

# Retail Banking

IMARTICUS  
LEARNING



## Definition

A **bank** is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets.



It is the connection between customers that have capital deficits and customers with capital surpluses.

Thus, the core activity is to act as intermediaries between depositors and borrowers.

A system of trading money which:

Provides a safe place to save excess cash, known as deposits.



Supplies liquidity to the economy by loaning this money out to help businesses grow.



Allows consumers to purchase consumer products, homes, cars etc.



## Retail Banking

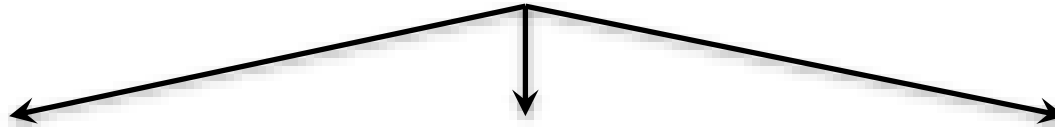
- Retail banking is when a bank execute transactions directly with consumers, rather than corporations or other banks.

## Corporate Banking

- A division of a bank that mostly deals with deposits and loans from corporations or large businesses.

## Wholesale Banking

- Banking services between merchant banks and other financial institutions.
- It deals with larger institutions.
- Some services might include currency conversion, working capital financing and large trade transactions.



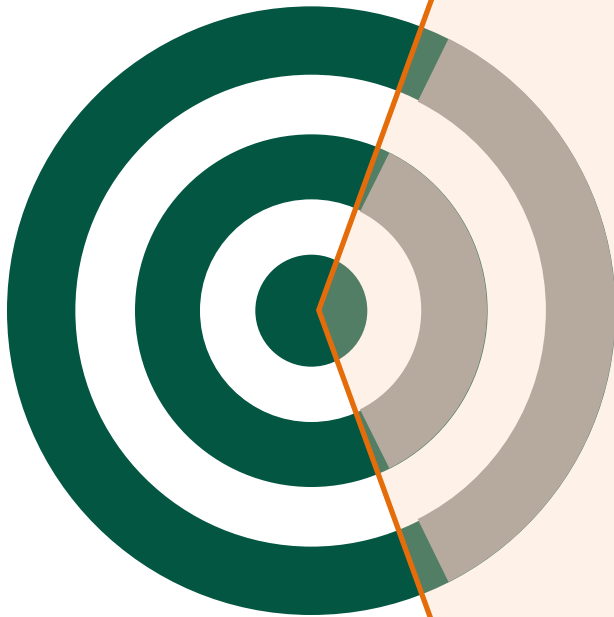
A merchant bank is a financial institution providing capital to companies in the form of share ownership instead of loans.

It also provides advisory on corporate matters to the firms in which they invest.

In the United Kingdom, the historical term "merchant bank" refers to an investment bank.

# **Introduction to Retail Banking**





## In this session, you will learn about:

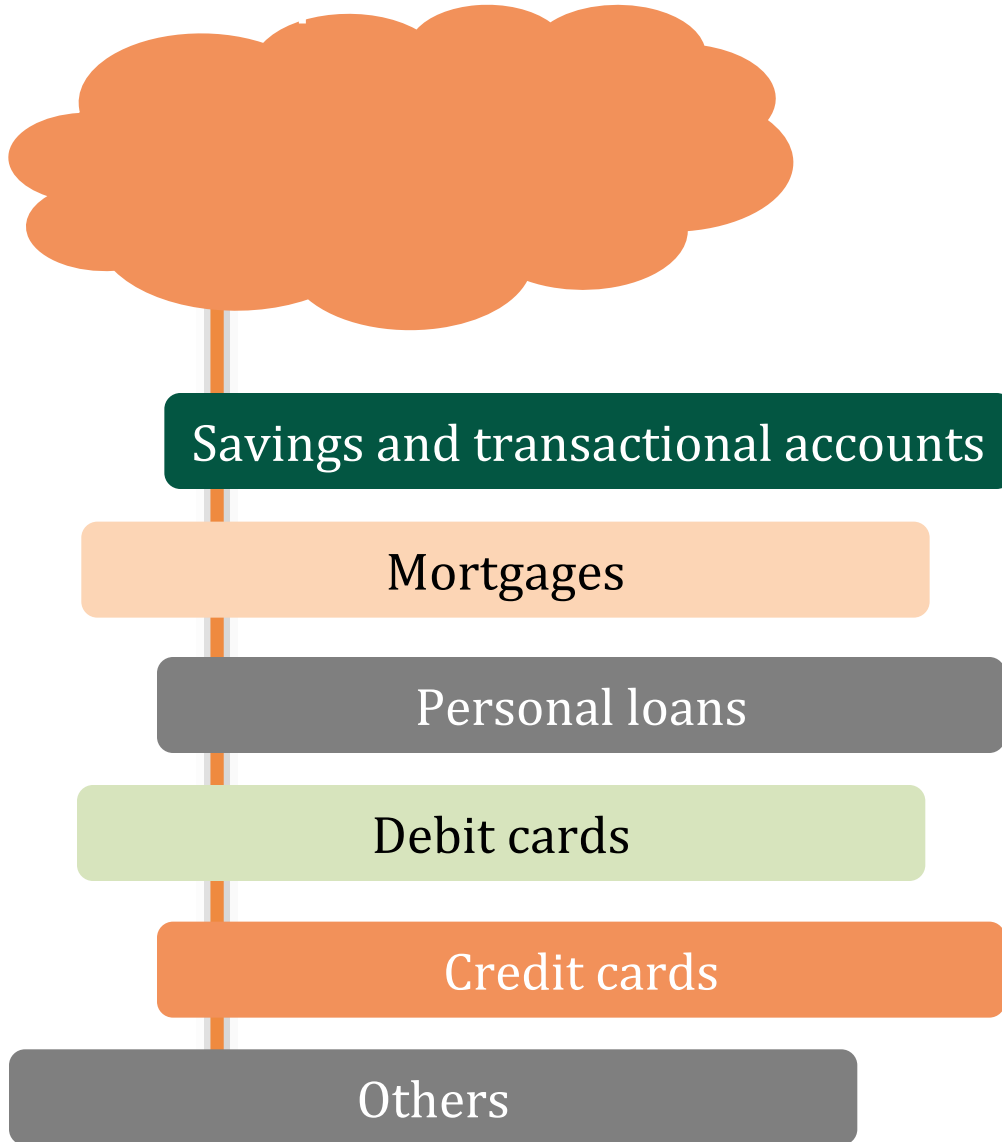
- What is retail banking?
- What has contributed to Retail Banking?
- Scope for Retail Banking
- Retail Banking Products/Offerings

# Retail Banking

Retail banking refers to banking in which banking institutions execute transactions directly with consumers, rather than corporations or other banks.







Today's retail banking sector is characterized by 3 basic characteristics:

**Deposits, credit cards,  
insurance, investments &  
securities**




**Call centre, branch &  
internet**



**Consumer, small  
business & corporate**



# What has Contributed to Retail Banking?



Economy  
prosperity and  
increase in  
purchasing power  
which led to  
consumer boom.

Changing  
consumer  
demographics.

Technological  
factors

Lowering of  
treasury income of  
banks.

<http://www.youtube.com/watch?v=c25Qv7Ez8nU>

# Scope for Retail Banking

- All round increase in economic activity.
- Increase in the purchasing power.

The rural areas have the large purchasing power at their disposal.

This is an opportunity to market Retail Banking.

India has:



**200** million households



**400** million middle class population

More than 90% of the savings come from the household sector.

# Scope for Retail Banking (Contd)

Falling interest rates have resulted in a shift. “Now People Want To Save Less And Spend More.”



Nuclear family concept is gaining much importance which may lead to large savings, large number of banking services to be provided are day- by-



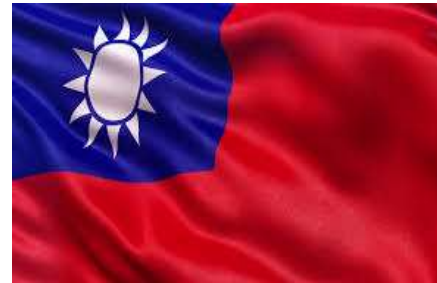
Tax benefits are available for example in case of housing loans the borrower can avail tax benefits for the loan repayment and the interest charged for the loan.



The Indian players are bullish on the Retail business.

VS

India compares pretty poorly with the other economies of the world that are now becoming comparable in terms of spending patterns with the opening up of our economy.



Retail loans in Taiwan is around 41% of GDP.



Retail loans in India is less than 5% of GDP.

Retail banking has immense opportunities in a growing economy like India.

The rise of Indian middle class



Increasing purchasing power

The above factors promises substantial growth to retail banking sector which is in the nascent stage.

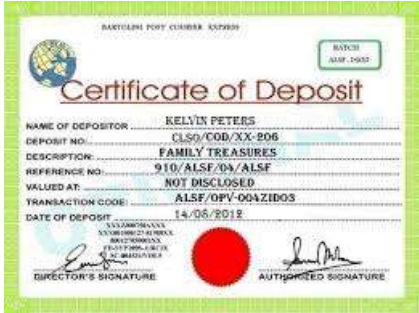
# Retail Banking Products/Offerings



**Savings Account**



**Current Accounts/  
Checking Accounts**



**Certificate of Deposit/  
Fixed Deposit**



**Individual Retirement  
Account (IRA)**



**Credit Card**



**Debit Card**





**Mortgage**



**Home Equity Loan**



**Mutual Fund**




**Personal Loan**



**Time Deposits**



**ATM Card**

A hand is visible on the left side of the image, holding a white rectangular sign. The sign is centered and contains the following text in a bold, black, serif font.

**Difference Between  
Retail Banking and  
Investment Banking**

# Retail Banking vs. Investment Banking

## Differences

Investment Bank	Commercial /Retail Bank
Don't take deposits	Take deposits
Don't provide loans	Provide a lending service to their customers
Have a few hundred core customers or less	May have millions of customers
Provide a very bespoke service	Provide a very standardized service
Don't provide transactional day-to-day services	Provide transactional day-to-day services <ul style="list-style-type: none"><li>• Current / checking / savings accounts</li><li>• Credit and debit cards</li><li>• Mortgages and personal loans</li><li>• Insurance</li></ul>
Provide strategic advice to companies, e.g. on their structure, acquisitions, divestments and capital markets products such as debts and equity instruments	Don't provide strategic advice to companies. A retail bank will explain <b>all</b> the services available to a company but it's not usually within their remit to provide strategic advice on what the company should do



**Thank you**

Mumbai | Bangalore | Pune | Chennai | Jaipur

**ACCREDITED TRAINING PARTNER:**

