

Retail Banking

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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.



Functions of Bank



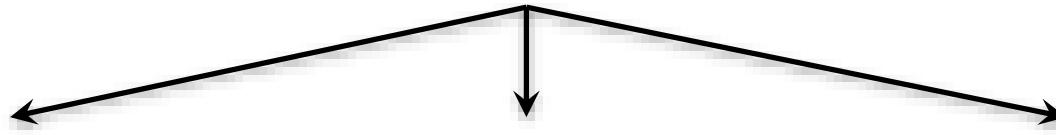
- Retail banking is when a bank execute transactions directly with consumers, rather than corporations or other banks.



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



- 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.



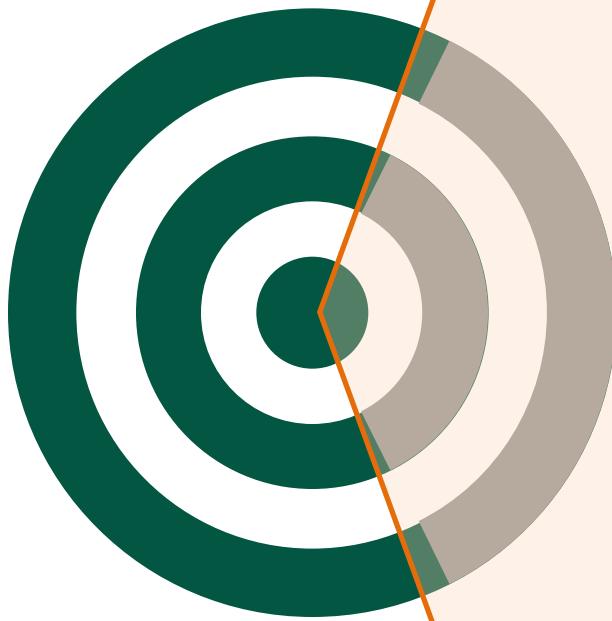
A merchant bank is a financial institution providing capital to companies in the form of share ownership instead of loans.

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:

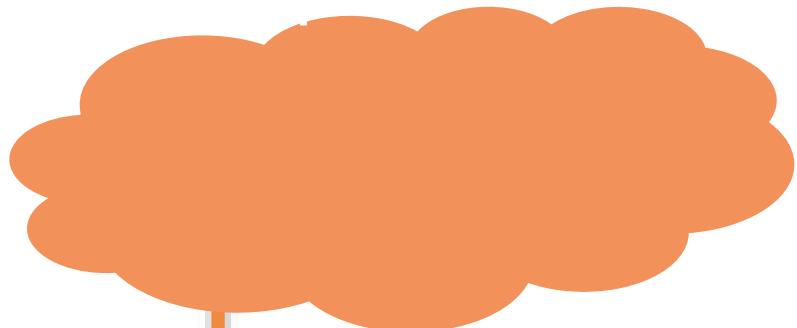
- What is retail banking?
- What has contributed to Retail Banking?
- Scope for Retail Banking
- Retail Banking Products/Offerings

Retail Banking

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



Retail Banking



Savings and transactional accounts

Mortgages

Personal loans

Debit cards

Credit cards

Others



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 house hold 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-day.



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.

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.

VS



Retail loans in Taiwan is around 41% of GDP.



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

Opportunities in Retail Sector

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.

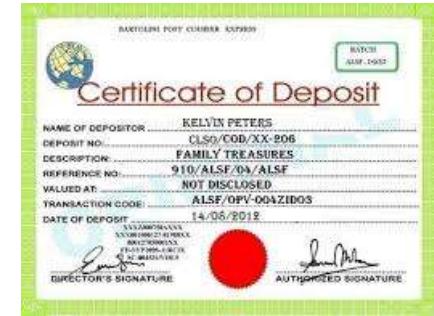
Retail Banking Products/Offerings



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

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	<p>Provide transactional day-to-day services</p> <ul style="list-style-type: none">• Current / checking / savings accounts• Credit and debit cards• Mortgages and personal loans• Insurance
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 all 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

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