach out to the individual customers to provide anywhere, anytime and anyhow banking and to increase overall productivity levels of banks.

1.2 Definition of Retail Banking

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 forth, says Wikipedia.

According to Sarkar A.N (2005a, p.302), retail banking is about providing banking services to individuals and joint individuals as opposed to wholesale banking, which focuses on industry and institutional clients. Though retail banking encompasses all types of individual customers, often banks tend to focus on high net worth individuals. Retail banking portfolio encompasses deposit and asset-linked products as well as other financial services offered to individuals for personal consumption.

According to K.C. Chakrabarty, Deputy Governor, Reserve Bank of India (2013 p.4), retail banking refers to the provision of banking products and services offered to individual customers, typically for non-entrepreneurial purposes. He further goes on to add that banking has invariably always been retail on the liability front i.e. the banks have always raised capitals from retail depositors. That way, retail banking means more focus on the asset side i.e. lending to the retail segment. Thus, on the whole, retail banking involves offering of products both sides of the balance sheet e.g. fixed, current / savings accounts on the liability side; and mortgages, on the asset side. Additionally, retail

banking also involves credit cards, depository services and other Para-banking products and services such as insurance, capital market products etc.

1.3 Retail Banking in India

K.C. Chakrabarty also explains further the characteristics of retail banking (p.6): According to him, retail banking products and services should be standardized i.e. there should be uniformity, transparency and non-discrimination. And, since retail banking products are offered via multiple delivery channels and at multiple locations, banks should target efficient service delivery. Banks also need to have appropriate systems, structure, manpower and processes in place to deal with the group, group characteristics, group behavior, and group dynamics for the target clientele."

Shyam Ji Mehrotra (2004) says that focusing on the Generation Next (350 million young Indians in the age group of 15-34), bringing in the un-banked customers, brand building, cross-selling and up-selling, product innovation, personal and consumer durables financing, housing loans and holiday financing, bancassurance products and fair practices codes will form part of the major challenges and opportunities for banks in retail lending. S.B.Singh (2004) talks about the emerging issues of cost, convenience and compatibility in retail banking and emphasizes the need for cost-effective and innovative retail products targeted at specific customer segments to generate adequate revenue for banks. Mariappan. V (2005) analyses why technology has been used as a strategy to win market and customer and raises relevant questions that point to this growing trend. Sarkar. A.N (2005b, p.310) enumerates the growth drivers of retail banking: shift in the pattern of GDP from agriculture and manufacturing to the services sector, growing middle income segment and their ever-rising income levels, emergence of new sectors like Information Technology (IT) and IT Enabled Services (ITES), conducive role played by the Reserve

Bank of India by including housing loans under the priority sector lending accompanied by a reduction in Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR), catalytic role played by the Govt. of India by increasing tax exemption limits for payment of interest on housing loans and the banks' own initiatives like modernization, competitive rates for retail loans, tie-up with insurance companies for bancassurance, waiver of processing fees etc. Amit Singhal and Bikram Duggal (2002) argue that the advent of the new economy necessitates revisiting our understanding of banking and our perception of delivery mechanisms… modern technologies such as the internet and smart cards will not be effective in the true sense unless certain significant changes in the policies and regulations governing their implementation are made. Further necessary steps need to be taken to bring the banking community to a common platform through which mass scale usage of banking services can be achieved.

Chakrabarty K C (2013, p. 9) underlines the renewed interest in and emphasis on retail banking. He says that, initially, the focus of policy makers was on ensuring the movement of bank funds to industrious sectors of the economy. But eventually, as the industrial and infrastructure sectors' demand waned, the regulators became more accommodating to allow banks to lend even for the purpose of consumption. The second change that provided a boost to banks' retail banking aspiration is the advent of technology. Since retail banking needs mass production techniques, technology has enabled the banks to design suitable technology-based delivery channels. Retail banking has also received a push from the policymakers' for inclusive growth in the wake of the global financial crisis. The Governments across the world view banks as the key component in furthering the cause of financial inclusion. We, in India, have also been promoting a bank-led financial inclusion model and view retail mass banking as the stepping stone towards achievement of universal financial inclusion. The last, but not the least of the reasons for

the growing interest in retail banking is the banks' quest for new sources of revenue and new channels for profit. Slowly but surely, the banks have realized that the commerce for the poor anywhere in the world is more viable than the commerce for the rich and hence they view the excluded masses as a potential source of profit in the long-run. Commercial banks cannot ignore the adage that the "Future of Banking is Retail Banking."

1.4 Pre-conditions for success in Retail Banking

Manoj P.K. (2003) enumerates some of the essential pre-requisites for successful retail banking as follows: Strategic Cost Management, Skilled Human Resources, Technology Support, Market Research and Market Intelligence, Enterprise Customer Relationship, Management, Multiple Delivery Channels/ Customer Touch Points, Product Innovation, Business Process Reengineering, Rural Orientation, Cross- Selling of Products and Services

K.C. Chakrabarty (2013, pp. 6-8) mentions improved operational efficiency, cost-effective service delivery, leveraging technology for providing anytime, anywhere service, competitive product pricing, appropriate products and services for various customer groups, greater transparency in credit scoring models, Financial Inclusion to reach out to the vast majority of unbanked population and adequate consumer protection measures would be essential requirements for success in retail banking in India.

1.5 Challenges and Hurdles for Retail Banking Growth

There are quite a few challenges for banks in developing their retail banking business. Notable among them are: consumer protection and pricing, inadequate and incomplete data on customers, compliance issues of fronts like Know Your Customer (KYC) and Anti-money Laundering (AML), managing risk in retail banking. Consumer protection

measures are slowly but steadily being strengthened by the law makers and regulators. This would increase expectations from banks for more transparent pricing, less discrimination between various customer groups, improved operational efficiency to reduce costs and so on. All these are more natural and appropriate at the policy level but have huge impacts and constraints at the operational level. Inadequate data and incomplete knowledge about the customer is a persistent and major hurdle that comes in the way of proper customer segmentation and more accurate and cost-effective targeted marketing of a bank's retail banking campaign. Compliance issues on the KYC and AML fronts call for technology solutions that involve costs and constant upgradation. They also entail operational overheads to adequately fall in line with the requirements.

1.6 Need for the Study

Very few research studies have been undertaken on the rapid strides made in retail banking in India. The secondary data available on the performance of banks provides an impressive picture of the tremendous growth achieved in retail banking in India.

Table 1.1: Growth of Retail Banking from 2005 – 2014.

Sector	Mar-05	Mar-08	Mar-11	Mar-13	Mar--14	Grow th from 2005 – 2014
Savings Deposits	4721	7858	16356	18344	21323	352%
Gross Bank Credit	10409	22474	37315	49642	56572	443%
Personal Loans	2451	5054	6854	8976	10367	323%

***Source:** www.rbi.org.in Rs. Billion

When Gross Bank Credit has grown by 443% between March 2005 and 2014, Retail lending has grown over 300% over the last 10 years, an impressive growth of 30% on an

average, annually. And retail lending constitutes 18.32% of the total bank lending. And the savings deposits have grown by 352% at an average of 35% per year as shown in Table 1.1. As on March 31, 2014, household sector accounted for nearly 60% of the total deposits of the banking system (48567 out of 81310 billion). All these are clear indicators of the steady growth of retail banking as a significant segment through the decade.

But there is very little contribution from the academic, research community on how this success came about and on the determinants for the growth of retail banking in India. This study proposes to collect information and feedback from the Bankers themselves on what a bank should do to achieve success in retail banking. By analyzing the primary data so collected the study seeks to highlight the components and practices behind the growth of retail banking in India. Previous studies on retail banking in India have focused on different segments like customer satisfaction, loyalty, technology adoption and usage by customers, marketing and so on. A holistic study of the factors responsible for Successful Retail banking is conspicuously absent. This research study is an attempt to fill this gap in academic research in this area.

1.7 Research Methodology

The need for focusing our research efforts on the growth of retail banking is more than justified by the body of work already available on various aspects of this dimension of banking. What is lacking of course is research work and output focused specifically on retail banking in the Indian context that takes a comprehensive look at the factors responsible for its growth.

1.7.1 Statement of the Problem

The Survey of existing Literature reveals that there is a research gap in understanding the factors that determine the growth of retail banking in India. This study is an attempt to fill this gap. The secondary data shows that there has been a substantial growth in retail banking in India. More importantly this segment of banking has now become the mainstay for even the leading banks in the industry for revenues on a sustainable basis. Things have come to such a pass that we concur with the adage "The Future of Banking is Retail Banking."

Table 1.1: Retail Banking Revenues as a percentage of Total Revenues

Bank Groups	2011-12	2012-13	2013-14	Average
State Bank Group	43.14	42.49	40.91	42.18
Nationalized Banks	27.85	27.64	27.69	27.73
Public Sector Banks	**33.95**	**33.08**	**32.54**	**33.19**
Old Private Sector Banks	36.82	41.34	41.34	39.83
New Private Sector Banks	28.94	31.72	33.34	31.33
Private Sector Banks	**30.03**	**33.09**	**34.47**	**32.53**

Banks are focusing all their energy and resources on retail banking to improve their Net Interest Incomes and Fee based revenues.

With such a predominant role in the current growth and future survival of the banking industry as a whole, in India, retail banking richly deserves to be studied closely so that we can understand the factors that are essential for making retail banking more effective. The data on recent performance on retail banking, provided here in Table 1.2 establishes the overall impact of Retail banking in India:

1.7.2 Objectives of the Study:

The broad objectives of the study are as follows:

- To study the performance of banks in retail banking in India.
- To study the retail banking strategies adopted by banks in India.
- To identify the factors facilitating growth of retail banking in India.

1.7.3 Hypotheses of the Study

The following hypotheses were tested using various statistical tools:

H1: There is a significant difference between banks in India in the retail banking strategies adopted by them.

H2: There is a significant difference between banks in India information technology management.

H3: In retail banking service delivery there is a significant difference between banks in India.

H4: In operational risk management there is a significant difference between banks in India.

H5: There is a significant difference in retail credit risk management processes between banks in India.

H6: Marketing efforts influence the growth of retail banking in India.

H7: There is a significant relationship between banks and the technology enabled services offered for retail banking.

H8: There is a significant relationship between banks and the retail banking products offered by them .

H9: There is a significant relationship between banks and the quality control measures for retail banking.

H10: There is a significant relationship between banks and the customer value assessment practice for retail banking.

1.7.4 Research Design

This is an exploratory study to find out the factors that influence retail banking in India, from the perspective of the bankers themselves, since no such comprehensive study has been conducted so far in India.

1.7.5 Sampling Design:

This study relies on Primary as well as Secondary data to fulfill its objectives. The Secondary data relates to performance of banks in the area of retail banking, sourced from the website of the Reserve Bank of India as well as the websites of the Banks concerned. Primary data was collected through a survey specially designed for the study.

1.7.6 Sampling Methodology

This study uses two different sampling methods in a hierarchical manner as described in the Table here:

Table 1.2: Sampling Hierarchy Levels

Level	Purpose	Sample	Criteria
One	Grouping	Banks	Size of Business
Two	Purposive Sampling	Banks	Ownership Group
Three	Purposive Sampling	Bank Officers	From chosen Banks
Four	Maximum Variation	Bank Officers	Four Grades

Banks were grouped into four categories according to their size of business, since size of business and scale of operations bring in significant factors and variations into play in the way the banks go about doing their business. The size – wise distribution of 46 Scheduled Commercial Banks in India (excluding Foreign Banks), based on their Total Business (Deposits and Advances), in Lakhs of Crores of Rupees, as on March 31, 2013 is given in the table here:

Table 1.4: Bank Grouping

Bank Groups	Total	Selected	Sample %
Ownership – Wise Grouping			
State Bank Group	6	1	16.67
Nationalized Banks	20	4	20.00
Old Private Sector Banks	13	3	23.07
New Private Sector Banks	7	2	28.57
Size-wise Grouping (Total Business in Lakhs of Crores, as on March 31, 2013)			
Largest Bank Group (Over 9 Lakhs)	6	1	16.67
Large Banks (Above 3 and Below 9 Lakhs)	15	3	20.00
Mid-sized Banks (Above 1 and below 3 Lakhs)	11	3	27.27
Small Banks (Less than 1 lakh Crore)	14	3	21.42

The respondents chosen belonged to the officer community in banks. Since the survey is focused on perceptions and opinions from a supervisory angle on the retail banking practices and guidelines in banks, the officer community was chosen as the target group.

The sampling method used for selection of officers for this survey from various banks is Purposive Sampling with maximum variation.

- The Survey Questionnaire was sent through email to the bank officers across the country.

- With the estimated response rate of around 25%, questionnaires ranging from 300 to 500, depending on the size of the Bank, were distributed to the officers, selected based on their availability and accessibility and chosen purposefully, from across the grades, working in each bank selected for this study.

- Nearly 4000 officers were approached for the survey across the 10 banks selected for this study.

- The samples were chosen using the maximum variation sampling, also known as heterogeneous sampling, a purposive sampling technique, used to capture a wide range of perspectives relating to the subject of study. Maximum variation sampling is a search for variation in perspectives. This in inherent in Bank Officers of various of grades since they have a wide range of experience and exposure to banking businesses, geographies and business cycles, depending upon the length of their experience in the bank. The basic principle behind maximum variation sampling is to gain greater insights into the subject being studied by looking at it from all angles. This can often help the researcher to identify common themes that are evident across the samples. Accordingly A quota of around 50 officers across the four grades of bank officers was fixed for sample collection from each bank.

- The survey was done online and the respondents filled their replies to the questions themselves and submitted online. The completeness of the response was ensured by

designing the form in such a way that the forms were accepted by the system only when all the questions were answered. Thus incomplete or partly filled survey forms were completely ruled out in this study. Data entry work was also avoided to a great extent. Only data conversion and mapping was done to suit the requirements of the statistical tool, SPSS, for analysis.

1.7.7 Sampling Adequacy and Reliability

Krejcie & Morgan (1970) suggested a Method for Selection of Sample Size and devised a formula for sample selection as follows. This formula is being widely used for validating the sample size in the academic community:

$$n = \frac{X^2 * N * P * (1-P)}{(ME^2 * (N-1)) + (X^2 * P * (1-P))}$$

Where:

n = sample size

X^2 = Chi – square for the specified confidence level at 1 degree of freedom

N = Population Size

P = population proportion (.50 in this table)

ME = desired Margin of Error (expressed as a proportion)

Based on this a table has also been developed, as a ready reckoner, for sample selection to meet various criteria like, population size, confidence level and margin of error. As per this table a sample size of 384 is enough for a population size of 10 lakhs, to keep the confidence level at 95% and the margin of error at 5%, as seen here in Table 1.5.

Required Sample Size†

Population Size	Confidence = 95% Margin of Error				Confidence = 99% Margin of Error			
	5.0%	3.5%	2.5%	1.0%	5.0%	3.5%	2.5%	1.0%
10	10	10	10	10	10	10	10	10
20	19	20	20	20	19	20	20	20
30	28	29	29	30	29	29	30	30
50	44	47	48	50	47	48	49	50
75	63	69	72	74	67	71	73	75
100	80	89	94	99	87	93	96	99
150	108	126	137	148	122	135	142	149
200	132	160	177	196	154	174	186	198
250	152	190	215	244	182	211	229	246
300	169	217	251	291	207	246	270	295
400	196	265	318	384	250	309	348	391
500	217	306	377	475	285	365	421	485
600	234	340	432	565	315	416	490	579
700	248	370	481	653	341	462	554	672
800	260	396	526	739	363	503	615	763
1,000	278	440	606	906	399	575	727	943
1,200	291	474	674	1067	427	636	827	1119
1,500	306	515	759	1297	460	712	959	1376
2,000	322	563	869	1655	498	808	1141	1785
2,500	333	597	952	1984	524	879	1288	2173
3,500	346	641	1068	2565	558	977	1510	2890
5,000	357	678	1176	3288	586	1066	1734	3842
7,500	365	710	1275	4211	610	1147	1960	5165
10,000	370	727	1332	4899	622	1193	2098	6239
25,000	378	760	1448	6939	646	1285	2399	9972
50,000	381	772	1491	8056	655	1318	2520	12455
75,000	382	776	1506	8514	658	1330	2563	13583
100,000	383	778	1513	8762	659	1336	2585	14227
250,000	384	782	1527	9248	662	1347	2626	15555
500,000	384	783	1532	9423	663	1350	2640	16055
1,000,000	384	783	1534	9512	663	1352	2647	16317
2,500,000	384	784	1536	9567	663	1353	2651	16478
10,000,000	384	784	1536	9594	663	1354	2653	16560
100,000,000	384	784	1537	9603	663	1354	2654	16584
300,000,000	384	784	1537	9603	663	1354	2654	16586

Table 1.5: Sample Size Requirements

Since this study relies on a sample size of 629 officers, out of a total of 5, 77,211 officers of Scheduled Commercial Banks in India (Annexure – II), excluding Foreign Banks. the sample size used is more than sufficient to arrive at reliable conclusions with a confidence level of 95% with a margin of error of 5%.

1.8 Pilot Study and Reliability Test

A pre-test was done to collect the primary data before the field work. The pre-test was administered to 55 respondents. The pilot study brought to light a few relevant changes that need to be incorporated in the survey. The Cronbach's alpha was used as the measure of reliability. The alpha coefficient ranges in value from 0 to 1. George and Mallery (2003) provide the following rules of thumb for the Cronbach's alpha: "_ > .9 –

Excellent, _ > .8 – Good, _ > .7 – Acceptable, _ > .6 – Questionable, _ > .5 – Poor and _ < .5 – Unacceptable" (p. 231). The reliability co-efficient of the questionnaire designed for the bankers to respond, is computed using Cronbach's alpha and the value obtained is 0.929 which is well above the expected threshold value of 0.7 for reliability.

Table 1.6: Pilot Study Reliability Statistics

Cronbach's Alpha	N of Items
.929	40

Based on the feedback obtained from the pilot study, improvements were made to the final questionnaire before circulation for collecting primary data for the study. The data obtained from 629 respondents was coded for reliability and fed into the tool for statistical analysis (SPSS) and Cronbach's Alpha was calculated for the reliability of the final study. And the Alpha score obtained was 0.935. The details of the Alpha testing outputs are reproduced here in the following table:

Table 1.7: Final Study Reliability Statistics

Cronbach's Alpha	N of Items
.935	46

This Alpha value of .935 is an adequate measure and indicator of the reliability of this study and its findings.

1.9 Tools and Techniques for Analysis

The primary data was analyzed extensively with the help of following tools and techniques:

- Percentage Analysis was used for analysing the inputs from the survey.
- ANOVA was used for analyzing the variance between various bank groups and banks within those groups with regard to the various dimensions of retail banking.
- Chi-square test used to test the goodness of fit to validate the hypotheses in the study. It was also used as a "test of independence" whether paired observations on two variables, expressed in a contingency table, are independent of each other (e.g. survey responses from officers of different banks to see if their bank affiliation is related to the response).
- Regression – used for ascertaining the impact of significant factors on (identified from the factor analysis) and their linear relationship with the overall quality and performance of retail banking.

- Regression was used for ascertaining the impact of significant factors (identified from the factor analysis) on the overall quality and performance of retail banking.

1.10 Framework of Analysis

The Analysis part of the present thesis is divided into three parts:

Part I focuses on the Percentage Analysis for interpretation of the findings from the survey on retail banking.

Part II deals with the Testing of Hypotheses with statistical analysis using ANOVA and Chi square tests.

Part III focuses on Factor Analysis and Regression Analysis for a detailed analysis of factors influencing growth of retail banking in India and the relationships and linkages between them.

1.11 Chapterization of the Study

This thesis is presented in five chapters:

The First Chapter deals with the definition of and growing focus on and retail banking in India and the need for understanding the factors responsible for the phenomenal growth in this banking segment.

The Second Chapter provides a review of retail banking performance in India and highlights the need for and objectives of this study. For this purpose it uses the secondary data obtained from the bank websites and the RBI database available online. The purpose of the chapter is to assess efficiency and effectiveness of various banks and bank groups in India, in the retail banking segment. This classification of banks/bank groups would help us in appreciating and understanding the outcomes of the analysis of the primary data obtained through the survey.

The Third Chapter presents the review of literature for elucidating the research gap and important variables that are involved in this study.

The Fourth Chapter presents a detailed analysis of the primary data obtained in this study. The results and outcomes are discussed at length. And this chapter is divided into two parts as mentioned already in the Framework of Analysis, in this chapter.

The Fifth Chapter presents the summary of findings, conclusions and suggestions from this study.

1.12 Limitations of the Study

This study is limited to only domestic scheduled commercial banks. Foreign Banks, Regional Rural Banks and Cooperative Banks were excluded from this study due to constraints of time and accessibility. Moreover, these three bank groups that are excluded from this study together contribute less than 10% of the total banking business in India

The study focuses on bank level parameters and meta-data for analysis. As such due care and caution should be taken for applying the findings of this study at a more granular or operational level.

1.13 Conclusion

This is an explorative study which uses purposive sampling for selecting banks for the study, and purposive, maximum variation sampling for selecting the officers as respondents for the survey. The Cronbach's Alpha score of .935 is a testimony to the reliability of the sample selection process and the integrity of the survey instrument used. Since the sample size is also much larger than what is required for the sampling frame and population, the findings of this study can be very much relied upon with a 95% confidence level with a margin of error or 5%. Another advantage of these samples, the respondents, being purposively selected from all over the country, from 10 different banks, ranging from the largest bank in the country to a small private bank, is that this is a truly reliable representation of the total population of bank officers in India, across the spectrum. Hence the findings of this study would be helpful to bankers and academicians alike since they can draw meaningful inputs and lessons on the factors that

determine success in retail banking in India, based on the perceptions of practicing bankers themselves.

"It is impossible to envisage our world ten years from now. What we must do is use the knowledge and expertise of the industry, government and academia to stir sufficient debate beyond national borders and across industries", Hitachi Research Institute (1997).

CHAPTER 2

RETAIL BANKING PERFORMANCE IN INDIA

2.1 Introduction

Banking basically is a business of intermediation in the financial sector. Banks acts as a bridge between savers and entrepreneurs. Banks channelize the small savings from a large number of people into investible capital for trade, commerce, industry and infrastructure development on a large scale. Retail banking plays a major role in attracting savers to the banking system, by offering them a safe avenue for parking their savings for a reasonable rate of return (interest).

Banking survives and grows on the income it generates through the intermediation process. There are four major segments of banking business. And banks are required to report their financial results under these four segments as per RBI Circular - DBOD.No.BP .BC.81/21.01.018/2006-07 dated April 18 2007. These four segments and what they relate to as far as banking business in concerned, are described in detail here.

1. Treasury – The treasury segment includes the net interest earnings on investments of the Bank in sovereign bonds, corporate debt, mutual funds, etc, income from trading, income from derivative and foreign exchange operations and the central funding unit.

2. Wholesale or Corporate Banking – The Wholesale banking segment provides loans and transaction services to large corporate, emerging corporate, institutional customers and those not classified under Retail banking. Revenue of the Wholesale banking segment includes interest and fees earned on loans to customers falling under this segment, fees from trade finance activities and cash management services, advisory fees and income from foreign exchange and derivative transactions. The principal expenses of the segment consist of personnel costs, other direct overheads and allocated expenses.
3. Retail Banking – The retail banking segment constitutes the business with individuals and small businesses through the branch network and other delivery channels like ATM, Internet banking, etc. This segment raises deposits from customers, makes loans and provides fee based services to such customers. Exposures are classified under retail banking broadly taking into account the orientation criterion, the nature of product and exposures which are not exceeding 5 crores and in respect of customers where average turnover in the last 3 years does not exceed 50 crores. Revenue of the retail banking segment includes interest earned on retail loans, fees and commissions for banking and advisory services, ATM Fees, etc. Expenses of this segment primarily comprise interest expense on the retail deposits, personnel costs, premises and infrastructure expenses of the branch network and other delivery channels, other direct overheads and allocated expenses.
4. Other Banking Operations - All Banking operations that are not covered under the above three segments.

As discussed in chapter 1, retail banking has assumed great significance for banks in India, since the other two major segments are highly volatile and do not offer an assured rate of return for banks to take comfort from. The last segment, namely, Other Banking Operations do not normally contribute substantially to the banks' revenues, with the exception of a few banks. The potential for profits and business growth in Treasury and Corporate Banking is limited when compared to the scope for retail banking. Retail banking is not complete until every citizen has a bank account and there is no single household in the country without a bank account. The Census of India, 2001 found that less than 35.5% of the total households in India were being served by banks in 2001, of which 30.1% were in rural areas and 49.5% were in urban areas. Within 10 years, from the 2011 Census, we see that the households covered more than doubled from 682.31 crores to 1448.15 crores. The percentage of households covered also registered a sharp increase of 23.20% moving from 35.5% to 58.7%. And the geographical distribution of these banked households also shows a healthy trend with 54.4% being rural and 67.8% urban moving up from 30.1% and 49.5% respectively.

Retail banking in fact would help improve the standard of living and financial security and safety of the large number of families and individuals who are yet to be brought into the banking system. They will have a reliable source to park their savings and also a benign source of funding to meet their needs and economic aspirations. Retail banking would contribute to the overall economic development of the nation by working at the grassroots level – the individual and the family. Their development would again result in more retail banking business. Retail banking is less risky than corporate banking since the risks are diversified across a large number of accounts with small exposure limits, with interest rates that are much higher than what is charged for big business.

Financial Inclusion, the focus of the Govt. of India for over a decade now, is aimed at bringing in unbanked households and individuals into the banking system without any discrimination. It has gained sufficient steam and momentum to the extent that banks have now deployed Business Correspondents (BCs) to take banking to the door steps in even the remote villages where a bank branch cannot be opened immediately. The latest programme of the Govt. of India, the Jan Dhan Yojana (JDY) is another major boost for the Financial Inclusion drive. Crores of bank accounts have been opened in a short period under the JDY.

With this backdrop – the need, the compulsion and preeminent business sense that demands a bank's focus on retail banking – an overview of the performance of banks in India (The domestic Scheduled Commercial Banks which constitute over 90% of banking business in India) is presented. This would also highlight the extent of growth that has taken place in retail banking in India and the headroom available for further growth – lot of ground, yet to be covered by banks. As per the 2011 Census of India, 41.3% of households in India are yet to have access to a Bank Account.

2.2 Revenues from Retail Banking

Retail banking contributes to around 33% of total revenues of banks both in the Public and Private Sector as seen from the table, for the last three years.

The State Bank Group (SBG) gets over 42% from retail banking whereas the Nationalised Banks (NABs) get around 28%. Among the Private Sector Banks, the Old Private Sector Banks (OPSBs) get around 39% and the New Private Sector Banks (NPSBs) earn around 31% from retail banking, as seen in the Table here:

Table 2.1 : Share of Retail Revenues in Total Revenues – Last three years

Bank Group	**2011-12**	**2012-13**	**2013-14**	**Average**
State Bank Group	43.14	42.49	40.91	42.18
Nationalised Banks	27.85	27.64	27.69	27.73
Public Sector Banks@	33.95	33.08	32.54	**33.19**
Old Private Sector Banks	36.82	41.34	41.34	39.83
New Private Sector Banks	28.94	31.72	33.34	31.33
Private Sector Banks#	30.03	33.09	34.47	**32.53**

Source: Banks' Annual Reports @ Table A.1 # Table A.10 (Figures in percentage)

And the absolute revenue from retail banking is around INR.3, 23,000 crores on an average, per year, for the Domestic Scheduled Commercial Banks (DSCBs), with a Compound Annual Growth Rate (CAGR) of around 19%. The CAGR is 26% for the Private Sector and 15.50% for the Public Sector. The NABs and OPSBs are doing better than their peers at 21% and 30% respectively as seen in the table here.

Table 2.2 : Growth of Retail Revenues – Last three years

Bank Group	**2011-12**	**2012-13**	**2013-14**	**CAGR%**
State Bank Group	**94244**	**106008**	**114547**	**10.25**
Nationalised Banks	91654	119370	133439	20.66
Public Sector Banks@	185898	225378	247986	**15.50**
Old Private Sector Banks	12652	18932	21226	29.52
New Private Sector Banks	65946	87357	103561	25.32
Private Sector Banks#	78598	106290	124787	**26.00**
Total for DSCBs	**264496**	**331668**	**372773**	**18.72**

Source: Annual Reports of Banks. @ Table A.3 # Table A.11 (Amount in Crores of Rupees)

The Industry as a whole earned over INR 11,14,000 crores as revenues from retail banking last year, with a CAGR of 18%. The real story of retail banking growth and

potential lies in the fact that Retail Revenues are growing at a much faster pace than the Total Revenues of the banks concerned. For the Industry as a whole (the DSCBs) the Total Revenues are growing at a slower rate than the Retail Revenues, at 17.96% as against 18.72 %. in Retail. This gap is more pronounced in the case of the Private Sector wherein the Total Revenues are growing at 18% while the Retail Revenues are growing at a much faster pace of 26%. But in the case of Public Sector Banks the Retail Revenue is yet to catch up with the Total Revenue with a 2.5% difference in CAGR between them. In fact for the NABs there is actually no difference – both Retail and Total Revenues are growing almost at the same pace of 21%. Only the SBG seems to be getting more from the other segments with a 3 % gap in Total Revenues.

Table 2.3: Growth of Total Revenues – Last three years

Bank Group	**2011-12**	**2012-13**	**2013-14**	**CAGR%**
State Bank Group	218467	249478	280007	13.21%
Nationalised Banks	329132	431869	481989	21.01%
Public Sector Banks@	**547599**	**681347**	**761996**	**17.96%**
Old Private Sector Banks	34364	45801	51345	22.23%
New Private Sector Banks	219456	265692	300811	17.08%
Private Sector Banks#	**253821**	**311493**	**352155**	**17.79%**
Total for DSCBs	801420	992840	1114151	17.91%

Source: Annual Reports of Banks. @ Table A.3 # Table A.11 (Amount in Crores of Rupees)

2.3 Operating Profits

The Industry as a whole is getting over INR 56,300 crores as operating profits from retail banking with a CAGR of 4%. The Public Sector is getting a major share of these

profits at over INR 42000 crores whereas the Private Sector is getting around INR 14300 crores. The Public Sector Banks' earnings are around 300% of what the Private Sector is earning from retail banking. On the rate of growth, however, the pitch and picture is very different and pronounced between the Public and Private Sector Banks. While the Private sector is getting a CAGR of 30% in retail profits before tax (PBT), the Public Sector is actually showing a negative trend of around 2% in CAGR. The NPSBs are way ahead with a 39% CAGR in Retail PBT. The gap between the Old and New Private Banks is a wide 26% CAGR in Retail PBT. And in absolute terms the private sector market share of Retail PBT is shared in a nearly 1:3 ratio between them, last year(2013-14).

Table 2.4 : Growth in Retail Operating Profits (PBT) – Last three years

Bank Group	**2011-12**	**2012-13**	**2013-14**	**CAGR%**
State Bank Group	22298	17417	20992	-2.97
Nationalised Banks	21412	19944	21044	-0.86
Public Sector Banks@	**43710**	**37361**	**42036**	**-1.93**
Old Private Sector Banks	3027	3518	3818	12.30
New Private Sector Banks	5449	7659	10527	39.00
Private Sector Banks#	**8476**	**11176**	**14345**	**30.10**
Total for DSCBs	**52186**	**48537**	**56381**	**3.94**

Source: Annual Reports of Banks. @ Table A.4 # Table A.12 (Amount in Crores of Rupees)

The Total PBT for the industry went up from INR 1,36,209 to 1,47,862 crores, with CAGR of 4.19%. Here also we see a 26% growth for the Private Sector as against a -4.14% for the Public Sector. But the latter is getting nearly 80% more operating profits in

absolute terms (94:54). We just cannot miss the trend here: The PBT is declining through the last three years for the Public Sector while it is steadily and strongly increasing for the Private Sector. And the decline in percentage terms is more in sectors other than retail since retail PBT has come down only by 1.93% whereas Total PBT is down by more than double the rate at 4.14%. This shows that even the Public Sector is seeing more profitability in the retail sector than in other segments.

Table 2.5 : Growth in Total Operating Profits (PBT) – Last three years

Bank Group	**2011-12**	**2012-13**	**2013-14**	**CAGR%**
State Bank Group	36018	37804	32392	-5.17
Nationalised Banks	66352	63399	61684	-3.58
Public Sector Banks@	**102370**	**101203**	**94076**	**-4.14**
Old Private Sector Banks	5577	7600	7774	18.07
New Private Sector Banks	28262	36904	46011	27.59
Private Sector Banks#	**33839**	**44504**	**53786**	**26.07**
Total for DSCBs	**136209**	**145707**	**147862**	**4.19**

Source: Annual Reports of Banks. @ Table A.4 # Table A.12 (Amount in Crores of Rupees)

2.4 Retail Assets

Retail Assets of the Industry are growing at 16.6% CAGR. In tune with the trend seen so far, the Private Sector shows a growth of 23.55% whereas the Public Sector is growing at 14.79%. The Retail Assets of the Public Sector stand at 22,00,00 crores INR whereas the Private Sector has less than 25% of the market share, at 6,40,000 crores. The SBG alone accounts for 34% of the market for Retail Assets. And, to be precise the State Bank alone captures 23% of the market share. In other words, the State Bank's aggressive

foray into retail banking in the last few years has resulted in its stealing a march over the Private Sector Banks as a Group with its Retail Assets over 8,12,000 crores. The Bank-wise data are provided in the Annexure.

Table 2.6 : Growth in Retail Assets – Last three years

Bank Group	**2011-12**	**2012-13**	**2013-14**	**CAGR%**
State Bank Group	780472	896552	980625	12.09
Nationalised Banks	892729	1036855	1224213	17.10
Public Sector Banks@	**1673201**	**1933407**	**2204838**	**14.79**
Old Private Sector Banks	103446	138809	155198	22.49
New Private Sector Banks	316418	382829	485705	23.90
Private Sector Banks#	**419864**	**521639**	**640903**	**23.55**
Total for DSCBs	**2093065**	**2455046**	**2845741**	**16.60**

Source: Annual Reports of Banks. @ Table A.5 # Table A.13 (Amount in Crores of Rupees)

Table 2.7 : Growth in Total Assets – Last three years

Bank Group	**2011-12**	**2012-13**	**2013-14**	**CAGR%**
State Bank Group	2243685	2606569	2896830	13.63
Nationalised Banks	4103392	4940770	5691105	17.77
Public Sector Banks@	**6347077**	**7547339**	**8587934**	**16.32**
Old Private Sector Banks	331937	425903	472601	19.32
New Private Sector Banks	1354461	1591705	1825580	16.10
Private Sector Banks#	**1686397**	**2017608**	**2298181**	**16.74**
Total for DSCBs	**8033474**	**9564947**	**10886115**	**16.41**

Source: Annual Reports of Banks. @ Table A.5 # Table A.13 (Amount in Crores of Rupees)

The Total Assets of the Industry are growing at a slightly lower rate than the Retail Assets at 19 basis points. For the Public Sector the Total Assets are growing at a slightly higher rate of around 1.5%. But in the case of Private Sector Banks the Total Assets are growing at a much lower rate of 17% as against the 23% growth in the retail segment. This is a clear indication of their continuing focus on retail banking, for viable and profitable growth.

2.5 Retail Liabilities

The Public Sector is growing around 14% in both Retail Liabilities and Assets. And the story is not much different in the case of Private Sector also. The Industry had over 36,25,000 crores in retail liabilities last year.

Table 2.8 : Growth in Retail Liabilities – Last three years

Bank Group	**2011-12**	**2012-13**	**2013-14**	**CAGR%**
State Bank Group	1050731	1178798	1287906	10.71
Nationalised Banks	979474	1151611	1348415	17.33
Public Sector Banks@	**2030205**	**2330408**	**2636321**	**13.95**
Old Private Sector Banks	139840	176939	190854	16.82
New Private Sector Banks	531594	646278	798011	22.52
Private Sector Banks#	**671434**	**823217**	**988865**	**21.36**
Total for DSCBs	**2701639**	**3153625**	**3625186**	**15.84**

Source: Annual Reports of Banks. @ Table A.6 # Table A.14 (Amount in Crores of Rupees)

The Total Liabilities are growing at a slightly lower rate vis-a-vis the Retail Liabilities. This is an indication of the slower growth in the other segments.

Table 2.9 : Growth in Total Liabilities – Last three years

Bank Group	**2011-12**	**2012-13**	**2013-14**	**CAGR%**
State Bank Group	2081286	2422724	2682644	13.53
Nationalised Banks	4147232	4766006	5495212	15.11
Public Sector Banks@	**6228518**	**7188730**	**8177856**	**14.58**
Old Private Sector Banks	310778	399479	441107	19.14
New Private Sector Banks	1861965	2241195	2535778	16.70
Private Sector Banks#	**2172743**	**2640675**	**2976885**	**17.05**
Total for DSCBs	**8401261**	**9829405**	**11154741**	**15.23**

Source: Annual Reports of Banks. @ Table A.6 # Table A.14 Amount in Crores of Rupees)

2.6 Branch Expansion

Growth in Branches and Service Outlets is an essential requirement for growth in retail banking. But since the Public Sector Banks already have a large branch network, their growth is lower at 9%. The Private Sector Banks have to expand at a much faster rate to capture newer markets to keep and grow their market share. That's why we see them grow at 20% here. We have more than 1,11,450 branches as on March 31, 2014. And the DSCBs are growing their branch network at a CAGR of 11.69%. This is another indicator that the Branch Network is playing a crucial role in retail banking.

Table 2.10 : Growth in Branch Network* – Last three years

Bank Group	2011-12	2012-13	2013-14	CAGR%
State Bank Group	19032	20168	21825	7.09
Nationalised Banks	49528	53347	59433	9.54
Public Sector Banks@	**68560**	**73515**	**81258**	**8.87**
Old Private Sector Banks	4544	6069	6627	20.76
New Private Sector Banks	16249	20663	23574	20.45
Private Sector Banks#	**20793**	**26732**	**30201**	**20.52**
Total for DSCBs	**89353**	**100247**	**111459**	**11.69**

Source: Annual Reports of Banks. @ Table A.7 # Table A.15 * Number of Branches

The Public Sector Banks with a larger branch network are improving their revenue per branch at over 11%, whereas the Private Sector shows only a mere 1.38 % growth here. They have to move into newer areas to expand their footprint in this growing competition. And it is interesting to see the Public Sector Banks, with a much larger Branch Network are matching up with the Private Sector at 11.6 Crores per Branch.

Table 2.11 : Growth in Revenue Per Branch – Last three years

Bank Group	2011-12	2012-13	2013-14	CAGR%
State Bank Group	**11.48**	**12.37**	**12.83**	**5.72**
Nationalised Banks	6.65	8.10	8.11	10.47
Public Sector Banks@	**9.36**	**11.49**	**11.60**	**11.37**
Old Private Sector Banks	6.78	7.55	7.75	6.93
New Private Sector Banks	12.68	12.86	12.76	0.30
Private Sector Banks#	**11.34**	**11.65**	**11.66**	**1.38**
Total for DSCBs	**8.81**	**9.90**	**10.00**	**6.50**

Source: Annual Reports of Banks. @ Table A.8 # Table A.16 (Amount in Crores of Rupees)

2.7 Growth of ATM Network

Automated Teller Machines(ATMs) are the most important element in retail banking since they only offer the basic banking services to customers on 24/7/365 basis. ATM

Table 2.12 : Growth in ATM Network* – Last three years

Bank Group	**2011-12**	**2012-13**	**2013-14**	**CAGR%**
State Bank Group	27696	33039	48521	32.36
Nationalised Banks	31042	37083	59305	38.22
Public Sector Banks@	**58738**	**70122**	**107826**	**35.49**
Old Private Sector Banks	4648	7077	8028	31.42
New Private Sector Banks	38212	48031	53325	18.13
Private Sector Banks#	**42860**	**55108**	**61353**	**19.64**
Total for DSCBs	**101598**	**125230**	**169179**	**29.04**

Source: Annual Reports of Banks. @ Table A.7 # Table A.15 * Number of ATMs

Network expansion improves customer service by improving availability of banking services and at the same time, it also happens to be a source of fee based income for banks, when other bank customers use their ATM. Either way there is enough incentive for a bank to expand its ATM Network in tune with its retail banking growth and objectives. The table here shows that the Industry has over 1,69,000 ATMs as on March, 31, 2014. The Public Sector Banks have almost doubled their ATMs in the last two years,

from 58,000 to 1,07,000 at a CAGR of 35% whereas the Private Sector has grown at 20% to reach 61,000 ATMs.

2.8 Per Employee Revenue

The growth of Total Revenue Per Employee is around 17% for the Public Sector and the Private Sector is growing at half the rate at 8%. As seen in the next table.

Table 2.13 : Growth in Revenue Per Employee – Last three years

Bank Group	**2011-12**	**2012-13**	**2013-14**	**CAGR%**
State Bank Group	**0.78**	**0.84**	**0.95**	**10.47**
Nationalised Banks	0.67	0.86	0.90	16.22
Public Sector Banks@	**0.83**	**1.06**	**1.14**	**17.10**
Old Private Sector Banks	0.55	0.69	0.72	14.87
New Private Sector Banks	1.18	1.28	1.34	6.30
Private Sector Banks#	**1.02**	**1.14**	**1.19**	**7.86**
Total for DSCBs	**0.78**	**0.93**	**0.99**	**12.36**

Source: Annual Reports of Banks. @ Table A.8 # Table A.16 (Amount in Crores of Rupees)

Public Sector Banks as a whole get a 33% contribution from retail banking towards their Total Revenues. The SBG shows a much higher level of 42%. State Bank of Hyderabad seems to be fully focussed on retail banking only since it gets 75% of its revenues from retail. And only three banks show an average of above 30% from retail in the NBG with their overall revenue share remaining at 28%.

2.9 Retail Contribution to Total Revenues

Table 2.14 : Share of Retail Revenues in Total Revenues: Public Sector Banks

S.No.	**Bank**	**2011-12**	**2012-13**	**2013-14**	**Average**
1.	State Bank of India	41.09	41.29	39.44	**40.61**
2.	State Bank of Bikaner & Jaipur	45.33	41.94	39.90	**42.39**
3.	State Bank of Hyderabad	72.93	74.23	76.61	**74.59**
4.	State Bank of Mysore	31.51	31.73	33.37	**32.21**
5.	State Bank of Patiala	47.71	34.19	33.87	**38.59**
6.	State Bank of Travancore	45.96	39.96	36.88	**40.93**
	State Bank Group	43.14	42.49	40.91	**42.18**
S.No.	**Bank**	**2011-12**	**2012-13**	**2013-14**	**Average**
1.	Allahabad Bank	25.14	23.90	24.38	**24.47**
2.	Andhra Bank	29.43	27.00	29.92	**28.78**
3.	Bank of Baroda	25.24	24.14	24.29	**24.56**
4.	Bank of India	***	28.91	24.58	**26.75**
5.	Bank of Maharashtra	29.55	21.93	27.32	**26.27**
6.	Canara Bank	24.58	25.32	24.68	**24.86**
7.	Central Bank of India	22.07	24.87	26.44	**24.46**
8.	Corporation Bank	18.43	20.10	21.49	**20.01**
9.	Dena Bank	18.56	17.45	18.94	**18.32**
10.	IDBI Bank	38.03	41.64	43.18	**40.95**
11.	Indian Bank	33.21	33.60	32.70	**33.17**
12.	Indian Overseas Bank	24.70	23.30	27.97	**25.32**
13.	Oriental Bank of Commerce	30.63	34.08	35.54	**33.42**
14.	Punjab and Sind Bank	18.47	19.36	19.39	**19.07**
15.	Punjab National Bank	30.29	26.98	27.17	**28.15**
16.	Syndicate Bank	***	22.77	24.74	**23.75**
17.	UCO Bank	***	***	***	***
18.	Union Bank of India	31.46	32.62	27.76	**30.62**
19.	United Bank of India	25.96	22.04	21.63	**23.21**
20.	Vijaya Bank	23.80	24.44	22.31	**23.52**
	Nationalised Banks	27.85	27.64	27.69	**27.73**
	Public Sector Banks	**33.95**	**33.08**	**32.54**	**33.19**

Source: Banks' Annual Reports and websites ***Data Not Available

Table 2.15: Share of Retail Revenues in Total Revenues: Private Sector Banks

S.N	Bank	2011-12	2012-13	2013-14	Average
1	Catholic Syrian Bank	45.77%	52.13%	55.83%	51.24%
2	City Union Bank	50.20%	46.91%	65.97%	54.36%
3	Dhanlaxmi Bank	47.14%	43.85%	40.62%	43.87%
4	Federal Bank	41.74%	41.10%	41.19%	41.34%
5	ING Vysya Bank	0.00%	31.06%	33.37%	21.48%
6	Jammu & Kashmir Bank	40.60%	37.68%	35.05%	37.78%
7	Karnataka Bank	39.32%	40.74%	41.09%	40.38%
8	Karur Vysya Bank	47.56%	50.08%	49.69%	49.11%
9	Lakshmi Vilas Bank	37.99%	44.60%	48.79%	43.79%
10	Nainital Bank	***	47.46%	46.51%	46.98%
11	South Indian Bank	43.34%	38.84%	34.96%	39.05%
12	Tamilnad Mercantile Bank	***	60.92%	57.51%	59.21%
13	The Ratnakar Bank	26.42%	20.56%	20.83%	22.60%
Old Private Sector Banks		**36.82%**	**41.34%**	**41.34%**	**39.83%**
14	Axis Bank	19.80%	22.98%	25.08%	22.62%
15	DCB Bank	47.13%	48.84%	50.85%	48.94%
16	HDFC Bank	50.81%	52.77%	52.81%	52.13%
17	ICICI Bank	25.83%	25.05%	27.41%	26.10%
18	IndusInd Bank	***	46.16%	47.71%	46.94%
19	Kotak Mahindra Bank	29.47%	31.16%	30.59%	30.41%
20	YES Bank	4.75%	5.17%	5.00%	4.97%
New Private Sector Banks		**28.94%**	**31.72%**	**33.34%**	**31.33%**
Private Sector Banks		**30.03%**	**33.09%**	**34.47%**	**32.53%**

Source: Banks' Annual Reports *** Data not available Figures in Crores of Rupees

2.10 Retail Banking Performance at a Glance

Table 2.16: Retail Banking Performance at a Glance: As on March 31, 2014

Sl No.	Item Description	SBG	NAB	OPSB	NPSB	Total	Retail Share
1	Retail Assets	980625	1224213	155198	485705	2845741	**26.14%**
2	Total Assets	2896830	5691105	472601	1825580	10886116	
3	Retail Liabilities	1287906	1348415	190584	798011	3624916	**35.16%**
4	Total Liabilities	2682644	5495212	441107	1691258	10310221	
5	Retail Revenues	114547	133439	21226	103561	372773	**33.46%**
6	Total Revenues	280007	481989	51345	300811	1114152	
7	Retail PBT	20992	21044	3818	10527	56381	**38.13%**
8	Total PBT	32392	61684	7774	46011	147861	
9	No. of Employees	293893	536163	70867	225248		
10	No. of Branches	21825	59433	6627	11455		
11	No. of ATMs	48521	59305	8028	39137		
12	ATMs per Branch	2.22	0.99	1.21	3.42		
13	Cost Per Employee	0.12	0.09	0.07	0.07		
14	Revenue Per Employee	0.95	0.90	0.72	1.34		

Source: Annual Reports and websites of Banks. (Amounts in crores of Rupees)

The data shows that as of March 31, 2014, retail banking brings in 33.46% of the Revenues for the Industry as a whole and contributes 38.13% of the Operating Profits. This growing segment of banking also accounts for 26.14% of the Assets and 35.16% of the Liabilities. Broadly speaking 26.14% of the Assets could generate 38.13% of the Operating Profits and this is the major reason for banks focussing on retail banking

today. Retail banking happens to be the most profitable segment with a huge potential for growth, especially with the growing economy and the booming middle class.

The significant differences between the four bank groups, in the way they manage their retail banking business is borne out by the following table on their revenues and operating profits from this segment for the year ending March, 2014:

Table 2.17: Contribution of Retail Banking – Bank Group-wise

Retail Banking Contribution to	SBG	NAB	OPSB	NPSB
Total Revenues	**40.91%**	**27.69%**	**41.34%**	**34.43%**
Total Operating Profits	**64.81%**	**34.12%**	**49.11%**	**22.88%**

The OPSB are leading the pack in Retail Revenues at 41.34%. The SBG comes next with 41%. The NPSB revenues are at 34% and the NAB are at the bottom with less than 30% revenues.

But picture changes when it comes to Operating Profits. The State Bank Group gets 65% of its operating profits from the retail segment – the leader in the country. The Old Private Sector Banks come next at 49%. The Nationalized Banks are at 34% and the New Private Sector Banks are getting only 23%.

2.11 Conclusion

The conclusions that can be drawn from the above are: the SBG is fully focussed on retail banking since it not only earns well from this segment but also gets most of its operating profits from this segment only. The OPSB and NAB also seem to be relying

on this segment for improving their bottom line. But the NPSB seem to have earned more from the other segments last year: over 75% of the operating profits . But even in this group, three banks out of the total seven, are having an average share of over 40% of operating profits coming from retail banking*. Therefore, it is clear that, currently, 39 out of 46 DSCBs are concentrating on Retail Banking for improving their revenues and profits.

And this explains the need for this study. And the study seeks to explore the strategies, factors and best practices that are responsible for successful retail banking since the future growth and viability of the Banking Industry is very much dependent on this segment of Banking.

- **Note:** Bank-wise data on all the parameters dealt with in this chapter are presented in the Annexure.

CHAPTER 3

LITERATURE SURVEY

3.1 Introduction

Berger and Humphrey (1997) said that deregulation is usually undertaken to improve the concerned industry's performance. The increased efficiency will improve resource allocation which in turn would lead to reduction in price or expansion in service for consumers in the presence of sufficient competition. But unfortunately, in most cases deregulation is done to improve competitive feasibility rather than to benefit consumers. This is so true of what happened in India in the early 1990's. The banking sector deregulation was set in motion and this led to intense competition and focus on the viability of many banks in the industry. This also brought about financial disruption in the form of new private sector banks that introduced a fresh wave of competition by focussing the attention on retail banking like never before.

Retail banking refers to provision of banking products and services offered to individual customers, typically for non-entrepreneurial purposes, says Chakrabarty K.C (2013). He also said that retail banking services begin with the common masses and then gradually narrows scope to become 'class retail banking.' In the mass retail banking stage, the bank offers standardized products and services to its customers. The main aim for the banks in this stage is to build an adequately broad customer base to serve as a stable source of funding. On the contrary, in the class retail banking stage, the bank provides tailored products and services targeted at niche customer segments such as high net worth individuals. Class retail banking is also called private banking, says Chakrabarty K.C

(2013). He also presents a graphical representation of retail banking vis-à-vis the other segements of banking as follows:

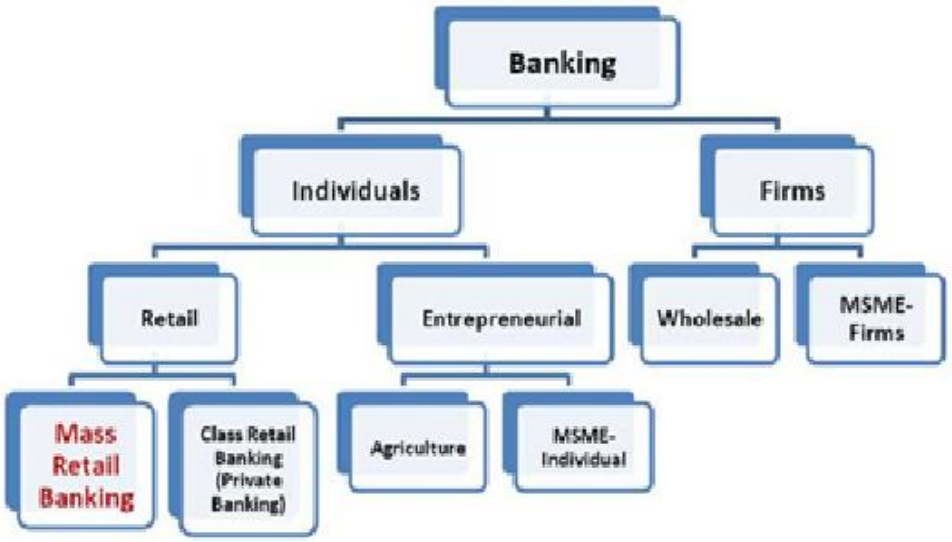


Fig 3.1 Mass retail banking vis-à-vis other segments of banking

Retail banking seeks to provide banking services to individuals and joint individuals while wholesale banking focuses on industry and institutional clients. Retail banking takes care of all the banking needs of individual customers.. Retail banking portfolio contains deposit, asset-linked products and other financial services provided to individual customers for personal consumption" according to Sarkar A.N. (2005).

3.2 Effective Implementation

Retail banking products and services should be standardized i.e. there should be uniformity, transparency and non-discrimination. In addition, retail banking products are offered via multiple delivery channels and at multiple locations. The banks should target efficient service delivery. The banks also need to have appropriate systems, structure,

manpower and processes in place to deal with the group characteristics, group behavior, and group dynamics for the target clientele, opines Chakrabarty K.C. (2013).

3.3 Pre-conditions for retail banking to succeed

The most significant pre-requisite for success of retail banking is the existence of an efficient delivery mechanism. The main factors binding customers to their bank are service quality, pricing fairness, affordability and the timeliness of service. Though banks have limited scope to differentiate their basic product and service offerings, it is important to enhance the customer experience by ensuring that the services are made available to its customers whenever and wherever they demands them**.** In addition, banks can also reduce their cost of service delivery by only improving operational efficiency. To sum up, banks should leverage technology to provide its customers, products and services in safe, secure, prompt and cost effective manner, according to Chakrabarty K.C. (2013).

"As such, effective implementation of retail banking would call for deployment of technology based products and services since this segment of banking involved huge volumes which cannot be fully catered to by branch-based service only. Banks across the world have made enough attempts to change their business strategy accordingly to focus more on alternate delivery channels for satisfying their retail banking customers. Successful retail banking will call for large scale technology support and innovative applications to handle volumes, to bring in cost-efficiency, to reach out to the individual customers to provide anywhere, anytime and anyhow banking and to increase overall productivity and profitability of banks" says Chakrabarty K.C(2013).

3.4 Competition and Innovation

Asian Banker (2010) observed that innovation is done out of dire necessity; it is not a fancy engagement but a response to severe market challenges and regulatory constraints and pressures. Innovation is a continuous change management process, but it is often messy and trying to strive amidst chaos and the siloed complexity of financial institutions. Without innovation banks do not survive in today's market place. This is particularly true in markets where the traditional lending business of commercial banks and the ability to demand high net interest margins has ossified and players are forced to rely on other sources of income. Our research shows that banks that are capable of extracting a high proportion of their fee income from the market show on average higher levels of innovative activities compared to their peers. Yet, overall, markets in Asia Pacific are unexciting and undifferentiated, with competition based on pricing. Price-based competition alone will need to give way to non-price innovations for developing core relationships...And it also traces the four stages of evolution retail banking innovation, namely, product innovation, sales innovation, market share innovation and customer service innovation.

Anbalagan, K (1994) emphasising the need to move away from traditional banking systems, focused on popularizing credit card system which would reduce cash payment and cash withdrawals at the bank counters, leading to more convenience to customers by preventing waiting by customers at the cash counters.

Sahoo, S.C. (1994) stated that the Indian Bank Managers face several new challenges which include not only competition but also the fast growing technology, consumerism and economic conditions characterized by inflationary pressure and unemployment. These changes have widened the role and responsibilities of Bank Managers. To cope

with the new situations a new orientation is required in their thinking and new skills, new methods and above all new strategies. All these call for innovative marketing, aggressive promotion and effective communication programs.

Terrence Levesque et al (1996) investigated the major determinants of customer satisfaction and future intentions in the retail bank sector. The study identifies the determinants which include service quality dimensions: getting it right the first time, service features: competitive interest rates, service problems, service recovery and products used. It was suggested that service problems and the bank's service recovery ability have a major impact on customer satisfaction and intentions to switch.

3.5 Process Improvement and New Service Development

Frances Frei et al (1999) present an analytical model that shows that improvement in process variation can be more important than improvement in aggregate process performance when dealing with certain customer segments. They conclude that although aggregate process performance seems to have an effect on a firm's financial performance, it is variation performance that is the better predictor of process performance. In addition, they found that firms that have both above average process performance and below average process variation are likely to have better financial performance, which suggests that good, consistent service processes can increase firms' profits.

Larry J Menor and Aleda Roth, (2008) demonstrate the positive effect of new service development competence on new service development performance and show that new service development competence is also significantly related to business-level performance.

Frei, Harker and Hunter (1997) found that IT labour is the most profitable of all four types of investment--IT and non-IT capital and labour available to the bank. That is, the biggest challenge facing banks with respect to efficient and effective innovation lies in the management of the "New Age Industrial Engineers" that must combine technological knowledge with process design in order to create the delivery systems of the future.

3.6 Customer Relationship Management

Retail payment revenues account for about 25% of total bank revenues. An advantage of these revenues compared to other sources of bank income is their stable character over time. In addition, retail payment services often provide the foundation for long-term bank-customer relationships, as reported in the ECB-DNB conference proceedings (2009).

Mosad Zineldin (1996) reveals that "banks have found themselves facing more aggressive competition, uncertainty and unlimited opportunities. No bank can offer all products/services and be the best/leading bank for all customers. They are forced to find a new basis for competition. A bank must examine its strengths and opportunities and take a competitive position in the competitive marketplace, some strategic issues related to bank positioning was discussed. A number of ways in which distinctive positions can be developed and maintained have been identified. A well-integrated application of technology and staff through operations that respond to customer needs encourage customers to use a whole range of banking products/services rather than just a few. It also helps to build loyalty by creating deeper and fuller customer relationships. It surveys how a bank has been selected and perceived from the point of view of its customers in relation to its competitors in that marketplace. It shows that functional

quality is a more important factor than traditional marketing activities and convenience of location, price and advertising had a minor impact on bank selection".

Kate Stewart (1998), while exploring customer exit in retail banking, states that "if the marketing community is to adopt the prescriptions of the relationship marketing school of thought, more knowledge and understanding of relationships is required. The base of knowledge is growing and there is now greater appreciation of the processes germane to healthy relationships, such as trust, satisfaction and commitment. Much less attention has been paid to the negative aspects such as relationship breakdown and ending". It was stated that "the neglected area of the ending of customer- bank relationships or customer exit. Interviews were conducted with bank customers who had recently used the exit option. Content analysis of the customers' stories was used to generate a model of the customer exit process the study took the perspective of the customer. It was stated that customers end bank relationships after an involving process of problem, effort, emotion and evaluation, discussion of the findings concludes that banks need to develop relationship management systems and skills".

Antony Beckett, Paul Hewer and Barry Howcroft (2000) state that deregulation and the emergence of new forms of technology have created highly competitive market conditions which have had a critical impact upon consumer behaviour. Bank providers must, therefore, attempt to better understand their customers in an attempt not only to anticipate but also to influence and determine consumer buying behaviour. A model which attempts to articulate and classify consumer behaviour in the purchasing of financial products providers attempting to identify appropriate strategies which are conducive to increased customer retention and profitability and services was prepared. The theoretical insights generated by this model are then used to examine qualitative

research data gained from focus group discussions on consumers' attitudes to their financial providers and their financial products, finally, these findings are examined for the potential insights they provide to bank.

Abdul Razak Kamaruddin (2000) investigates the factors determining bank patronage behaviour. It examines the extent to which image attributes of banks influence consumers' banking decision. It also examines the effect of demographic factors on bank image and choice. The image attributes comprise efficiency, physical characteristics, services, terms of payment, and social influence. The results demonstrate that, while the effects of demographic factors are not significant, the image attributes strongly influenced customer choice. The findings also revealed the preference differences across various dimensions of bank attributes. The results of the study can be helpful to managers in improving their service and customer satisfaction.

3.7 Retail Banking Strategies

Kilian Berz et al, (2009) in their white paper, released close on the heels of the economic crisis in the US, say "The Global trends in retail banking have crystallized.

The Industry's focus is now on the following:

- Generating superior returns on assets
- Acquiring sufficient funding
- Enhancing risk management
- Understanding customers and regaining trust
- Coping with increased demands regarding transparency and overall service levels
- Achieving multichannel excellence with fully integrated banking channels

- Moving toward higher levels of industrialization (which is mandatory for rapid innovation and deployment)."

This paper also outlined short and medium term opportunities and action plans for successful retail banking as follows:

Short Term

- Adopt principles based cost reduction
- Bolster near-term risk management
- Create a performance oriented culture

Medium Term

- Strengthen individual business units
- Further tighten risk management
- Reemphasize value over volume
- Transform technology
- Optimize operations

The European Finance and Marketing Association (EFMA), SAP and University of Mannheim conducted a benchmark review of retail banking, covering 125 banks across 30 countries in Europe, the Middle East and Africa (EMEA). This review talks about five pillars of excellence in retail banking:

- Strategy
- Business intelligence and controlling

- Multi-channel customer management,
- People and organization and
- Information technology and application systems.

This study says that the retail banking strategies are basically divided into two - Growth Orientation and Cost Cutting – focussing on the topline and bottomline. The study found that the banks, over a three year period have slowly moved their focus from growth to cost cutting, indicated by a 7% decrease (from 82 to 75) in the growth focus. The study also listed eight individual strategies under these two major groups as follows:

Growth Strategies	**Cost Cutting**
1. Mergers and Acquisitions	1. Incremental Process Improvement
2. New customer acquisition	2. Broader Business Process Reengineering
3. Cross selling to existing customers	3. Head count reduction
	4. Outsourcing/shared services
	5. Elimination of unprofitable customers

And the study found that the majority of banks were focussing on the growth strategy only. The ratio of bank distribution on strategy focus between growth and cost cutting was 3:1.

The responses from banks on the individual retail banking strategies adopted by them were also captured by this survey as shown in Figure. 3.2.

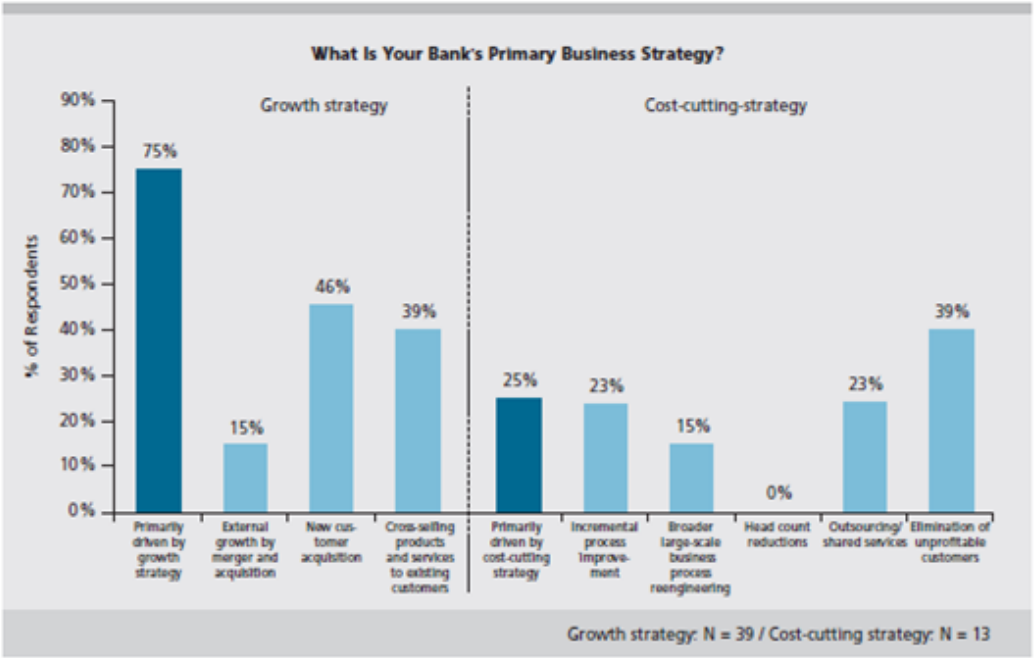


Fig 3.2: Retail Banking Strategies in EMEA

The Boston consulting group (2014) in its study on operational excellence in retail banking stressed four focus areas:

- Competitive advantage through customer centricity
- Improved sales performance through digitization
- Excellence in organizational and process efficiency and
- Complexity reduction that drives business results

3.8 Role of Information Technology

Success of retail banking depends largely on usage of technology both at the customer-end and at the bank end. Ganguly and Roy (2011) studied the technology based service

quality dimensions in banking and identified four generic service quality dimensions in the technology-based banking services – customer service, technology security and information quality, technology convenience, and technology usage easiness and reliability. They found that customer service and technology usage easiness and reliability have positive and significant impact on customer satisfaction and loyalty.

Prasad and Harker (1997) examined the contribution of Information Technology toward productivity and profitability in U.S. retail banking. They confirmed the need to continually invest in not only the technical skills of this work force, but their industry-specific knowledge as well. As the "process engineers" of the organization, IT labour is crucial in the design, control, and execution of service delivery in banks. Thus, a key driver of efficiency and effectiveness in the industry is the management of the IT labour force and procurement process.

Deregulation and the development of communication and information technologies have brought revolutionary changes in the retail banking industry. Emergence of these technologies has allowed retail banks to offer their services at regional, national, and even global levels. These changes have provided the welcome convenience of time and place to banking customers. Such changes also force banks to make provisions for effective retail delivery systems in their strategic plans.

Effective and efficient management (and use) of retail delivery systems requires integration of a bank's capabilities in the operations and marketing areas. In this regard, banks must achieve strategic fit between the two crucial functional areas of operations and marketing. This integration becomes increasingly important towards quickly responding to changing customer needs in today's dynamic marketplace.

Frances et al (1997) who conducted a study on bank efficiency observed that the alignment of technology, human resource management (HRM), and capital investments with an appropriate production "technology" …appears to be the key to efficiency in this industry. To achieve this alignment, banks need to invest in a cadre of "organizational architects" that are capable of integrating these varied pieces together to form a coherent structure. In fact, several leading financial services firms have realized the need for such talents and are investing heavily in senior managers from outside the industry (most notably, from manufacturing enterprises) to drive this alignment of technology, HRM, and strategy.

Davide Consoli (2003) highlighted the large scale benefits bestowed by new technology, like ushering in an integrated network. Implementation of Information Technologies in banking normally leads to internal changes in transaction infrastructure and operative procedures and external changes in the expansion of the product line. And to confront the competitive pressures, many banks diversified and expanded into new business lines such as credit cards, stock brokerage, investment management services and insurance. This expansion of the retail activity reconfigured the array of existing strategies once aimed at enhancing information processing and later became progressively embedded in the development of a larger variety of processes and products (Frazer, 1985). The implementation of technical changes in banking thus enhanced productivity in both old and new activities and, in particular, stimulated the shift of employed human and capital resources towards the provision of services.

Byrd and Nancy (2006) carried out an empirical examination of a process- oriented IT business success model and arrived at some useful conclusions. These conclusions include (1) the domain of IT business success at the organizational level of analysis can

be characterized by an interrelated process model of IT success factors and firm performance measures; (2) aspects of IT success likely can be measured in an organizational setting; (3) there seems to be a logical pattern of benefits of IT in an organization with lower level usage leading to or at least affecting more sophisticated usage; (4) the measurement factors developed in this study for IT success exhibit very acceptable levels of validity and reliability; and (5) the relationship between IT success and firm performance appears to be strong if the "causal distance" between the factor measuring the two is short.

Many banks consider technology as a route for service quality improvement, while others consider it as a cost-effective expansion strategy. Moreover, it is more fundamental to assess to what extent and most importantly, for which customers technology-driven service delivery systems (from ATMs to telephone, home and Internet banking) can meet real customer needs, according to McKechnie, S. (1992)

The main reason for technology adoption was found to be convenience of hours, speed, and convenient locations. Non-use was explained by preference for human contact, closer location of branch relative to the ATMs, and enjoyment of a personal visit to the bank, the most critical prediction is of adoption of the tele-banking technology with regard to the services using telephone based on exposure and based on demographics. Overall adoption of tele-banking technology is related to education and income levels of the customers…Owing to convenience of time and speed the technology driven delivery systems specially attract affluent, educated as well as aged segment of customers, wrote Marr and Prendergast (1991).

Delphi technique has been employed to identify from the banks' perspectives, the variables they believe influence the customers' adoption or non adoption of self-service in retail banking technology, by Marr and Prendergast (1993).

Positive technology adoption associations will increase along with a customer's satisfaction with the services it provides, said Smith D C (1992).

When a technology creates significant barriers to entry, it becomes profitable to invest in it. From this point of view, information technology, freely available to all firms as it does not provide any sustainable competitive advantage to the firm and, in such an environment, IT investment becomes more of a "strategic necessity" rather than a provider of competitive advantage, felt Clemons, E.K (1991)

Financial markets that provide investors with liquidity made investments in such technologies feasible. Thus, countries' technological progress and the maturity of their financial systems in mobilizing capital are directly related…The empirical implication is that measures of capital mobilization, risk sharing and pooling functions of financial markets and institutions should be positively related to productivity growth and measures of technological progress defined to be the productivity growth component attributable to technical innovation and adoption. In a cross section of countries, one would expect to find a positive relation between measures of financial development and technological progress, pointed out Bencivenga, V., and B. Smith (1991).

Technological innovations, partly attributable to availability of capital, lead to reduction in costs of production. In addition, more directly, financial development may reduce the costs of rising capital contributing to real cost reduction…More developed financial systems, other things equal, lead to cost reduction through lowering the costs of raising

capital – the Cost of Capital Effect. Empirically, it would be difficult to isolate two hypotheses, because real cost reduction could be a result of adoption of new technologies, said Solomon T (2005)

Though an organization's information technology (IT) skills are a potential source of competitive advantage, they are unlikely to be able to sustain an organization's competitive advantage as they tend not to be unique, socially complex and inimitable, felt Mata et al (1995)

Allen Berger (1997) said that improvements in technology and applied finance may have reduced costs more for large banks than for small banks. Improvements in information processing and credit scoring may have reduced costs of extending small business loans and credit card loans more for larger banks.

Technology in banking (IT) is considered at two basic levels within a bank: overall investment in IT, and the functionality of technology deployed in the production/ service delivery processes in branch and phone delivery systems. Thus, technology is viewed at both a macro-level in terms of investment, and at a micro-level in terms of its ability to perform certain functions within the organization, wrote Roth A. V et al (1992).

Information technology facilitates cross selling by employees as it gives to each employee a full picture of each customer's financial position and potential; this enhances sales efforts, enabling tellers and customer service representatives to suggest a fit between customers and services, and to refer customers to employee-teammates with particular expertise in a product if that should become necessary, wrote Frances et al (1997). They further emphasized adequate training for staff to get the best out of the technology deployed by the bank. "No matter how empowered an employee is, without the

necessary information technology they will have a difficult time understanding customer's full relationship with the bank. In addition, in order for the bank to make use of their technology investment, they need to ensure that employees are effectively using the available information; this requires a process design that takes advantage of available labor and technology."

Both the academic and trade literature report that enterprises use information technology (IT) to improve productivity, enhance performance, and reduce costs said Earl, M.J (1989). And Kettinger, W.J et al (1994) stated that an established technological base was a prerequisite for organizations to sustain their competitive advantage from strategic information systems.

The dimensions of technological innovation in retail banking portray the internal structure of banks as being determined by a combination of changes in banks' external environment and advances in information technology… The discussion of technological innovation that altered the provision of financial services will cover external changes over methods of undertaking transactions (between customers and bank) and changes up to the point at which customers enter the banking system according to Bernardo B.L and Douglas Wood (2002).

They also said that banks absorbed the new technology on the back of a growing market for retail bank services, which expanded as middle income individuals became a growing proportion of the population.

Consumer-oriented innovations were widespread as information technology provided support to all points of contact between customers and bank prompted by major

overhauls of incompatible legacy systems undertaken in response to the perceptions of a major Y2K threat , as pointed out by Bernardo B.L and Douglas Wood (2002).

They also said that new technology allowed the introduction of new services and in turn, new retail bank products brought the bank service away from the branch and closer to the customers by delivering customer information at the point of sale. Banks had no proprietary hold on this technology and at the same time, retailers started to offer their own credit services with store payment (account) cards and credit cards.

3.9 Risk Management

A note on Risk Management Systems in Banks from RBI, says that the management of credit risk should receive the top management's attention and the process should encompass:

a) Measurement of risk through credit rating/scoring;

b) Quantifying the risk through estimating expected loan losses i.e. the amount of loan losses that bank would experience over a chosen time horizon (through tracking portfolio behaviour over 5 or more years) and unexpected loan losses i.e. the amount by which actual losses exceed the expected loss (through standard deviation of losses or the difference between expected loan losses and some selected target credit loss quantile);

c) Risk pricing on a scientific basis; and

d) Controlling the risk through effective Loan Review Mechanism and portfolio management

Since retail banking revenues depend a lot on retail lending and the health of the retail credit portfolio, banks should pay sufficient attention to this area.

Another major area where risk is evolving is Operational Risk. Definition of operational risk has evolved rapidly over the past few years. At first, it was commonly defined as every type of unquantifiable risk faced by a bank. However, further analysis has refined the definition considerably. Operational risk has been defined by the Basel Committee on Banking Supervision1 as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. This definition is based on the underlying causes of operational risk. It seeks to identify why a loss happened and at the broadest level includes the breakdown by four causes: people, processes, systems and external factors. Likely forms of manifestation of operational risk

The Reserve Bank of India defines Operational Risk any risk other than Credit Risk, Market Risk or Interest Rate Risk. The guidance note from RBI on Operational Risk Management, provides examples of these new and growing risks faced by banks:

1. Highly Automated Technology - If not properly controlled, the greater use of more highly automated technology has the potential to transform risks from manual processing errors to system failure risks, as greater reliance is placed on integrated systems.
2. Emergence of E- Commerce – Growth of e-commerce brings with it potential risks (e.g. internal and external fraud and system securities issues)
3. Emergence of banks acting as very large volume service providers creates the need for continual maintenance of high-grade internal controls and back-up systems.

4. Outsourcing – growing use of outsourcing arrangements and the participation in clearing and settlement systems can mitigate some risks but can also present significant other risks to banks.
5. Large-scale acquisitions, mergers, de-mergers and consolidations test the viability of new or newly integrated systems.
6. Banks may engage in risk mitigation techniques (e.g. collateral, derivatives, netting arrangements and asset securitisations) to optimise their exposure to market risk and credit risk, but which in turn may produce other forms of risk (eg. legal risk).

It is worthwhile to note here that retail banking involves four out of the six factors listed above by RBI. Therefore, it is imperative that Banks in India concentrate on Operational Risk Management to protect their retail banking operations from unexpected disruptions and losses due to laxity in control processes and systems. People level controls also need to be in place to avoid extreme consequences in terms of financial and reputation risks.

A clear appreciation and understanding by banks of what is meant by operational risk is critical to the effective management and control of this risk category. It is also important to consider the full range of material operational risks facing the bank and capture all significant causes of severe operational losses. Operational risk is pervasive, complex and dynamic. Unlike market and credit risk, which tend to be in specific areas of business, operational risk is inherent in all business processes. Operational risk may manifest in a variety of ways in the banking industry.

3.10 Service Delivery and Quality

Soteriou, Andreas C (2000) examines the influence of quality on performance in the financial services industry. It was suggested that operations management, marketing and

economics literatures support a positive correlation between quality and financial performance. Evidence suggests that in order to be meaningful, studies should concentrate on specific, individual industries. The focus of the study is on the financial services industry and present new insights on the correlation between quality and financial performance.

Reynold E. Byers, Philiph J. Ledereer (2001), said that design of a retail banking distribution strategy is an important issue. This study addressed the effect of new electronic distribution technologies such as PC banking on the choice of a bank's distribution strategy. A competitive model of distribution strategy choice, including heterogeneous consumers and banks that allow a rich variety of customer preference and technology cost parameters and Sensitivity analysis shows how several parameters affect the competitive outcome. This analysis suggests that changing consumer behaviour and attitudes, instead of banks' cost structure with new technologies significantly affects the bank's distribution strategy choice. If the segment of consumers that prefers PC banking remains small relative to the segment that prefers branches, then there will still be a market for specialized branch banks. Branch banking without PC banking services will be a viable strategy until the segment that prefers PC banking grows larger. Banks offering *both* branch and PC banking services can prevent successful and profitable entry by virtual banks as long as the segment of customers that prefer PC banking remains relatively small. Beyond this fraction, virtual banks will be profitable. This analysis suggests that it may be a long time before virtual banks turn a profit

April Wright(2002) studying technology as an enabler of the global branding of retail financial services concluded that the market for retail financial services has been transformed in the past decade by new distribution and processing technologies and their

impact on consumer attitudes to banking and banks. These factors have removed the geographic and cost barriers to the global distribution of retail financial services and have led to a convergence in the key benefits sought by consumers in developed countries, this increases the need for and the effectiveness of globally consistent brand images.

Corrocher (2002) investigated the determinants of the adoption of value-added services through Internet technology for the provision of banking services in the Italian context and also studied the relationship between the Internet banking and the traditional banking activity, in order to understand if these two systems of financial services delivery are perceived as substitutes or complements by the banks. From the results of the empirical analysis, banks seem to perceive Internet banking as a substitute for the existing branching structure, although there is also some evidence that banks providing innovative financial services are more inclined to adopt the innovation than traditional banks.

Jayadev (2003) highlights the major reasons for the radical changes in banking industry in asset portfolio as competition, consolidation, information technology and the need to be customer centric. Banks could improve the profitability by adopting strategies like market segmentation, innovation, price bundling and relationship. Technology has a major role to play in retail banking, but its role is complementary to customer service initiatives.

Padwal, S.M (2003) in his study entitled Business Process Reengineering and productivity needs in Indian Banks concluded the concept "High tech Bank within a Bank", in public sector Banks has started taking roots through the core Banking solution route .This is evident from the fact that many of them have either started implementing or evaluating the core Banking solution for a selected group of strategic business units in India. The focus is on issues involved in Business process Reengineering (BPR) and improvements

in productivity in the context of the implementation of core Banking solutions in Indian Banks .The origin of the concept of productivity and its usage can be traced back in history of agriculture and manufacturing industries, it was defined as physical unit of output per physical unit mix of input.

Douglas M Stewart (2003),exploring a Framework for Robust Services addresses the issue of service design, specifically that of designing the service encounter for improved quality. A framework was introduced based on the three T's of task, treatment, and tangibles as a means of organizing the application of the diverse and growing body of service quality literature to encounter design. The framework is consistent with how successful service managers disaggregate the design problem. The framework shows mutually supportive interrelationships between the three T's produce an opportunity for designing in robustness to service failure, the framework is supported by case based evidence.

Sureshchandar, et al (2003) studied the customer perceptions of service quality in the banking sector of India, a developing economy. The study compares and contrasts the three groups of Banks in India with respect to the service quality factors from the perspective of the customers. There seems to be a great amount of variation with respect to the level of service quality offered by three groups of banks. Identifies the factors that discriminate the three group of Banks .Customers in developing economies seem to keep the "technological factors" of services such as core service and systematization of the service while the "human factors" seem to play a lesser role in discriminating the three groups of banks. The service quality indices with respect to the three groups and the Indian banking industry as whole, offer interesting information on the level of service quality delivered by banks in India.

Rob Lawson and Sarah Todd (2003) in their study on "Consumer preferences for payment methods: a segmentation analysis" state that three distinct groups of banking customers in New Zealand are identified on the basis of their preferences for different payment methods. These are profiled in terms of membership of wider lifestyle groupings, as well as their demographic and socio-economic characteristics, and other financial behaviours. The results demonstrate how psychological profiling can help in understanding consumers' banking behaviour and preferences in the wider context of their lifestyle, as well as suggesting strategic directions banks can adopt.

Amin and Hanudin (2007) analysing Mobile Credit Card Usage Intentions observed that many banks consider mobile-based technologies have improved the banking services through introduction of new banking facilities. One of the latest Value-added facilities developed in this area is the "mobile credit card". Results suggest that perceived usefulness, perceived ease of use, perceived credibility and the amount of information on mobile credit cards are important determinants to predict Malaysia bank customers' intentions to use mobile credit card.

Hans H. Bauer and Maik Hammerschmidt (2005) after studying the quality of E-Banking Portals concluded that a web portal was based on the following dimensions of security and trust, basic services quality, cross-buying services quality. The knowledge of these dimensions as major determinants of consumers' quality perception in the internet provides banks a promising starting point for establishing an effective quality management for their e-businesses.

Mosad Zineldin (2005) in his study "Measuring the Quality of E-Banking Portals" stated customer relationship factor that influences the customer selection and image of the principal banks. The study analyzed that a bank has to create customer relationships that

deliver value beyond that provided by the core product. This involves added tangible and intangible elements to the core products, thus creating and enhancing the "product surrounding", one necessary condition for realization of quality and the creation of value-added services quality measurement and control. It was concluded that an important function to ensure the fulfilment of given customer requirements, the key ways to build a strong competitive position are through Value-added services and differentiation

Tommi Laukkanen and Jari Lauronen (2006) who explored consumer value creation in various mobile banking services, pointed out that new electronic channels are replacing the more traditional ones. Mobile devices represent the recent development in electronic service distribution. An exploratory study was conducted on experienced electronic banking customers by using a qualitative in-depth interviewing method. The findings increase the understanding of customer-perceived value and value creation on the basis of attributes of mobile services and customer-perceived disadvantages of mobile phones in electronic banking context. The findings allow practitioners to improve their services and marketing strategies and pass on information to the academics about interesting future research areas.

Martin Koderisch and George Wuebker (2006) studied "Bundling in Banking - A Powerful Strategy to Increase Profits". They stated that Banks can learn valuable lessons from the bundling models developed successfully in other industries. Bundling core banking products with additional services and value-added services allows banks to differentiate themselves in a generally homogenous sector. Bundling also increases sales across product areas and aids customer lock-in. The study provided an overview of how to create attractive and profitable bundles through a systematic, multi-stage approach to customer segmentation, targeting and product positioning.

3.7 Customer Satisfaction, Loyalty and Retail Banking

Asuncio´n Beerli et al (2004) have differentiated between the two types of concept of customer loyalty: loyalty based on inertia and true brand loyalty. They find that in the retail banking market, the length of relationship between bank and customer is a common feature. The tradition of the industry has been for banks and other financial services organisations to engage in long-term customer relationships…the reasons for such relationship longevity are open to interpretation. While genuine preference and loyalty may have been instrumental, so also could ignorance, inertia and dependence. Inertia means the consumer is buying the same brand, not because of true brand loyalty, but because it is not worth the time and trouble to search for an alternative. A competitor who is trying to change a buying pattern based on inertia can often do so rather easily, because little resistance to brand switching will be encountered if some reason to do so is apparent, said Solomon (1992)

A.Beerli et al also found that the impact of satisfaction on loyalty is considerably stronger than the cost of switching. This implies that banks should place greater emphasis on achieving high levels of customer satisfaction than on creating switching barriers. This is because, on the one hand, loyalty is based mainly on satisfaction, and on the other, switching costs presents the additional disadvantage of the difficulty of attracting new customers when these are aware of the existence of such costs, and the possibility that outside forces may eliminate the barriers erected by switching costs. Nevertheless, the direct positive relationship between switching costs and loyalty may imply that banks could undertake actions that increase switching costs for their customers, such as establishing preferred customer programmes, which can also contribute to increasing customer satisfaction.

Xue, Hitt and Harker (2007) find that higher customer efficiency in self-service channels is associated with greater profitability and has a complex relationship with customer retention and product utilization. Operations managers across service industries face the challenge of designing and managing an increasingly complex multichannel service delivery system that consists of both traditional, physical, employee provided service channels and virtual self-service channels. Given the coproduction nature of service production, a crucial step toward successful service design and management is to understand both how customers utilize these channels and the corresponding impact on firm performance in short and long term. This requires identifying a wide array of factors that affects customers' channel choices. Prior literature has developed the theoretical argument that customer efficiency, defined as a customer's efficiency of participation in the service coproduction process, should be associated with greater self-service utilization and that greater customer efficiency is therefore associated with greater firm performance.

Sven C. Berger et al (2009) say that a competitive implementation of customer relationship management (CRM) in retail banking requires business processes aligned to the value contribution.

Ahmad Jamal and Kamal Naser (2002) say on customer satisfaction that different levels of customer expertise leads to different levels of customer satisfaction – customers having more expertise being less satisfied. The customers' degree of satisfaction increases with the length of their stay in the market place. Banks have to take care of their long-standing customers to get good returns.

Banks have to keep in mind the fact that customer satisfaction is the major factor that contributes to long term success and survival, according to Peppers and Rogers (2005),

to strengthen their customer relationships for a sustained, enduring growth of their brand and business. The appreciation of the ingredients of customer satisfaction is really beneficial for maintaining a long term relationship with customers. This enduring relationship, in turn, can help to improve long term competitiveness, said Kumar & Reinartz (2006).

Since customer satisfaction is the major determinant of customer retention as pointed out by Seiders et al (2005), the need for measuring customer satisfaction and taking corrective actions based on the outcomes of such measurement becomes all the more important. Highly satisfied customers not only stay longer with the company but also become its ambassadors to bring in new customers. Satisfied customers are much cheaper to serve and maintain than new customers. They continue to patronize the existing products and services or their upgraded versions as and when launched by the company, wrote Homburg, et al (2005). Greater customer satisfaction can actually lead to better returns and faster growth according to Fornell et al (2006). Oliver (1980) says that customer satisfaction or the absence of it results from the pleasure or disappointment caused by comparing a product's performance against the customer's prior expectations with regard to that product. Almost similar views are echoed by Tse & Wilton, (1988). Anderson and Sullivan (1993) also talked about the difference between customer perceptions of quality as seen before and after purchase of the product, as the major contributor for customer satisfaction.

Measurement of customer satisfaction should take into account pre-purchase expectations and post-purchase reactions, to draw some meaningful conclusions. Assessing the range of customer expectations and consequences is more important for

better understanding of customer satisfaction levels, according to Mandal & Bhattacharya (2013).

3.11 International studies on Retail Banking

Estiri, Hosseini et al (2011) found that customer satisfaction in Islamic retail banking depends on two major factors, value proposition quality and service delivery quality".

Sadeghi and Hanzaee (2010) validated a model of seven factors for customer satisfaction on the following dimensions - convenience, accessibility, accuracy, security, usefulness, bank image, and web site design."

Nguyen and Le Blanc (1998) said that in financial services, future research might consider a better knowledge of how customer satisfaction, service quality, and value interact to influence image assessments and loyalty, which promises to provide useful insights for formulating competitive strategy.

Customers could be grouped according to their Customer Lifetime Value (CLV) and, for each of the resulting customer groups; the company could then define a specific customer relationship management strategy, Michael Haenlein et al (2007).

Herington and Weaven (2009) studied the factors affecting customer satisfaction for e-retail banking in Australia. They came out with a four-factor solution represented by personal needs of the customer, website organization, user-friendliness of the websites and efficiency.

After studying customer satisfaction in retail banking in Kuwait, Al-Eisa and Alhemoud (2009) concluded that fast service, courtesy and helpfulness of employees and availability of self-banking services were the most important factors for customer satisfaction.

Kanning and Bergmann (2009) studied the German retail banking sector and identified the major factor affecting customer satisfaction to be performance of banks as against the fulfilment of customer expectations.

Casaló, Flavián, and Guinalíu (2008) found that website usability was the most important factor for customer satisfaction in their study of Spanish e-banking services.

Molina, Martín-Consuegra, and Esteban (2007) investigated the impact of relational benefits on customer satisfaction in Spanish retail banking. They found that customer confidence had a positive effect on their satisfaction with the bank.

Website content, ease of use of the websites, and accuracy were found to be the major factors for customer satisfaction in online banking in the Finnish retail banking in a study by Pikkarainen et al (2006).

Antony Beckett et al (2000) pointed out that banks need to adopt strategies which raise levels of involvement and increase consumer confidence so as to encourage purchases of financial instruments. One way to increase consumer involvement may be to introduce delivery channels which consumers feel comfortable using.

The factors affecting customer satisfaction in the Malaysian retail banking sector was conducted by Ndubisi and Wah (2005). A field survey of bank customers in Malaysia was conducted using a structured questionnaire. The data were factor-analyzed to determine the key dimensions of customer satisfaction. The results showed that five key dimensions, namely competence, communication, conflict handling, trust, and relationship quality, were the major determinants of customer satisfaction.

The dimensions of customer satisfaction in the Chinese retail banking sector was studied by Zhou, Lianxi (2004). The existing model of SERVPERF was used to determine the

factors contributing to customer satisfaction. The factors found were empathy or responsiveness of the employees, reliability or assurance from the bank, and tangibility of services.

The factors influencing customer satisfaction in the retail banking sector of Pakistan were investigated by Jamal and Naser (2003). The analysis was done based on data collection through a structured questionnaire, which looked into determinants of customer satisfaction in the retail banking sector of Pakistan. Service quality was found to be an important determinant of customer satisfaction.

The factors influencing customer satisfaction in the retail banking sector of Abu Dhabi was also investigated by Jamal and Naser (2002). Structured questionnaire was distributed among the respondents. The analysis of the responses indicated service quality provided by the banks and the customer expectations from the bank were the major determinants of customer satisfaction.

Ahmad Jamal (2004) says it is critical for brand managers to promote the fun or enjoyment side of their self-service technology options if the managers expect that customers will encounter negative or dissatisfying incidents. By doing so, they can project self-service technologies as something worth experiencing despite some minor problems caused during the service delivery. Similarly, brand managers can stress other critical attributes of self-service technology options (e.g. ease of use, speed and user friendliness) so that those experiencing dissatisfying incidents recognize that the service will be fast and easy to use once they get used to it.

Dabholkar and Bagozzi (2002) investigate the moderating effects of consumer traits and situational factors on the relationships within a core attitudinal model for technology-

based self-service. An experimental design is used with perceived waiting time and social anxiety (through perceived crowding) as the situational treatments. Relevant consumer traits for technology-based self-service are examined and include inherent novelty seeking, self-efficacy with respect to technology, self-consciousness, and the need for interaction with an employee.

Dabholkar (1994) proposed a framework for classifying technology-based service delivery options that could be applied to any service industry where technology can be used in delivery. The classification would allow a given service firm to systematically investigate technology-based service delivery options in terms of customer needs and marketing potential and as a basis for market segmentation. The framework may be used to organize the literature as well as to facilitate raising research questions on issues such as service quality and customer satisfaction, employee and/or customer training and appropriate marketing strategies.

3.12 The Indian Scenario

Singh and Kaur (2011) determined the "factors that have an impact on customer satisfaction as regards the working of select Indian universal banks. The major findings of the study show that customer satisfaction is influenced by seven factors – employee responsiveness, appearance of tangibles, social responsibility, services innovation, positive word-of-mouth, competence, and reliability. The results of multiple regression showed that three variables: social responsibility, positive word-of-mouth, and reliability have major influences on the overall satisfaction of the customer".

Ganguli and Roy (2011) studied the "factors affecting customer satisfaction in the Indian retail banking sector. Online structured questionnaire developed to determine the factors

for customer satisfaction was distributed among the respondents. The dimensions were identified using an exploratory factor analysis (EFA). Next the reliability and validity of the factors for customer satisfaction were established through confirmatory factor analysis (CFA). The paper identifies four generic dimensions in the technology-based banking services – customer service, technology security and information quality, technology convenience, and technology usage easiness and reliability. It was found that customer service and technology usage easiness and reliability have positive and significant impact on customer satisfaction.

Mandal and Bhattacharya (2013) adopted a grounded theory approach to study customer satisfaction in Indian retail banking. They conducted a qualitative study using in-depth interviews of a few customers (24 in number) and focus groups (4 in number) to arrive at the connection between the concepts and major categories. They came out with the major categories like core products and services, service delivery, employees, and ambience in the branch premises which impacted customer perceptions and satisfaction".

Manoj P.K. (2003) enumerates some of the essential pre-requisites for successful retail banking as follows: Strategic Cost Management, Skilled Human Resources, Technology Support, Market Research and Market Intelligence, Enterprise Customer Relationship, Management, Multiple Delivery Channels/ Customer Touch Points, Product Innovation, Business Process Reengineering, Rural Orientation, Cross- Selling of Products and Services

On the retail banking strategies being adopted in India, Rakesh Mohan (2006) said that "by choosing strategies that attract young employees, the senior managers ensure that the long run viability of the firms is maintained and all employees and the shareholders do well."

On the role of Reserve Bank of India in promoting retail banking, Rakesh Mohan (2006) said that the RBI has introduced "various new measures to encourage the expansion of financial coverage in the country. Not only is financial inclusion essential because of its implications for the welfare of citizens but it needs to be stressed that it has to be an explicit strategy for fostering faster economic growth in a more inclusive fashion". He further opined that on a broader plane the RBI has been adopting "a two-pronged strategy to generate greater awareness and expand the reach of banking services which can be termed as empowerment and protection".

The extent and depth of coverage of factors influencing the growth and success of retail banking, discussed so far, leads to the framing of the major objective of this study: The need for a wider and more comprehensive study of the determinants mentioned by various academicians and thought leaders, cited here above, for growth of retail banking in India since we have not come across such a study so far.

3.13 Scope of this study

This study seeks to explore the growth of retail banking in India through a survey conducted among the bankers themselves since a number of studies have already been done on the customer side to determine the factors responsible for their satisfaction and loyalty in retail banking.

Very few research studies have been undertaken on the rapid strides made in retail banking in India. The secondary data available on the performance of banks provides an impressive picture of the tremendous growth achieved in retail banking in India.

As can be seen from the data in Table 3.1, retail lending has grown over 300% over the last 10 years, an impressive growth of 30% on an average, annually. And retail lending constitutes 18.32% of the total bank lending. But there is very little contribution from the academic, research community on how this success came about and on the determinants for the growth of retail banking in India.

Table 3.1: Retail Banking Growth - 2005-2014

Details	Mar-05	Mar-08	Mar-11	Mar-13	Mar--14	Grow th from 2005 – 2014
Savings Deposits	4721	7858	16356	18344	21323	352%
Gross Bank Credit	10409	22474	37315	49642	56572	443%
Personal Loans	2451	5054	6854	8976	10367	323%

***Source:** www.rbi.org.in Rs. Billion

This study proposes to collect information and feedback from the Bankers themselves on what a bank should do to achieve success in retail banking. By analyzing the primary data so collected an attempt is made to highlight the components and practices behind the growth of retail banking in India. Previous studies on retail banking in India have focused on different segments like customer satisfaction, loyalty, technology adoption and usage by customers, marketing and so on. A holistic study of the factors responsible for Successful Retail banking is conspicuously absent. This research study is an attempt to fill this gap in academic research in this area.

3.14 Factors for Consideration

The literature survey reveals a host of factors that are responsible for successful retail banking: business strategy, aggressive, target-oriented marketing, exploring new markets and attracting new customers by improving the satisfaction of existing customers, technology enabled multi-channel delivery of banking services, cost-cutting or optimization, outsourcing, Shared Infrastructure, manpower rationalization through technology adoption, adequate training and orientation of bank staff for effective retail banking service delivery, compliance and risk management, business process reengineering, customer relationship management, business intelligence and so on. A brief summary of the factors gleaned through the literature survey is presented here:

- Technology as a strategy (Mariappan V, 2005)
- Alternate delivery channels as a strategy (Chakrabarty, K C. 2013)
- Growth strategies and cost cutting strategies for retail banking (EFMA, 2006)
- Retail banking distribution strategy (Reynold & Philip 2001)
- Bundling value added services as a strategy (Martin, K & George, W 2006)
- Technology as a strategy for service quality improvement (McKechnic, 1992)
- Technology as a strategy for cost-effective expansion (McKechnic, 1992)
- Multi channel excellence and integrated banking channels (Kilian Berz et al, 2009)
- Technology enabled services, technology support (Chakrabarty, K C. 2013)
- Alignment of technology, HRM and strategy (Frances et al, 1997)
- Technology improving productivity and profitability (Prasad & Harker 1997)
- Service levels and transparency (Kilian Berz et al, 2009)
- Cost reduction (Kilian Berz et al, 2009)

- Risk Management (Kilian Berz et al, 2009)
- Performance oriented culture (Kilian Berz et al, 2009)
- Technology: Security and Reliability (Ganguly & Roy, 2011)
- Technology reducing costs in retail banking (Allen Berger,1997)
- Innovative marketing (Sahoo, S C. 1994)
- Aggressive promotion (Sahoo, S C. 1994)
- Competitive pricing (Terrence Levesque et al 1996)
- Functional quality (Mosad Zineldin, 1996)
- Focus on BPR [(Padwal. 2003, S M, Manoj P K. 2003, Sven C Berger. 2009)
- Customer value and contribution (Sven C Berger)
- Customer life time value (Michael Haenlin et al. 2007)
- Competence, communication and conflict handling (Ndubisi and Wah)

This study focuses on all these factors to see how far and how well they are put to use by banks in India, to succeed in retail banking.

Banks, in their Annual Reports refer to the following factors for their retail banking Performance and Growth: Credit Growth, Growth in Current and Savings Accounts, Customer Centricity, Credit Quality and Cost Optimization.

3.15 Conclusion

The study used the factors highlighted by the literature survey for framing the survey questionnaire to ascertain the extent to which they have played a role in the growth of retail banking in India.

CHAPTER – 4

ANALYSIS OF RESULTS

4.1 Introduction

This is an exploratory study aimed at identifying the determinants for growth of retail banking in India. The study focuses on the Domestic Scheduled Commercial Banks since they account for over 90% of the banking business in India. The variables for the study were identified through literature survey and interaction with experts from the banking industry. Since this study is from the perspective of bankers themselves, and not many academic researchers have undertaken this kind of research, some of the variables had to be drawn from the banking experts only.

Based on the variables identified for the study, a structured questionnaire was prepared to collect the primary data for this study. The reliability and completeness of the Instrument designed was assessed by first using it in a small group of 55 bankers for pilot testing. The feedback received was used to improve the focus of the survey by adding six more items and to reduce the interpretational ambiguities in it. The improved questionnaire was then circulated to the larger population of respondents identified through the sample selection process, for the full scale study.

4.2 Reliability of the Instrument – Cronbach's Alpha

The pilot test data was used to assess the measure of reliability of the Instrument, testing it for Cronbach's Alpha. After completion of the entire survey, the reliability was tested again.

Reliability means that a measure should consistently reflect the construct that it is measuring. In other words, a person should get the same score on a questionnaire if they complete it at two different points in time. In statistical terms, the usual way to look at reliability is the idea that individual items should produce results consistent with the overall questionnaire. The simplest way to do this in practice is to use split-half reliability. This method randomly splits the data set into two. A score for each participant is then calculated, based on each half of the scale. The correlation between two halves is the static compound in the split-half method, with large correlations being a sign of reliability. The problem with this method is that there are several ways in which a set of data can be split into two and so the result could be a product of the way in which the data was split. To overcome this problem Cronbach (1951) came up with a measure that is loosely equivalent to splitting data in two in every possible way and computing the correlation coefficient for each split. The average of these values is equivalent to Cronbach‘s alpha α, which is the most common measure of scale reliability.

The first thing to note is that for each item on our scale, we can calculate two things: variance within the item, and the covariance between a particular item and any other item on the scale. Here, we can construct a variance-covariance matrix of all items. In this matrix, the diagonal elements will be the variance within a particular item, and the off-diagonal elements will be covariance between pairs of items. The top half of the equation is simply the number of items (N) squared multiplied by the average covariance between items. The bottom half is just the sum of all the item variances and item co variances.

The general perception is that a value of 0.7 to 0.8 is an acceptable value for cronbach’s alpha (≧α‘). Values substantially lower than that indicate an unreliable scale. According to Nunnally (1978) an alpha score larger than 0.6, is generally acceptable. Cortina (1993)

notes that such general guidelines need to be used with caution, because the value of alpha depends on the number of items on the scale. Kline (1999) notes that although the generally accepted value of 0.8 is appropriate for cognitive tests such as intelligence tests, for ability tests a cut-off point 0.7 is more suitable.

The Instrument used in this study had a Cronbach's Alpha score of .929 in the pilot study:

Table 4.1: Reliability Statistics – Pilot Study

Cronbach's Alpha	N of Items
.929	40

And the final survey had an alpha value of .935:

Table 4.2: Reliability Statistics of the Final Study

Cronbach's Alpha	N of Items
.935	46

The related tables are presented in the following pages:

Table 4.3: Item Statistics			
Item Description	Mean	Std.	N
Retail Banking Focus	4.6932	.59158	629
Aggressive Marketing	4.3975	.63175	629
Competitive Pricing	4.4785	.68765	629
Branch Network	4.5930	.61017	629
Quality Assurance	4.5564	.64251	629
Cross Selling	4.5835	.68755	629
Cost Cutting	3.8410	.97100	629
Incremental Process Improvement	4.3482	.75792	629
Business Process Reengineering	4.2035	.77578	629
Manpower Reduction	2.8712	1.24574	629
Outsourcing Services	3.3148	1.12843	629
Shared Infrastructure	3.5739	.86861	629
Eliminating Unprofitable Customers	3.2830	1.12699	629
Marketing Strategy Impact: Retail Assets	4.6248	.59114	629
Marketing Strategy Impact: Retail Liabilities	4.4340	.72326	629
Marketing Strategy Impact: Revenues	4.3816	.70080	629
Marketing Strategy Impact: Bank Image	4.5135	.68321	629
IT Governance: Maintenance	4.0843	.62909	629
IT Governance: Monitoring	4.4149	.69656	629
IT Governance: Improvement/Development	4.3052	.76902	629
Niche Areas for RB Products	3.8665	.83588	629
Item Description	Mean	Std.	N
USPs for RB Products	3.8013	.92915	629
Quality Rating - RB Products	4.4515	.63317	629
Quality Rating - RB Services	4.2957	.73688	629
Branch Staff Cross-Selling RB Products	3.9714	1.07925	629
Managing Delivery Channels	4.1590	.89059	629
Branch Level Service Standards: Transparency	3.9889	.89133	629
Credit Portfolio: Quality Monitoring	3.8887	.84670	629

Timely Collection of Repayments	3.8601	.85556	629
IT Systems: Operations & Maintenance	4.0413	.84925	629
Customer Data Privacy and Security	4.5723	.64586	629
IT Outsourcing and Vendor Management	3.8935	.90281	629
Retail Credit Risk Management	4.3800	.55893	629
Operational Risk Management – People	4.0906	.68169	629
Operational Risk Management - Processes	4.2162	.64417	629
Operational Risk Management – Systems	4.1876	.66037	629
Operational Risk Management - External Events	4.0604	.75260	629
Monitoring Compliance Levels in RB	4.7281	.79259	629
IT Security	4.2480	.71306	629
Audit Procedures	4.1924	.73982	629
Market Analysis for Improving Products and Services	4.0652	.79040	629
Handling Customer Complaints	4.0493	.96059	629
Item Description	Mean	Std.	N
CRM Campaigns	3.8108	.87105	629
Staff Training for RB	4.0731	.83383	629
Branch Ambience	4.0652	.79040	629
Retail Banking Performance	4.1590	.89059	629

Table 4.4: Item-Total Statistics

Item Description	Scale Mean if	Scale	Corrected	Cronbach's
Retail Banking Focus	185.9189	341.126	.266	.935
Aggressive Marketing	186.2146	337.455	.406	.934
Competitive Pricing	186.1335	334.014	.509	.933
Branch Network	186.0191	339.458	.331	.934
Quality Assurance	186.0556	337.291	.406	.934
Cross Selling	186.0286	336.238	.419	.934
Cost Cutting	186.7711	327.352	.540	.933
Incremental Process	186.2639	339.761	.249	.935

Business Process Reengineering	186.4086	339.959	.235	.935
Manpower Reduction	187.7409	333.027	.279	.936
Outsourcing Services	187.2973	334.865	.270	.936
Shared Infrastructure	187.0382	338.709	.245	.935
Eliminating Unprofitable	187.3291	331.259	.360	.935
Item Description	Scale Mean if	Scale	Corrected	Cronbach's
Marketing Strategy Impact: Retail	185.9873	336.898	.462	.934
Marketing Strategy Impact: Retail	186.1781	335.532	.424	.934
Marketing Strategy Impact:	186.2305	333.999	.499	.933
Marketing Strategy Impact: Bank	186.0986	331.700	.607	.933
IT Governance: Maintenance	186.5278	345.119	.076	.936
IT Governance: Monitoring	186.1971	343.009	.147	.936
IT Governance:	186.3068	341.000	.200	.935
Niche Areas for RB Products	186.7456	331.712	.488	.933
USPs for RB Products	186.8108	327.205	.572	.933
Quality Rating - RB Products	186.1606	338.778	.348	.934
Quality Rating - RB Services	186.3164	330.188	.618	.932
Branch Staff Cross-Selling RB	186.6407	324.011	.569	.933
Managing Delivery Channels	186.4531	325.048	.668	.932
Branch Level Service Standards:	186.6232	325.089	.666	.932
Credit Portfolio: Quality	186.7234	324.427	.726	.931
Timely Collection of Repayments	186.7520	327.550	.614	.932
IT Systems: Operations &	186.5707	325.459	.689	.932
Customer Data Privacy and	186.0397	333.420	.570	.933
Item Description	Scale Mean if	Scale	Corrected	Cronbach's
IT Outsourcing and Vendor	186.7186	327.910	.568	.933
Retail Credit Risk Management	186.2321	335.570	.557	.933
Operational Risk Management –	186.5215	332.530	.575	.933
Operational Risk Management –	186.3959	333.185	.582	.933
Operational Risk Management –	186.4245	332.735	.586	.933
Operational Risk Management -	186.5517	332.792	.507	.933

Monitoring Compliance Levels in	185.8839	338.845	.268	.935
IT Security	186.3641	333.038	.528	.933
Audit Procedures	186.4197	332.027	.546	.933
Market Analysis for Improving	186.5469	329.280	.606	.932
Handling Customer Complaints	186.5628	323.587	.659	.932
CRM Campaigns	186.8013	325.051	.684	.932
Staff Training for RB	186.5390	328.599	.595	.932
Branch Ambience	186.5469	329.280	.606	.932
Retail Banking Performance	186.4531	325.048	.668	.932

4.3 Scope of the Study

The study seeks to explore the retail banking strategies and practices being followed by banks in India to understand their impact on the extent to which banks have been successful in this business segment. Based on this study, an attempt is being made to determine the factors responsible for growth of retail banking in India, from the perspective of practising bankers themselves. The study covers only the domestic Scheduled Commercial Banks in India and the foreign banks are not included in the scope of this study due to constraints of time, accessibility and availability of respondents. Moreover they account for less than 5% total banking business in India.

4.4 Sample Size and Sampling Technique

Banks were chosen after grouping them according to their size of business and then proper representation of all ownership groups were ensured by purposive selection. Bank Officers were chosen as respondents for the survey and they were chosen by purposive sampling based on availability and accessibility

4.4.1 Sampling Technique: Banks have been first grouped size-wise into four groups, Largest, Large, Mid-sized and Small. Then banks were chosen from these groups purposively to represent their ownership grouping as follows:

Table 4.5: Sample Selection – Banks

Bank Groups	Total	Selected	Sample %
Ownership – Wise Grouping			
State Bank Group	**6**	**1**	**16.67**
Nationalised Banks	**20**	**4**	**20.00**
Old Private Sector Banks	**13**	**3**	**23.07**
New Private Sector Banks	**7**	**2**	**28.57**
Size-wise Grouping (Total Business in Lakhs of Crores, as on March 31, 2013)			
Largest Bank Group (Over 9 Lakhs)	**6**	**1**	**16.67**
Large Banks (Above 3 and Below 9 Lakhs)	**15**	**3**	**20.00**
Mid-sized Banks (Above 1 and below 3 Lakhs)	**11**	**3**	**27.27**
Small Banks (Less than 1 lakh Crore)	**14**	**3**	**21.42**

4.4.2 Sample size: This study relies on a sample size of 629 officers who responded. The total number of officers in Scheduled Commercial Banks in India (excluding Foreign Banks) is 5,77,211 as on 31st March, 2014(Annexure-II). For this universe of bank officers, the sample size used in the study is more than sufficient to arrive at reliable conclusions with a confidence level of 95% with a margin of error of 5%, since the required number of sample for a population upto 1 million is only 384, according to Krejcie & Morgan (1970). The profile of respondents in terms of their position and experience in banking is described in the tables here.

Table 4.6: Grade profile of respondents

Bank Code	Junior	Middle	Senior	Top	Total
ST-1	43	28	8	5	84
NA-1	36	24	12	3	75
NA-2	24	15	8	6	53
NA-3	31	14	9	4	58
NA-4	22	16	18	9	65
OL-1	34	23	7	4	68
NE-1	21	26	6	2	55
NE-2	26	17	5	3	51
OL-2	23	28	8	4	63
OL-3	27	19	9	2	57
Total	287	210	90	42	629
Percentage	**45.63**	**33.39**	**14.31**	**6.68**	**100.00**

The respondents are officers from the banks selected for sampling. Of the total of 629 officers from 10 banks who responded, around 7% are in the Top Management Grade (Deputy General Managers and General Managers), 14% are in the Senior Management Grade (Chief Managers and Assistant General Managers), 33% are in the Middle

Management Grade (Managers and Senior Managers) and 46% are in the Junior Management Grade (Officers and Asst. Managers).

Table 4.7: Experience Profile of Respondents						
Bank Code	**< 5 Yrs**	**> 5 and <10 Yrs**	**>10 and <20 Yrs**	**>20 and <30 Yrs**	**> 30 Yrs**	**Total**
ST-1	7	29	25	12	11	84
NA-1	8	31	18	10	8	75
NA-2	10	15	15	8	5	53
NA-3	30	7	7	8	6	58
NA-4	13	17	19	9	7	65
OL-1	20	29	12	5	2	68
OL-2	12	22	23	4	2	63
OL-3	15	17	21	2	2	57
NE-1	8	36	11	0	0	55
NE-2	3	34	12	2	0	51
Total	126	237	163	60	43	629
Percentage	**20.03**	**37.68**	**25.91**	**9.54**	**6.84**	**100.00**

Around 7% of the respondents have over 30 years of experience in Banking and 10% of respondents have experience between 20 and 30 years, 26% of respondents have experience ranging from 10 to 20 years, 38% of respondents have experience ranging from 5 to 10 years and only 20% of respondents have less than 5 years of experience.

4.5 Objectives of the Study

The broad objectives of the study are as follows:

- To study the performance of banks in retail banking in India.
- To study the retail banking strategies adopted by banks in India.
- To identify the factors facilitating growth of retail banking in India.

4.6 Hypotheses of the Study

The following hypotheses were tested using various statistical tools:

H1: There is a significant difference between banks in India in the retail banking strategies adopted by them.

H2: There is a significant difference between banks in India information technology management.

H3: In retail banking service delivery there is a significant difference between banks in India.

H4: In operational risk management there is a significant difference between banks in India.

H5: There is a significant difference in credit risk management processes between banks in India.

H6: Marketing efforts influence the growth of retail banking in India.

H7: There is significant relationship between banks and the technology enabled services offered for retail banking.

H8: There is a significant relationship between banks and the retail banking or products offered.

H9: There is a significant relationship between banks and the quality control measures for retail banking.

H10: There is a significant relationship between banks and the customer value assessment process for retail banking.

4.7 Tools and Techniques for Analysis:

The primary data was analysed extensively with the help of following tools and techniques:

1. Percentage Analysis was used for analysing the inputs from the survey.
2. ANOVA was used for analyzing the variance between various bank groups and banks with regard to the various dimensions of retail banking.
3. Chi-square test used to test the goodness of fit to validate the hypotheses in the study. It was also used as a "test of independence" whether paired observations on two variables, expressed in a contingency table, are independent of each other (e.g. survey responses from officers of different banks to see if their bank affiliation is related to the response).
4. Factor Analysis was used for reducing the multiple factors related to retail banking and to find out the significant factors that influence the outcomes of retail banking.

5. Regression – used for ascertaining the impact of significant factors on (identified from the factor analysis) and their linear relationship with the overall quality and performance of retail banking.

4.8 Percentage Analysis

The study used the five point likert scale for getting psychometric responses on various factors and practices in retail banking, from the respondents (bank officers). And the weights assigned for statistical analysis of this scaled data are as follows:

- Strongly Agree/Very Good/Very Effective =5
- Agree/Good/Effective = 4
- Neither Agree Nor Disagree/Satisfactory/Neither Effective Nor Ineffective = 3
- Disagree/Poor/Ineffective =2
- Strongly Disagree/Very Poor/Very Ineffective = 1

4.8.1 Focus on Retail Banking

The first question in the survey was intended to verify from the respondents whether their banks were focussing on retail banking as a business segment.

Table 4.8: Banks' Focus on Retail Banking as a Business Segment

Bank	Number	Percent
Strongly Agree	462	73.5
Agree	154	24.5
Neither Disagree Nor Agree	4	0.6
Disagree	5	0.8
Strongly Disagree	4	0.6
Total	629	100.0

And an overwhelming majority of 73.4% strongly agreed. Another 24.5% of them agreed and only 13 respondents (2.5%) out of 629 felt otherwise. This is a confirmation that all banks surveyed are focussing on retail banking as a business segment.

4.8.2 Retail Banking Products

The second and third questions were seeking information on retail banking Products being offered by banks.

Table 4.9: Retail Banking Products Offered

No	Product	YES		NO		Total
		Number	%	Number	%	100%
1	Debit Cards	629	100	0	0	629
2	Home Loans	629	100	0	0	629
3	Vehicle Loans	629	100	0	0	629
4	Education Loans	629	100	0	0	629
5	Personal Loans	623	99.0	6	1.0	629
6	Demat Accounts	608	96.7	21	3.3	629
7	Bancassurance	601	95.5	28	4.5	629
8	Consumer Durable Loans	596	94.8	33	5.2	629
9	Gold Loans	592	94.1	37	5.9	629
10	Mutual Funds	524	83.3	105	169.7	629
11	Credit Cards	450	71.5	179	28.5	629
12	Online Trading	379	60.3	250	39.7	629
13	Co-Branded Cards	370	58.8	259	41.2	629
14	Wealth Management	336	53.4	293	46.6	629

It is found that Debit Cards, Home Loans, Vehicle Loans and Education Loans are offered by all banks (100%). Personal Loans are offered by almost all banks (99%). Demat Accounts, Bancassurance, Consumer Durable Loans and Gold Loans have an affirmative answer between 94% and 97%, These products can also be assumed to be

offered by almost all banks since the response is above 94%. Mutual Funds and Credit Cards are in the 70-85% range. And Online Trading, Co-Branded Cards and Wealth Management are in the range of 50-61%.

It can be seen that **five products**, namely, Debit Cards, Home Loans, Vehicle Loans, Education Loans and Personal Loans are the **fixed component** of the Retail banking Products being offered in retail banking. Demat Accounts, Bancassurance, Consumer Durable Loans and Gold Loans are the other **four products** come next in the order of priority and are **offered by most** of the banks. The remaining **five products,** namely, Mutual Funds, Credit Cards, Online Trading, Co-Branded Cards and Wealth Management are **being selectively offered** as part of the Retail Basket by some banks only.

It is worthwhile to note here that out of the fourteen products in the Retail Basket, six of them (43%), namely, Debit Cards, Demat Accounts, Credit Cards, Mutual Funds, Online Trading, and Co-Branded Cards are Information Technology(IT) Enabled Products. Apart from the fact that entire banking is supported by IT through the Core Banking Solution(CBS), these specific products cannot be offered without IT support at the bank level. And we can call them IT Enabled Products (ITEPs).

4.8.3 Retail Banking Strategies

Since retail banking involves reaching out to the public at large, across the country, the fundamental building block for success in retail banking is the Strategies adopted by the banks. The main focus of retail banking is to constantly improve market share to ensure regular growth in retail revenues, since the potential for growth gets limited without increase in the customer base. Branch Network, in terms of location, expansion and

geographical coverage plays an important role in tapping the potential for retail banking. Banks also need to focus on marketing to ensure visibility, reach out to new market, capture new customers and offer competitive prices quality assurance to be in the reckoning. Cross-selling to existing customers is a much more productive effort if it has not been undertaken on a large scale.

Since retail banking involves handling huge volumes with comparatively low value, banks also need to have a sharper focus on improving internal efficiency through continuous, incremental process improvements or through radical changes by reengineering business processes. Manpower reduction or redeployment can be one more option to get more out of the internal staff.

Another attractive option for improving operating profits from retail banking is to attempt cost reduction in retail banking operations. This can be done through ways like outsourcing, Shared Infrastructure, cost-cutting programme and even elimination of unprofitable customers (by closing their accounts) the cost of serving whom is much higher than the revenue earned through them. The strategy matrix that is applicable to retail banking is presented here and this was the subject of question 5 in the survey, which asked the bankers their opinion on whether these strategies have contributed to the success of retail banking in their banks.

Banks in India may be adopting different strategies depending upon their business needs and market conditions. This question (No.5) presents the respondents with a set of 12 major strategies (a combination of these are usually adopted) that may be relevant for

improving retail banking revenues and profits, as discussed earlier. These strategies can be grouped into three major categories, based on purpose, as given in the table here.

Table 4.10: Retail Banking Strategy Purpose and Focus

Revenue Generation	**Improving Internal Efficiency**	**Cost Optimization**
Aggressive Marketing	Incremental Process Improvement	Cost Cutting
Competitive Pricing	Business Process Reengineering	Outsourcing
Branch Network (Location and Spread)	Quality Assurance	Shared Infrastructure
Cross-Selling to Existing Customers	Manpower Redeployment	Elimination of unprofitable Customers

These choices were presented to the respondents and their opinion was sought on whether the success of their own bank's retail strategies could be attributed to any of these approaches. These strategic approaches were gleaned through the literature survey on what banks have generally been adopting for their retail banking growth.

The responses received from the survey are presented and analysed in the table that follows here:

Table 4.11: Retail Banking Strategies

Rank	Strategy Choices	Survey Responses						Weighted Score					Ranking	
		SA	AG	NA	DI	SD	Total	SA = 5	AG =	NA =	DI =	SD =	Total	%
1	Branch Network	406	198	17	8	0	629	2030	792	51	16	0	2889	91.86
2	Cross Selling	427	154	36	12	0	629	2135	616	108	24	0	2883	91.67
3	Quality Assurance	395	196	31	7	0	629	1975	784	93	14	0	2866	91.13
4	Competitive Pricing	352	245	13	19	0	629	1760	980	39	38	0	2817	89.57
5	Aggressive Marketing	291	306	23	9	0	629	1455	1224	69	18	0	2766	87.95
6	Incremental Process	313	237	64	15	0	629	1565	948	192	30	0	2735	86.96
7	Business Process	244	291	72	22	0	629	1220	1164	216	44	0	2644	84.07
8	Cost Cutting	160	284	129	37	19	629	800	1136	387	74	19	2416	76.82
9	Shared Infrastructure	71	300	185	65	8	629	355	1200	555	130	8	2248	71.48
10	Outsourcing	97	203	166	127	36	629	485	812	498	254	36	2085	66.30
11	Elimination of	88	216	144	148	33	629	440	864	432	296	33	2065	65.66
12	Manpower	91	97	163	196	82	629	455	388	489	392	82	1806	57.42

SA - Strongly Agree, AG-Agree, NA - Neither Agree Nor Disagree, DI-Disagree, SD-Strongly Disagree

The survey results show that an overwhelming majority of bankers are in agreement (with a weighted score around 91%) that three strategies, namely, Branch Network, Cross Selling and Quality Assurance have contributed to the growth of retail banking in their banks. The first two are Revenue Generation focussed and the third one focusses on Improving Internal Efficiency. It is worthwhile to note that by and large retail banking products are almost similar and it is only the service that distinguishes a bank from another (K C Chakrabarty, 2013). And Quality Assurance plays a great role in providing the much needed distinction to a bank in the retail banking market.

It can be concluded that these three strategies have contributed in a large measure to the growth of retail banking in India.

Competitive Pricing (89.57%), Aggressive Marketing (87.955), Incremental Process Improvement (86.96%), Business Process Reengineering (84.07%) and Cost Cutting (76.82%) have also been predominantly adopted by our banks as indicated by their weighted scores. After the market that was thrown open, after liberalisation in the late 1990's, the NPSBs brought with them a very stiff competition for the creamy retail banking market. This has, perforce, resulted in banks adopting market-driven strategies like Competitive Pricing and Aggressive Marketing.

Though both these strategies inherently have a financial implication in the form of revenue dilution or advertisement expenditure these strategies place their bet on volumes to make good the outgo, especially since retail banking *is* a volume game.

BPR, Incremental Process Improvement and Cost Cutting must have been the natural consequences of banks getting into the highly competitive, low margin and high volume retail market. They must have realised the need to improve internal efficiency, both on a

continuous basis as also on radical terms like setting up regional processing centres for retail lending as well as back office processes. The need to adopt cost cutting strategy invariably comes along with the revenue augmentation strategy, to conserve the hard earned incomes from retail banking on a sustainable basis.

The other four strategies, namely, Shared Infrastructure (71.48%), Outsourcing (66.30%), Elimination of unprofitable Customers(65.66%) and Manpower Redeployment (57.42%) are at the bottom of the table. These four have a large number of respondents taking a neutral stand on their impact. They probably have their own reservations even on why and how these strategies were used by their own banks. Shared Infrastructure and Outsourcing are more often related to technology intensive areas of banking and banks get into them more out of economic or inevitably necessary option rather than as a conscious strategy of their own. This is probably the reason why these two are at the bottom. Elimination of unprofitable customers is not an easy way out since it also involves effort, cost and time and regulatory requirements to follow. And Manpower redeployment or reduction is a still more thorny issue in an industry like banking and that probably is the reason why the respondents feel that this strategy whenever it was sought to be used, did not benefit their bank.

Having said that, it can be safely concluded that all these twelve strategies have been used by banks in India at various points of time in the last 20 years, with varying degrees of success, with the exception of the last four about which the respondents have their own reservation, in large numbers.

Since IT plays an important role in retail banking, it is an appropriate strategy to have IT Governance mechanisms in place in the bank. In fact, it is a recommendation from RBI that IT Governance is a board level responsibility.

It was suggested that there should be separate sub-committee of the Board, named IT Steering Committee for this purpose, since large project involving hundreds of crores of rupees are being managed and operated by banks.

Hence question no. 7 sought inputs on this aspect from the respondents to know whether their bank has established IT Governance processes:

Table 4.12: Information Technology Governance in Banks

Sl. No	IT Governance Processes in place for	Survey Responses						Percentages					
		SA	AG	NA	DI	SD	Total	SA = 5	AG = 4	NA = 3	DI = 2	SD = 1	Total
1	IT Infrastructure Maintenance	122	465	19	19	4	629	19.4	73.9	3	3	0.6	100
2	IT Infrastructure Monitoring	318	273	19	19	0	629	50.6	43.4	3	3	0.00	100
3	IT Infrastructure Development	280	292	26	31	0	629	44.5	46.4	4.1	4.9	0.00	100

SA - Strongly Agree, AG-Agree, NA - Neither Agree Nor Disagree, DI-Disagree, SD-Strongly Disagree

More than 90% of the respondents have affirmed that they have IT Governance mechanisms in place in their banks. This is a major reason for our not seeing frequent or major breakdowns in the IT infrastructure in banks in such a way that they affect the banks' business seriously.

4.8.4 Information Technology Enabled Retail Banking

Mariappan. V (2005) said that technology has been used as a strategy to win market and customer and highlighted this growing trend. Retail banking cannot survive, let alone grow, without the bank offering 24/7/365 banking service across as many electronic delivery channels as possible.

This chapter has already highlighted the fact that out of the fourteen products in the Retail Basket, six of them (43%), namely, Debit Cards, Demat Accounts, Credit Cards, Mutual Funds, Online Trading, and Co-Branded Cards are Information Technology(IT) Enabled Products. Apart from the fact that entire banking is supported by IT through the Core Banking Solution(CBS), these specific products cannot be offered without IT support at the bank level. And we can call them IT Enabled Products (TEBPs).

The fourth question was seeking inputs on Information Technology Enabled Banking Services (ITEBS) for retail banking customers.

And the responses (Yes or No) reveal that ATM, Internet Banking and Utility Bill payments through Net Banking are offered by all banks. And all the other services are being offered in the range of 75 to 96% across banks. It is worthwhile to note that out of the 15 technology enabled services under 5 major heads, except ATM (provided by the banks themselves) all the other services require technology deployment at the customer end. For this the customer should either own the device or should share a device provided by a third party like the cyber cafe, somebody else's smart phone etc.

Table 4.13: Information Technology Enabled Banking Services being Offered

No	Product		YES		NO		Total
			Number	%	Number	%	100%
1	ATM		629	100	0	0	629
2	Internet Banking		629	100	0	0	629
3	Phone Banking		593	94.3	36	5.7	629
4	Net Banking for	Utility Bill Payments	629	100	0	0	629
		Railway Tickets	596	94.8	33	5.2	629
		Air Tickets	590	93.8	39	6.2	629
		Online Shopping	588	93.5	41	6.5	629
		Bus Tickets	583	92.7	46	7.3	629
		Movie Tickets	564	89.7	65	10.3	629
5	Mobile Banking on	SMS	600	95.4	29	4.6	629
		Android	581	92.4	48	7.6	629
		IoS (Apple)	508	80.8	121	19.2	629
		Windows	494	78.5	135	21.5	629
		USSD	492	78.2	137	21.8	629
		WAP	484	76.9	145	23.1	629

These service delivery channels, away from the brick-and-mortar base channel, are all technology enabled. And this is the speciality of retail banking, as it has evolved now: all the services are IT enabled, with more than 80% requiring technology adoption at the customer end. These ITEBS bring a host of conveniences to the customers like anywhere, anytime, low-cost access to banking services. This is one of the major reasons for the faster growth of retail banking, especially among the tech-savvy young adults in the organised sector in a relatively faster growing economy like ours.

As such, with 43% of the products IT enabled and 100% of all the delivery channels being dependent on IT, the significance of the role played by IT in retail banking need not be emphasized any further. Moreover, even the brick and mortar Branch, the basic and only delivery channel for banking services, not so long ago, just two decades ago, to be precise, cannot function without direct connectivity with the Bank's data centre for offering even the simplest of services like balance enquiry or cash withdrawal. In fact, the entire bank, not just retail banking, relies on IT support for its day to day functioning. Hence, the need for managing IT well in the bank assumes great significance.

Table 4.14: Information Technology Management for Retail Banking

Sl. No	Processes in place for	Survey Responses						Percentages					
		VE	EF	NE	IN	VI	Total	VE	EF	NE	IN	VI	Total
1	Delivery Channel Management (DCM)	258	249	99	10	13	629	41.00	39.60	15.70	1.60	2.10	100
2	IT Operations and Maintenance	198	288	127	3	13	629	31.50	45.80	20.20	0.50	2.10	100
3	IT Outsourcing & Vendor Management	159	296	137	22	15	629	25.30	47.10	21.80	3.50	2.40	100
4	IT Security Management	245	304	74	3	3	629	39.00	48.30	11.80	0.50	0.50	100

VE- Very Effective, EF- Effective, NE - Neither Effective Nor Ineffective, IN- Ineffective, VI –Very Ineffective

Technology support was the subject of questions 15, 22, 24 and 27 which dealt with delivery channel management, IT operations and maintenance, IT outsourcing and vendor management and IT security for banking operations. The responses received are presented in the table here.

Over 80% of the bank officers surveyed are convinced that the Delivery Channel Management(DCM) process in their banks are Effective (Very Effective 41%, Effective 39%). This is a very crucial part of retail banking operations. Any hiccups in DCM would deprive a large part of the country or customer segments access to banking operations and services. The negative fallout of the impact would also be very severe. That is why banks do not even hesitate to spend a little more money, if necessary, to keep all the Delivery Channels in real time active service mode with sufficient redundancy at all levels and proactive alarms and alerts to take remedial action in quick time to set right occasional breakdowns as and when they occur.

IT systems operations and maintenance similarly has got a score of 77.30% for being Effective (Very Effective 31% and Effective 46%). It is common knowledge that maintenance teams do not always get very good recognition and appreciation, normally. They come into the picture when things go wrong and have no visibility when things are all fine. The fact that the respondents have given such a high rating is an indication of the full realisation on their part of the crucial role being played by IT in the entire banking system, not just in retail banking. It is also an indication that the respondents have attached that much value to this survey to be so sincere and forthcoming in their assessment of the role of IT in their bank's survival and growth.

IT outsourcing and vendor management is another complex responsibility for the bank. Since banks are using very large, complex, real time, sensitive, extremely critical and highly capital intensive IT systems, it is just not possible for them to manage all these IT systems on their own with the help of bankers trained in IT. All that the banks could do is to get small batches of their officers trained sufficiently enough to understand and monitor the operations of these large and complex IT system and infrastructure. In fact we are reaching a stage where IT companies are being seen by banks not as rank outsiders but welcome partners in progress for a long haul, with a mutually beneficial collaborative outlook. That is why even in this area which involves a little bit of friction and conflicting viewpoints, the respondents have expressed their satisfaction to a great extent, over 72% for the processes being effective, (very effective 25%, effective 47%).

IT Security policies and processes have scored a positive response of over 87% (Very effective 39% and effective 48%) in this IT Segment. This is a clear manifestation of the importance attached to IT Security. Any breach it IT Security would have far reaching consequences and the rank and file of bank officers and staff have been adequately sensitised on this. Apart from business disruption and possible losses, IT security failures or breaches invite unwanted negative publicity and also invite disproportionate penalties from regulatory agencies on various counts. This is the reason why banks do not want to be on the wrong side of IT security. And this gets fully reflected by the responses from this survey. Overall, the rating of effectiveness of IT support for retail banking is around 80% in this survey. This is a high score, from user groups, for a maintenance and support function that is so significant and crucial.

A clearer picture of the role of IT in retail banking especially with the customer's adoption and usage of technology enabled products and services can be seen by the

growth in volumes and value of customer transaction using Debit and Credit Cards over the last ten years.

Table 4.15: Growth in IT Enabled Electronic Payments in Retail Banking

Electronic Payments Indicators		April 2009	April 2014	CAGR%
Number of ATMs		75645	162543	16.53
Debit Cards	Number of Cards	140.55	399.65	23.25
	Number of Transactions	12.05	610.30	119.25
	Value of Transactions	17.78	1,830.31	152.64
Credit Cards	Number of Cards	24.37	19.23	-4.63
	Number of Transactions	18.54	46.74	20.31
	Value of Transactions	49.32	147.40	24.48

Source: RBI – Payment System Indicators – www.rbi.org.in

The Debit Card transaction volumes have grown from 12 million to to 610 million between April 2009 and April 2014 at a phenomenal CAGR of 119.25%. And the value of transactions have grown from 18 billion INR to 1830 billion during the same period with a still higher CAGR of 152.64%. Debit card being the most important and fundamental instrument for all customers in retail banking, this is a clear proof of the role of technology enabled growth in retail banking product usage and ubiquitous service availability. Credit Card transaction volumes have also grown from 18 to 46 million with a CAGR of 20.31% and the value of transactions has grown from 49 to 147 billion INR with a 24.48% CAGR. There is a decline in credit card numbers and this must be due to consolidation, following the economic crisis after 2008.

4.8.5 Risk Management for Retail Banking

RBI guidelines say that the management of credit risk should receive the top management's attention and the process should encompass:

a) Measurement of risk through credit rating/scoring;

b) Quantifying the risk through estimating expected loan losses i.e. the amount of loan losses that bank would experience over a chosen time horizon (through tracking portfolio behaviour over 5 or more years) and unexpected loan losses i.e. the amount by which actual losses exceed the expected loss (through standard deviation of losses or the difference between expected loan losses and some selected target credit loss quantile);

c) Risk pricing on a scientific basis; and

d) Controlling the risk through effective Loan Review Mechanism and portfolio management

Since retail banking revenues depend a lot on retail lending and the health of the retail credit portfolio, banks should pay sufficient attention to this area.

Another major area where risk is evolving is Operational Risk. Definition of operational risk has evolved rapidly over the past few years. At first, it was commonly defined as every type of unquantifiable risk faced by a bank. However, further analysis has refined the definition considerably. Operational risk has been defined by the Basel Committee on Banking Supervision1 as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. This definition is based on the underlying

causes of operational risk. It seeks to identify why a loss happened and at the broadest level includes the breakdown by four causes: people, processes, systems and external factors. Likely forms of manifestation of operational risk

The Reserve Bank of India defines Operational Risk any risk other than Credit Risk, Market Risk or Interest Rate Risk. The guidance note from RBI on Operational Risk Management, provides examples of these new and growing risks faced by banks:

7. Highly Automated Technology - If not properly controlled, the greater use of more highly automated technology has the potential to transform risks from manual processing errors to system failure risks, as greater reliance is placed on integrated systems.
8. Emergence of E- Commerce – Growth of e-commerce brings with it potential risks (e.g. internal and external fraud and system securities issues)
9. Emergence of banks acting as very large volume service providers creates the need for continual maintenance of high-grade internal controls and back-up systems.
10. Outsourcing – growing use of outsourcing arrangements and the participation in clearing and settlement systems can mitigate some risks but can also present significant other risks to banks.
11. Large-scale acquisitions, mergers, de-mergers and consolidations test the viability of new or newly integrated systems.
12. Banks may engage in risk mitigation techniques (e.g. collateral, derivatives, netting arrangements and asset securitisations) to optimise their exposure to

13. market risk and credit risk, but which in turn may produce other forms of risk (eg. legal risk).

It is worthwhile to note here that retail banking involves four out of the six factors listed above by RBI. Therefore, it is imperative that Banks in India concentrate on Operational Risk Management to protect their retail banking operations from unexpected disruptions.

The respondents were asked questions relating to the mechanisms their banks have for credit risk management, like recovery of instalments in time from retail borrowers, ensuring the overall health of the retail credit portfolio by regular monitoring and their opinion on the overall credit risk management and its effectiveness.

Questions on operational risk also focussed on the effectiveness of the mechanisms in place for controlling and mitigating the risks relating to People, Processes, Systems and External Events that could affect the retail banking and its customers across the country.

The questions and responses relating to risk management are analysed here:

Table 4.16: Risk Management for Retail Banking

Sl. No	Processes in place for		Survey Responses						Percentages					
			VE	EF	NE	IN	VI	Total	VE	EF	NE	IN	VI	Total
1	Timely collection of repayments form retail borrowers		151	277	166	32	3	629	24.00	44.00	26.40	5.10	0.50	100
2.	Maintaining overall health of Retail Credit Portfolio		145	305	156	10	13	629	23.10	48.50	24.80	1.60	2.10	100
3	Overall Retail Credit Risk Management		263	342	24	0	0	629	41.80	54.40	3.80	0.00	0.00	100
4	Operational Risk Management	People	164	371	81	13	0	629	26.10	59.00	12.90	2.10	0.00	100
		Processes	360	56	7	0	0	206	32.80	57.20	8.90	1.10	0.00	100
		Systems	200	354	68	7	0	629	31.80	56.30	10.80	1.10	0.00	100
		External Events	181	322	109	17	0	629	28.80	51.20	17.30	2.70	0.00	100
5	Compliance Management – Ret. Bkg.		552	24	12	41	0	629	87.80	3.80	1.90	6.50		100
6	Audit Procedures		222	325	66	13	3	629	35.30	51.70	10.50	2.10	0.50	100

VE- Very Effective, EF- Effective, NE - Neither Effective Nor Ineffective, IN- Ineffective, VI –Very Ineffective

It is found from the survey that Banks are doing very well on the Risk Management front. Regarding the processes for timely collection of repayments from retail borrowers as well as the overall health of the Retail Credit Portfolio, over 71% of the respondents have a positive reply(effective/very effective). But on Overall Credit Risk Management over 96% of the respondents have said the processes are effective (very effective 42%, Effective 54%). For Operational Risk, for the first three risks over 85% have agreed that their banks' systems are effective(and very effective). With regard to the External Event Risk, the response is a little lower, but still 80% for effectiveness.

In this segment itself, the survey also asked, as part of credit risk management, whether the banks are using credit scoring models (Q19). And 569 (over 90%) out of 629 responded in the affirmative and only 69 said "NO"

4.8.6 Service Delivery Standards

Prior to liberalisation and the banking reforms that followed in the early 1990s, there was practically. All interest rates (prices) were uniform across banks since they were fixed by the regulator and changed very rarely. Banking was a seller's market and the customers were at the receiving end. Every banks had a number of products irrespective of the fact whether they were patronized by the customers or not. Customer service was not a priority and things were so bad that the Goiporia committee was formed by RBI to impress upon banks that customer service is very important and they should take steps to make their employees realise this. The key recommendations of the Goiporia committee will give a clear picture of the state of affairs, especially in the case of public sector banks:

- Commencement of employees' working hours 15 minutes before commencement of business hours can be made operative by banks at branches in metropolitan and urban centres.
- All the customers who enter the banking hall before the close of business hours should be attended to.
- To ensure that no counter remains unattended during the business hours and uninterrupted service is rendered to the customers.
- All branches, except, very small branches, should have 'Enquiry' or 'May I help you? Counter, either exclusively or combined with other duties, located near the entry point of the banking hall.
- Issuance of statements of accounts and updating of pass books with correct and legible particulars should attract bank's constant attention.
- Infrastructure facilities at branches should be upgraded by bestowing particular attention to providing adequate space, proper furniture, drinking water facilities, etc.
- Time norms for specialised business transactions should be displayed predominantly in the banking hall.

The picture drastically changed from the late 1990's. Serious competition emerged in banking and banks started changing themselves. Retail banking focus changed the entire scenario.

Mandal and Bhattacharya (2013) adopted a grounded theory approach to study customer satisfaction in Indian retail banking. They conducted a qualitative study using in-depth interviews of a few customers (24 in number) and focus groups (4 in number) to arrive at the connection between the concepts and major categories. They came out with the major categories like core products and services, service delivery, employees, and ambience in the branch premises which impacted customer perceptions and satisfaction".

Retail banking products and services should be standardized i.e. there should be uniformity, transparency and non-discrimination. The banks should target efficient service delivery to succeed in retail banking said K C Chakrabarty (2013), Deputy Governor, RBI.

Retail banking products being indistinguishable across banks, with very little variation except pricing in most of the cases, it is Service delivery that acts as an efficient differentiator in this highly competitive banking segment. Effective Service Delivery systems demand a number of factors like deployment of competent, and

adequately trained frontline staff, set standards for service delivery, making those standards really transparent and meaningful (not as standards displayed on the walls at branches just for the sake of regulatory compliance requirements), regular monitoring to see that these standards are understood by the staff themselves very well and followed in letter and spirit, and contemporary standards for Branch Ambience that keep evolving over time to meet the changing customer needs and preferences.

Table 4.17: Service Delivery Standards

Sl. No	Service Delivery Parameters	Survey Responses						Percentages					
		SA	AG	NA	DI	SD	Total	SA	AG	NA	DI	SD	Total
1	Branch Ambience – Standards Set	189	318	99	20	3	629	30.00	50.60	15.70	3.20	0.50	100
2	Transparency of Branch Level Service Standards	201	259	136	27	6	629	31.96	41.18	21.62	4.29	0.95	100
3	Staff Trained for Retail Banking	219	259	131	18	2	629	34.80	41.20	20.80	2.90	0.30	100

SA - Strongly Agree, AG-Agree, NA - Neither Agree Nor Disagree, DI-Disagree, SD-Strongly Disagree

The response for set standards for Branch Ambience is over 80% positive. On the transparency of branch level service standards, the score is above 73%. On the question of staff being provided proper training for improving retail banking services, the positive response is over 75%. The Branch Level Service Monitoring by Controlling Office/s got a 90% agreement. Regular Quality Review of Retail Banking Services got a positive score of 85% and that of Products got a confirmation from 88% respondents. Incentives for staff for cross-selling efforts got a positive response from 72%. The overall positive score for the whole segment is well over 75%. This is a very good confirmation that the banks are making sincere efforts and that the significance of the contribution of Service Delivery to the overall performance of retail banking has permeated across the bank.

Table 4.18: Service Quality Review and Promotion

No.	Service Delivery Parameters	Survey Responses			Percentages		
		YES	NO	Total	YES	NO	Total
1	Branch Level Service Monitoring by Controlling Office/s	566	63	629	90	10	100
2	Incentives to staff for cross selling products of alliance partners	453	176	629	72	28	100
3	Quality Review of Retail Banking Products at pre-defined intervals	554	75	629	88.1	11.9	100
4	Quality Review of Retail Banking Services at pre-defined intervals	537	92	629	85.4	14.6	100

The service delivery standards are not only set, they are also transparent and monitored regularly. And the quality of service is being reviewed by higher authorities at regular intervals, And the staff are trained to make them competent and well-equipped to improve the customer satisfaction at the Branch Level.

It can be seen from the survey responses that banks have come a long way, indeed, from the Goiporia Committee recommendations, to customer service its due importance in this highly competitive banking environment.

Therefore, it can now be safely concluded that banks in India are focussed on improving Service Delivery Standards.

4.8.7 Customer Relationship Management for Retail Banking

Sahoo, S.C. (1994) stated that the Indian Bank Managers face several new challenges which include not only competition but also the fast growing technology, consumerism and economic conditions characterized by inflationary pressure and unemployment. These changes have widened the role and responsibilities of Bank Managers. To cope with the new situations a new orientation is required in their thinking and new skills, new methods and above all new strategies. All these call for innovative marketing, aggressive promotion and effective communication programs.

Effective and efficient management (and use) of retail delivery systems requires integration of a bank's capabilities in the operations and marketing areas. In this regard, banks must achieve strategic fit between the two crucial functional areas of operations and marketing. This integration becomes increasingly important towards quickly responding to changing customer needs in today's dynamic marketplace. It is in this background, this study sought to verify the current status and focus of banks on marketing.

The survey covered the customer value assessment and segmentation practice, customer complaints and grievance redressal, and overall customer relationship management (CRM) for retail banking.

The survey shows that CRM campaigns are yet to reach higher levels of effectiveness. The overall effectiveness is at 67%. But banks have improved their capacity to listen to their customers and the effectiveness ratio of procedures in handling customer grievances is 78%.

Table 4.19: Customer Relationship Management

Sl. No	CRM Initiatives	Survey Responses						Percentages					
		VE	EF	NE	IN	VI	Total	VE	EF	NE	IN	VI	Total
1	CRM Campaigns, Event Promotions	127	307	156	27	12	629	20.20	48.80	24.80	4.30	1.90	100
2	Procedures Handling Customer Complaints and Grievances	230	261	92	31	15	629	36.60	41.50	14.60	4.90	2.40	100

VE- Very Effective, EF- Effective, NE - Neither Effective Nor Ineffective, IN- Ineffective, VI –Very Ineffective

Table 4.20: Customer Value Assessment

Service Delivery	Survey Responses			Percentages		
	YES	NO	Total	YES	NO	Total
Customer Profitability	397	232	629	63.1	36.9	100
Customer's Lifetime Value	293	336	629	46.6	53.4	100

Customer value assessment is essential to identify profitable customers and to give them a sense of comfort and satisfaction, if not attractive financial incentives, so that they feel that their banks are sincerely reciprocating their trust and respect. Banks need to know the customer profitability in the short term and also the estimated lifetime value (LTV) of the customer for the remaining period and stages in his life. There are sophisticated analytical tools and techniques available now for banks to benefit from. The survey wanted to know precisely whether banks have started doing this. And the responses show that there is a positive response of 63% for customer profitability and 47% for LTV.

Banks have a lot more ground to cover here. But a pretty good start has been made in this very important area. This also requires a higher capital investment for a Data Analytics capability through the Data Warehousing and Data Mining infrastructure in the banks. This will take some more time to be norm in the industry.

With the findings on CRM related initiatives and strategies of banks, it can be conveniently concluded that banks are concentrating on improving the CRM efforts to get enough dividends for retail banking.

4.8.8 Impact of Retail Banking Strategies and Initiatives

As seen already in Chapter 2, the Performance of Retail Banking in India shows that as of March 31, 3014, retail banking brings in 33.46% of the Revenues for the Industry as a whole and contributes 38.13% of the Operating Profits. This growing segment of banking also accounts for 26.14% of the Assets and 35.16% of the Liabilities. Broadly speaking 26.14% of the Assets could generate 38.13% of the Operating Profits and this is the major reason for banks focussing on retail banking today. Retail banking happens to be the most profitable segment with a huge potential for growth, especially with the growing economy and the booming middle class.

The study sought to assess the perceptions of the bankers on the overall Performance of retail banking was also captured through a specific question.

Table 4.21: Overall Impact of Retail Banking Strategies

Impact on		**Strongly Agree**	**Agree**	**Neither Agree Nor Disagree**	**Disagree**	**Strongly Disagree**	**Total**
		Very Good	**Good**	**Satisfactory**	**Poor**	**Very Poor**	
Retail Banking Performance	Number	246	261	102	11	9	629
	%	39.11	41.49	16.22	1.75	1.43	100

It is seen from the table that the retail banking strategies have had a positive impact on all banks but in varying degrees. Over 80% of the respondents feel good about the overall performance of their bank in retail banking. They admit that there is enough headroom. And this is a fact. Success in retail banking, of course, is not a destination but a journey.

4.9 Testing of Hypotheses: ANOVA

4.9.1 Retail Banking Strategies

Strategies play a significant role in the success and growth of retail banking. As seen earlier, banks may choose to concentrate on one or more overall objectives, namely revenue generation, internal efficiency improvement or cost cutting and accordingly frame their strategies.

Hypothesis H1: There is a significant difference between banks in India, in the retail banking strategies adopted by them.

The percentage analysis in this chapter revealed that the respondents have agreed in varying degrees that all the twelve strategies mentioned in the survey have been used by their banks with varying levels of success.

To get a much better understanding of the strategies adopted by various bank groups and also verify whether there is a significant difference between banks in adopting these strategies, two different statistical tests were used. First, the T – test of independence was used to verify whether there were differences between two groups: Public Sector Banks and Private Sector Banks. Then it was also used for the groups within those sectors, namely nationalised banks and state bank group and old and new private sector banks. And the results are presented here:

The following table provides two results from two different t-tests, one assumed equal variance and the other unequal variance. Which result to use depends on the result from Levene's test. If the p-value(sig.) for the Levene's test result, assuming equal variance , is greater than 0.05, then the corresponding p-value [Sig. (2-tailed)] in column 7 in the same row(first row) is to be taken as the result for the T Test. Otherwise, the p-value [Sig. (2-tailed)] in the second row is to be taken as the T Test result. For example, in the first case of Aggressive Marketing, the Levene's Test result assumes equal variance and the p-value

is .220(column 4) and accordingly the T Test result in column 7 is a p-value of .386, which is greater than 0.50. It can be assumed that the variance of two groups are the same and the null hypothesis is accepted. It can be concluded that there is NO significant difference between the Public Sector Banks and Private Sector Banks as far as the adoption of this strategy is concerned, at 5% significance level. Similarly, for the next strategy, Competitive Pricing, since the Levene's Test result is .000 which is less than 0.50, the T Test result is also .000 and the null hypothesis is rejected. Alternative hypothesis is accepted.

Table 4.22: Independent Samples Test - Public and Private Sector Banks											
		Levene's Test for Equality of Variances		t-test for Equality of Means							
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference		Hypothesis Accepted/ Rejected
									Lower	Upper	
1	2	3	4	5	6	7	8	9	10	11	12
Aggressive Marketing	Equal variances assumed	1.509	**.220**	.867	627	**.386**	.04376	.05050	-.05540	.14292	Rejected
	Equal variances not assumed			.869	621.08	.385	.04376	.05039	-.05519	.14271	
Competitive Pricing	Equal variances assumed	24.691	**.000**	3.961	627	.000	.21516	.05432	.10848	.32183	
	Equal variances not assumed			3.876	520.08	**.000**	.21516	.05551	.10611	.32420	Accepted
Branch Network	Equal variances assumed	.019	**.890**	.700	627	**.484**	.03413	.04878	-.06167	.12992	Rejected
	Equal variances not assumed			.704	626.33	.482	.03413	.04847	-.06106	.12931	
Quality Assurance	Equal variances assumed	20.333	**.000**	3.207	627	.001	.16345	.05097	.06335	.26354	
	Equal variances not assumed			3.181	588.77	**.002**	.16345	.05139	.06252	.26438	Accepted

1	2	3	4	5	6	7	8	9	10	11	12
Cross Selling	Equal variances assumed	29.707	**.000**	-3.934	627	.000	-.21370	.05432	-.32037	-.10702	
	Equal variances not assumed			-4.002	615.54	**.000**	-.21370	.05340	-.31856	-.10883	Accepted
Cost Cutting	Equal variances assumed	7.585	**.006**	-.390	627	.697	-.03028	.07765	-.18276	.12221	
	Equal variances not assumed			-.394	626.124	**.694**	-.03028	.07681	-.18111	.12056	Rejected
Incremental Process Improvement	Equal variances assumed	4.656	**.031**	-4.677	627	.000	-.27869	.05959	-.39570	-.16167	
	Equal variances not assumed			-4.744	621.915	**.000**	-.27869	.05874	-.39405	-.16333	Accepted
Business Process Reengineering	Equal variances assumed	9.869	**.002**	-2.396	627	.017	-.14798	.06176	-.26927	-.02670	
	Equal variances not assumed			-2.442	610.125	**.015**	-.14798	.06060	-.26699	-.02898	Accepted
Manpower Redeployment	Equal variances assumed	.067	**.796**	1.228	627	**.220**	.12224	.09951	-.07318	.31765	Rejected
	Equal variances not assumed			1.224	606.616	.221	.12224	.09986	-.07387	.31834	
Outsourcing Services	Equal variances assumed	3.051	**.081**	-3.973	627	**.000**	-.35415	.08914	-.52919	-.17911	Accepted
	Equal variances not assumed			-3.962	608.524	.000	-.35415	.08939	-.52970	-.17860	

1	2	3	4	5	6	7	8	9	10	11	12
Shared Infrastructure	Equal variances assumed	19.523	**.000**	-.392	627	.695	-.02724	.06946	-.16365	.10916	
	Equal variances not assumed			-.399	613.091	**.690**	-.02724	.06822	-.16121	.10673	Rejected
Eliminating Unprofitable Customers	Equal variances assumed	.384	**.536**	.014	627	**.989**	.00127	.09014	-.17573	.17827	Rejected
	Equal variances not assumed			.014	606.715	.989	.00127	.09044	-.17635	.17889	

It is seen that there is a significant difference between Public and Private Sector Banks in the case of six strategies:

Competitive Pricing, Quality Assurance, Cross Selling, Business Process Reengineering, Incremental Process Improvement and Outsourcing,

And there is NO significant difference between banks in these two sectors as far as the other six strategies are concerned:

Aggressive Marketing, Branch Network, Cost Cutting, Manpower Redeployment, Shared Infrastructure, Elimination of Unprofitable Customers

The next step is to find the degree of difference in strategies between Nationalised Banks and the State Bank Group.

Table 4.23: Independent Samples Test – State Bank Group (SBG) and Nationalised Banks (NABs)											
		Levene's Test for Equality of Variances		t-test for Equality of Means							
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference		Hypothesis Accepted/ Rejected
									Lower	Upper	
1	2	3	4	5	6	7	8	9	10	11	12
Aggressive Marketing	Equal variances assumed	6.353	**.012**	1.623	332	.106	.13162	.08111	-.02794	.29117	
	Equal variances not assumed			1.883	188.524	**.061**	.13162	.06990	-.00626	.26950	Rejected
Competitive Pricing	Equal variances assumed	62.927	**.000**	4.836	332	**.000**	.33332	.06893	.19773	.46891	Accepted
	Equal variances not assumed			5.994	220.835	.000	.33332	.05561	.22372	.44291	
Branch Network	Equal variances assumed	4.119	**.043**	.705	332	.482	.05698	.08087	-.10210	.21605	
	Equal variances not assumed			.837	199.340	**.403**	.05698	.06804	-.07720	.19115	Rejected
Quality Assurance	Equal variances assumed	96.788	**.000**	5.165	332	**.000**	.37781	.07315	.23392	.52170	Accepted
	Equal variances not assumed			7.402	310.144	.000	.37781	.05104	.27738	.47825	

1	2	3	4	5	6	7	8	9	10	11	12
Cross Selling	Equal variances assumed	.519	**.472**	-.168	332	.866	-.01618	.09613	-.20528	.17293	
	Equal variances not assumed			-.183	163.005	**.855**	-.01618	.08862	-.19117	.15882	Rejected
Cost Cutting	Equal variances assumed	1.296	**.256**	-.797	332	.426	-.10560	.13244	-.36613	.15493	
	Equal variances not assumed			-.749	126.886	**.455**	-.10560	.14105	-.38471	.17351	Rejected
Incremental Process Improvement	Equal variances assumed	1.046	**.307**	3.436	332	.001	.35045	.10198	.14984	.55107	
	Equal variances not assumed			3.923	181.685	**.000**	.35045	.08934	.17418	.52672	Accepted
Business Process Reengineering	Equal variances assumed	.399	**.528**	4.138	332	.000	.44598	.10777	.23397	.65798	
	Equal variances not assumed			4.799	188.237	**.000**	.44598	.09294	.26264	.62931	Accepted
Manpower Redeployment	Equal variances assumed	4.765	**.030**	-1.780	332	**.076**	-.27312	.15345	-.57498	.02873	Rejected
	Equal variances not assumed			-1.688	128.740	.094	-.27312	.16184	-.59333	.04708	
Outsourcing Services	Equal variances assumed	.093	**.761**	-2.857	332	.005	-.39159	.13705	-.66118	-.12200	
	Equal variances not assumed			-2.779	133.907	**.006**	-.39159	.14091	-.67029	-.11289	Accepted

1	2	3	4	5	6	7	8	9	10	11	12
Shared Infrastructure	Equal variances assumed	9.260	**.003**	3.885	332	**.000**	.46945	.12085	.23172	.70717	Accepted
	Equal variances not assumed			3.962	145.016	.000	.46945	.11850	.23523	.70366	
Eliminating Unprofitable Customers	Equal variances assumed	.019	**.890**	-.098	332	.922	-.01373	.13940	-.28794	.26049	
	Equal variances not assumed			-.099	142.444	**.921**	-.01373	.13809	-.28671	.25925	Rejected

Within the Public Sector Banks it is found that there is NO significant difference between SBG and NABs as far as these strategies are concerned: Aggressive Marketing, Branch Network, Cross Selling, Cost Cutting, Manpower Redeployment and Eliminating Unprofitable Customers.

And there **is** a significant difference between these two groups as far as the other six categories are concerned:

Competitive Pricing, Quality Assurance, Incremental Process Improvement, BPR, Outsourcing Services and Shared Infrastructure .

Table 4.24: Independent Samples Test – Old and New Private Sector Banks											
		Levene's Test for Equality of Variances		t-test for Equality of Means							
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference		Hypothesis Accepted/ Rejected
									Lower	Upper	
1	2	3	4	5	6	7	8	9	10	11	12
Aggressive Marketing	Equal variances assumed	2.111	**.147**	-.801	293	.424	-.06015	.07512	-.20799	.08769	
	Equal variances not assumed			-.851	261.646	**.395**	-.06015	.07066	-.19929	.07898	Rejected
Competitive Pricing	Equal variances assumed	.740	**.390**	-5.840	293	.000	-.53072	.09087	-.70956	-.35188	
	Equal variances not assumed			-6.094	249.310	**.000**	-.53072	.08709	-.70225	-.35919	Accepted
Branch Network	Equal variances assumed	16.990	**.000**	.348	293	**.728**	.02436	.07003	-.11347	.16219	Rejected
	Equal variances not assumed			.317	166.538	.752	.02436	.07690	-.12747	.17619	
Quality Assurance	Equal variances assumed	178.633	**.000**	2.413	293	**.016**	.19676	.08155	.03627	.35725	Accepted
	Equal variances not assumed			2.082	143.767	.039	.19676	.09449	.01000	.38352	

1	2	3	4	5	6	7	8	9	10	11	12
Cross Selling	Equal variances assumed	.707	**.401**	-1.318	293	.188	-.09212	.06988	-.22965	.04542	
	Equal variances not assumed			-1.242	183.921	**.216**	-.09212	.07419	-.23848	.05425	Rejected
Cost Cutting	Equal variances assumed	1.269	**.261**	-3.831	293	.000	-.39938	.10425	-.60456	-.19421	
	Equal variances not assumed			-4.010	251.506	**.000**	-.39938	.09959	-.59552	-.20324	Accepted
Incremental Process Improvement	Equal variances assumed	93.879	**.000**	1.289	293	**.198**	.10201	.07911	-.05368	.25770	Rejected
	Equal variances not assumed			1.125	147.756	.263	.10201	.09071	-.07725	.28127	
Business Process Reengineering	Equal variances assumed	12.160	**.001**	3.472	293	.001	.26551	.07647	.11501	.41601	
	Equal variances not assumed			3.159	166.075	**.002**	.26551	.08406	.09955	.43147	Accepted
Manpower Redeployment	Equal variances assumed	.491	**.484**	-.348	293	.728	-.05389	.15496	-.35887	.25110	
	Equal variances not assumed			-.339	204.293	**.735**	-.05389	.15891	-.36720	.25942	Rejected
Outsourcing Services	Equal variances assumed	19.584	**.000**	-10.840	293	**.000**	-1.26586	.11678	-1.49570	-1.03602	Accepted
	Equal variances not assumed			-12.189	289.390	.000	-1.26586	.10386	-1.47027	-1.06145	

1	2	3	4	5	6	7	8	9	10	11	12
Shared Infrastructure	Equal variances assumed	7.989	**.005**	-9.004	293	**.000**	-.70760	.07859	-.86227	-.55292	Accepted
	Equal variances not assumed			-9.128	229.711	.000	-.70760	.07752	-.86034	-.55485	
Eliminating Unprofitable Customers	Equal variances assumed	83.041	**.000**	-8.979	293	**.000**	-1.11831	.12455	-1.36344	-.87319	Accepted
	Equal variances not assumed			-10.709	285.310	.000	-1.11831	.10443	-1.32386	-.91276	

Within the private sector there is NO significant difference between old and new banks in the following cases:

Aggressive Marketing, Branch Network, Cross Selling, Incremental Process Improvement and Manpower Redeployment.

And there **is** a significant difference in the following seven cases:

Competitive Pricing, Quality Assurance, Cost cutting, BPR, Outsourcing Services, Shared Infrastructure and Eliminating of Unprofitable Customers.

The next analysis is for all the four Groups of Banks together: SBG, NABs, OPSBs and NPSBs. And for this ANOVA is used, since the number of groups is more than 2. And it is found that in this industry wide analysis, there is NO significant difference between these four groups in the following three cases: Aggressive Marketing, Branch Network and Manpower Redeployment. In all the other nine cases ***there is*** a significant difference between these groups.

Table 4.25: ANOVA between all the four Bank Groups

		Sum of Squares	df	Mean Square	F	F Critical Value	Sig.	Hypothesis Accepted/ Rejected
Aggressive Marketing	Between Groups	1.663	3	.554	1.391	2.6191	.244	**Rejected**
	Within Groups	248.973	625	.398				
	Total	250.636	628					
Competitive Pricing	Between Groups	33.590	3	11.197	26.570	2.6191	.000	Accepted
	Within Groups	263.371	625	.421				
	Total	296.960	628					
Branch Network	Between Groups	.399	3	.133	.356	2.6191	.785	**Rejected**
	Within Groups	233.411	625	.373				
	Total	233.809	628					
Quality Assurance	Between Groups	15.581	3	5.194	13.322	2.6191	.000	Accepted
	Within Groups	243.665	625	.390				
	Total	259.246	628					
Cross Selling	Between Groups	7.922	3	2.641	5.712	2.6191	.001	Accepted
	Within Groups	288.946	625	.462				
	Total	296.868	628					
Cost Cutting	Between Groups	11.726	3	3.909	4.209	2.6191	.006	Accepted
	Within Groups	580.376	625	.929				
	Total	592.102	628					
Incremental Process Improvement	Between Groups	20.333	3	6.778	12.444	2.6191	.000	Accepted
	Within Groups	340.417	625	.545				
	Total	360.750	628					

		Sum of Squares	df	Mean Square	F	F Critical Value	Sig.	Hypothesis Accepted/ Rejected
Business Process Reengineering	Between Groups	20.581	3	6.860	11.998	2.6191	.000	Accepted
	Within Groups	357.372	625	.572				
	Total	377.952	628					
Manpower Redeployment	Between Groups	7.158	3	2.386	1.542	2.6191	.203	**Rejected**
	Within Groups	967.411	625	1.548				
	Total	974.569	628					
Outsourcing Services	Between Groups	138.240	3	46.080	43.542	2.6191	.000	Accepted
	Within Groups	661.432	625	1.058				
	Total	799.672	628					
Shared Infrastructure	Between Groups	47.975	3	15.992	23.471	2.6191	.000	Accepted
	Within Groups	425.837	625	.681				
	Total	473.812	628					
Eliminating Unprofitable Customers	Between Groups	85.306	3	28.435	24.949	2.6191	.000	Accepted
	Within Groups	712.322	625	1.140				
	Total	797.628	628					

Finally, the ANOVA test is done for all the ten banks in the survey to test the hypothesis. And it is found that only for one strategy, Manpower Redeployment, the F value calculated (1.027) is less than the table value (1.8950) and the P value is .417, much above .05. Therefore it can be concluded that there is NO significant difference between banks as far as this strategy is concerned. But, since for eleven out of 12 strategies, there is a significant difference, the hypothesis is to be accepted.

Table 4.26: ANOVA for Retail Banking Strategies between Banks								
		Sum of Squares	df	Mean Square	F	F Critical Value	Sig.	Hypothesis Accepted / Rejected
Aggressive Marketing	Between Groups	17.174	9	1.908	5.060	1.8950	.000	Accepted
	Within Groups	233.462	619	.377				
	Total	250.636	628					
Competitive Pricing	Between Groups	42.319	9	4.702	11.430	1.8950	.000	Accepted
	Within Groups	254.642	619	.411				
	Total	296.960	628					
Branch Network	Between Groups	7.096	9	.788	2.153	1.8950	.024	Accepted
	Within Groups	226.713	619	.366				
	Total	233.809	628					
Quality Assurance	Between Groups	19.390	9	2.154	5.560	1.8950	.000	Accepted
	Within Groups	239.857	619	.387				
	Total	259.246	628					
Cross Selling	Between Groups	24.943	9	2.771	6.309	1.8950	.000	Accepted
	Within Groups	271.925	619	.439				
	Total	296.868	628					
Cost Cutting	Between Groups	44.638	9	4.960	5.608	1.8950	.000	Accepted
	Within Groups	547.464	619	.884				
	Total	592.102	628					
Incremental Process Improvement	Between Groups	28.994	9	3.222	6.011	1.8950	.000	Accepted
	Within Groups	331.756	619	.536				
	Total	360.750	628					

		Sum of Squares	df	Mean Square	F	F Critical Value	Sig.	Hypothesis Accepted / Rejected
Business Process Reengineering	Between Groups	39.861	9	4.429	8.109	1.8950	.000	Accepted
	Within Groups	338.091	619	.546				
	Total	377.952	628					
Manpower Redeployment	Between Groups	14.332	9	1.592	1.027	1.8950	.417	**Rejected**
	Within Groups	960.237	619	1.551				
	Total	974.569	628					
Outsourcing Services	Between Groups	174.337	9	19.371	19.175	1.8950	.000	Accepted
	Within Groups	625.336	619	1.010				
	Total	799.672	628					
Shared Infrastructure	Between Groups	72.252	9	8.028	12.375	1.8950	.000	Accepted
	Within Groups	401.561	619	.649				
	Total	473.812	628					
Eliminating Unprofitable Customers	Between Groups	124.882	9	13.876	12.767	1.8950	.000	Accepted
	Within Groups	672.746	619	1.087				
	Total	797.628	628					

As shown by the data in the table, the F value calculated is greater than the table value(F Critiical) and the p value is less than .05 in all cases except 1, i.e, Manpower Redeployment, **the hypothesis that there is a significant difference between banks in the retail banking strategies adopted by them is Accepted.**

The overall summary for this hypothesis at various levels of comparison, by using the T Test and ANOVA, is presented here in the table here.

Table 4.27: Summary Table - Retail Banking Strategies – Hypothesis (H1).

	Between Public and Private Sector Banks	Within Public Sector	Within Private Sector	Between the Four Groups	Individual Bank Level
Aggressive Marketing	Rejected	Rejected	Rejected	Rejected	Accepted
Competitive Pricing	Accepted	Accepted	Accepted	Accepted	Accepted
Branch Network	Rejected	Rejected	Rejected	Rejected	Accepted
Quality Assurance					
Cross Selling	Accepted	Rejected	Rejected	Accepted	Accepted
Cost Cutting	Rejected	Rejected	Accepted	Accepted	Accepted
Incremental Process Improvement	Accepted	Accepted	Rejected	Accepted	Accepted
Business Process Reengineering	Accepted	Accepted	Accepted	Accepted	Accepted
Manpower Redeployment	Rejected	Rejected	Rejected	Rejected	Rejected
Outsourcing Services	Accepted	Accepted	Accepted	Accepted	Accepted
Shared Infrastructure	Rejected	Accepted	Accepted	Accepted	Accepted
Eliminating Unprofitable Customers	Rejected	Rejected	Accepted	Accepted	Accepted

As seen in this summary table there is a significant difference between banks in the retail banking strategies adopted by them.

4.9.2 Information Technology Management

IT Management in retail banking focuses mainly on Delivery Channel Management, IT Operations and Maintenance, IT Outsourcing and Vendor Management, and IT Security.

Hypothesis H2: There is a significant difference between banks in India, in Information Technology Management.

Table 4.28: ANOVA for IT Management among Bank Groups in India.

Sources of Variation	Sum of Squares	Df	Mean Squares	F	P-Value	F Critical
Between Groups	22.484	3	7.495	15.119	.000	2.6192
Within Groups	309.815	625	.496			
Total	332.299	628				

The ANOVA result shows that the calculated P Value is .000 and F value is 15.119 which is greater than the table value of 2.6192 at 5% level of significance. As the calculated F value is more than the table value, it can be inferred that there is a significant difference between Bank Groups in Technology Management for retail banking. The alternative hypothesis is, therefore, ACCEPTED.

Table 4.29: ANOVA for Information Technology Management among Banks.

Sources of Variation	Sum of Squares	Df	Mean Squares	F	P-Value	F Critical
Between Groups	26.358	9	2.929	5.926	.000	1.8950
Within Groups	305.941	619	.494			
Total	332.299	628				

The ANOVA result shows that the calculated P Value is .000 and F value is 5.926 which is greater than the table value of 1.8950 at 5% level of significance. As the calculated F value is more than the table value, it can be inferred that there is a significant difference between Banks in Information Technology Management for retail banking. The alternative hypothesis is, therefore, ACCEPTED.

4.9.3 Service Delivery in Retail Banking

Service Delivery in retail banking includes Branch Ambience, Transparent Standards for Branch Level Service, Assured Quality of Products and Services, Grievance Redressal, and Adequate Training for Staff to facilitate efficient service.

Hypothesis H3: In service delivery, there is significant difference between banks in India.

Table 4.30: ANOVA for Service Delivery in Retail Banking among Bank Groups.

Sources of Variation	Sum of Squares	Df	Mean Squares	F	P-Value	F Critical
Between Groups	6.201	3	2.067	6.250	.000	2.6192
Within Groups	206.676	625	.331			
Total	212.877	628				

The ANOVA result shows that the calculated P Value is .000 and F value is 6.250 which is greater than the table value of 2.6192 at 5% level of significance. As the calculated F value is more than the table value, it can be inferred that there is a significant difference between Bank Groups in Service Delivery in retail banking. The alternative hypothesis is, therefore, ACCEPTED.

Table 4.31: ANOVA for Service Delivery in Retail Banking among Banks.

Sources of Variation	Sum of Squares	Df	Mean Squares	F	P-Value	F Critical
Between Groups	15.086	9	1.676	5.246	.000	1.8950
Within Groups	197.791	619	.320			
Total	212.877	628				

The ANOVA result shows that the calculated P Value is .000 and F value is 5.246 which is greater than the table value of 1.8950 at 5% level of significance. As the calculated F value is more than the table value, it can be inferred that there is a significant difference between Banks in Service Delivery in retail banking. The hypothesis is, therefore, ACCEPTED.

Operational Risk Management

Operational Risk Management involves managing the risk associated with People, Processes, Systems and External Events. Since retail banking involves huge volumes of business and anytime, anywhere services to customers, Operational Risk Management assumes significance for the success of retail banking.

Hypothesis H4: In operational risk management, there is significant difference between banks in India.

Table 4.32: ANOVA for the Operational Risk Management among Bank Groups

Sources of Variation	Sum of Squares	Df	Mean Squares	F	P-Value	F Critical
Between Groups	3.975	3	1.325	3.370	.018	2.6192
Within Groups	245.742	625	.393			
Total	249.717	628				

The ANOVA result shows that the calculated P Value is .000 and F value is 3.370 which is greater than the table value of 2.6192 at 5% level of significance. As the calculated F value is more than the table value, it can be inferred that there is a significant difference between Bank Groups in Operational Risk Management. The alternative hypothesis is, therefore, ACCEPTED.

Table 4.33: ANOVA for Operational Risk Management among Banks in India.

Sources of Variation	Sum of Squares	Df	Mean Squares	F	P-Value	F Critical
Between Groups	10.634	9	1.182	3.059	.001	1.8950
Within Groups	239.083	619	.386			
Total	249.717	628				

The ANOVA result shows that the calculated P Value is .000 and F value is 3.059 which is greater than the table value of 1.8950 at 5% level of significance. As the calculated F value is more than the table value, it can be inferred that there is a significant difference between Banks in Operational Risk Management. The hypothesis is, therefore, ACCEPTED.

4.9.4 Retail Credit Risk Management

Credit Risk Management plays a vital role in protecting and improving revenues from retail banking. Credit Risk Management involves, Mechanisms for timely collection of debts, Monitoring the health of the Credit Portfolio and overall Credit Risk Management capabilities.

Hypothesis H5: There is a significant difference between banks in retail credit risk management.

Table 4.34: ANOVA for Retail Credit Risk Management among various Bank Groups.

Sources of Variation	Sum of Squares	Df	Mean Squares	F	P-Value	F Critical
Between Groups	2.001	3	.667	1.314	.269	2.6192
Within Groups	317.230	625	.508			
Total	319.231	628				

The ANOVA result shows that the calculated P Value is .269 and F value is 1.314 which is less than the table value of 2.6192 at 5% level of significance. As the calculated F value is less than the table value, it can be inferred that there is **No significant difference** between Bank Groups in Credit Risk Management. The **NULL** hypothesis is, therefore, ACCEPTED.

Table 4.35: ANOVA for Credit Risk Management among various Banks in India.

Sources of Variation	Sum of Squares	Df	Mean Squares	F	P-Value	F Critical
Between Groups	10.131	9	1.126	2.254	.017	1.8950
Within Groups	309.099	619	.499			
Total	319.231	628				

The ANOVA result shows that the calculated P Value is .017 and F value is 2.254 which is greater than the table value of 1.8950 at 5% level of significance. As the calculated F value is more than the table value, it can be inferred that there is a significant difference between Banks in Credit Risk Management. The alternative hypothesis is, therefore, ACCEPTED.

4.10 Testing of Hypotheses: Chi-Square Tests

The Pearson Chi-square statistic tests, whether the two variables are independent or not. If the significant value is small enough (conventionally *sig.* must be less than 0.05) then the null hypothesis can be rejected. It means the variables are independent and gain confidence in the hypothesis that they are in some way related.

To show that the banks are not uniformly following the same business practices in retail banking and the survey responses normally have a relationship with the bank affiliation of the respondents. the study formulated the following hypotheses which were tested using the Chi-Square model. The results are listed here.

4.10.1 Impact of Marketing Efforts on Retail Banking Growth

The respondents were asked whether their bank's marketing efforts had a positive impact on their retail banking assets, liabilities, revenues and their bank image. The results, very positive, are presented here.

Hypothesis H6: Marketing efforts influence the growth of retail banking in India.

H6a: Marketing efforts influence growth in Retail Assets of banks.
H6b: Marketing efforts influence growth in Retail Liabilities of banks.
H6c: Marketing efforts influence growth in Retail Revenues of banks.
H6d: Marketing efforts influence improvement in the Image of banks.

Table 4.36: Marketing Efforts for Retail Banking

Sl No.	Marketing Efforts	SA	AG	NA	DI	SD	Total	SA	AG	NA	DI	SD	Total
1	Niche Areas Identified for Retail Banking	148	284	162	35	0	629	23.5	45.2	25.8	5.6	0	100
2	USPs Identified for Retail Banking Products	155	252	172	42	8	629	24.6	40.1	27.3	6.7	1.3	100
3	Improving Retail Products and Services based on Market Analysis and Feedback	189	318	99	20	3	629	30.00	50.60	15.70	3.20	0.50	100
4	Branch Staff involved in Cross Selling	208	320	0	77	24	629	33.10	50.90	0.00	12.20	3.80	100

SA - Strongly Agree, AG-Agree, NA - Neither Agree Nor Disagree, DI-Disagree, SD-Strongly Disagree

Among the respondents, 68% feel that the banks have identified their niche areas for marketing their retail banking products and services. A slightly lower percentage, 64%, of respondents feel that unique selling propositions have been identified by banks for their retail banking products. Over 80% of the bankers surveyed feel that their banks actively analysed market trends and changing customer need and preference and take steps to improve their retail banking products and services accordingly. This is a very good sign and indicator that retail banking is all set to grow and prosper in the coming years. Similarly the healthy trend indicated by 84% of the respondents that bank staff are involved in cross-selling at the branch level is a high

positive for the banking industry as a whole. Direct involvement of staff in cross selling gives an added element of comfort and reliability for the customers to buy much more readily than what the banks can achieve through other channels of communication. The fact that the staff are involved in a big way in cross selling indicates that banks are providing attractive incentives and adequate recognition for staff excelling cross selling initiative, as an extended call of duty. There have been a number instances where banks have offered foreign tours as an incentive and recognition for their staff who are extraordinary performers in this area. The strategic alliance partners of banks, like insurance companies and mutual funds also follow this practice to get more mileage for their products through this more powerful and country wide distribution channel: Banking.

Table 4.37: Impact of Marketing Efforts on Retail Banking

Sl No.	Impact of Marketing Efforts on	**SA**	**AG**	**NA**	**DI**	**SD**	**Total**	**SA**	**AG**	**NA**	**DI**	**SD**	**Total**
1	Growth of Retail Assets	422	185	15	7	0	629	67.09	29.41	2.38	1.11	0	100
2	Growth of Retail Liabilities	345	227	42	15	0	629	54.80	36.10	6.70	2.40	0	100
3	Growth of Retail Revenues	316	241	68	4	0	629	50.2	38.3	10.8	0.6	0	100
4	Improving Bank's Image	379	206	32	12	0	629	60.3	32.8	5.1	1.9	0	100

SA - Strongly Agree, AG-Agree, NA - Neither Agree Nor Disagree, DI-Disagree, SD-Strongly Disagree

It is seen from the table that the marketing efforts have had a positive impact on all banks but in varying degrees. In the case of Retail Assets an overwhelming 96.50% agree but for Retail Liabilities it is very high but just cross the 90% mark. In the case of Retail Revenues it is a tad lower at 88.5%. When it comes to the Bank's Image 93.10% of the respondents are convinced that Marketing has given a boost and their customers feel happy about their own bank.

Table 4.38: Chi-Square Tests – Marketing Efforts and Retail Banking Growth

Retail Banking Impact		Pearson Chi-Square	Likelihood Ratio	Linear-by-Linear Association	Result
Relationship between Marketing and Retail Assets Growth	Value	1.228E2a	119.712	95.570	Accepted
	df	9	9	1	
	Asymp. Sig. (2-sided)	.000	.000	.000	
Relationship between Marketing and Growth of Retail Liabilities	Value	1.346E2a	139.112	100.655	Accepted
	df	9	9	1	
	Asymp. Sig. (2-sided)	.000	.000	.000	
Relationship between Marketing and Growth of Retail Revenues	Value	1.080E2a	107.939	53.459	Accepted
	df	9	9	1	
	Asymp. Sig. (2-sided)	.000	.000	.000	
Relationship between Marketing and Improvement of Bank's Image	Value	1.945E2a	167.044	108.675	Accepted
	df	9	9	1	
	Asymp. Sig. (2-sided)	.000	.000	.000	

H6a: Marketing Efforts influence growth in Retail Assets of banks.

The calculated value of chi-square statistic is 1.228E2, the degree of freedom is 9, and the Asymptotic Significance value is 0.000. The total number of cases considered for the analysis is 629. From the analysis, given in the table it can be observed that the *P-value* is lesser than the level of significance 0.05 ($p < 0.05$) so, it is highly significant. It means,

marketing efforts influence growth in retail assets of banks. Therefore, the hypothesis can be accepted.

H6b: Marketing Efforts influence growth in Retail Liabilities of banks.

The calculated value of chi-square statistic is 1.346E2, the degree of freedom is 9, and the Asymptotic Significance value is 0.000. The total number of cases considered for the analysis is 629. From the analysis, given in the table it can be observed that the *P-value* is lesser than the level of significance 0.05 ($p < 0.05$) so, it is highly significant. It means, marketing efforts influence growth in retail liabilities of banks. Therefore, the hypothesis can be accepted.

H6c: Marketing Efforts influence growth in Retail Revenues of banks.

The calculated value of chi-square statistic is 1.080E2, the degree of freedom is 9, and the Asymptotic Significance value is 0.000. The total number of cases considered for the analysis is 629. From the analysis, given in the table it can be observed that the *P-value* is lesser than the level of significance 0.05 ($p < 0.05$) so, it is highly significant. It means, marketing efforts influence growth in retail revenues of banks Therefore, the hypothesis can be accepted.

H6d: Marketing Efforts influence improvement in the Image of banks.

The calculated value of chi-square statistic is 1.945E2, the degree of freedom is 9, and the Asymptotic Significance value is 0.000. The total number of cases considered for the analysis is 629. From the analysis, given in the table it can be observed that the *P-value* is lesser than the level of significance 0.05 ($p < 0.05$) so, it is highly significant. It means, marketing efforts influence improvement in the image of banks. Therefore, the hypothesis can be accepted.

Since all the sub-hypotheses are accepted, the main hypothesis that Marketing Efforts influence growth of retail banking is also ACCEPTED.

4.10.2 Technology Enabled Services

All banks do not offer all possible technology enabled products and services, due to various constraints. The study tried to validate this by using the chi-square test.

Hypothesis H7: There is a significant relationship between Banks and the Technology Enabled Services being offered.

Table 4.39: Chi-Square Tests Technology Enabled Services and Bank Groups

	Value	df	Asymp. Sig. (2-
Pearson Chi-Square	30.758[a]	3	.000
Likelihood Ratio	39.472	3	.000
Linear-by-Linear Association	8.760	1	.003
N of Valid Cases	629		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 12.01.

The calculated P value is less than 0.05. The chi-square statistic is significant at the 0.05 level and hence the NULL hypothesis is rejected. There is a significant relationship between the Bank Group and the Technology Enabled Services being offered,

Table 4.40: Chi-Square Tests – Technology Enabled Services - Banks

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.607E2[a]	63	.000
Likelihood Ratio	439.873	63	.000
Linear-by-Linear Association	.069	1	.793
N of Valid Cases	629		

a. 44 cells (55.0%) have expected count less than 5. The minimum expected count is .41.

The calculated P value is less than 0.05. The chi-square statistic is significant at the 0.05 level and hence the NULL hypothesis is rejected. The hypothesis that there is a significant relationship between Banks and the Technology Enabled Services being offered, is therefore, ACCEPTED.

4.10.3 Retail banking Products

All banks do NOT offer all the products under the retail banking segment.

Hypothesis H8: There is a significant relationship between the Banks and Retail banking Products being offered by them.

Table 4.41: Chi-Square Tests – Retail Basket – Bank Groups

	Value	df	Asymp. Sig. (2-
Pearson Chi-Square	51.878[a]	3	.000
Likelihood Ratio	70.269	3	.000
Linear-by-Linear Association	.837	1	.360
N of Valid Cases	629		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 15.97.

The calculated P value is less than 0.05. The chi-square statistic is significant at the 0.05 level and hence the NULL hypothesis is rejected. There is a significant relationship between the Bank Group and Retail banking Products being offered.

Table 4.42: Chi-Square Tests = Retail Basket - Banks

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.243E2[a]	63	.000
Likelihood Ratio	577.753	63	.000
Linear-by-Linear Association	7.511	1	.006
N of Valid Cases	629		

a. 30 cells (37.5%) have expected count less than 5. The minimum expected count is .08.

The calculated P value is less than 0.05. The chi-square statistic is significant at the 0.05 level and hence the NULL hypothesis is rejected. The hypothesis that there is a significant relationship between the Banks and Retail banking Products being offered by them, is therefore, ACCEPTED.

4.10.4 Quality Control in Retail Banking

All banks do not follow uniform quality parameters for their retail banking products and services. The monitoring mechanisms and their effectiveness also vary significantly between banks.

Hypothesis H9: There is a significant relationship between Banks and the Quality Control measures for retail banking.

Table 4.43: Quality Control for Retail Banking

No.	Quality Monitoring and Promotion	Survey Responses			Percentages		
		YES	NO	Total	YES	NO	Total
1	Branch Level Service Monitoring by Controlling Office/s	566	63	629	90	10	100
2	Incentives to staff for cross selling products of alliance partners	453	176	629	72	28	100
3	Quality Review of Retail Banking Products at pre-defined intervals	554	75	629	88.1	11.9	100
4	Quality Review of Retail Banking Services at pre-defined intervals	537	92	629	85.4	14.6	100

Table 4.44: Chi-Square Tests – Quality Control – Bank Groups

	Value	df	Asymp. Sig. (2-
Pearson Chi-Square	27.476[a]	3	.000
Likelihood Ratio	37.854	3	.000
Linear-by-Linear Association	24.188	1	.000
N of Valid Cases	629		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 13.20.

The calculated P value is less than 0.05. The chi-square statistic is significant at the 0.05 level and hence the NULL hypothesis is rejected. There is a significant relationship between the Bank Group and Quality Control for retail banking.

Table 4.45: Chi-Square Tests – Quality Control - Banks

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.191E2[a]	18	.000
Likelihood Ratio	121.829	18	.000
Linear-by-Linear Association	5.443	1	.020
N of Valid Cases	629		

a. 10 cells (33.3%) have expected count less than 5. The minimum expected count is 2.68.

The calculated P value is less than 0.05. The chi-square statistic is significant at the 0.05 level and hence the NULL hypothesis is rejected. The hypothesis that there is a significant relationship between the Banks and Quality Control for retail banking, is ACCEPTED.

4.10.5 Customer Value Assessment

All banks do not assess customer value to segment them properly to give them value added services and to get a better share of their wallet.

Hypothesis H10: There is a significant relationship between banks and the customer value assessment practice for retail banking.

Table 4.46: Customer Value Assessment

Customer Value	Survey Responses			Percentages		
	YES	NO	Total	YES	NO	Total
Customer Profitability	397	232	629	63.1	36.9	100
Customer's Lifetime Value	293	336	629	46.6	53.4	100

Table 4.47: Chi-Square Tests – Customer Value Assessment – Bank Groups

	Value	df	Asymp. Sig. (2-
Pearson Chi-Square	185.716[a]	3	.000
Likelihood Ratio	223.929	3	.000
Linear-by-Linear Association	70.707	1	.000
N of Valid Cases	629		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 39.19.

The calculated P value is less than 0.05. The chi-square statistic is significant at the 0.05 level and hence the NULL hypothesis is rejected. There is a significant relationship between the Bank Groups and the Customer Value Assessment Practice,

Table 4.48: Chi-Square Tests – Customer Value Assessment - Banks

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.665E2[a]	18	.000
Likelihood Ratio	301.679	18	.000
Linear-by-Linear Association	19.604	1	.000
N of Valid Cases	629		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 9.08.

The calculated P value is less than 0.05. The chi-square statistic is significant at the 0.05 level and hence the NULL hypothesis is rejected. The hypothesis that there is a significant relationship between the Banks and the Customer Value Assessment Practice, is therefore, ACCEPTED.

4.11 Summary of Hypotheses Tested

Table 4.49: Summary of Hypotheses Tested using ANOVA

Hypothesis	ANOVA	Bank Groups		Banks	
		P-Value	Result	P-Value	Result
H1	**Retail Banking Strategies**				
	Aggressive Marketing	0.244	Reject	0.000	Accept
	Competitive Pricing	0.000	Accept	0.000	Accept
	Branch Network	0.785	Reject	0.024	Accept
	Quality Assurance	0.000	Accept	0.000	Accept
	Cross Selling	0.001	Accept	0.000	Accept
	Cost Cutting	0.000	Accept	0.000	Accept
	Incremental Process Improvement	0.000	Accept	0.000	Accept
	Business Process Reengineering	0.000	Accept	0.000	Accept
	Manpower Redeployment	0.203	Reject	0.417	Reject
	Outsourcing Services	0.000	Accept	0.000	Accept
	Shared Infrastructure	0.000	Accept	0.000	Accept
	Eliminating Unprofitable Customers	0.000	Accept	0.000	Accept
H2	Information Technology Mgt.	0.000	Accept	0.000	Accept
H3	Service Delivery	0.000	Accept	0.000	Accept
H4	Operational Risk Management	0.018	Accept	0.000	Accept
H5	Retail Credit Risk Management	0.269	Reject	0.017	Accept

Table 4.50: Summary of Hypotheses Tested using Chi Square Testing					
Hypothesis	**Chi Square Testing**	**Bank Groups**		**Banks**	
		P-Value	Result	P-Value	Result
H6	Marketing Efforts and Retail Banking Growth				
	Retail Assets			0.000	Accept
	Retail Liabilities			0.000	Accept
	Retail Revenues			0.000	Accept
	Bank's Image			0.000	Accept
H7	Technology Enabled Service and Banks	0.000	Accept	0.000	Accept
H8	Retail banking Products and Banks	0.000	Accept	0.000	Accept
H9	Quality Control and Banks	0.000	Accept	0.000	Accept
H10	Customer Value Assessment and Banks	0.000	Accept	0.000	Accept

4.12 Ranking Bank Groups on Retail Banking Practices

Bank Groups were ranked on their Retail Banking Practices based on the responses in the survey, using the percentage analysis. The results are presented here:

Table 4.51 : IT Governance			
Bank Group	**Avg. Score**	**%**	**Rank**
Nationalised Banks	4.39	73.21	1
State Bank Group	4.32	71.99	2
Old Private Sector Banks	4.30	71.69	3
New Private Sector Banks	4.18	69.72	4

Table 4.52: Service Delivery Standards			
Bank Group	**Avg. Score**	**%**	**Rank**
New Private Sector Banks	2.32	58.07	1
State Bank Group	2.30	57.47	2
Nationalised Banks	2.04	50.90	3
Old Private Sector Banks	2.03	50.70	4

Table 4.53: Technology Enabled Services			
Bank Group	**Avg. Score**	**%**	**Rank**
New Private Sector Banks	17.90	55.94	1
State Bank Group	17.77	55.54	2
Old Private Sector Banks	17.19	53.73	3
Nationalised Banks	16.38	51.20	4

Table 4.54: Retail Products Offered			
Bank Group	**Avg. Score**	**%**	**Rank**
New Private Sector Banks	16.89	60.34	1
Nationalised Banks	15.17	54.17	2
State Bank Group	16.34	58.37	3
Old Private Sector Banks	14.18	50.63	4

Table 4.55: Customer Value Assessment			
Bank Group	**Avg. Score**	**%**	**Rank**
New Private Sector Banks	3.35	83.67	1
State Bank Group	2.88	71.96	2
Old Private Sector Banks	2.63	65.66	3
Nationalised Banks	2.06	51.40	4

Table 4.56: Quality Control			
Bank Group	**Avg. Score**	**%**	**Rank**
New Private Sector Banks	2.35	58.73	1
Old Private Sector Banks	2.34	58.57	2
Nationalised Banks	2.28	56.88	3
State Bank Group	2.04	50.93	4

Table 4.57: Summary of Rankings – Practices – Top Two Positions				
Practice Area	**New Private Sector Banks.**	**State Bank Group**	**Nationalised Banks**	**Old Private Sector Banks**
	Rank	**Rank**	**Rank**	**Rank**
IT Governance		**2**	**1**	
Service Delivery Standards	**1**	**2**		
Technology Enabled Services	**1**	**2**		
Retail Products Offered	**1**		**2**	
Customer Value Assessment	**1**	**2**		
Quality Control	**1**			**2**

It can be observed from the table that the New Private Sector Banks in the sample have scored the First Rank in five out of six practice areas. The State Bank Group has scored the Second Rank in Four areas. The Nationalised Banks in the sample have scored the First Rank in one area and the Second Rank in another. And the Old Private Sector Banks have scored the Second Rank in one practice area.

4.13 Ranking Bank Groups on Independent Variables

Similarly, for the independent variables identified, the bank groups were ranked based on the mean values of the responses received for the group as a whole:

Table 4.58: Retail Banking Strategies

S.NO	Bank Group	Avg. Score	%	Rank
1	New Private Sector Banks	4.42	88.39	1
2	State Bank Group	4.31	86.14	2
3	Nationalised Banks	4.20	84.06	3
4	Old Private Sector Banks	4.18	83.62	4

Table 4.59: Technology Support

S.NO	Bank Group	Avg. Score	%	Rank
1	New Private Sector Banks	4.63	92.52	1
2	State Bank Group	4.27	85.30	2
3	Old Private Sector Banks	4.24	84.89	3
4	Nationalised Banks	4.03	80.56	4

Table 4.60: Risk Management

S.NO	Bank Group	Avg. Score	%	Rank
1	New Private Sector Banks	4.34	86.88	1
2	Old Private Sector Banks	4.20	84.09	2
3	State Bank Group	4.20	84.00	3
4	Nationalised Banks	4.10	82.06	4

Table 4.61: Service-Delivery				
S.NO	**Bank Group**	**Avg. Score**	**%**	**Rank**
1	New Private Sector Banks	4.33	86.54	1
2	Old Private Sector Banks	3.29	65.78	2
3	State Bank Group	3.22	64.38	3
4	Nationalised Banks	3.19	63.81	4

The overall picture with regard to the ranking of bank groups from the perspective of Independent Variables is given in the table here:

Table 4. 62: Summary of Ranks – Independent Variables – Top Two Slots

Independent Variables	**New Private Sector Banks.**	**State Bank Group**	**Nationalised Banks**	**Old Private Sector Banks**
	Rank	**Rank**	**Rank**	**Rank**
Strategy	**1**	**2**		
Technology Support	**1**	**2**		
Risk Management	**1**			**2**
Service Delivery	**1**			**2**

It is found that the New Private Sector Banks score high on all the independent variables for retail banking. The State Bank Group is in the second position as far as strategy and technology support are concerned. And the Old Private Sector Banks take the second position in Risk Management and Service Delivery.

4.14 Factors influencing retail banking

4.14.1 Factor Analysis

Factor analysis, a statistical technique for data reduction that allows simplifying the correlation between a number of continuous variables, was employed to explore the important factors affecting retail banking performance.

First and foremost, to test the acceptability of data and adequacy of the samples for drawing reliable conclusions from the analysis, the Cronbach Alpha for the entire final sample collected, the primary data, was calculated and it was found to be at .935. This was a good and acceptable value since the threshold value for acceptability is .70.

Table 4.63: Reliability Statistics of the Final Study

Cronbach's Alpha	N of Items
.935	46

The next step of validation is the Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett's Test of Sphericity. The outcome of the KMO and Bartlett's Test is here:

Table 4.64: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.845
Bartlett's Test of Sphericity	Approx. Chi-Square	9.557E3
	Df	253
	Sig.	.000

Sufficient correlation for all the variables/attributes has been established with the outcome of the KMO Bartlett Test. The Sampling Adequacy value obtained at .845, well above the meritorious level of .80, confirmed that the sample is good enough for meaningful analysis and for drawing conclusions.

The overall significance of correlation matrices is also tested with Bartlett's Test of Sphericity providing support for the validity of the factor analysis of the data set (as shown in table above). It also tests whether the correlation matrix is an identity matrix (factor analysis would be meaningless with an identity matrix). A significance value that is < 0.05 indicates that these data do not produce an identity matrix (or "differ significantly from identity") and are thus approximately multivariate normal and acceptable for factor analysis

Thus, with the data qualifying for Factor Analysis, the Principal Component Analysis was performed to find out the Communalities as shown in the table on the next page.

Table 4.65: Communalities

	Initial	Extraction
Quality Assurance	1.000	.715
Cross-Selling	1.000	.624
Competitive Pricing	1.000	.737
Branch Network	1.000	.644
Operational Risk – Processes	1.000	.854
Operational Risk – People	1.000	.730
Operational Risk – Systems	1.000	.707
Operational Risk - External Events	1.000	.762
Aggressive Marketing	1.000	.760
Business Process Reengineering	1.000	.597
Cost-cutting	1.000	.486
Outsourcing	1.000	.556
Retail Credit Risk Mgt Process	1.000	.468
IT Systems: Operations and Maintenance	1.000	.773
IT Outsourcing and Vendor Management	1.000	.611
IT Security	1.000	.656
Managing Delivery Channels	1.000	.790
Br. Level Service Standards Transparency	1.000	.477
Quality of RB Services	1.000	.487
Quality of RB Products	1.000	.569
Staff Training	1.000	.397
Customer Complaints Handling	1.000	.594
Branch Ambience	1.000	.427

Extraction Method: Principal Component Analysis.

The Total Variance Explained Table was extracted from the SPSS output and is reproduced in the following table, here:

Table 4.66: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.494	36.931	36.931	8.494	36.931	36.931	5.264	22.886	22.886
2	2.446	10.633	47.563	2.446	10.633	47.563	3.380	14.697	37.583
3	1.983	8.622	56.185	1.983	8.622	56.185	2.933	12.751	50.334
4	1.498	6.511	**62.697**	1.498	6.511	**62.697**	2.843	12.362	**62.697**
5	1.385	6.022	68.718						
6	.914	3.972	72.691						
7	.791	3.440	76.131						
8	.725	3.153	79.283						
9	.627	2.728	82.011						
10	.549	2.389	84.400						
11	.491	2.136	86.535						
12	.439	1.910	88.445						

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
13	.403	1.753	90.198						
14	.351	1.527	91.725						
15	.317	1.380	93.105						
16	.307	1.335	94.440						
17	.290	1.259	95.700						
18	.263	1.143	96.843						
19	.187	.811	97.654						
20	.173	.752	98.405						
21	.145	.631	99.036						
22	.121	.527	99.563						
23	.100	.437	100.000						
Extraction Method: Principal Component Analysis.									

The Total Variance Explained suggests that it extracts one factor which accounts for 62.697% of the variance of the relationship between variables/attributes. The criteria for extracting initial factors are Eigen value of over 1. A total of four factors are extracted with a total variance explained being 62.697%.

The proportion of variance in any one of the original variables, which is being captured by extracted factor, is known as communality. The Scree Plot produced by the Factor Analysis is here:

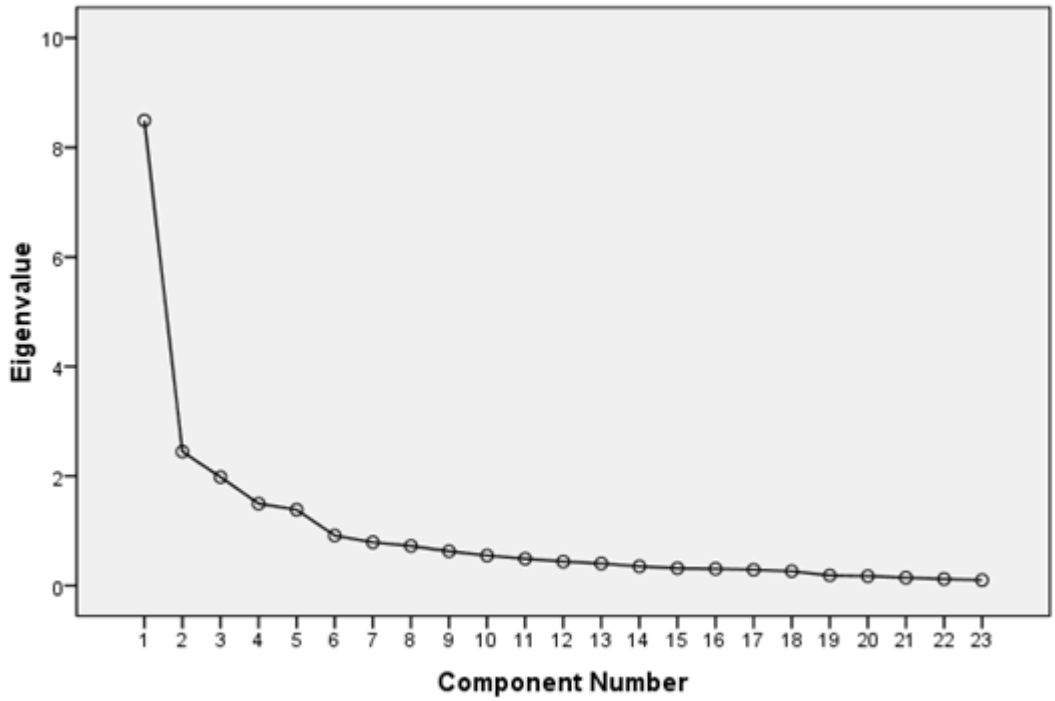


Fig. 4.1 Scree Plot

The scree plot is useful in determining the number of factors to be retained. The point of interest is where the curve begins to flatten. In the figure it can be seen that the curve begins to flatten between factors 4 and 5. Factor 5 has an Eigen value of less than 1, so only four factors are to be retained and this is consistent with Kaisers rule that only

factors having Eigen values (latent roots) greater than 1 are considered as common factors.

Table 4.67: Component Matrix[a]

	Component			
	1	2	3	4
Aggressive Marketing	.786			
Quality Assurance	.784			
Cross-Selling	.751			
Competitive Pricing	.749			
Op Risk – Processes	.739			
Outsourcing	.728			
Op Risk – People	.705			
Branch Network	.692			
Business Process Reengineering	.692			
Op Risk – Systems	.680			
Cost-cutting	.650			
Managing Delivery Channels	.636			
Op Risk - External Events	.620			.517
Retail Crdit Risk Mgt Process	.608			
IT Security	.587			
Customer Complaints Handling	.524			
Quality of RB Services		.588		
Br. Level Service Standards		.536		
Quality of RB Products		.500		
Staff Training				
IT Systems: Operations and			-.631	
IT Outsourcing and Vendor			-.579	
Branch Ambience				

Extraction Method: Principal Component Analysis.

a. 4 components extracted.

For the first analysis, the study run was using an orthogonal rotation. SPSS Output shows the rotated component matrix which is a matrix of the factor loadings for each variable onto each factor. There are several things to consider about the format of this matrix. First, factor loadings less than 0.4 have not been displayed. If the study didn‘t select this option, or didn't adjust the criterion value to 0.4, then the output will differ. Second, the variables are listed in the order of size of their factor loadings because of the requirement that the output be sorted by size. If this option was not selected, this output will look different. Finally, for all other parts of the output the study indicated the variable labels but for this matrix the study have allowed the variable labels to be printed to aid interpretation. Compare this matrix with the unrotated solution. Before rotation, most variables loaded highly onto the first factor and the remaining factors didn't really get a look in. However, after the rotation, the factor structure has clarified things considerably: there are four major variables with factors grouped under them. And it is seen that the factors load very highly onto one variable, i.e., Strategies for Retail Banking.

Table 4.68: Component Transformation Matrix

Component	1	2	3	4
1	.721	.497	.374	.307
2	-.365	-.283	.455	.761
3	-.123	.403	-.736	.530
4	-.576	.715	.335	-.212

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Table 4.69: Rotated Component Matrix[a]

	Component			
	1	2	3	4
Aggressive Marketing	.825			
Competitive Pricing	.818			
Branch Network	.775			
Quality Assurance	.769			
Business Process Reengineering	.714			
Cross-Selling	.693			
Outsourcing	.631			
Cost-cutting	.603			
Op Risk – Processes		.844		
Op Risk - External Events		.840		
Op Risk – Systems		.759		
Op Risk – People		.748		
Retail Credit Risk Mgt Process		.505		
IT Systems: Operations and Maintenance			.860	
Managing Delivery Channels			.773	
IT Outsourcing and Vendor Management			.756	
IT Security			.712	
Quality of RB Products				.710
Br. Level Service Standards Transparency				.672

Quality of RB Services				.664
Customer Complaints Handling				.650
Branch Ambience				.606
Staff Training				.529

Extraction Method: Principal Component Analysis.

a. Rotation converged in 6 iterations.

4.14.2 Interpretation of the Rotated Component Matrix

The rotated component matrix helps to determine what the components represent and the rotation of the factors structure has clarified things considerably. There are four factors and variables load highly onto these factors. The next step is to look at the components of question that load onto some factors to try to identify common themes. In other words, a group of variables is divided into subgroups of variables based on similar characteristics.

As such a close scrutiny of the Rotated Component Matrix reveals that the variables have grouped themselves up neatly to form four major factors that have a direct influence on retail banking. We can see that the components of the First Factor are all from the Retail Banking Strategies. Out of a total of 12 strategy components that the study dealt with four have been left out as not so significant, by data reduction through Factor Analysis, based on the way respondents registered their impressions to those questions. The Second Factor has brought out clearly the importance of Risk Management for retail banking – Retail Credit Risk Management and Operational Risk. The Third Factor has highlighted the role of IT Operations, Maintenance and Security for effective retail banking. We can name this Factor Technology Support for retail banking. The Fourth

and final factor that emerges from this Factor Analysis has grouped together the important components related to Service Delivery that is so crucial in retail banking.

In short, the Factor Analysis has confirmed that four major variables (factors) are responsible for the outcomes in retail banking, namely: Strategy, Risk Management, Technology Support and Service Delivery.

Table 4.70: Component Score Coefficient Matrix

	Component			
	1	2	3	4
Quality Assurance	.188	-.088	.019	-.020
Cross-Selling	.146	.004	-.040	-.013
Competitive Pricing	.218	-.066	-.051	-.056
Branch Network	.224	-.130	-.023	-.021
Op Risk - Processes	-.082	.328	-.005	-.050
Op Risk - People	-.070	.277	-.045	.041
Op Risk - Systems	-.061	.289	-.011	-.051
Op Risk - External Events	-.142	.360	.005	-.019
Aggressive Marketing	.222	-.094	-.066	.014
Business Process Reengineering	.179	-.023	-.086	-.012
Cost-cutting	.126	-.020	.037	-.059
Outsourcing	.127	-.031	.010	.018
Retail Credit Risk Mgt Process	.043	.143	-.053	-.034
IT Systems: Operations and	-.059	-.021	.365	-.091
IT Outsourcing and Vendor	-.032	-.034	.318	-.091
IT Security	-.071	.022	.268	.030
Managing Delivery Channels	-.046	-.031	.284	.055
Br. Level Service Standards	-.092	.032	-.041	.280

	Component			
	1	2	3	4
Quality of RB Services	-.046	-.044	.033	.258
Quality of RB Products	-.056	.035	-.028	.272
Staff Training	-.042	-.022	.082	.185
Customer Complaints Handling	.105	-.128	-.072	.250
Branch Ambience	.049	-.055	-.151	.260

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

4.15 Regression Analysis

The Independent Variables identified through the Factor Analysis were used to study the degree of correlations they have with the dependent variables, namely overall quality, impact and performance of retail banking. The outputs of the regression analysis from SPSS and their interpretation are listed here.

The study used a step wise regression with four Independent Variables, namely Strategy, Risk Management, Technology Support and Service Delivery to assess their correlation with and predictability of retail banking Performance.

4.15.1 Retail Banking Performance

The four independent variables were used for regression analysis to asses their possible impact of the overall retail banking performance. All the four exhibited significant correlation with the Performance of Retail Banking with the P value at .000 indicating a 95% confidence level.

Table 4.71: Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	INV-4-Tech Support*	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).
2	INV-3- Service Delivery	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).
3	INV-2-Risk Mgt	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).
4	INV-1-Strategy	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).

a. Dependent Variable: Retail Banking Performance *INV= Independent Variable

Table 4.72: Correlations		Retail Banking. Performance	INV-1-Strategy	INV-2-Risk Mgt	INV-3- Service Delivery	INV-4-Tech Support
Pearson Correlation	Retail Banking Performance	1.000	.318	.408	.668	.799
	INV-1-Strategy	.318	1.000	.282	.401	.258
	INV-2-Risk Mgt	.408	.282	1.000	.665	.511
	INV-3- Service Delivery	.668	.401	.665	1.000	.706
	INV-4-Tech Support	.799	.258	.511	.706	1.000
Sig. (1-tailed)	Retail Banking Performance	.	.000	.000	.000	.000
	INV-1-Strategy	.000	.	.000	.000	.000
	INV-2-Risk Mgt	.000	.000	.	.000	.000
	INV-3- Service Delivery	.000	.000	.000	.	.000
	INV-4-Tech Support	.000	.000	.000	.000	.
N	Retail Banking Performance	629	629	629	629	629
	INV-1-Strategy	629	629	629	629	629
	INV-2-Risk Mgt	629	629	629	629	629
	INV-3- Service Delivery	629	629	629	629	629
	INV-4-Tech Support	629	629	629	629	629

Table 4.73: Model Summary [e]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.799[a]	.638	.638	.53612	.638	1106.010	1	627	.000
2	.812[b]	.660	.659	.52032	.022	39.651	1	626	.000
3	.817[c]	.667	.665	.51521	.007	13.484	1	625	.000
4	.820[d]	.673	.671	.51121	.006	10.806	1	624	.001

a. Predictors: (Constant), INV-4-Tech Support. b. Predictors: (Constant), INV-4-Tech Support, INV-3- Service Delivery

c. Predictors: (Constant), INV-4-Tech Support, INV-3- Service Delivery, INV-2-Risk Mgt

d. Predictors: (Constant), INV-4-Tech Support, INV-3- Service Delivery, INV-2-Risk Mgt, INV-1-Strategy

e. Dependent Variable: Retail Banking Performance

Table 4.74: ANOVA[e]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	317.889	1	317.889	1.106E3	.000[a]
	Residual	180.212	627	.287		
	Total	498.102	628			
2	Regression	328.624	2	164.312	606.920	.000[b]
	Residual	169.478	626	.271		
	Total	498.102	628			
3	Regression	332.203	3	110.734	417.177	.000[c]
	Residual	165.898	625	.265		
	Total	498.102	628			
4	Regression	335.027	4	83.757	320.493	.000[d]
	Residual	163.074	624	.261		
	Total	498.102	628			

a. Predictors: (Constant), INV-4-Tech Support

b. Predictors: (Constant), INV-4-Tech Support, INV-3- Service Delivery

c. Predictors: (Constant), INV-4-Tech Support, INV-3- Service Delivery, INV-2-Risk Mgt

d. Predictors: (Constant), INV-4-Tech Support, INV-3- Service Delivery, INV-2-Risk Mgt, INV-1-Strategy

e. Dependent Variable: Retail Banking Performance

The model summary shows that the variability of Retail Banking Performance is accounted for by these independent variables in a range of 63.8% to 67.1%. The ANOVA table here also shows that **this model is a good fit for the data** since the P value is <0.05 for all the four combinations in this stepwise regression analysis.

Table 4.75: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	.041	.126		.330	.742	-.205	.288					
	INV-4-Tech Support	.978	.029	.799	33.257	.000	.920	1.036	.799	.799	.799	1.000	1.000
2	(Constant)	-.521	.151		-3.448	.001	-.818	-.224					
	INV-4-Tech Support	.799	.040	.653	19.831	.000	.720	.878	.799	.621	.462	.502	1.993
	INV-3- Service Delivery	.317	.050	.207	6.297	.000	.218	.416	.668	.244	.147	.502	1.993

3	(Constant)	-.234	.169		-1.386	.166	-.566	.098					
	INV-4-Tech Support	.811	.040	.662	20.255	.000	.732	.889	.799	.630	.468	.499	2.005
	INV-3- Service Delivery	.423	.058	.276	7.343	.000	.310	.536	.668	.282	.170	.377	2.656
	INV-2-Risk Mgt	-.185	.050	-.114	-3.672	.000	-.284	-.086	.408	-.145	-.085	.554	1.804
4	(Constant)	-.670	.214		-3.136	.002	-1.090	-.251					
	INV-4-Tech Support	.816	.040	.666	20.530	.000	.738	.894	.799	.635	.470	.498	2.008
	INV-3- Service Delivery	.370	.059	.242	6.241	.000	.254	.487	.668	.242	.143	.349	2.864
	INV-2-Risk Mgt	-.189	.050	-.116	-3.784	.000	-.287	-.091	.408	-.150	-.087	.554	1.805
	INV-1-Strategy	.153	.047	.082	3.287	.001	.062	.244	.318	.130	.075	.837	1.194
a. Dependent Variable: Retail Banking Performance													

Fig. 4.2

Histogram

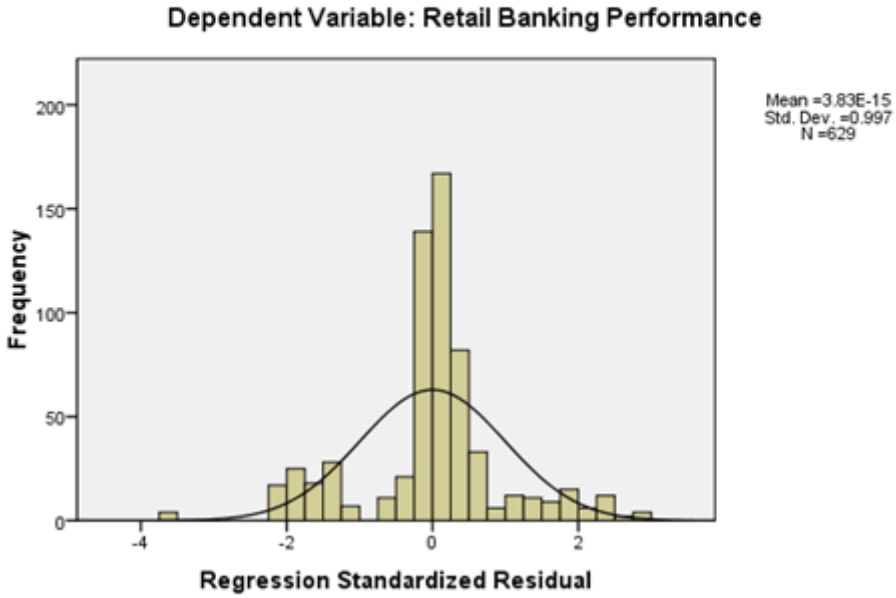
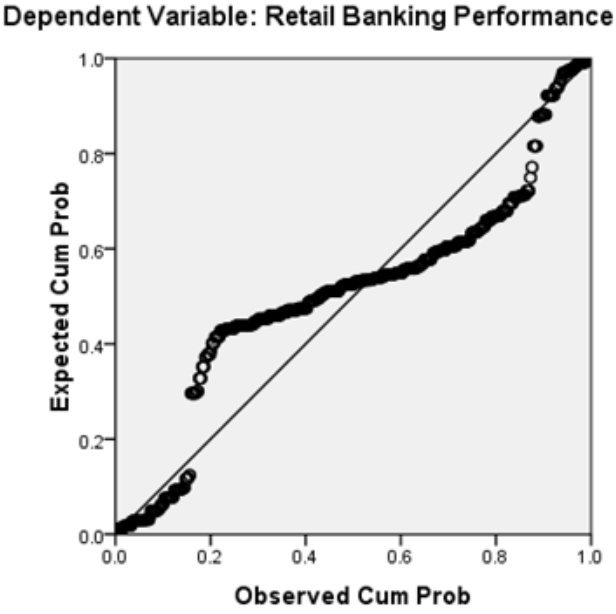


Fig. 4.3

Normal P-P Plot of Regression Standardized Residual



The Regression Analysis confirms that the independent variables, Strategy, Technology Support, Risk Management and Service Delivery have a very close correlation with the dependent variable, Retail Banking Performance which they can together predict in the range of 63.8% to 67.1%.

4.15.2 Retail Banking: Overall Quality

All these four independent variables also had a similar predictive relationship with the Overall Quality of retail banking as can be seen from the regression analysis outputs given here:

Table 4.76: Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	INV-1-Strategy, INV-2-Risk Mgt, INV-3-Service Delivery, INV-4-Tech Support[a],	.	Enter

a. All requested variables entered.

b. Dependent Variable: RB Overall Quality

Table 4.77: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.803[a]	.644	.642	.73864	.644	282.787	4	624	.000

a. Predictors: (Constant), INV-4-Tech Support, INV-1-Strategy, INV-2-Risk Mgt, INV-3- Service Delivery

b. Dependent Variable: RB Overall Quality

The model summary shows that the variability of Retail Banking Performance is accounted for by these independent variables to an extent of 64.2% to 67.1%. The

ANOVA table here also shows that **this model is a good fit for the data** since the P value is <0.05 for all the four combinations in this stepwise regression analysis.

Table 4.78: ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	617.144	4	154.286	282.787	.000[a]
	Residual	340.449	624	.546		
	Total	957.593	628			

a. Predictors: (Constant), INV-4-Tech Support, INV-1-Strategy, INV-2-Risk Mgt, INV-3-Service Delivery

b. Dependent Variable: RB Overall Quality

Table 4.79: Coefficient Correlations[a]

Model			INV-4-Tech	INV-1-	INV-2-Risk	INV-3-
1	Correlations	INV-4-Tech	1.000	-.006	-.332	-.590
		INV-1-Strategy	-.006	1.000	-.148	-.193
		INV-2-Risk Mgt	-.332	-.148	1.000	-.099
		INV-3- Service	-.590	-.193	-.099	1.000
	Covariances	INV-4-Tech	.004	-2.294E-5	-.001	-.002
		INV-1-Strategy	-2.294E-5	.004	.000	.000
		INV-2-Risk Mgt	-.001	.000	.004	.000
		INV-3- Service	-.002	.000	.000	.005

a. Dependent Variable: RB Overall Quality

Fig. 4.4

Histogram

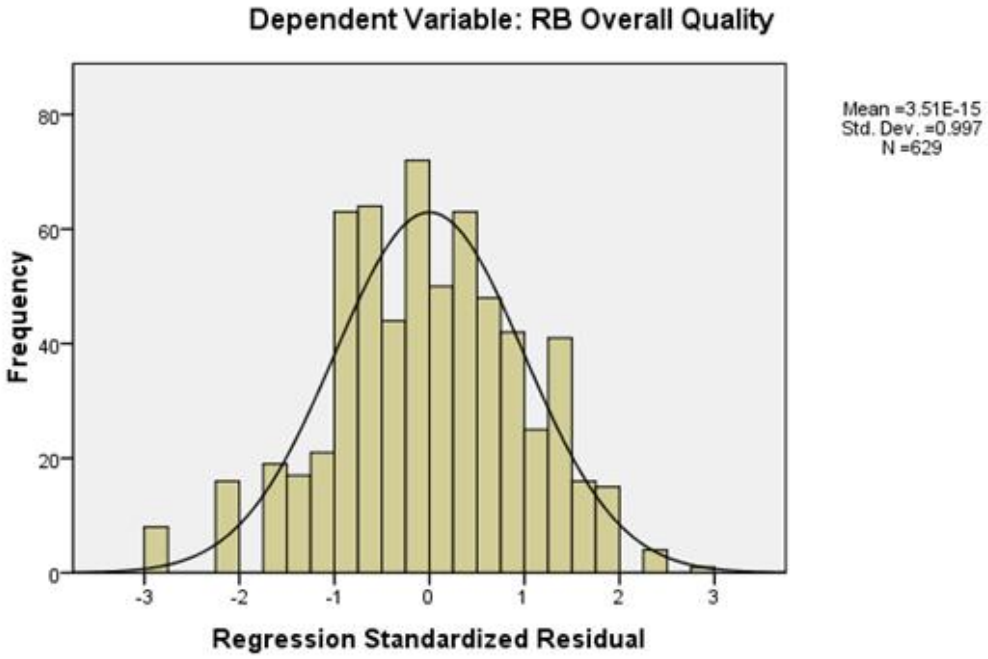
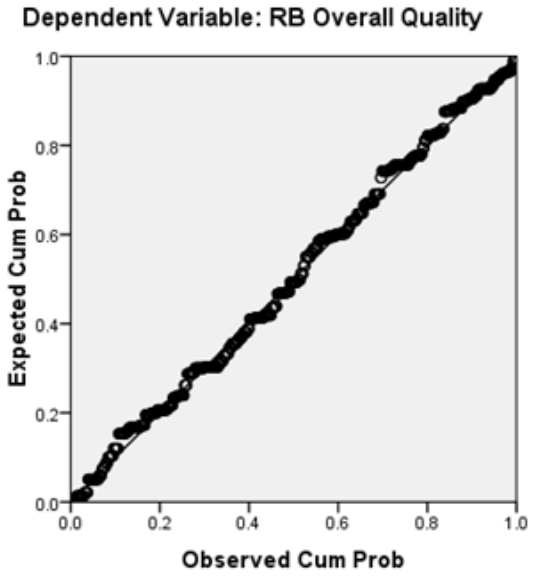


Fig. 4.5

Normal P-P Plot of Regression Standardized Residual



4.15.3 Technology, Service Delivery and Retail Banking Quality

It is found that, significantly enough, only two variables, namely Technology Support and Service Delivery can together account for 57.7% variation in Overall Quality of retail banking. This is of course due to the fact that retail banking relies heavily on technology enabled products and services, technology supported delivery channels and service delivery is actually the differentiator in retail banking which is otherwise a largely undifferentiated and almost commoditized market. The Regression Analysis output proves this point very effectively.

Table 4.80: Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	INV-4-Tech Support, INV-3- Service Delivery[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: Retail Banking : Overall Quality

Table 4.81: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.761[a]	.579	.577	.80295	.579	429.641	2	626	.000

a. Predictors: (Constant), INV-4-Tech Support, INV-3- Service Delivery

b. Dependent Variable: Ret.Bkg : Overall Quality

Table 4.82: ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	553.997	2	276.999	429.641	.000[a]
	Residual	403.596	626	.645		
	Total	957.593	628			

a. Predictors: (Constant), INV-4-Tech Support, INV-3- Service Delivery

b. Dependent Variable: Ret.Bkg : Overall Quality

Table 4.83: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.031	.203		.155	.877	-.368	.431
	INV-3- Service Delivery	2.197	.075	1.055	29.312	.000	2.050	2.344
	INV-4-Tech Support	-1.247	.061	-.739	-20.520	.000	-1.366	-1.128

a. Dependent Variable: Retail Banking : Overall Quality

Fig. 4.6

Histogram

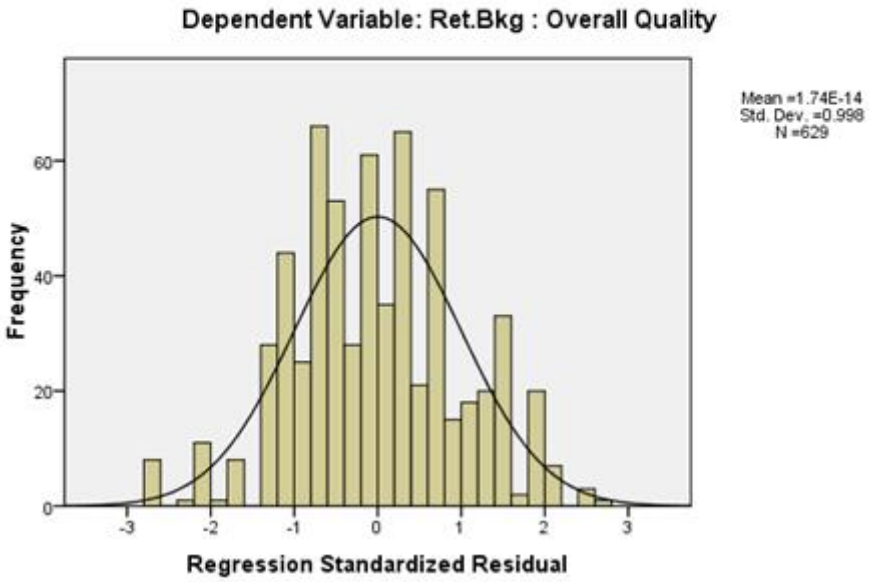
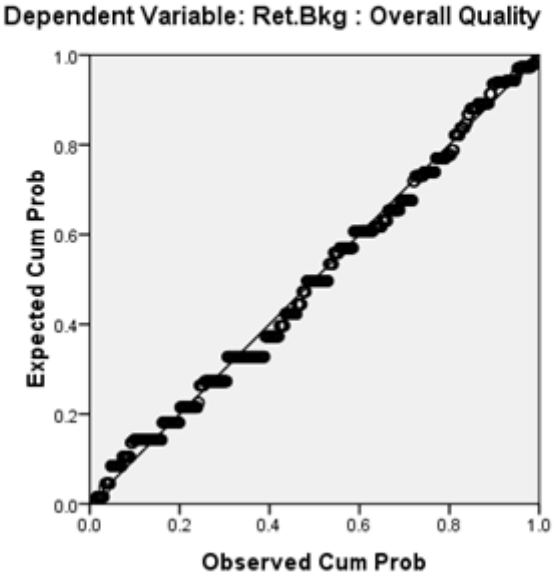


Fig. 4.7

Normal P-P Plot of Regression Standardized Residual



4.15.4 Summary of Regression Analysis

The significant results from the Regression Analysis can be summarised as follows:

Sl No.	**Independent Variables/Inputs**	**Extent of Impact and Predictability**	**Dependent Variable/Output.**
1.	Strategy Technology Support Risk Management and Service Delivery	67.1%	Retail Banking Performance
2.	Strategy Technology Support Risk Management and Service Delivery	64.2%	Retail Banking – Overall Quality
3.	Technology Support and Service Delivery	57.7%	Retail Banking – Overall Quality

It can be concluded from the Regression Analysis that Retail Banking Strategies, Technology Support, Risk Management and Service Management have a significant influence on retail banking outcomes and can predict those outcomes to a great extent, around 60%.

4.16 Retail Banking: Facilitating Factors

The factors facilitating retail banking has been found through the percentage analysis and confirmed by the Factor analysis in the statistical section as follows:

Table 4.84: Retail Banking Facilitators

Sl.No	Facilitating Factors	Sl.No	Facilitating Factors
1	Aggressive Marketing	13	Operational Risk Mgt– Processes
2	Competitive Pricing	14	Operational Risk Mgt – External Events
3	Branch Network	15	Operational Risk Mgt– Systems
4	Quality Assurance	16	Operational RiskMgt– People
5	Business Process Reengineering	17	Retail Credit Risk Management
6	Cross-Selling	18	Quality Review of Products
7	Outsourcing	19	Branch Level Service Standards Transparency
8	Cost-cutting	20	Quality Review of Services
9	IT Systems: Operations and Maintenance	21	Customer Complaints Handling
10	Managing Delivery Channels	22	Branch Ambience
11	IT Outsourcing and Vendor Management	23	Staff Training
12	IT Security		

4.17 Retail Banking Variables and their Linkages

Based on the significant variables identified through the Factor Analysis and the significant predictive impact of these independent variables with the dependent variable (Retail Banking Performance), as confirmed by the Regression Analysis, the study has evolved a graphical representation of these variables for easy understanding, as follows.

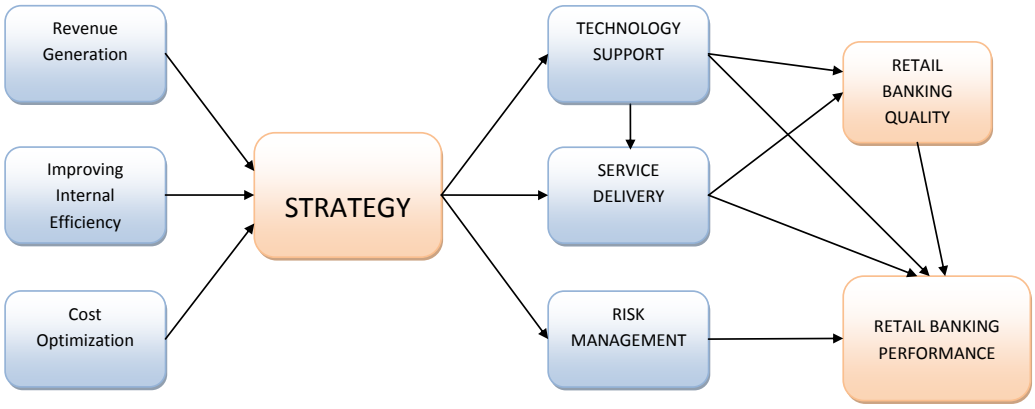


Fig 4.8: Retail Banking Variables - Linkages

Retail Banking strategy is driven by three major objectives – revenue generation, improving internal efficiency and cost optimization. Strategy drives the other three important factors- technology support, service delivery and risk management. These three factors lead to retail banking quality and performance. It is worthwhile to note here that without technology support retail banking would suffer since the absence or failure of technology support would impact service delivery which in turn would bring down quality and ultimately affect retail banking performance.

CHAPTER – 5

FINDINGS, CONCLUSIONS AND SUGGESTIONS

5.1 Introduction

This exploratory study on Retail Banking in India is an effort to fill the research gap in this area by collecting the views of practising bankers themselves on what is happening in the banking industry to develop this segment of banking, which is on the growth path.

The broad objectives of the study were:

- To study the performance of banks in Retail Banking in India.
- To study the retail banking strategies adopted by banks in India.
- To identify the factors facilitating growth of Retail Banking in India.

5.2 Hypotheses Tested

The following hypotheses were tested in this study:

H1: There is a significant difference between banks in India in the retail banking strategies adopted by them.

H2: There is a significant difference between banks in India information technology management.

H3: In retail banking service delivery there is a significant difference between banks in India.

H4: In operational risk management there is a significant difference between banks in India.

H5: There is a significant difference in retail credit risk management processes between banks in India.

H6: Marketing efforts influence the growth of retail banking in India.

H7: There is a significant relationship between banks and the technology enabled services offered for retail banking.

H8: There is a significant relationship between banks and the retail basket or products offered by them .

H9: There is a significant relationship between banks and the quality control measures for retail banking.

H10: There is a significant relationship between banks and the customer value assessment practice for retail banking.

5.2.1 Retail Banking Strategies

It is found that there can be three basic drivers for retail banking strategies since they represent the fundamental objectives for this business segment, and they are:

1. Revenue Generation
2. Improving Internal Efficiency
3. Cost Optimization

Based on these objectives a set of 12 strategies were presented to the bankers to check which of them have contributed to the success of retail banking in their banks:

Table 5.1: Retail Banking Strategy Purpose and Focus

Revenue Generation	**Improving Internal Efficiency**	**Cost Optimization**
Aggressive Marketing	Incremental Process Improvement	Cost Cutting
Competitive Pricing	Business Process Reengineering	Outsourcing
Branch Network (Location and Spread)	Quality Assurance	Shared Infrastructure
Cross-Selling to Existing Customers	Manpower Redeployment	Elimination of unprofitable Customers

Findings: The survey results show that an overwhelming majority of bankers are in agreement (with a weighted score around 91%) that three strategies have contributed to the success of retail banking in a big way in their banks. They are:

1. Branch Network (91.86%),
2. Cross Selling (91.67%) and
3. Quality Assurance (91.13%).

Among these, the first two are Revenue Generation focussed and the third one focusses on Improving Internal Efficiency. It is worthwhile to note that by and large retail banking products are almost similar and it is only the service that distinguishes a bank from another. And Quality Assurance plays a great role in providing the much needed distinction to a bank in the retail banking market.

The other strategies which have been found to be largely successful for retail banking in India are:

1. Competitive Pricing (89.57%),
2. Aggressive Marketing (87.955),
3. Incremental Process Improvement (86.96%),
4. Business Process Reengineering (84.07%) and
5. Cost Cutting (76.82%).

After the market was thrown open, after liberalisation in the late 1990's, the NPSBs brought with them a very stiff competition for the creamy retail banking market. This has, perforce, resulted in all banks adopting market-driven strategies like Competitive Pricing and Aggressive Marketing. Even though these two strategies appear to be diluting the revenue generation strategy, the reality is that since retail banking is a high volume low margin game, these strategies would actually help banks to generate more revenues generally, through reaching out to new markets and new customers.

BPR, Incremental Process Improvement and Cost Cutting must have been the natural consequences of banks getting into the highly competitive, low margin and high volume retail market. Banks must have realised the need to improve internal efficiency, both on a continuous basis as also on radical terms like setting up regional processing centres for retail lending as well as back office processes. The need to adopt cost cutting strategy invariably comes along with the revenue augmentation strategy, to conserve the hard earned incomes from retail banking on a sustainable basis.

The other four strategies that are the bottom of the table are:: Shared Infrastructure

(71.48%), Outsourcing (66.30%), Elimination of unprofitable Customers(65.66%) and Manpower Redeployment (57.42%)

These four options have a large number of respondents taking a neutral stand on their impact. They probably have their own reservations even on why and how these strategies were used by their own banks. Shared Infrastructure and Outsourcing are more often related to technology intensive areas of banking and banks get into them more out of an economic or inevitably necessary option rather than as a conscious strategy of their own.. Elimination of unprofitable customers is not an easy way out since it also involves effort, cost and time and regulatory requirements to follow. And Manpower redeployment or reduction is a still more thorny issue in an industry like banking and that probably is the reason why the respondents feel that this strategy whenever it was sought to be used, did not benefit their bank. As part of the strategy, banks also have adequate IT Governance mechanisms has been confirmed by over 90% of the respondents in this survey.

It is found that banks in India are predominantly focussed on Revenue Growth only since 95% (2379/2516) the respondents are in agreement on these four strategies. The Internal Process Efficiency focus also has scored highly with 74% (1864/2516) of the respondents being positive about those four strategies. The Cost Optimization strategy has got an affirmative response of only 56% (1419/2516).

That there is a significant difference between banks and bank groups have also been confirmed and the summary results of the hypothesis tested are here:

Conclusions: On the whole, the objective of this study, as it set out to study the retail banking strategies adopted by banks in India, as been fully achieved. The study has confirmed that not only are banks using specific strategies for retail banking in India, but

also find out exactly which of the strategies have been used more successfully on a wider scale by the banks.

5.2.2 Information Technology and Retail Banking

This study has found that out of the fourteen products in the Retail Basket offered by banks, six of them (43%), namely, Debit Cards, Demat Accounts, Credit Cards, Mutual Funds, Online Trading, and Co-Branded Cards are Information Technology(IT) Enabled Products. Apart from the fact that entire banking is supported by IT through the Core Banking Solution(CBS), these specific products cannot be offered without IT support at the bank level. And we can call them IT Enabled Products (TEBPs).

And on the Technology Enabled Services in retail banking, it is found through this study that ATM, Internet Banking and Utility Bill payments through Net Banking are offered by all banks (100%). And all the other services are being offered in the range of 75 to 96% across banks. It is worthwhile to note that out of the 15 technology enabled services under 5 major heads, except ATM (provided by the banks themselves) all the other services require technology deployment at the customer end.

These five Delivery Channels are so important for retail banking customers, that the banks are taking enough steps to maintain and monitor their IT infrastructure to support them:

- ATM
- Internet Banking
- Phone Banking
- Net Banking Access for third party transactions online
- Mobile Banking

It is also a fact that the Debit Card transaction volumes have grown from 12 million to to 610 million between April 2009 and April 2014. And the value of transactions has grown from 18 billion INR to 1830 billion during the same period at an explosive CAGR of 152% . Debit card being the most important and fundamental instrument for all customers in retail banking, this is a clear proof of the role of technology enabled growth in retail banking product usage and ubiquitous service availability.

Credit Card transaction volumes have also grown from 18 to 46 million with a CAGR of 20.31% and the value of transactions has grown from 49 to 147 billion.

As such, with a significant role being played by Information Technology in retail banking, the need for managing it properly is all the more crucial. Information Technology Management involves effective processes being put in place for Delivery Channel Management, IT operations and Maintenance, IT Outsourcing and Vendor Management, IT Security

And the study sought to verify whether there are significant differences between banks in the process for IT Management. The ANOVA test confirmed that there is a significant difference.

Findings: The important and intrinsic role played by IT in retail banking has also been statistically established in the section on Statistical Analysis. It is found from the Regression Analysis that Technology Support has a direct, predictable impact on retail banking performance, along with strategy, risk management and service delivery to the extent of 67.1%. It is also found that Technology Support along with service delivery can have a predictable impact of 57.7% on the overall quality of retail banking.

As such the study sought to find out whether IT support for retail banking is adequate. Over 80% of the officers surveyed have agreed that Delivery Channel Management which is so crucial for retail banking, is effective in their banks. Across the board, over 70% of the respondents have agreed that IT Operations & Maintenance, IT outsourcing and vendor management are also effective. IT Security which is not only essential from the operational point of view, but also a great responsibility from the regulatory compliance point of view, is also found to be effective since more than 80% of the officers surveyed have said so.

Conclusions: It is confirmed with all these inputs that Information Technology plays a significant role in retail banking in India. Use of IT is so pervasive that retail banking and IT cannot be thought of in isolation. And there are significant differences between banks in IT Management.

5.2.3 Service Delivery Standards for Retail Banking.

Retail banking products and services should be standardized i.e. there should be uniformity, transparency and non-discrimination. The banks should target efficient service delivery to succeed in retail banking said K C Chakrabarty(2013), Deputy Governor, RBI.

Retail banking products being indistinguishable across banks, with very little variation except pricing in most of the cases, it is Service delivery that acts as an efficient differentiator in this highly competitive banking segment. Effective Service Delivery systems demand a number of factors like deployment of competent, well-trained frontline staff, set standards for service delivery, making those standards really transparent and meaningful (not as standards displayed on the walls at branches just for

the sake of regulatory compliance requirements), regular monitoring to see that these standards are understood by the staff themselves very well and followed in letter and spirit, and contemporary standards for Branch Ambience that keep evolving over time to meet the changing customer needs and preferences.

Findings: The study confirmed that the banks are focussed on improving service delivery levels, since the respondents not only agreed, overwhelmingly that they have set standards for service delivery at branches, but also confirmed that these standards are very transparent. It was also found that the branch level service standards are being reviewed by controlling offices at regular intervals.

There are set standards for Branch Ambience and the staff are trained adequately for improving branch level service, the study found. That there are significant differences in service delivery standards across banks, that acts as a major differentiator, has also been confirmed through the ANOVA.

Conclusions: The overall conclusion from this section of the feedback is that the banks are very much focussed on improving service delivery in retail banking since service happens to be the major differentiator in this competitive retail market.

5.2.4 Risk Management for Retail Banking

Since retail banking relies heavily on retail lending for its revenues, Credit Risk Management is crucial for retail banking.

Findings: It is found that banks are taking adequate steps to manage risks in this area. They are using credit scoring models to improve their credit risk assessment objectively. The respondents also confirmed that they have effective procedures in place for

following-up with retail borrowers for timely recovery of the repayments. They also have in place mechanisms for maintaining the overall health of their retail credit portfolio.

Similarly, Managing Operational Risks is another major area of concern for retail banking since it deals with huge volumes of transactions across the country. The risks related to People, Processes, Systems and External Events are being managed effectively, according to the respondents.

Compliance Management for retail banking related processes and Audit Procedures for verifying compliance levels are also found to be effective as per the survey.

Hypotheses 4 and 5 tested whether there are significant differences between banks in risk management (retail credit risk and operational risk) and it was confirmed through ANOVA that there is a significant difference between banks in this important area.

Conclusions: It is evident that Banks not only give due attention to Risk Management but also have effective policies and procedures in place for Managing Risks related to retail banking.

The summary of Hypotheses tested using ANOVA is given in the table 5.2.

Table 5.2: Summary of Hypotheses Tested using ANOVA					
Hypothesis	**ANOVA**	Bank Groups		Banks	
		P-Value	Result	P-Value	Result
H1	**Retail Banking Strategies**				
	Aggressive Marketing	0.244	Rejected	0.000	Accepted
	Competitive Pricing	0.000	Accepted	0.000	Accepted
	Branch Network	0.785	Rejected	0.024	Accepted
	Quality Assurance	0.000	Accepted	0.000	Accepted
	Cross Selling	0.001	Accepted	0.000	Accepted
	Cost Cutting	0.000	Accepted	0.000	Accepted
	Incremental Process Improvement	0.000	Accepted	0.000	Accepted
	Business Process Reengineering	0.000	Accepted	0.000	Accepted
	Manpower Redeployment	0.203	Rejected	0.417	Rejected
	Outsourcing Services	0.000	Accepted	0.000	Accepted
	Shared Infrastructure	0.000	Accepted	0.000	Accepted
	Eliminating Unprofitable Customers	0.000	Accepted	0.000	Accepted
H2	Information Technology Mgt.	0.000	Accepted	0.000	Accepted
H3	Service Delivery	0.000	Accepted	0.000	Accepted
H4	Operational Risk Management	0.018	Accepted	0.000	Accepted
H5	Retail Credit Risk Management	0.269	Rejected	0.017	Accepted

Hypotheses H6 to H10 were tested using chi square tests. And the conclusions from those tests and findings are presented here.

5.2.5 Market Orientation for Retail Banking

The study also found that the banks have become more market oriented for improving their retail banking prospects.

Findings: It is observed that the banks are actively involved in the following:

1. CRM campaigns, Event Promotions and marketing
2. Handling customer complaints and grievances effectively
3. Identifying niche areas for their retail banking products and services
4. Identifying USPs for their retail banking products
5. Improving products and services in retail banking, based on market analysis and feedback
6. Involving branch staff in cross-selling to the existing customers and offering incentives to them .
7. Assessing customer profitability and customer lifetime value for proper segmentation of customers to provide them better attention and recognition.
8. Marketing initiatives taken by banks have had a significant and positive impact not only on the growth of retail their banking portfolios but also on the Bank's Image as well.
9. That the marketing efforts have a significant influence of the growth of retail banking has also been confirmed through this study (Hypothesis 6)

Conclusions: Retail banking focus has brought about a drastic change in the market orientation of the banks. From the point of having no competition, literally, in the seventies and eighties, the opening up of the banking industry to new private sector banks in the early 1990s brought in stiff competition, especially in retail banking and this

has changed the industry drastically. And marketing efforts of banks are yielding rich dividends for them.

5.2.6 Technology Enabled Services

The study reveals that ATM, Internet Banking and Utility Bill payments through Net Banking are offered by all banks. And all the other services are being offered in the range of 75 to 96% across banks. It is worthwhile to note that out of the 15 technology enabled services under 5 major heads, except ATM (provided by the banks themselves) all the other services require technology deployment at the customer end. For this the customer should either own the device or should share a device provided by a third party like the cyber cafe, somebody else's smart phone etc.

These service delivery channels, away from the brick-and-mortar base channel, are all technology enabled. And this is the speciality of retail banking, as it has evolved now: all the services are IT enabled, with more than 80% requiring technology adoption at the customer end. These ITEBS bring a host of conveniences to the customers like anywhere, anytime, low-cost access to banking services. This is one of the major reasons for the faster growth of retail banking, especially among the tech-savvy young adults in the organised sector in a relatively faster growing economy like ours.

Findings: As such, with 43% of the products IT enabled and 100% of all the delivery channels being dependent on IT, the significance of the role played by IT in retail banking need not be emphasized any further. Moreover, even the brick and mortar Branch, the basic and only delivery channel for banking services, not so long ago, just two decades ago, to be precise, cannot function without direct connectivity with the Bank's data centre for offering even the simplest of services like balance enquiry or cash

withdrawal. In fact, the entire bank, not just retail banking, relies on IT support for its day to day functioning.

Conclusions: It is confirmed that retail banking cannot survive or grow without technology support for itself and without providing technology enabled services to its customers anytime, anywhere and anyhow. That there is a significant relationship difference between banks and the technology enabled services being offered has also been confirmed through statistical analysis using chi square testing.

5.2.7 Retail banking Products Offered

It is found that Debit Cards, Home Loans, Vehicle Loans and Education Loans are offered by all banks (100%). Personal Loans are offered by almost all banks (99%). Demat Accounts, Bancassurance, Consumer Durable Loans and Gold Loans have an affirmative answer between 94% and 97%, These products can also be assumed to be offered by almost all banks since the response is above 94%. Mutual Funds and Credit Cards are in the 70-85% range. And Online Trading, Co-Branded Cards and Wealth Management are in the range of 50-61%.

Findings: It is found that **five products**, namely, Debit Cards, Home Loans, Vehicle Loans, Education Loans and Personal Loans are the **fixed component** of the Retail banking Products being offered. Demat Accounts, Bancassurance, Consumer Durable Loans and Gold Loans are the other **four products** come next in the order of priority and are **offered by most** of the banks. The remaining **five products,** namely, Mutual Funds, Credit Cards, Online Trading, Co-Branded Cards and Wealth Management are **being selectively offered** as part of the Retail Basket by some banks only.

It is worthwhile to note here that out of the fourteen products in the Retail Basket, six of them (43%), namely, Debit Cards, Demat Accounts, Credit Cards, Mutual Funds, Online Trading, and Co-Branded Cards are Information Technology(IT) Enabled Products. Apart from the fact that entire banking is supported by IT through the Core Banking Solution(CBS), these specific products cannot be offered without IT support at the bank level. And we can call them IT Enabled Products (ITEPs).

Conclusions: It has been found that all banks are NOT offering all the products in retail banking. This may be due to their own perceived strengths and strategies. That there is a significant relationship between the banks and the products being offered by them has been positively confirmed through the chi square testing.

5.2.8 Quality Control in Retail Banking

The survey finds that banks have moved away from the non-competitive, complacent era to this highly competitive banking environment and therefore they are concentrating on improving the quality of their products and services being offered. This is done through setting transparent standards and then reviewing the actual performance and delivery at pre-defined intervals.

Findings: It is found that service delivery standards and performance at branches are being reviewed by the controlling offices. An overwhelming 90% of the respondents have confirmed this. Providing incentives to staff members for cross selling also spurs quality improvement and this has been accepted by over 72% of respondents. More importantly, the fact that quality of retail banking products and services are being reviewed regularly has been affirmed through the survey with over 85% of the respondents affirming this positively.

Conclusions: Banks are focussed on maintaining and improving the quality of their retail banking products and services. And this is an essential requirement for survival in the current competitive retail banking market. That there is a significant relationship between banks and the quality control mechanisms that they effectively adopt has also been confirmed through the chi square test (Hypothesis 9).

5.2.9 Customer Value Assessment Practices

Customer value assessment is essential to identify profitable customers and to give them a sense of comfort and satisfaction, if not attractive financial incentives, so that they feel that their banks are sincerely reciprocating their trust and respect. Banks need to know the customer profitability in the short term and also the estimated lifetime value (LTV) of the customer for the remaining period and stages in his life. There are sophisticated analytical tools and techniques available now for banks to benefit from. The survey wanted to know precisely whether banks have started doing this.

Findings: The survey shows that there is a positive response of 63% for customer profitability assessment and 47% for LTV assessment.

Banks have a lot more ground to cover here. But a pretty good start has been made in this very important area. This also requires a higher capital investment for a Data Analytics capability through the Data Warehousing and Data Mining infrastructure in the banks. This will take some more time to be norm in the industry.

Conclusions: Banks have understood the importance of customer value assessment for effective segmentation of customers and to provide better, value added services to potential customers. This is the only fail-proof method to have a higher share of the customer's wallet. The rate of adoption of this practice can probably be attributed to the

advanced technology infrastructure required and the enormous financial outlay that it entails. But banks have started the journey. That there is a significant relationship between the banks and the adoption of customer value assessment practice has also been confirmed through the testing of hypothesis 10 through chi square test.

Table 5.3: Summary of Hypotheses Tested using Chi Square Testing

Hypothesis	Chi Square Testing	Bank Groups		Banks	
		P-Value	Result	P-Value	Result
H6	Marketing Efforts and Retail Banking Growth				
	Retail Assets			0.000	Accepted
	Retail Liabilities			0.000	Accepted
	Retail Revenues			0.000	Accepted
	Bank's Image			0.000	Accepted
H7	Technology Enabled Service and Banks	0.000	Accepted	0.000	Accepted
H8	Retail banking Products and Banks	0.000	Accepted	0.000	Accepted
H9	Quality Control and Banks	0.000	Accepted	0.000	Accepted
H10	Customer Value Assessment and Banks	0.000	Accepted	0.000	Accepted

5.3 Factors Facilitating Retail Banking

One of the major objectives of this study was to identify the factors that facilitate retail banking.

Findings: With the help of Factor Analysis it was found that a number of factors under the four major categories (variables), namely, Strategy, Technology Support, Risk Management and Service Delivery are important facilitators of retail banking in India.

They are listed out here:

- STRATEGY
  - Aggressive Marketing
  - Competitive Pricing
  - Branch Network
  - Quality Assurance
  - Business Process Reengineering
  - Cross – Selling
  - Outsourcing
  - Cost Cutting
- RISK MANAGEMENT
  - Retail Credit Risk Management
  - Operational Risk Management
    - People
    - Processes
    - Systems and
    - External Events
- TECHNOLOGY SUPPORT
  - Managing Delivery Channels
  - IT Systems: Operations & Maintenance
  - IT Outsourcing and Vendor Management
  - IT Security
- SERVICE DELIVERY
  - Branch Ambience
  - Branch Level Service Standards: Transparency
  - Quality of Retail Banking Products
  - Quality of Retail Banking Services
  - Handling Complaints and Grievances

Conclusions: These four major variables, namely, Strategy, Technology Support, Risk Management and Service Delivery which accommodate in them 23 factors are the most significant elements that facilitate the growth of retail banking in India.

5.4 Performance of Retail Banking in India

A major objective of this study was to study the performance of retail banking in India. This has been done in great detail in Chapter 2, with the help of secondary data for the last three years, which shows that retail banking is on a growth trajectory in India.

Findings: The data shows that as of March 31, 2014, retail banking brings in 33.46% of the Revenues for the Industry as a whole and contributes 38.13% of the Operating Profits. This growing segment of banking also accounts for 26.14% of the Assets and 35.16% of the Liabilities. Broadly speaking 26.14% of the Assets could generate 38.13% of the Operating Profits and this is the major reason for banks focussing on retail banking today. Retail banking happens to be the most profitable segment with a huge potential for growth, especially with the growing economy and the booming middle class.

The Impact of retail banking strategies adopted by the banks was also studied in this survey. And it was found that the retail banking strategies have had a positive impact on all banks but in varying degrees. In the case of Retail Assets an overwhelming majority of 96.50% respondents agreed that the impact was good or very good. For Retail Liabilities also the ratio is very high, just crossing the 90% mark. In the case of Retail Revenues it is also very good, but a tad lower at 88.5%.

When it comes to the Bank's Image 93.10% of the respondents are convinced that retail banking has given a boost and their customers feel happy about their own bank.

Conclusions: The conclusions that can be drawn from the study of Retail Banking Performance in India are: the SBG is fully focussed on retail banking since it not only earns well from this segment but also gets most of its operating profits from this segment only. The OPSB and NAB also seem to be relying on this segment for improving their bottom line. But the NPSB seem to have earned more from the other segments last year: over 75% of the operating profits. But even in this group, three banks out of the total seven, are having an average share of over 40% of operating profits coming from retail banking.

Retail Banking Practices: Based on the survey responses , it can be observed that the New Private Sector Banks in the sample have scored the First Rank in five out of six practice areas. The State Bank Group has scored the Second Rank in Four areas. The Nationalised Banks in the sample have scored the First Rank in one area and the Second Rank in another. And the Old Private Sector Banks have scored the Second Rank in one practice area.

Retail Banking: Independent Variables: It is found that the New Private Sector Banks score high on all the independent variables for retail banking. The State Bank Group is in the second position as far as strategy and technology support are concerned. And the Old Private Sector Banks take the second position in Risk Management and Service Delivery.

Over 80% of the respondents feel good about the overall performance of their bank in retail banking. They admit that there is enough headroom. And this is a fact. Success in retail banking, of course, is not a destination but a journey.

5.5 Fulfilment of Objectives of the Study

And all the objectives have been fulfilled as detailed in this chapter, so far, predominantly with the help of primary data collected through the survey. Only in the case of performance of retail banking, the first objective, secondary data was needed to have a clear picture of the contribution of retail banking to the total business of banks. And this was also done and the primary data also supported the conclusion that retail banking is playing a major role. The primary data shows that the respondents are very happy about the big boost this segment has given to their own banks' image itself.

5.6 Retail Banking: Variables and their Linkages

Based on the significant variables identified through the Factor Analysis and the significant and predictable impact of the independent variables on the dependent variable (Retail Banking Performance), as confirmed by the Regression Analysis, the study has evolved a graphical representation of these variables for easy understanding, as shown in `this figure:

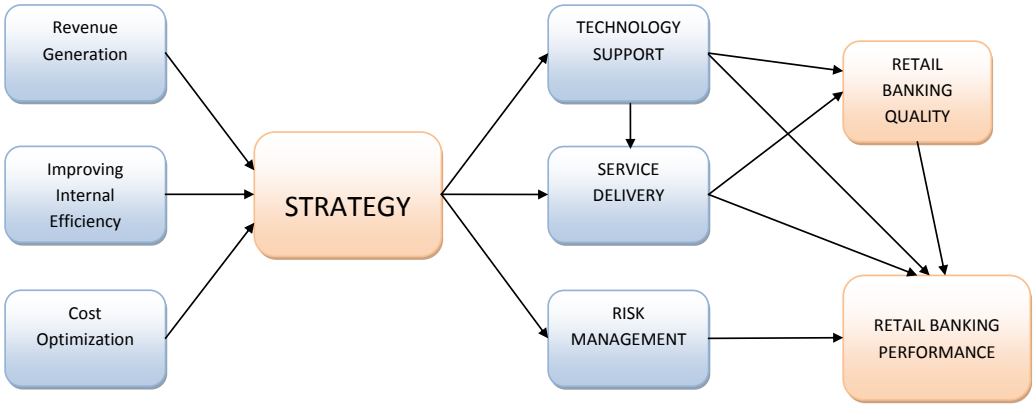


Fig. 5.1: Retail Banking Variables - Linkages

There are three major drivers for retail banking for sustainable growth: revenue generation, improving internal efficiency and cost optimization. These three drivers

decide the strategic framework of retail banking. And based on this framework, the other enablers like technology support, service delivery and risk management are put in place according to the specific needs of the bank and its business scope. It is found that technology support and service delivery determine the quality of retail banking products and services offered. These two factors also impact the overall performance of retail banking since without either of them, retail banking would fail completely, in today's context. And technology being so pervasive and indispensable in retail banking, now, it impacts both service delivery and quality. Risk management plays the much needed protective role to enhance retail banking performance and outcomes by preventing losses, defaults and penalties to a great extent.

To sum up, the study reveals that the success and growth of retail banking in India can be attributed to the following practices:

- Strategies that focus on revenue generation, improving internal efficiency and cost cutting
- Extensive deployment and effective management of information technology which is so essential and indispensable
- Policies and procedures for improving service delivery – the major discriminator in an otherwise commoditized retail banking market
- Focus on quality standards and regular review to promote quality control
- Effective processes and practices for management of retail credit risk, operational risk and also compliance management, to reduce losses.
- Market focus to get new customers through identifying niche areas and highlighting USPs and improving cross selling to existing customers.

5.7 Contribution to Academic Research

This study has brought to light the strategies adopted by banks in India for their retail banking. It has found that they are predominantly focussed on Revenue Growth and they are also concentrating on Improving Internal Efficiency. Cost optimization as a strategy is slowly gathering momentum. The study has also come out with the factors responsible for growth of retail banking in India. The crucial linkage between the four variables that have a direct impact on the outcomes of retail banking has also been highlighted by this study. These contributions can be considered very significant since the findings are based on the responses of practising bankers themselves. These findings may be useful for other researchers to carry out further studies in retail banking or other segments of banking, on similar lines.

5.8 Limitations of this study

This study is limited to only domestic scheduled commercial banks. Foreign Banks, Regional Rural Banks and Cooperative Banks were excluded from this study due to constraints of time and accessibility. Moreover, these three bank groups that are excluded from this study together contribute less than 10% of the total banking business in India

5.9 Suggestions for Future Research

Each of the areas of focus in retail banking, namely, Strategies, Technology Support, Risk Management and Service Delivery merit an in-depth study to learn more about the significant differences in their adoption, usage and impact in individual banks or in different geographies across the country.

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ANNEXURES

Annexure – I: Retail Banking Data: Bank-wise Tables

Table A.1: Percentage Share of Retail Revenues in Total Revenues: Public Sector Banks

.No.	**Bank**	**2011-12**	**2012-13**	**2013-14**	**Average**
1.	State Bank of India	41.09	41.29	39.44	**40.61**
2.	State Bank of Bikaner & Jaipur	45.33	41.94	39.90	**42.39**
3.	State Bank of Hyderabad	72.93	74.23	76.61	**74.59**
4.	State Bank of Mysore	31.51	31.73	33.37	**32.21**
5.	State Bank of Patiala	47.71	34.19	33.87	**38.59**
6.	State Bank of Travancore	45.96	39.96	36.88	**40.93**
	State Bank Group	43.14	42.49	40.91	**42.18**
1.	Allahabad Bank	25.14	23.90	24.38	**24.47**
2.	Andhra Bank	29.43	27.00	29.92	**28.78**
3.	Bank of Baroda	25.24	24.14	24.29	**24.56**
4.	Bank of India	***	28.91	24.58	**26.75**
5.	Bank of Maharashtra	29.55	21.93	27.32	**26.27**
6.	Canara Bank	24.58	25.32	24.68	**24.86**
7.	Central Bank of India	22.07	24.87	26.44	**24.46**
8.	Corporation Bank	18.43	20.10	21.49	**20.01**
9.	Dena Bank	18.56	17.45	18.94	**18.32**
10.	IDBI Bank	38.03	41.64	43.18	**40.95**
11.	Indian Bank	33.21	33.60	32.70	**33.17**
12.	Indian Overseas Bank	24.70	23.30	27.97	**25.32**
13.	Oriental Bank of Commerce	30.63	34.08	35.54	**33.42**
14.	Punjab and Sind Bank	18.47	19.36	19.39	**19.07**
15.	Punjab National Bank	30.29	26.98	27.17	**28.15**
16.	Syndicate Bank	***	22.77	24.74	**23.75**
17.	UCO Bank	***	***	***	***
18.	Union Bank of India	31.46	32.62	27.76	**30.62**
19.	United Bank of India	25.96	22.04	21.63	**23.21**
20.	Vijaya Bank	23.80	24.44	22.31	**23.52**
	Nationalised Banks	27.85	27.64	27.69	**27.73**
	Public Sector Banks	**33.95**	**33.08**	**32.54**	**33.19**

Source: Banks' Annual Reports ***Data Not Available

Public Sector Banks as a whole get a 33% contribution from Retail Banking towards their Total Revenues. The SBG shows a much higher level of 42%. State Bank of Hyderabad seems to be fully focussed on Retail Banking only since it gets 75% of its revenues from retail. And only three banks show an average of above 30% from retail in the NBG with their overall revenue share remaining at 28%.

Table A.2: Public Sector Banks: Employees, Costs and Revenues (CAGR)*

Apr 2011 – Mar 2014

S.No.	Bank	No. of Employees	Employee Costs	Total Revenue
7.	State Bank of India	1.51%	16.30%	13.23%
8.	State Bank of Bikaner & Jaipur	1.90%	25.71%	13.73%
9.	State Bank of Hyderabad	9.81%	3.62%	11.25%
10.	State Bank of Mysore	2.87%	12.37%	11.01%
11.	State Bank of Patiala	5.21%	24.23%	11.49%
12.	State Bank of Travancore	7.25%	23.36%	18.83%
	State Bank Group	**2.49%**	**19.57%**	**13.21%**
1.	Allahabad Bank	4.88%	10.96%	11.85%
2.	Andhra Bank	11.36%	9.66%	13.19%
3.	Bank of Baroda	5.35%	17.92%	15.34%
4.	Bank of India	1.91%	14.30%	8.61%
5.	Bank of Maharashtra	2.13%	19.70%	27.92%
6.	Canara Bank	7.44%	11.08%	13.52%
7.	Central Bank of India	6.42%	18.81%	13.10%
8.	Corporation Bank	11.23%	14.16%	16.21%
9.	Dena Bank	12.81%	18.59%	21.53%
10.	IDBI Bank	3.20%	8.39%	7.30%
11.	Indian Bank	1.70%	13.87%	11.30%
12.	Indian Overseas Bank	4.60%	6.50%	12.71%
13.	Oriental Bank of Commerce	3.16%	11.17%	10.20%
14.	Punjab and Sind Bank	5.03%	1.42%	10.40%
15.	Punjab National Bank	-0.97%	17.40%	8.40%
16.	Syndicate Bank	0.59%	8.55%	4.41%
17.	UCO Bank	3.00%	5.78%	***
18.	Union Bank of India	4.70%	15.80%	17.75%
19.	United Bank of India	3.17%	6.69%	16.54%
20.	Vijaya Bank	4.07%	18.54%	15.78%
	Nationalised Banks	**4.13%**	**13.37%**	**21.01%**
	Public Sector Banks	**3.54%**	**15.93%**	**17.96%**

Calculated based on the source data from banks' annual reports

The SBG has seen a growth of only 13% with an increase in manpower costs by 20% while adding 2.5% more staff. But the NAB have done better with 4% more staff with an increase of 13% in staff costs, showing a growth of 21% in Revenues.

Public Sector Banks as a whole have seen a growth of 18% in their Total Revenues with an increase of 16% in employee costs and 3.5% increase in manpower in CAGR terms.

Table A.3: Growth of Revenues : Public Sector Banks - April 2011- March 2014

Sl No.	Bank	RETAIL REVENUE				TOTAL REVENUE			
		2011-12	**2012-13**	**2013-14**	**CAGR**	**2011-12**	**2012-13**	**2013-14**	**CAGR**
1.	State Bank of India	72594	82613	89330	10.93%	176673	200087	226503	13.23%
2.	State Bank of Bikaner & Jaipur	3707	4108	4220	6.70%	8179	9796	10578	13.73%
3.	State Bank of Hyderabad	8511	9964	11066	14.03%	11671	13423	14445	11.25%
4.	State Bank of Mysore	5595	6561	6895	11.01%	5595	6561	6895	11.01%
5.	State Bank of Patiala	4233	3530	3735	-6.06%	8872	10323	11028	11.49%
6.	State Bank of Travancore	3436	3711	3894	6.46%	7477	9288	10559	18.83%
	State Bank Group	94244	106008	114547	**10.25%**	218467	249478	280007	**13.21%**
1.	Allahabad Bank	4231	4548	5133	10.14%	16832	19026	21057	11.85%
2.	Andhra Bank	3590	3769	4676	14.12%	12199	13957	15630	13.19%
3.	Bank of Baroda	8731	9888	11179	13.15%	34589	40953	46018	15.34%
4.	Bank of India	***	10315	10347	0.03%	***	35678	42088	1.39%
5.	Bank of Maharashtra	2323	2310	3514	22.98%	7862	10536	12864	27.92%
6.	Canara Bank	8339	9464	10788	13.75%	33920	37378	43714	13.52%
7.	Central Bank of India	4556	5862	6982	23.80%	20645	23573	26410	13.10%
8.	Corporation Bank	2677	3408	4215	25.49%	14525	16954	19616	16.21%
9.	Dena Bank	1369	1668	2064	22.79%	7376	9555	10895	21.53%
10.	IDBI Bank	15011	18070	19626	14.34%	39476	43401	45452	7.30%
11.	Indian Bank	4458	5102	5438	10.45%	13422	15186	16627	11.30%
12.	Indian Overseas Bank	4824	5253	6940	19.94%	19532	22540	24811	12.71%
13.	Oriental Bank of Commerce	6289	7796	8862	18.70%	20534	22875	24938	10.20%
14.	Punjab and Sind Bank	1273	1501	1629	13.11%	6892	7757	8400	10.40%
15.	Punjab National Bank	12323	12441	12986	2.66%	40679	46109	47800	8.40%
16.	Syndicate Bank	***	4165	4935	1.42%	***	18295	19945	0.72%
17.	UCO Bank	***	***	***	***	***	***	***	***
18.	Union Bank of India	7386	9183	9035	10.60%	23473	28149	32546	17.75%
19.	United Bank of India	2248	2267	2544	6.38%	8660	10287	11762	16.54%
20.	Vijaya Bank	2026	2361	2547	12.11%	8516	9659	11416	15.78%
	Nationalised Banks	91654	119370	133439	**20.66%**	329132	431869	481989	**21.01%**
	Public Sector Banks	185898	225378	247986	**15.50%**	547599	681347	761996	**17.96%**

Source: Banks' Annual Reports and websites Amounts in Crores of Rupees ***Data Not Available

Table A.4: Growth of Operating Profits : Public Sector Banks - April 2011- March 2014

Sl No.	Bank	RETAIL PBT				TOTAL PBT			
		2011-12	2012-13	2013-14	CAGR	2011-12	2012-13	2013-14	CAGR
1.	State Bank of India	18598	14162	18007	-1.60%	28654	29972	25468	-5.72%
2.	State Bank of Bikaner & Jaipur	658	639	620	-2.91%	1059	1173	1203	6.57%
3.	State Bank of Hyderabad	898	782	875	-1.28%	2972	3107	3010	0.64%
4.	State Bank of Mysore	830	746	748	-5.07%	1173	1445	1278	4.38%
5.	State Bank of Patiala	772	570	411	-27.05%	1412	1212	897	-20.32%
6.	State Bank of Travancore	542	517	331	-21.93%	748	896	537	-15.25%
	State Bank Group	**22298**	**17417**	**20992**	**-2.97%**	**36018**	**37804**	**32392**	**-5.17%**
1.	Allahabad Bank	1675	1651	1641	-1.04%	3764	3413	4039	3.59%
2.	Andhra Bank	829	747	826	-0.16%	2815	2767	2760	-0.98%
3.	Bank of Baroda	2850	3145	3445	9.96%	7929	6717	7482	-2.86%
4.	Bank of India	683	1258	986	20.17%	3814	3340	4139	4.18%
5.	Bank of Maharashtra	322	321	450	18.16%	681	1352	761	5.73%
6.	Canara Bank	2031	1864	1722	-7.92%	5640	5685	6132	4.27%
7.	Central Bank of India	677	354	917	16.37%	2863	1379	-938	***
8.	Corporation Bank	685	718	618	-5.00%	2147	1694	248	-65.98%
9.	Dena Bank	326	251	295	-4.89%	1546	1655	1088	-16.11%
10.	IDBI Bank	48	143	-335	***	2623	2658	1805	-17.05%
11.	Indian Bank	1160	939	815	-16.20%	3420	3061	2902	-7.89%
12.	Indian Overseas Bank	1106	478	1088	-0.80%	3489	3708	3956	6.48%
13.	Oriental Bank of Commerce	477	319	416	-6.65%	1426	1465	1516	3.12%
14.	Punjab and Sind Bank	305	350	286	-3.25%	1354	1437	1137	-8.36%
15.	Punjab National Bank	4142	3749	4128	-0.18%	11640	11896	12819	4.94%
16.	Syndicate Bank	1132	771	844	-13.65%	3348	3449	3563	3.16%
17.	UCO Bank	240	166	317	14.76%	1150	647	1724	22.43%
18.	Union Bank of India	952	1599	846	-5.74%	2698	3038	2042	-12.99%
19.	United Bank of India	1247	922	954	-12.53%	2735	2876	3339	10.49%
20.	Vijaya Bank	524	198	786	22.51%	1270	1163	1168	-4.11%
	Nationalised Banks	**21412**	**19944**	**21044**	**-0.86%**	**66352**	**63399**	**61684**	**-3.58%**
	Public Sector Banks	**43710**	**37361**	**42036**	**-1.93%**	**102370**	**101203**	**94076**	**-4.14%**

Source: Banks' Annual Reports and websites Amounts in Crores of Rupees ***Data Not Available PBT- Profits Before Tax

Table A.5: Growth of Assets: Public Sector Banks - April 2011- March 2014

Sl No.	Bank	RETAIL ASSETS				TOTAL ASSETS			
		2011-12	2012-13	2013-14	CAGR	2011-12	2012-13	2013-14	CAGR
1.	State Bank of India	653360	752700	812864	11.54%	1812693	2113211	2376249	14.49%
2.	State Bank of Bikaner & Jaipur	22954	25537	27524	9.50%	72305	85958	90606	11.94%
3.	State Bank of Hyderabad	33107	40704	43464	14.58%	117807	135371	140707	9.29%
4.	State Bank of Mysore	14370	16058	18518	13.52%	60404	67233	73976	10.67%
5.	State Bank of Patiala	24633	26358	31141	12.44%	94850	103619	110804	8.08%
6.	State Bank of Travancore	32048	35195	47115	21.25%	85627	101177	104487	10.47%
	State Bank Group	**780472**	**896552**	**980625**	**12.09%**	**2243685**	**2606569**	**2896830**	13.63%
1.	Allahabad Bank	32509	34527	39694	10.50%	182097	203567	219642	9.83%
2.	Andhra Bank	26809	33021	38347	19.60%	124545	146299	167341	15.91%
3.	Bank of Baroda	64819	75107	85699	14.98%	452760	554023	668955	21.55%
4.	Bank of India	69237	79829	97440	18.63%	378420	445443	561452	21.81%
5.	Bank of Maharashtra	19207	28171	35137	35.26%	89667	116215	135612	22.98%
6.	Canara Bank	68459	78711	99620	20.63%	377018	417291	495591	14.65%
7.	Central Bank of India	58128	57025	66147	6.68%	230176	268666	290095	12.26%
8.	Corporation Bank	23898	32224	40953	30.90%	163700	193471	222055	16.47%
9.	Dena Bank	13218	18385	21988	28.98%	86356	111284	122459	19.08%
10.	IDBI Bank	84470	83990	98696	8.09%	290176	322666	328958	6.47%
11.	Indian Bank	42773	51558	59483	17.93%	141731	162524	187480	15.01%
12.	Indian Overseas Bank	53891	63752	69592	13.64%	17874	242881	273163	290.94%
13.	Oriental Bank of Commerce	66529	87047	95105	19.56%	229250	256814	282786	11.06%
14.	Punjab and Sind Bank	12289	13977	16550	16.05%	72905	80478	94509	13.86%
15.	Punjab National Bank	93967	101117	116805	11.49%	454633	475577	546689	9.66%
16.	Syndicate Bank	40746	45286	51924	12.89%	181116	213688	250393	17.58%
17.	UCO Bank	26906	39691	58729	47.74%	180498	198651	239125	15.10%
18.	Union Bank of India	59934	71774	87597	20.90%	263025	312912	355014	16.18%
19.	United Bank of India	15736	18490	18490	8.40%	93202	109335	114777	10.97%
20.	Vijaya Bank	19203	23172	26218	16.84%	94243	108985	135007	19.69%
	Nationalised Banks	**892729**	**1036855**	**1224213**	**17.10%**	**4103392**	**4940770**	**5691105**	17.77%
	Public Sector Banks	**1673201**	**1933407**	**2204838**	**14.79%**	**6347077**	**7547339**	**8587934**	16.32%

Source: Banks' Annual Reports and websites Amounts in Crores of Rupees ***Data Not Available

Table A.6: Growth of Liabilities : Public Sector Banks - April 2011- March 2014

Sl No.	Bank	RETAIL LIABILITIES				TOTAL LIABILITIES			
		2011-12	2012-13	2013-14	CAGR	2011-12	2012-13	2013-14	CAGR
1.	State Bank of India	849091	945350	1033772	10.34%	1665410	1945703	2180333	14.42%
2.	State Bank of Bikaner & Jaipur	20350	22727	24516	9.76%	66089	78965	83246	12.23%
3.	State Bank of Hyderabad	96985	113850	122804	12.53%	114670	132433	137844	9.64%
4.	State Bank of Mysore	14055	15739	18188	13.76%	59079	65908	72651	10.89%
5.	State Bank of Patiala	23523	33906	40942	31.93%	90088	98136	103285	7.07%
6.	State Bank of Travancore	46726	47226	47685	1.02%	85949	101579	105285	10.68%
	State Bank Group	1050731	1178798	1287906	10.71%	2081286	2422724	2682644	13.53%
1.	Allahabad Bank	30844	32810	37793	10.69%	172576	193240	208911	10.02%
2.	Andhra Bank	54261	63207	74477	17.16%	117066	137858	158603	16.40%
3.	Bank of Baroda	60778	70639	80902	15.37%	424533	521061	631509	21.96%
4.	Bank of India	65682	76306	93602	19.38%	358887	425641	539052	22.56%
5.	Bank of Maharashtra	18398	26168	32716	33.35%	86198	110318	128951	22.31%
6.	Canara Bank	139941	156300	183552	14.53%	377018	417291	495591	14.65%
7.	Central Bank of India	54270	52970	61531	6.48%	230176	268666	290095	12.26%
8.	Corporation Bank	23592	30671	39043	28.64%	163700	193471	222055	16.47%
9.	Dena Bank	12671	17810	20986	28.70%	82457	107206	117205	19.22%
10.	IDBI Bank	103121	126489	143144	17.82%	272668	303257	307068	6.12%
11.	Indian Bank	38208	46171	51783	16.42%	128459	148526	170812	15.31%
12.	Indian Overseas Bank	52137	62625	67731	13.98%	206653	230727	258362	11.81%
13.	Oriental Bank of Commerce	66529	87047	95105	19.56%	229250	256814	282786	11.06%
14.	Punjab and Sind Bank	11680	13215	15755	16.14%	68656	75874	89498	14.17%
15.	Punjab National Bank	88773	94647	109931	11.28%	429504	445153	514521	9.45%
16.	Syndicate Bank	38736	43356	49772	13.35%	172260	204581	240017	18.04%
17.	UCO Bank	29273	42734	63512	47.30%	180498	198651	239125	15.10%
18.	Union Bank of India	56877	68097	83415	21.10%	263025	312912	355014	16.18%
19.	United Bank of India	15736	18490	18490	8.40%	93202	109335	114777	10.97%
20.	Vijaya Bank	17968	21860	25174	18.37%	90444	105423	131259	20.47%
	Nationalised Banks	979474	1151611	1348415	17.33%	4147232	4766006	5495212	15.11%
	Public Sector Banks	2030205	2330408	2636321	13.95%	6228518	7188730	8177856	14.58%

Source: Banks' Annual Reports and websites Amounts in Crores of Rupees ***Data Not Available

Table A.7: Growth of Branches and ATMs : Public Sector Banks - April 2011- March 2014

Sl No.	Bank	BRANCHES				ATMs			
		2011-12	2012-13	2013-14	CAGR	2011-12	2012-13	2013-14	CAGR
1.	State Bank of India	14097	14816	15869	6.10%	22141	27175	40768	35.69%
2.	State Bank of Bikaner & Jaipur	950	1037	1148	9.93%	1075	1087	1554	20.23%
3.	State Bank of Hyderabad	1495	1558	1694	6.45%	1450	1584	2314	26.33%
4.	State Bank of Mysore	736	780	944	13.25%	802	853	1107	17.49%
5.	State Bank of Patiala	875	964	1053	9.70%	1300	1375	1426	4.73%
6.	State Bank of Travancore	879	1013	1117	12.73%	928	965	1352	20.70%
	State Bank Group	**19032**	**20168**	**21825**	**7.09%**	**27696**	**33039**	**48521**	**32.36%**
1.	Allahabad Bank	2516	2716	2840	6.24%	316	447	901	68.86%
2.	Andhra Bank	1711	1866	2114	11.15%	1056	1207	1850	32.36%
3.	Bank of Baroda	3959	4336	4874	10.96%	2012	2630	6254	76.31%
4.	Bank of India	4000	4292	4646	7.77%	1680	2133	4225	58.58%
5.	Bank of Maharashtra	1589	1728	1890	9.06%	502	692	1827	90.77%
6.	Canara Bank	3600	3728	4755	14.93%	2858	3526	6312	48.61%
7.	Central Bank of India	4011	4294	4573	6.78%	1682	2529	3628	46.87%
8.	Corporation Bank	1500	1707	2021	16.07%	1274	1425	2264	33.31%
9.	Dena Bank	1342	1464	1633	10.31%	543	620	1421	61.77%
10.	IDBI Bank	975	1079	1388	19.31%	1542	1702	2301	22.16%
11.	Indian Bank	1946	2089	2250	7.53%	1280	1322	2123	28.79%
12.	Indian Overseas Bank	2629	2902	3265	11.44%	1443	1883	2533	32.49%
13.	Oriental Bank of Commerce	1772	2000	2126	9.53%	1270	1414	2128	29.44%
14.	Punjab and Sind Bank	1027	1128	1330	13.80%	118	179	1008	192.27%
15.	Punjab National Bank	5658	5873	6201	4.69%	6009	6313	6940	7.47%
16.	Syndicate Bank	2719	2934	3251	9.35%	1240	1306	1946	25.27%
17.	UCO Bank	2394	2614	2894	9.95%	864	1361	2085	55.34%
18.	Union Bank of India	3200	3509	3869	9.96%	3801	4603	6429	30.05%
19.	United Bank of India	1680	1729	2001	9.14%	802	917	1602	41.33%
20.	Vijaya Bank	1300	1359	1512	7.85%	750	874	1528	42.74%
	Nationalised Banks	**49528**	**53347**	**59433**	**9.54%**	**31042**	**37083**	**59305**	**38.22%**
	Public Sector Banks	**68560**	**73515**	**81258**	**8.87%**	**58738**	**70122**	**107826**	**35.49%**

Source: Banks' Annual Reports and websites Amounts in Crores of Rupees ***Data Not Available

Table A.8: Growth of Revenue Per Branch, Per Employee - April 2011- March 2014

Sl.No.	Bank	PER BRANCH REVENUE				PER EMPLOYEE REVENUE			
		2011-12	2012-13	2013-14	CAGR	2011-12	2012-13	2013-14	CAGR
1.	State Bank of India	12.53	13.50	14.27	6.72%	0.82	0.88	1.02	11.54%
2.	State Bank of Bikaner & Jaipur	8.61	9.45	9.21	3.46%	0.64	0.76	0.79	11.61%
3.	State Bank of Hyderabad	7.81	8.62	8.53	4.51%	0.78	0.81	0.80	1.31%
4.	State Bank of Mysore	7.60	8.41	7.30	-1.98%	0.55	0.61	0.64	7.92%
5.	State Bank of Patiala	10.14	10.71	10.47	1.63%	0.65	0.71	0.73	5.97%
6.	State Bank of Travancore	8.51	9.17	9.45	5.42%	0.59	0.74	0.73	10.80%
	State Bank Group	**11.48**	**12.37**	**12.83**	**5.72%**	**0.78**	**0.84**	**0.95**	**10.47%**
1.	Allahabad Bank	6.69	7.01	7.41	5.28%	0.75	0.84	0.86	6.64%
2.	Andhra Bank	7.13	7.48	7.39	1.84%	0.81	0.84	0.83	1.65%
3.	Bank of Baroda	8.74	9.44	9.44	3.96%	0.83	0.95	1.00	9.49%
4.	Bank of India	***	8.31	9.06	4.39%	***	0.85	0.98	7.35%
5.	Bank of Maharashtra	4.95	6.10	6.81	17.29%	0.57	0.77	0.89	25.26%
6.	Canara Bank	9.42	10.03	9.19	-1.22%	0.80	0.88	0.90	5.66%
7.	Central Bank of India	5.15	5.49	5.78	5.92%	0.58	0.64	0.65	6.28%
8.	Corporation Bank	9.68	9.93	9.71	0.12%	1.05	1.14	1.15	4.47%
9.	Dena Bank	5.50	6.53	6.67	10.17%	0.72	0.86	0.84	7.73%
10.	IDBI Bank	40.49	40.22	32.75	-10.07%	2.56	2.81	2.77	3.98%
11.	Indian Bank	6.90	7.27	7.39	3.51%	0.72	0.81	0.86	9.44%
12.	Indian Overseas Bank	7.43	7.77	7.60	1.13%	0.72	0.80	0.83	7.75%
13.	Oriental Bank of Commerce	11.59	11.44	11.73	0.61%	1.12	1.21	1.28	6.83%
14.	Punjab and Sind Bank	6.71	6.88	6.32	-2.99%	0.86	0.91	0.95	5.11%
15.	Punjab National Bank	7.19	7.85	7.71	3.55%	0.65	0.78	0.78	9.47%
16.	Syndicate Bank	0.00	6.24	6.14	-0.81%	0.00	0.69	0.73	3.22%
17.	UCO Bank	***	***	***	***	***	***	***	***
18.	Union Bank of India	7.34	8.02	8.41	7.09%	0.76	0.89	0.96	12.46%
19.	United Bank of India	5.15	5.95	5.88	6.79%	0.56	0.66	0.71	12.96%
20.	Vijaya Bank	6.55	7.11	7.55	7.36%	0.72	0.77	0.89	11.25%
	Nationalised Banks	**6.65**	**8.10**	**8.11**	**10.47%**	**0.67**	**0.86**	**0.90**	**16.22%**
	Public Sector Banks	**9.36**	**11.49**	**11.60**	**11.37%**	**0.83**	**1.06**	**1.14**	**17.10%**

Source: Banks' Annual Reports and websites Amounts in Crores of Rupees ***Data Not Available

Table A.9: Growth of Bank Revenues : Public Sector Banks - April 2011- March 2014

Sl No.	Bank	RETAIL REVENUE				TOTAL REVENUE			
		2011-12	2012-13	2013-14	CAGR	2011-12	2012-13	2013-14	CAGR
1.	State Bank of India	72594	82613	89330	10.93%	176673	200087	226503	13.23%
2.	State Bank of Bikaner & Jaipur	3707	4108	4220	6.70%	8179	9796	10578	13.73%
3.	State Bank of Hyderabad	8511	9964	11066	14.03%	11671	13423	14445	11.25%
4.	State Bank of Mysore	5595	6561	6895	11.01%	5595	6561	6895	11.01%
5.	State Bank of Patiala	4233	3530	3735	-6.06%	8872	10323	11028	11.49%
6.	State Bank of Travancore	3436	3711	3894	6.46%	7477	9288	10559	18.83%
	State Bank Group	94244	106008	114547	**10.25%**	218467	249478	280007	**13.21%**
1.	Allahabad Bank	4231	4548	5133	10.14%	16832	19026	21057	11.85%
2.	Andhra Bank	3590	3769	4676	14.12%	12199	13957	15630	13.19%
3.	Bank of Baroda	8731	9888	11179	13.15%	34589	40953	46018	15.34%
4.	Bank of India	***	10315	10347	0.03%	***	35678	42088	1.39%
5.	Bank of Maharashtra	2323	2310	3514	22.98%	7862	10536	12864	27.92%
6.	Canara Bank	8339	9464	10788	13.75%	33920	37378	43714	13.52%
7.	Central Bank of India	4556	5862	6982	23.80%	20645	23573	26410	13.10%
8.	Corporation Bank	2677	3408	4215	25.49%	14525	16954	19616	16.21%
9.	Dena Bank	1369	1668	2064	22.79%	7376	9555	10895	21.53%
10.	IDBI Bank	15011	18070	19626	14.34%	39476	43401	45452	7.30%
11.	Indian Bank	4458	5102	5438	10.45%	13422	15186	16627	11.30%
12.	Indian Overseas Bank	4824	5253	6940	19.94%	19532	22540	24811	12.71%
13.	Oriental Bank of Commerce	6289	7796	8862	18.70%	20534	22875	24938	10.20%
14.	Punjab and Sind Bank	1273	1501	1629	13.11%	6892	7757	8400	10.40%
15.	Punjab National Bank	12323	12441	12986	2.66%	40679	46109	47800	8.40%
16.	Syndicate Bank	***	4165	4935	1.42%	***	18295	19945	0.72%
17.	UCO Bank	***	***	***	***	***	***	***	***
18.	Union Bank of India	7386	9183	9035	10.60%	23473	28149	32546	17.75%
19.	United Bank of India	2248	2267	2544	6.38%	8660	10287	11762	16.54%
20.	Vijaya Bank	2026	2361	2547	12.11%	8516	9659	11416	15.78%
	Nationalised Banks	91654	119370	133439	**20.66%**	329132	431869	481989	**21.01%**
	Public Sector Banks	185898	225378	247986	**15.50%**	547599	681347	761996	**17.96%**

Source: Banks' Annual Reports and websites Amounts in Crores of Rupees ***Data Not Available

Table A.10: Private Sector Banks: Retail and Total Revenues - April 2011- March 2014

S.No	Bank	2011-12	2012-13	2013-14	Average
1	Catholic Syrian Bank	45.77%	52.13%	55.83%	51.24%
2	City Union Bank	50.20%	46.91%	65.97%	54.36%
3	Dhanlaxmi Bank	47.14%	43.85%	40.62%	43.87%
4	Federal Bank	41.74%	41.10%	41.19%	41.34%
5	ING Vysya Bank	0.00%	31.06%	33.37%	21.48%
6	Jammu & Kashmir Bank	40.60%	37.68%	35.05%	37.78%
7	Karnataka Bank	39.32%	40.74%	41.09%	40.38%
8	Karur Vysya Bank	47.56%	50.08%	49.69%	49.11%
9	Lakshmi Vilas Bank	37.99%	44.60%	48.79%	43.79%
10	Nainital Bank	***	47.46%	46.51%	46.98%
11	South Indian Bank	43.34%	38.84%	34.96%	39.05%
12	Tamilnad Mercantile Bank	***	60.92%	57.51%	59.21%
13	The Ratnakar Bank	26.42%	20.56%	20.83%	22.60%
Old Private Sector Banks		**36.82%**	**41.34%**	**41.34%**	**39.83%**
14	Axis Bank	19.80%	22.98%	25.08%	22.62%
15	DCB Bank	47.13%	48.84%	50.85%	48.94%
16	HDFC Bank	50.81%	52.77%	52.81%	52.13%
17	ICICI Bank	25.83%	25.05%	27.41%	26.10%
18	IndusInd Bank	***	46.16%	47.71%	46.94%
19	Kotak Mahindra Bank	29.47%	31.16%	30.59%	30.41%
20	YES Bank	4.75%	5.17%	5.00%	4.97%
New Private Sector Banks		**28.94%**	**31.72%**	**33.34%**	**31.33%**
Private Sector Banks		**30.03%**	**33.09%**	**34.47%**	**32.53%**

Source: Banks' Annual Reports *** Data not available Figures in Crores of Rupees

Table A.11: Growth in Retail Revenues: Private Sector Banks - April 2011- March 2014

Sl No.	Bank	RETAIL REVENUE				TOTAL REVENUE			
		2011-12	**2012-13**	**2013-14**	**CAGR**	**2011-12**	**2012-13**	**2013-14**	**CAGR**
1	Catholic Syrian Bank	531	738	905	30.52%	1161	1415	1621	18.18%
2	City Union Bank	956	1335	1624	30.37%	1904	2847	2462	13.72%
3	Dhanlaxmi Bank	725	624	555	-12.52%	1537	1422	1365	-5.76%
4	Federal Bank	2552	2808	3147	11.03%	6114	6832	7640	11.79%
5	ING Vysya Bank	***	1736	2026	8.05%	4526	5588	6072	15.82%
6	Jammu & Kashmir Bank	2245	2682	2732	10.30%	5530	7119	7795	18.73%
7	Karnataka Bank	1355	1695	1929	19.30%	3447	4162	4694	16.70%
8	Karur Vysya Bank	1722	2351	2823	28.03%	3621	4695	5680	25.26%
9	Lakshmi Vilas Bank	637	873	1074	29.85%	1677	1958	2202	14.58%
10	Nainital Bank	***	201	213	3.07%	***	423	459	4.12%
11	South Indian Bank	1660	1853	1882	6.47%	3831	4769	5384	18.55%
12	Tamilnad Mercantile Bank	***	1656	1681	0.73%	***	2719	2923	3.68%
13	The Ratnakar Bank	269	381	635	53.70%	1017	1851	3047	73.11%
	Old Private Sector Banks	**12652**	**18932**	**21226**	**29.52%**	**34364**	**45801**	**51345**	**22.23%**
14	Axis Bank	13224	18290	22259	29.74%	66776	79592	88750	15.29%
15	DCB Bank	604	743	931	24.13%	1282	1521	1831	19.51%
16	HDFC Bank	27533	34920	40805	21.74%	54186	66167	77270	19.42%
17	ICICI Bank	19711	22586	27412	17.93%	76306	90165	100019	14.49%
18	IndusInd Bank	***	4424	5474	11.24%	6371	9584	11474	34.20%
19	Kotak Mahindra Bank	4524	5906	6115	16.27%	7158	9203	10167	19.18%
20	YES Bank	350	489	565	27.03%	7378	9460	11299	23.75%
	New Private Sector Banks	**65946**	**87357**	**103561**	**25.32%**	**219456**	**265692**	**300811**	**17.08%**
	Private Sector Banks	**78598**	**106290**	**124787**	**26.00%**	**253821**	**311493**	**352155**	**17.79%**

Source: Banks' Annual Reports *** Data not available Figures in Crores of Rupees

Table A.12: Growth in Retail Operating Profits - Private Sector Banks - April 2011- March 2014

Sl No.	Bank	RETAIL PBT				TOTAL PBT			
		2011-12	**2012-13**	**2013-14**	**CAGR**	**2011-12**	**2012-13**	**2013-14**	**CAGR**
1	Catholic Syrian Bank	99	133	193	39.29%	94	102	95	0.98%
2	City Union Bank	151	214	305	42.01%	427	523	581	16.64%
3	Dhanlaxmi Bank	-41	23	1	###	-88	51	6	###
4	Federal Bank	845	626	663	-11.40%	1164	1210	1227	2.65%
5	ING Vysya Bank	253	245	311	10.97%	654	901	978	22.23%
6	Jammu & Kashmir Bank	234	224	546	52.83%	1201	1527	1752	20.77%
7	Karnataka Bank	371	395	315	-7.90%	310	488	434	18.25%
8	Karur Vysya Bank	589	633	613	2.06%	957	1129	1157	9.98%
9	Lakshmi Vilas Bank	45	53	38	-7.60%	126	138	40	-43.37%
10	Nainital Bank	0	39	58	20.97%	0	101	124	10.79%
11	South Indian Bank	468	523	501	3.48%	572	656	729	12.85%
12	Tamilnad Mercantile Bank	0	398	249	-20.85%	0	638	456	-15.49%
13	The Ratnakar Bank	13	12	25	34.99%	159	134	194	10.75%
	Old Private Sector Banks	**3027**	**3518**	**3818**	**12.30%**	**5577**	**7600**	**7774**	**18.07%**
14	Axis Bank	***	514	551	3.54%	6288	7553	9349	21.93%
15	DCB Bank	25	42	76	72.33%	55	102	151	65.75%
16	HDFC Bank	3487	4424	5685	27.69%	8418	10965	13958	28.77%
17	ICICI Bank	550	955	1830	82.39%	8803	11397	13968	25.96%
18	IndusInd Bank	915	1194	1656	34.50%	1448	1913	2694	36.40%
19	Kotak Mahindra Bank	566	614	793	18.41%	1085	1972	2272	44.72%
20	YES Bank	-90	-85	-64	-15.99%	2165	3002	3618	29.29%
	New Private Sector Banks	**5449**	**7659**	**10527**	**39.00%**	**28262**	**36904**	**46011**	**27.59%**
Private Sector Banks		**8476**	**11176**	**14345**	**30.10%**	**33839**	**44504**	**53786**	**26.07%**

Source: Banks' Annual Reports *** Data not available Figures in Crores of Rupees

Table A.13: Growth in Retail Assets - Private Sector Banks - April 2011- March 2014

Sl No.	Bank	RETAIL ASSETS				TOTAL ASSETS			
		2011-12	2012-13	2013-14	CAGR	2011-12	2012-13	2013-14	CAGR
1	Catholic Syrian Bank	5008	6365	6456	13.53%	11355	12945	14698	13.77%
2	City Union Bank	7903	10658	11518	20.73%	17986	22448	24424	16.53%
3	Dhanlaxmi Bank	***	***	***	***	***	***	***	***
4	Federal Bank	18709	23194	26459	18.92%	59568	69918	73256	10.90%
5	ING Vysya Bank	12249	14107	14716	9.61%	46434	54271	59845	13.53%
6	Jammu & Kashmir Bank	16418	19025	21176	13.57%	60269	71743	78620	14.21%
7	Karnataka Bank	9327	11797	13798	21.63%	36169	41359	46831	13.79%
8	Karur Vysya Bank	13868	18299	21265	23.83%	37635	46733	51543	17.03%
9	Lakshmi Vilas Bank	5625	6709	8486	22.83%	16163	17667	20653	13.04%
10	Nainital Bank	***	1717	1922	5.78%	***	4305	5324	11.21%
11	South Indian Bank	13729	14651	14940	4.32%	39321	48675	53800	16.97%
12	Tamilnad Mercantile Bank	***	11404	11924	2.25%	***	23162	25905	5.76%
13	The Ratnakar Bank	609	881	2539	104.22%	7036	12677	17701	58.61%
	Old Private Sector Banks	**103446**	**138809**	**155198**	**22.49%**	**331937**	**425903**	**472601**	**19.32%**
14	Axis Bank	58258	75261	105610	34.64%	284468	339119	381386	15.79%
15	DCB Bank	3251	4331	5334	28.08%	8516	11120	12770	22.45%
16	HDFC Bank	112841	138002	169135	22.43%	334422	395901	487659	20.76%
17	ICICI Bank	69777	72975	99191	19.23%	483107	530706	589968	10.51%
18	IndusInd Bank	24754	34808	39534	26.38%	56188	71285	84064	22.32%
19	Kotak Mahindra Bank	42226	52890	61655	20.84%	114684	145067	161556	18.69%
20	YES Bank	5311	4563	5246	-0.61%	73074	98507	108178	21.67%
	New Private Sector Banks	**316418**	**382829**	**485705**	**23.90%**	**1354461**	**1591705**	**1825580**	**16.10%**
Private Sector Banks		**419864**	**521639**	**640903**	**23.55%**	**1686397**	**2017608**	**2298181**	**16.74%**

Source: Banks' Annual Reports *** Data not available Figures in Crores of Rupees

Table A.14: Growth in Retail Liabilities - Private Sector Banks - April 2011- March 2014

Sl No.	Bank	RETAIL LIABILITIES				TOTAL LIABILITIES			
		2011-12	2012-13	2013-14	CAGR	2011-12	2012-13	2013-14	CAGR
1	Catholic Syrian Bank	8142	8711	10623	14.23%	11824	13379	15083	12.95%
2	City Union Bank	7287	9771	10581	20.50%	16863	20977	22612	15.80%
3	Dhanlaxmi Bank	***	***	***	***	***	***	***	***
4	Federal Bank	17604	21506	24520	18.02%	54538	64069	66918	10.77%
5	ING Vysya Bank	21513	24586	26344	10.66%	40573	47184	50217	11.25%
6	Jammu & Kashmir Bank	37766	40919	37252	-0.68%	56176	66879	72896	13.91%
7	Karnataka Bank	8659	10990	12900	22.06%	33583	38515	43793	14.19%
8	Karur Vysya Bank	12368	16040	19233	24.70%	37635	46733	51543	17.03%
9	Lakshmi Vilas Bank	11128	12630	13178	8.82%	16163	17667	20653	13.04%
10	Nainital Bank	***	1594	1836	7.35%	***	3921	4901	11.80%
11	South Indian Bank	13096	13857	14094	3.74%	37401	45898	50601	16.32%
12	Tamilnad Mercantile Bank	***	13005	13946	3.56%	***	22978	25778	5.92%
13	The Ratnakar Bank	2277	3331	6346	66.94%	6023	11280	16112	63.56%
	Old Private Sector Banks	**139840**	**176939**	**190854**	**16.82%**	**310778**	**399479**	**441107**	**19.14%**
14	Axis Bank	94306	118121	150297	26.24%	262032	306423	343799	14.54%
15	DCB Bank	5848	7134	8851	23.02%	7799	10254	11767	22.83%
16	HDFC Bank	189990	234968	298225	25.29%	293265	343448	428686	20.90%
17	ICICI Bank	176628	204319	238897	16.30%	489069	536795	594642	10.27%
18	IndusInd Bank	16220	19929	25654	25.76%	51752	64351	76171	21.32%
19	Kotak Mahindra Bank	38345	48027	56374	21.25%	101779	129776	142237	18.22%
20	YES Bank	10257	13780	19713	38.64%	63400	85546	93958	21.74%
	New Private Sector Banks	**531594**	**646278**	**798011**	**22.52%**	**1861965**	**2241195**	**2535778**	**16.70%**
	Private Sector Banks	**671434**	**823217**	**988865**	**21.36%**	**2172743**	**2640675**	**2976885**	**17.05%**

Source: Banks' Annual Reports *** Data not available Figures in Crores of Rupees

Table A.15: Growth in Branches and ATMs - Private Sector Banks - April 2011- March 2014

Sl No.	Bank	BRANCHES				ATMs			
		2011-12	2012-13	2013-14	CAGR	2011-12	2012-13	2013-14	CAGR
1	Catholic Syrian Bank	372	390	430	7.51%	171	201	230	15.98%
2	City Union Bank	300	375	425	19.02%	500	788	950	37.84%
3	Dhanlaxmi Bank	280	280	280	0.00%	396	396	396	0.00%
4	Federal Bank	950	1103	1174	11.17%	998	1172	1359	16.69%
5	ING Vysya Bank	527	542	553	2.44%	430	500	638	21.81%
6	Jammu & Kashmir Bank	603	685	777	13.51%	508	613	800	25.49%
7	Karnataka Bank	503	550	600	9.22%	***	***	800	***
8	Karur Vysya Bank	451	551	572	12.62%	812	1277	1617	41.12%
9	Lakshmi Vilas Bank	290	291	361	11.57%	541	651	688	12.77%
10	Nainital Bank	***	107	116	4.12%	***	***	***	***
11	South Indian Bank	694	744	794	6.96%	663	800	1000	22.81%
12	Tamilnad Mercantile Bank	***	326	370	6.53%	0	495	789	26.25%
13	The Ratnakar Bank	101	125	175	31.63%	59	184	350	143.56%
	Old Private Sector Banks	**4544**	**6069**	**6627**	**20.76%**	**4648**	**7077**	**8028**	**31.42%**
14	Axis Bank	1622	1947	2402	21.69%	9924	11245	12922	14.11%
15	DCB Bank	84	94	130	24.40%	0	0	292	***
16	HDFC Bank	2544	3062	3403	15.66%	8913	10743	11256	12.38%
17	ICICI Bank	2752	3100	3753	16.78%	9006	10481	11315	12.09%
18	IndusInd Bank	400	500	602	22.68%	692	882	1110	26.65%
19	Kotak Mahindra Bank	355	437	605	30.55%	848	961	1103	14.05%
20	YES Bank	356	430	560	25.42%	600	950	1139	37.78%
	New Private Sector Banks	16249	20663	23574	20.45%	38212	48031	53325	18.13%
	Private Sector Banks	**20793**	**26732**	**30201**	**20.52%**	**42860**	**55108**	**61353**	**19.64%**

Source: Banks' Annual Reports *** Data not available Figures in Crores of Rupees

Table A.16: Growth in Per Branch and Per Employee Revenues - Private Sector Banks -2011-14

Sl No.	Bank	PER BRANCH REVENUE				PER EMPLOYEE REVENUE			
		2011-12	2012-13	2013-14	CAGR	2011-12	2012-13	2013-14	CAGR
1	Catholic Syrian Bank	3.12	3.63	3.77	9.92%	0.44	0.50	0.57	14.18%
2	City Union Bank	6.35	7.59	5.79	-4.45%	0.57	0.75	0.58	1.33%
3	Dhanlaxmi Bank	5.49	5.08	4.88	-5.76%	0.44	0.55	0.56	12.59%
4	Federal Bank	6.44	6.19	6.51	0.56%	0.70	0.68	0.73	2.18%
5	ING Vysya Bank	8.59	10.31	10.98	13.07%	0.47	0.60	0.63	15.55%
6	Jammu & Kashmir Bank	9.17	10.39	10.03	4.59%	0.60	0.76	0.83	18.01%
7	Karnataka Bank	6.85	7.57	7.82	6.85%	0.57	0.66	0.65	7.41%
8	Karur Vysya Bank	8.03	8.52	9.93	11.22%	0.64	0.70	0.77	10.13%
9	Lakshmi Vilas Bank	5.78	6.73	6.10	2.70%	0.55	0.62	0.67	10.36%
10	Nainital Bank	***	3.95	3.95	0.00%	***	0.51	0.54	3.31%
11	South Indian Bank	5.52	6.41	6.78	10.83%	0.68	0.78	0.79	7.91%
12	Tamilnad Mercantile Bank	***	8.34	7.90	-2.68%	***	0.86	0.81	-2.75%
13	The Ratnakar Bank	10.07	14.81	17.41	31.51%	0.77	1.00	1.09	19.26%
	Old Private Sector Banks	**6.78**	**7.55**	**7.75**	**6.93%**	**0.55**	**0.69**	**0.72**	**14.87%**
14	Axis Bank	41.17	40.88	36.95	-5.26%	2.10	1.91	2.09	-0.28%
15	DCB Bank	15.27	16.18	14.09	-3.94%	0.62	0.69	0.67	3.86%
16	HDFC Bank	21.30	21.61	22.71	3.25%	0.82	0.95	1.13	17.57%
17	ICICI Bank	27.73	29.09	26.65	-1.96%	1.31	1.45	1.38	2.84%
18	IndusInd Bank	15.93	19.17	19.06	9.39%	0.68	0.83	0.74	4.04%
19	Kotak Mahindra Bank	20.16	21.06	16.80	-8.71%	0.57	0.71	0.66	7.79%
20	YES Bank	20.72	22.00	20.18	-1.33%	1.31	1.35	1.28	-0.90%
	New Private Sector Banks	**12.68**	**12.86**	**12.76**	**0.30%**	**1.18**	**1.28**	**1.34**	**6.30%**
	Private Sector Banks	**11.34**	**11.65**	**11.66**	**1.38%**	**1.02**	**1.14**	**1.19**	**7.86%**

Source: Banks' Annual Reports *** Data not available Figures in Crores of Rupees

Table A.17: Private Sector Banks: Employees, Costs and Revenues(CAGR)*

April 2011 - March 2014

Sl No.	Bank	No. of Employees	Employee Costs	Total Revenues
1	Catholic Syrian Bank	3.50%	16.42%	18.18%
2	City Union Bank	12.23%	23.19%	13.72%
3	Dhanlaxmi Bank	-16.29%	-16.89%	-5.76%
4	Federal Bank	9.40%	19.24%	11.79%
5	ING Vysya Bank	0.23%	18.73%	15.82%
6	Jammu & Kashmir Bank	0.61%	19.56%	18.73%
7	Karnataka Bank	8.65%	27.16%	16.70%
8	Karur Vysya Bank	13.74%	41.30%	25.26%
9	Lakshmi Vilas Bank	3.82%	15.33%	14.58%
10	Nainital Bank	-0.47%	8.50%	4.12%
11	South Indian Bank	9.86%	18.91%	18.55%
12	Tamilnad Mercantile Bank	12.35%	8.25%	3.68%
13	The Ratnakar Bank	45.15%	48.24%	73.11%
	Old Private Sector Banks	**6.41%**	**23.96%**	**22.23%**
14	Axis Bank	15.61%	14.85%	15.29%
15	DCB Bank	15.06%	12.29%	19.51%
16	HDFC Bank	1.57%	12.15%	19.42%
17	ICICI Bank	11.33%	8.17%	14.49%
18	IndusInd Bank	28.99%	29.11%	34.20%
19	Kotak Mahindra Bank	10.57%	13.97%	19.18%
20	YES Bank	24.87%	28.83%	23.75%
	New Private Sector Banks	**10.14%**	**12.56%**	**17.08%**
	Private Sector Banks	**9.21%**	**15.10%**	**17.79%**

*Calculated based on source data from banks' annual reports

Private Sector Banks as a whole witnessed a CAGR of 9.21% in Manpower and the Employee Costs show a CAGR of 15.10% but the Total Revenues also showed 17.79% growth. But the ratio of increase in Revenues is much better with the NPSBs – with a 10% increase in Employees and 12.6% increase in manpower costs they could show a 17% increase in Revenues. Whereas, the OPSBs have had an increase of 23.96% in manpower costs for a 6.41% increase in employees. But with a 24% increase is staff costs they could increase Revenues by 22% only

Table A.18. Private Sector Banks: Retail and Total Liabilities – 2011-14

Sl No.	Bank	Retail Liabilities Average	Total Liabilities Average	Retail Liabilities Share (%)
OLD PRIVATE SECTOR BANKS				
1	Catholic Syrian Bank	9158.42	13428.56	68.20
2	City Union Bank	9213.05	20150.57	45.72
3	Dhanlaxmi Bank	***	***	***
4	Federal Bank	21210.21	61841.78	34.30
5	ING Vysya Bank	24147.59	45991.22	52.50
6	Jammu & Kashmir Bank	38645.62	65316.93	59.17
7	Karnataka Bank	10849.68	38630.22	28.09
8	Karur Vysya Bank	15880.38	45303.79	35.05
9	Lakshmi Vilas Bank	8639.89	18160.87	47.57
10	Nainital Bank	1143.32	2940.38	38.88
11	South Indian Bank	13682.36	44633.28	30.66
12	Tamilnad Mercantile Bank	8983.87	16252.13	55.28
13	The Ratnakar Bank	3984.49	11138.51	35.77
	Sector Total	165538.88	383788.24	43.13
NEW PRIVATE SECTOR BANKS				
14	Axis Bank	120907.96	304084.53	39.76
15	DCB Bank	7277.45	9939.98	73.21
16	HDFC Bank	241061.24	355132.87	67.88
17	ICICI Bank	206614.49	540168.35	38.25
18	IndusInd Bank	20600.92	64090.91	32.14
19	Kotak Mahindra Bank	47582.17	124597.23	38.19
20	YES Bank	14583.19	80968.13	18.01
	Sector Total	658627.42	2212979.35	29.76
	Private Sector Total	824166.31	2596767.59	31.74

***Not Available Source: Banks' Annual Reports (Figures in Crores of Rupees)

Retail Banking Liabilities were 31.74% of the Total Liabilities of Private Sector Banks in the last three Financial Years – April 2011 to March 2014. But between banks the ratio varied from 18.01% to 73.215% in the NPSB Group and from 28.09% to 68.20% in the OPSB Group.

Table A.19: Private Sector Banks: Retail and Total Revenues – 2011-14

Sl No.	Bank	Retail Revenues Average	Total Revenues Average	Retail Revenues Share (%)
OLD PRIVATE SECTOR BANKS				
1	Catholic Syrian Bank	724.78	1399.21	51.80
2	City Union Bank	1305.18	2404.48	54.28
3	Dhanlaxmi Bank	634.31	1441.66	44.00
4	Federal Bank	2835.56	6861.95	41.32
5	ING Vysya Bank	1253.95	5395.75	23.24
6	Jammu & Kashmir Bank	2553.10	6814.38	37.47
7	Karnataka Bank	1659.97	4101.20	40.48
8	Karur Vysya Bank	2298.57	4665.31	49.27
9	Lakshmi Vilas Bank	861.46	1945.58	44.28
10	Nainital Bank	138.00	293.83	46.97
11	South Indian Bank	1798.31	4661.08	38.58
12	Tamilnad Mercantile Bank	1112.38	1880.63	59.15
13	The Ratnakar Bank	427.96	1971.66	21.71
	Sector Total	17603.53	43836.72	40.16
NEW PRIVATE SECTOR BANKS				
14	Axis Bank	17924.21	78372.77	22.87
15	DCB Bank	759.55	1544.92	49.16
16	HDFC Bank	34419.08	65874.39	52.25
17	ICICI Bank	23236.17	88829.79	26.16
18	IndusInd Bank	3299.64	9143.28	36.09
19	Kotak Mahindra Bank	4157.89	13494.57	30.81
20	YES Bank	467.98	9378.64	4.99
	Sector Total	84264.51	266638.36	31.60
	Private Sector Total	101868.05	310475.08	32.81

Source: Banks' Annual Reports ***Not Available (Figures in Crores of Rupees)

Retail Banking Revenues were 32.81% of the Total Revenues of Private Sector Banks in the last three Financial Years – April 2011 to March 2014. But between banks the ratio varied from 4.99% to 52.25% in the NPSB Group and from 21.71% to 54.28% in the OPSB Group.

Table A.20: Private Sector Banks PBT – Retail and Total – 2011-14

Sl No.	Bank	Retail PBT Average	Total PBT Average	Retail PBT Share (%)
OLD PRIVATE SECTOR BANKS				
1	Catholic Syrian Bank	141.77	96.94	146.25
2	City Union Bank	223.59	510.49	43.80
3	Dhanlaxmi Bank	-5.82	-10.14	57.34
4	Federal Bank	711.44	1200.50	59.26
5	ING Vysya Bank	269.72	844.54	31.94
6	Jammu & Kashmir Bank	334.68	1493.19	22.41
7	Karnataka Bank	360.27	410.96	87.66
8	Karur Vysya Bank	611.60	1081.29	56.56
9	Lakshmi Vilas Bank	45.40	101.40	44.78
10	Nainital Bank	32.35	75.05	43.11
11	South Indian Bank	497.18	652.38	76.21
12	Tamilnad Mercantile Bank	215.56	364.70	59.11
13	The Ratnakar Bank	16.52	162.35	10.17
	Sector Total	3454.25	6983.64	49.46
NEW PRIVATE SECTOR BANKS				
14	Axis Bank	353.61	7729.72	4.57
15	DCB Bank	47.71	102.87	46.38
16	HDFC Bank	4532.13	11113.90	40.78
17	ICICI Bank	1111.35	11389.43	9.76
18	IndusInd Bank	1255.33	2018.33	62.20
19	Kotak Mahindra Bank	657.67	3161.39	20.80
20	YES Bank	-79.64	2928.46	-2.72
	Sector Total	7878.16	38444.10	20.49
	Private Sector Total	11332.41	45427.74	24.95

Source: Banks' Annual Reports (Figures in Crores of Rupees) ***Not Available

Retail Banking PBT was 24.95% of the Total PBT of Private Sector Banks in the last three Financial Years – April 2011 to March 2014. But between banks the ratio varied from -2.72% to 62.20% in the NPSB Group and from 10.17% to 146.25% in the OPSB Group.

Table A.21: Employee Costs and Revenues – 2011-14: Private Sector Banks

Sl No.	Bank	Per Employee Average		
		Cost	**Total Revenue**	**Retail Revenue**
OLD PRIVATE SECTOR BANKS				
1	Catholic Syrian Bank	8.83	50.53	26.17
2	City Union Bank	4.04	63.57	34.50
3	Dhanlaxmi Bank	7.65	50.89	22.39
4	Federal Bank	6.86	70.33	29.06
5	ING Vysya Bank	8.13	56.38	13.10
6	Jammu & Kashmir Bank	6.86	72.94	27.33
7	Karnataka Bank	6.25	62.74	25.39
8	Karur Vysya Bank	5.75	70.89	34.93
9	Lakshmi Vilas Bank	5.13	61.47	27.22
10	Nainital Bank	4.64	34.92	16.40
11	South Indian Bank	7.43	75.54	29.14
12	Tamilnad Mercantile Bank	5.46	58.59	34.65
13	The Ratnakar Bank	6.59	98.83	21.45
	Sector Total	6.70	65.87	26.45
NEW PRIVATE SECTOR BANKS				
14	Axis Bank	6.82	202.85	46.39
15	DCB Bank	6.00	66.30	32.59
16	HDFC Bank	6.02	97.04	50.71
17	ICICI Bank	8.67	138.39	36.20
18	IndusInd Bank	5.37	75.23	27.15
19	Kotak Mahindra Bank	7.73	99.30	30.60
20	YES Bank	8.94	131.08	6.54
	Sector Total	7.17	129.48	40.92
	Private Sector Total	7.06	113.94	37.38

Calculated from source data from banks' annual reports (Rupees in Lakhs)

With average cost per employee of Rs. 7.06 lakhs the Private Sector Banks as a whole are able to generate a Total Revenue (TRPE) of Rs.113.94 lakhs and Retail Revenue(RRPE) of Rs. 37.38 Lakhs per employee in the last three Financial Years – April 2011 to March 2014. But between banks the TRPE varied from 66.30 to 202.85 in the NPSB Group and from 34.92 to 98.83 in the OPSB Group. The RRPE varied from 6.54 to 50.71 in the NPSB Group and from 13.10 to 34.65 lakhs in the OPSB Group.

Table A.22: Private Sector Banks: Employee Costs and PBT - 2011-14

Sl No.	Bank	Per Employee Average		
		Cost	**Total PBT**	**Retail PBT**
OLD PRIVATE SECTOR BANKS				
1	Catholic Syrian Bank	8.83	3.50	5.12
2	City Union Bank	4.04	13.50	5.91
3	Dhanlaxmi Bank	7.65	-0.36	-0.21
4	Federal Bank	6.86	12.30	7.29
5	ING Vysya Bank	8.13	8.82	2.82
6	Jammu & Kashmir Bank	6.86	15.98	3.58
7	Karnataka Bank	6.25	6.29	5.51
8	Karur Vysya Bank	5.75	16.43	9.29
9	Lakshmi Vilas Bank	5.13	3.20	1.43
10	Nainital Bank	4.64	8.92	3.85
11	South Indian Bank	7.43	10.57	8.06
12	Tamilnad Mercantile Bank	5.46	11.36	6.72
13	The Ratnakar Bank	6.59	8.14	0.83
	Sector Total	6.70	10.49	5.19
NEW PRIVATE SECTOR BANKS				
14	Axis Bank	6.82	20.01	0.92
15	DCB Bank	6.00	4.41	2.05
16	HDFC Bank	6.02	16.37	6.68
17	ICICI Bank	8.67	17.74	1.73
18	IndusInd Bank	5.37	16.61	10.33
19	Kotak Mahindra Bank	7.73	23.26	4.84
20	YES Bank	8.94	40.93	-1.11
	Sector Total	7.17	18.67	3.83
	Private Sector Total	7.06	16.67	4.16

Calculated from source data from banks' annual reports (Rupees in Lakhs)

With average cost per employee of Rs. 7.06 lakhs the Private Sector Banks as a whole are able to generate a Total PBT(TPBTE) of Rs.16.67 lakhs and Retail Revenue(RPBTE) of Rs. 4.16 Lakhs per employee in the last three Financial Years – April 2011 to March 2014. But between banks the TPBTE varied from 4.41 to 40.93 lakhs in the NPSB Group and from -0.36 to 16.43 lakhs in the OPSB Group. The RPBTE varied from -1.11 to 10.33 lakhs in the NPSB Group and from -0.21 to 9.29 lakhs in the OPSB Group.

Table A.23: ATMs and Branches: Private Sector Banks: March 31, 1014

Sl No.	Bank	No. of Branches	No. of ATMs	ATMs per Branch
OLD PRIVATE SECTOR BANKS				
1	Catholic Syrian Bank	430	230	0.59
2	City Union Bank	425	950	2.53
3	Dhanlaxmi Bank	280	396	1.41
4	Federal Bank	1174	1359	1.23
5	ING Vysya Bank	553	638	1.18
6	Jammu & Kashmir Bank	777	800	1.17
7	Karnataka Bank	600	800	1.45
8	Karur Vysya Bank	572	1617	2.93
9	Lakshmi Vilas Bank	361	688	2.36
10	Nainital Bank	116	***	***
11	South Indian Bank	794	1000	1.34
12	Tamilnad Mercantile Bank	370	789	2.42
13	The Ratnakar Bank	175	350	2.80
	Sector Total	6627	8028	1.32
NEW PRIVATE SECTOR BANKS				
14	Axis Bank	2402	12922	6.64
15	DCB Bank	130	292	3.11
16	HDFC Bank	3403	11256	3.68
17	ICICI Bank	3753	11315	3.65
18	IndusInd Bank	602	1110	2.22
19	Kotak Mahindra Bank	605	1103	2.52
20	YES Bank	560	1139	2.65
	Sector Total	23574	53325	2.58
	Private Sector Total	30201	61353	2.30

Source: Banks' Annual Reports ***Not Available

Private Sector Banks as a whole had over 30200 Branches and 61350 ATMs as on March 31, 2014 with the ATMs per Branch ratio of 2.30. The ATM ratio varied from 2.22 to 6.64 for the NPSB Group and from 0.59 to 2.80 for the OPSB Group.

Table A.24: Retail Banking Performance at a Glance: As on March 31, 2014

Sl No.	Item Description	SBG	NAB	OPSB	NPSB	Total	Retail Share
1	Retail Assets	980625	1224213	155198	485705	2845741	**26.14%**
2	Total Assets	2896830	5691105	472601	1825580	10886116	
3	Retail Liabilities	1287906	1348415	190584	798011	3624916	**35.16%**
4	Total Liabilities	2682644	5495212	441107	1691258	10310221	
5	Retail Revenues	114547	133439	21226	103561	372773	**33.46%**
6	Total Revenues	280007	481989	51345	300811	1114152	
7	Retail PBT	20992	21044	3818	10527	56381	**38.13%**
8	Total PBT	32392	61684	7774	46011	147861	
9	No. of Employees	293893	536163	70867	225248		
10	No. of Branches	21825	59433	6627	11455		
11	No. of ATMs	48521	59305	8028	39137		
12	ATMs per Branch	2.22	0.99	1.21	3.42		
13	Cost Per Employee	0.12	0.09	0.07	0.07		
14	Revenue Per Employee	0.95	0.90	0.72	1.34		

Source: Annual Reports and websites of Banks. (Amounts in crores of Rupees)

Annexure – II: Number of Bank Employees as on 31st March 2014

Table A. 25: Public Sector Banks: No. of Employees as on 31st March 2014

Si.No.	Bank Name	Officers	Clerks	Sub-Staff	Total
1	ALLAHABAD BANK	12270	8349	3950	24569
2	ANDHRA BANK	10391	5341	2993	18725
3	BANK OF BARODA	19710	18043	8248	46001
4	BANK OF INDIA	17581	17940	7622	43143
5	BANK OF MAHARASHTRA	6090	5867	2439	14396
6	CANARA BANK	20878	18770	9146	48794
7	CENTRAL BANK OF INDIA	16180	15424	9057	40661
8	CORPORATION BANK	7548	7426	2117	17091
9	DENA BANK	5408	5305	2270	12983
10	IDBI BANK LIMITED	14236	1199	1003	16438
11	INDIAN BANK	8666	8834	1851	19351
12	INDIAN OVERSEAS BANK	13286	12236	4240	29762
13	ORIENTAL BANK OF COMMERCE	10077	6042	3431	19550
14	PUNJAB AND SIND BANK	6062	2029	779	8870
15	PUNJAB NATIONAL BANK	23811	26864	10248	60923
16	SYNDICATE BANK	11257	10270	5695	27222
17	UCO BANK	11594	8421	4542	24557
18	UNION BANK OF INDIA	18158	9323	6325	33806
19	UNITED BANK OF INDIA	7550	6306	2643	16499
20	VIJAYA BANK	5947	4357	2518	12822
	NATIONALISED BANKS	**246894**	**198346**	**91117**	**536357**
1	STATE BANK OF BIKANER & JAIPUR	5384	5264	2711	13359
2	STATE BANK OF HYDERABAD	7038	7308	3794	18140
3	STATE BANK OF INDIA	79755	101648	40630	222033
4	STATE BANK OF MYSORE	3677	5075	2093	10845
5	STATE BANK OF PATIALA	5614	6244	3167	15025
6	STATE BANK OF TRAVANCORE	5094	7005	2392	14491
26	**STATE BANK OF INDIA & ITS ASSOCIATES**	**106562**	**132544**	**54787**	**293893**

Table A. 26: Private Sector Banks: No. of Employees as on 31st March 2014

1	AXIS BANK	42420	-	-	42420
2	CATHOLIC SYRIAN BANK LTD	1549	1154	137	2840
3	CITY UNION BANK LIMITED	1422	2433	361	4216
4	DCB BANK LIMITED	2653	34	31	2718
5	DHANLAXMI BANK	1825	556	49	2430
6	FEDERAL BANK	5850	3163	1454	10467
7	HDFC BANK	67871	142	152	68165
8	ICICI BANK	32316	39651	259	72226
9	INDUSIND BANK	15590	-	-	15590
10	ING VYSYA BANK	7829	1313	545	9687
11	JAMMU & KASHMIR BANK LTD	5026	2495	1850	9371
12	KARNATAKA BANK LTD	2664	3072	1449	7185
13	KARUR VYSYA BANK	3639	2970	730	7339
14	KOTAK MAHINDRA BANK LTD	15331	-	-	15331
15	LAKSHMI VILAS BANK	1408	1240	644	3292
16	NAINITAL BANK	362	290	191	843
17	SOUTH INDIAN BANK	3470	2815	510	6795
18	TAMILNAD MERCANTILE BANK LTD	1234	1844	526	3604
19	THE RATNAKAR BANK LIMITED	2498	197	103	2798
20	YES BANK LTD.	8798	-	-	8798
20	**PRIVATE SECTOR BANKS**	**223755**	**63369**	**8991**	**296115**
	SCHEDULED COMMERCIAL BANKS - TOTAL	**600251**	**395622**	**155326**	**1151199**

Annexure – III: The Survey Questionnaire

Retail Banking - A Survey

Dear Banker,

This is a Survey on Retail Banking, being done as part of my Ph.D Research Work.

I request you to spare a few minutes of your valuable time for this survey.

Thanks in advance,
M.V. Sivakumaran, Research Scholar, School of Management Studies, University of Hyderabad..

* Required

1. **Your Bank is focussing on Retail Banking as a business segment.** *
   Mark only one oval.

	1	2	3	4	5	
Strongly Agree	◯	◯	◯	◯	◯	Strongly Disagree

2. **Your Bank offers the following Retail Banking Products.** *
   Mark only one oval per row.

	Yes	No
Debit Cards	◯	◯
Credit Cards	◯	◯
Co-Branded Credit Cards	◯	◯
Mutual Funds	◯	◯
Bancassurance(Insurance)	◯	◯
Demat Accounts	◯	◯
Online Brokerage	◯	◯
Wealth Management(for HNIs)	◯	◯

3. **Your Bank offers the following Loans to your Retail Banking Customers** *

Mark only one oval per row.

	Yes	No
Home Loans		
Vehicle Loans		
Consumer Loans for Durables		
Education Loans		
Personal Loans		
Gold Loans		

4. **Your Bank offers the following services for its Retail Customers.** *

Mark only one oval per row.

	Yes	No
ATMs		
Internet Banking		
Phone Banking		
App Based Mobile Banking		
SMS Banking		
WAP Based Mobile Banking (Mobile Browser)		
USSD Based Mobile Mobile Banking		
Mobile Apps for Android		
Mobile Apps for ios (iphones)		
Mobile Apps for Windows		

5. **According to you, the success of Retail Banking in your bank can be attributed to the following:** *

Mark only one oval per row.

	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree
Aggressive Marketing					
Competitive Pricing					
Branch Network (Location & Spread)					
Quality Assurance (Products & Services)					
Cross-Selling to Existing Customers					
Business Process Reengineering					
Incremental Process Improvement					
Manpower Redeployment					
Outsourcing Services					
Shared Services					
Cost-Cutting					
Elimination of Unprofitable Customers					

6. **Your Bank's marketing efforts have helped in improving.** *

Mark only one oval per row.

	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree
Retail Assets					
Retail Liabilities					
Revenues					
Bank's Image					

7. **Your Bank has established IT Governance Processes to.** *
Mark only one oval per row.

	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
Maintain the IT Infrastructure	◯	◯	◯	◯	◯
Monitor the IT Infrastructure	◯	◯	◯	◯	◯
Develop/Improve the IT Infrastructure	◯	◯	◯	◯	◯

8. **Your Bank has identified niche areas for your retail banking products..** *
Mark only one oval.

	1	2	3	4	5	
Strongly Agree	◯	◯	◯	◯	◯	Strongly Disagree

9. **Your Bank has identified unique selling propositions(USPs) for your retail banking products..** *
Mark only one oval.

	1	2	3	4	5	
Strongly Agree	◯	◯	◯	◯	◯	Strongly Disagree

10. **Your Bank has prescribed standards for service delivery at the Branch Level with regard to Retail Banking.** *
Mark only one oval.

◯ Yes
◯ No

11. **How do you rate the overall quality of your** *
Mark only one oval per row.

	Very Good	Good	Satisfactory	Poor	Very Poor
Retail Banking Products	◯	◯	◯	◯	◯
Retail Banking Services	◯	◯	◯	◯	◯

12. **Your Bank reviews, at pre-defined intervals, the Quality of its** *

Mark only one oval per row.

	Yes	No
Retail Banking Products		
Retail Banking Services		

13. **Your Branch level service standards are being monitored by the controlling office/s.** *

Mark only one oval.

- Yes
- No

14. **Your Bank staff are involved in cross-selling Retail Banking Products, at the Branch Level:** *

Mark only one oval.

	1	2	3	4	5	
Strongly Agree						Strongly Disagree

15. **Your Bank's processes for managing delivery channels, like Internet Banking, Mobile Banking and ATMs, are** *

Mark only one oval.

	1	2	3	4	5	
Very Effective						Very Ineffective

16. **The standards prescribed in your Bank for various Services at the Branch Level are Transparent** *

Mark only one oval.

	1	2	3	4	5	
Strongly Agree						Strongly Disagree

17. **Your customers can access their Net Banking accounts online from third party sites for:** *

Mark only one oval per row.

	Yes	No
Railway Ticket Booking	◯	◯
Bus Ticket Booking	◯	◯
Air Ticketing	◯	◯
Online shopping (Like Flipkart, e-bay, Snapdeal etc)	◯	◯
Movie Tickets	◯	◯
Utility Bill Payments	◯	◯

18. **Your Bank provides incentives to your staff for selling the products/services of its business alliance partners.** *

Mark only one oval.

◯ Yes
◯ No

19. **Your Bank uses credit scoring models for processing retail lending applications.** *

Mark only one oval.

◯ Yes
◯ No

20. **Your Bank's processes in place for maintaining the overall health of its retail credit portfolio are** *

Mark only one oval.

	1	2	3	4	5	
Very Effective	◯	◯	◯	◯	◯	Very Ineffective

21. **Your Bank's processes for timely collection of repayments from retail borrowers.are** *

Mark only one oval.

	1	2	3	4	5	
Very Effective	◯	◯	◯	◯	◯	Very Ineffective

22. **Your Bank's processes for operation and maintenance of IT systems are** *

Mark only one oval.

	1	2	3	4	5	
Very Effective	◯	◯	◯	◯	◯	Very Ineffective

23. **Your Bank has processes in place to ensure privacy and security of customer information.** *

Mark only one oval.

	1	2	3	4	5	
Strongly Agree	◯	◯	◯	◯	◯	Strongly Disagree

24. **Your Bank's policy for IT outsourcing and vendor management is** *

Mark only one oval.

	1	2	3	4	5	
Very Effective	◯	◯	◯	◯	◯	Very Ineffective

25. **Please indicate the effectiveness of your Bank's Risk Management Policies:** *

Mark only one oval per row.

	Very Effective	Effective	Neither effective nor ineffective	Ineffective	Very Ineffective
Retail Credit Risk Management.	◯	◯	◯	◯	◯
Operational Risk Management - relating to People(staff)	◯	◯	◯	◯	◯
Operational Risk Management - relating to Procecess	◯	◯	◯	◯	◯
Operational Risk Management - relating to Systems	◯	◯	◯	◯	◯
Operational Risk Management - relating to External Events	◯	◯	◯	◯	◯

26. **Your Bank has processes in place for monitoring compliance levels in retail banking operations.** *

Mark only one oval.

	1	2	3	4	5	
Strongly Agree	⬭	⬭	⬭	⬭	⬭	Strongly Disagree

27. **Your Bank's processes for maintaining IT Security in the bank's operations are** *

Mark only one oval.

	1	2	3	4	5	
Very Effective	⬭	⬭	⬭	⬭	⬭	Least Effective

28. **The audit procedures adopted in your Bank for verifying compliance levels are** *

Mark only one oval.

	1	2	3	4	5	
Very Effective	⬭	⬭	⬭	⬭	⬭	Least Effective

29. **Your Bank analyses market trends and changing customer needs and accordingly makes necessary changes in its retail banking products/services.** *

Mark only one oval.

	1	2	3	4	5	
Strongly Agree	⬭	⬭	⬭	⬭	⬭	Strongly Disagree

30. **How would you rate your Bank's procedures for handling customer complaints and grievances?** *

Mark only one oval.

	1	2	3	4	5	
Very Effective	⬭	⬭	⬭	⬭	⬭	Very Ineffective

31. **Your Bank has processes in place to assess** *

Mark only one oval per row.

	Yes	No
Customer Profitability		
Customer's Life Time Value		

32. **Your Bank's Customer Relationship Management Programme uses campaigns/promotions/events which are** *

Mark only one oval.

	1	2	3	4	5	
Very Effective						Very Ineffective

33. **Your Bank provides training to its staff at various levels for improving Retail Banking Services.** *

Mark only one oval.

	1	2	3	4	5	
Strongly Agree						Strongly Disagree

34. **Your Bank has set standards for improving Branch Ambience.** *

Mark only one oval.

	1	2	3	4	5	
Strongly Disagree						Strongly Agree

35. **How would you rate the overall performance of Your Bank in Retail Banking.** *

Mark only one oval.

	1	2	3	4	5	
Very Good						Very Poor

That's it! You have completed the main survey!

This final section seeks your profile, for research purposes only.

36. **Your Bank:** *
Please choose from the dropdown list.
Mark only one oval.

- NA-1
- NA-2
- NA-3
- NA-4
- OL-1
- NE-1
- NE-2
- OL-2
- OL-3
- ST-1

37. **Your Grade:** *
Please choose from the dropdown list.
Mark only one oval.

- Top Management - Scale VI or VII
- Senior Management - Scale IV or V
- Middle Management - Scale II or III
- Junior Management - Scale I

38. **Your Experience in Banking is:** *
Please choose from the dropdown list.
Mark only one oval.

- Less than 5 years
- Over 5 years but less than 10 years
- Over 10 years but less than 20 years
- Over 20 years but less than 30 years
- Over 30 years

Annexure – IV: The Goiporia Committee – Core Recommendations

15 Core Recommendations of the

Goiporia Committee on Customer Service

Sr. No.	Recommendation No.	Recommendation
1.	3.1	Commencement of employees' working hours 15 minutes before commencement of business hours can be made operative by banks at branches in metropolitan and urban centres.
2.	3.2	All the customers who enter the banking hall before the close of business hours should be attended to.
3.	3.3	Staff at the counters should undertake the following transactions during the extended business hours (branches to indicate the timings)
		a) Non-Voucher generating transactions
		1) Issue of pass book/statement of accounts.
		2) Issue of cheques book.
		3) Delivery of term deposit receipts/draft.
		4) Acceptance of share application form
		5) Acceptance of clearing cheques /bills for collection
		b) Voucher generating transaction
		1) Issue of term deposit receipts (TDR)
		2) Acceptance of cheques for locker rent due
		3) Issue of traveler cheques.
		4) Issue of gift cheques.
		5) Acceptance of individual cheques for transfer credit.
4.	3.4	To ensure that no counter remains unattended during the business hours and uninterrupted service is rendered to the customers.
5.	3.5	All branches, except, very small branches, should have 'Enquiry' or 'May I help you? Counter, either exclusively or combined with other duties, located near the entry point of the banking hall.

Sr. No.	Recommendation No.	Recommendation
6.	3.13	In addition to obtaining nomination form, banks may provide for mentioning name and address of the nominee in the account opening form. Publicity about nomination facility is needed, including printing compatible message on cheque book, pass book and any other literature reaching the customer as well as launching periodical drives to popularise the facility.
7.	3.14	Unless the customer prefers not to nominate, (this may be recorded, without giving scope for conjecture of non-compliance) nomination should be a rule, to cover all other existing and new accounts.
8.	3.17	Issuance of statements of accounts and updating of pass books with correct and legible particulars should attract bank's constant attention.
9.	3.26	Trilingual brochures and pamphlets should be actively promoted, containing myriad customer-useful information.
10.	3.32	Facility of instant credit of outstation cheques may be raised to Rs. 5,000 (from Rs. 2,500). A separate type of pay-in-slip may be evolved for availing of this facility.
11.	3.33	Delay in collection of outstation cheques may be compensated by paying interest at 2% p.a. above savings bank rate, if such interest payable is Rs. 5/- or more. However, if the proceeds are to be credited to the borrowal accounts, like cash credit/over-draft/loan, etc. banks have to pay at the minimum lending rate that will be stipulated by RBI from time to time.
12.	3.36	Dishonoured instruments may be returned/dispatched to the customer within 24 hours.
13.	3.67	Complaint book with perforated copies in each set may be introduced, so designed as to instantly provide an acknowledgement to the customer and an intimation to the controlling office.
14.	3.80	Infrastructure facilities at branches should be upgraded by bestowing particular attention to providing adequate space, proper furniture, drinking water facilities, etc.
15.	3.96	Time norms for specialised business transactions should be displayed predominantly in the banking hall.

Source: Master Circular on Customer Service www.rbi.org.in

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