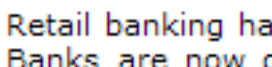


# Banking made easy



Retail banking has replaced the age-old ledger books, cashiers and teller machines. Banks are now offering easier and quicker solutions to customers, writes Debjani Baidyaray



The Indian mindset about personal finances has changed in the past few years. The current attitude towards money, especially in terms of saving and expenditure, is very different from what it was two decades ago. India is home to 321 million paid workers, of which 190 million have financial savings distributed across formal and informal finance. An IIMS Dataworks study reveals that a majority of this population saves or invests in conventional avenues such as banks (44 million), post office savings (36 million) and life insurance policies (105 million) that offer a guaranteed return on their money, along with interest.

The entry of foreign banks into India and their penetration into the Indian financial market with the help of technology, capital and management skills, has increased competition for Indian banks. Banks are now opening more branches to give customers easy access to their facilities.

### What is retail banking?

Retail banking is typical mass-market banking, where individual customers use local branches of larger commercial banks. The services offered by retail banks include saving and checking accounts, mortgages, personal loans, debit cards, credit cards, etc. Retail banking offers banking services to individuals and small businesses, and deals largely with low-value transactions. This is an important segment, one that offers ample opportunity for growth and profits.

The basic characteristics of retail banking are:

- Multiple products (deposits, credit cards, insurance, investments and securities)
- Multiple channels of distribution (call centre, branches and Internet)
- Multiple customer groups (consumer, small business and corporate).

### Banking services made easy

The Indian middle class, for whom credit was once taboo, is now open to fulfilling its aspirations and interests. The decline in interest rates and the rise in income levels have empowered these Indians to go ahead with loans to expand their business or make their dreams come true.

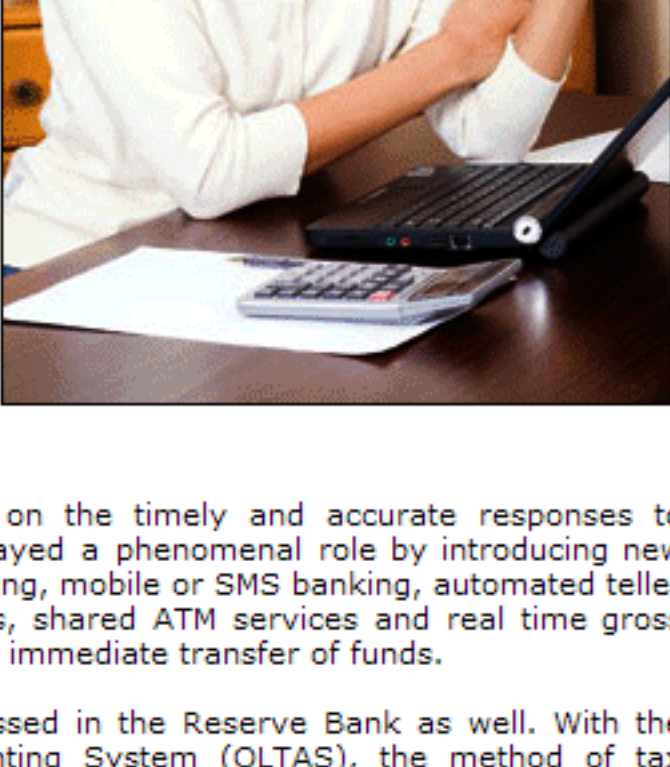
With increasing competition in the retail finance sphere, banks have had to change their attitudes towards customers. The days of viewing a customer as merely an account number are long gone; every customer today is an individual with individual needs. In order to ensure that they remain loyal customers, it is necessary to create a reliable and flexible platform for their businesses and wealth to flourish.

Successful management of customer profiles gives banks an opportunity to understand their preferences and needs better. A single database of these profiles, with accurate and complete information about each customer, should be maintained. This will enable the bank management to look up any detail about the customer, irrespective of place or time, and offer the customer the service he or she requires.

Nowadays, banks require special technologies to meet customer demands. A number of organisations provide such backend services. Companies offer services like banking operations, data processing and encoding of cheques, CTS processing, tele-calling, processing of consumer loans in retail business, while others provide innovative IT hardware and software, services, consulting and maintenance of systems to retail banks and retailers.

### The role of technology in retail banking

Information Technology plays a significant role in creating a common network for the bank. Banks need a diverse set of technologies to help them respond to customers at the earliest. Sanjeev Sarin, Director, Infomax Management Services (India) Private Limited, says, "Companies that can create an agile technological environment to respond rapidly to changing business will emerge as clear winners in this competitive industry."



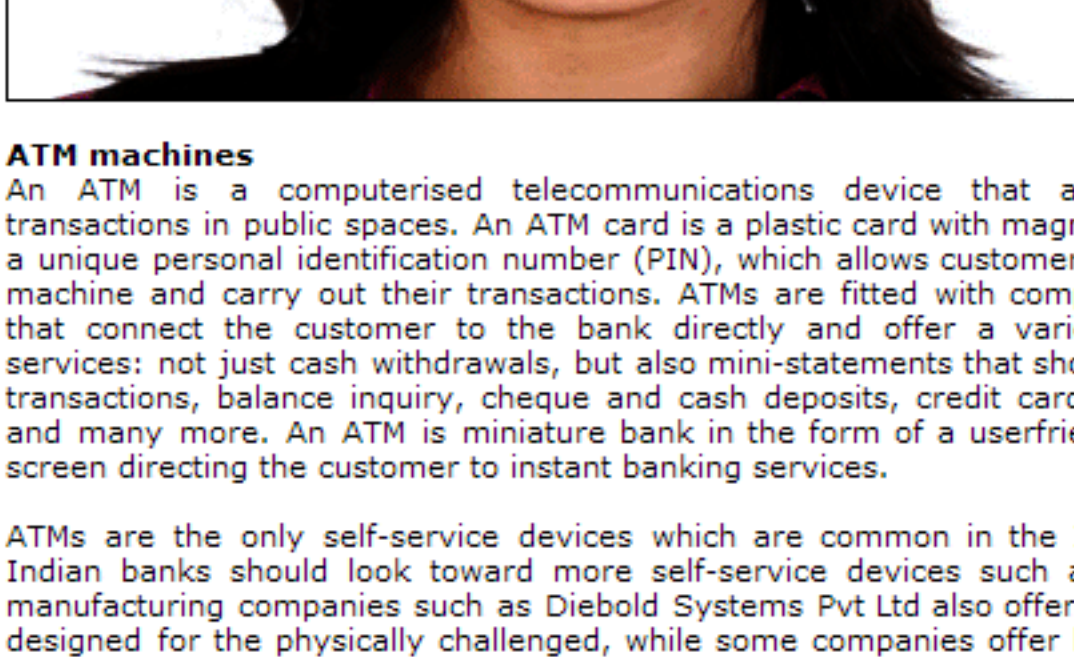
The single largest facilitating factor in the successful transformation of transactions and analytical processing is the use of IT. IT has helped in developing the core banking system (CBS) and forming large-scale networks of branches for banks. IT has also contributed to the developments in systems of payment and settlement of funds, such as transfers through electronic means, thus paving the way for a gradual shift from time-consuming paper-based transaction processes.

Retail banking depends a great deal on the timely and accurate responses to customer demands. Technology has played a phenomenal role by introducing new delivery channels such as Internet banking, mobile or SMS banking, automated teller machines (ATMs), multi-functional ATMs, shared ATM services and real time gross settlement (RTGS), a system that allows immediate transfer of funds.

The impact of IT has also been witnessed in the Reserve Bank as well. With the introduction of the Online Tax Accounting System (OLTAS), the method of tax payment to the government has been revolutionised. Filing of returns by banks through the Online Return Filing System (ORFS) makes the process of submission of data to the Reserve Bank less cumbersome. Anup Nayar, Director, Banking, Wincor Nixdorf India, says "Retail banking is a highly automated industry, and the success of automation can be largely attributed to various software implementations which enable tight integration among business processes."

### Easy account management

Managing user accounts has become a lot easier, thanks to technological services that are easy for the customers to use. Services such as withdrawal of money anytime, anywhere, checking bank details or paying bills without cash, all these have contributed towards creating a loyal customer base. "The solutions and services provided by the banks can be combined to create a unique offering for customers and meet their requirements. For example, banks such as SBI, ICICI and HDFC took the lead in mass ATM deployment so as to bring greater convenience to customers. SBI continues to aggressively deploy ATMs even in smaller cities," says Nimish Swaup, VP POS, Asia & Secure Transactions, Gemalto India.



### ATM machines

An ATM is a computerised telecommunications device that allows financial transactions in public spaces. An ATM card is a plastic card with magnetic stripe with a unique personal identification number (PIN), which allows customers to access the machine and carry out their transactions. ATMs are fitted with computer terminals that connect the customer to the bank directly and offer a variety of banking services: not just cash withdrawals, but also mini-statements that show the past few transactions, balance inquiry, cheque and cash deposits, credit card bill payments and many more. An ATM is miniature bank in the form of a userfriendly computer screen directing the customer to instant banking services.

ATMs are the only self-service devices which are common in the Indian context. Indian banks should look toward more self-service devices such as kiosks. ATM manufacturing companies such as Diebold Systems Pvt Ltd also offer ATMs specially designed for the physically challenged, while some companies offer biometric ATMs for rural banking.

Managing an entire network of ATMs is complex and time-consuming for banks. However, the development and spread of ATM technology has led to the development of service providers who manage specific aspects of a bank's business. For example, Diebold, associated with more than 70 banks across India and a leader in ATM technology, provides managed ATM services, helping banks focus on their core business while the company maintains the ATMs. Diebold is an Original Equipment Manufacturer (OEM) with a workforce of more than 400 direct field managers who service even in the remotest villages across the country.

### Credit and debit cards

As the spending patterns of people change, banks are increasingly focused on plastic money. The growth of credit and debit cards in India clearly highlights this' annual growth of more than 25 per cent for credit cards and an average of 40 per cent annually for debit cards.

Debit cards, usually made available with bank accounts, allow customers to use them as an alternate method of payment. The introduction of debit cards has empowered customers shop more via the Internet or telephone. Debit cards are sometimes preferred as they transfer funds directly to the concerned business, rather than requiring the customer to pay at a later date. Debit cards are also widely used for withdrawal of cash from the bank ATMs. The use of credits cards is another service that has revolutionised modern banking, enabling customers to purchase without the bother of immediate payments. Using credit cards allows customers to shop immediately but pay later.

### Online banking

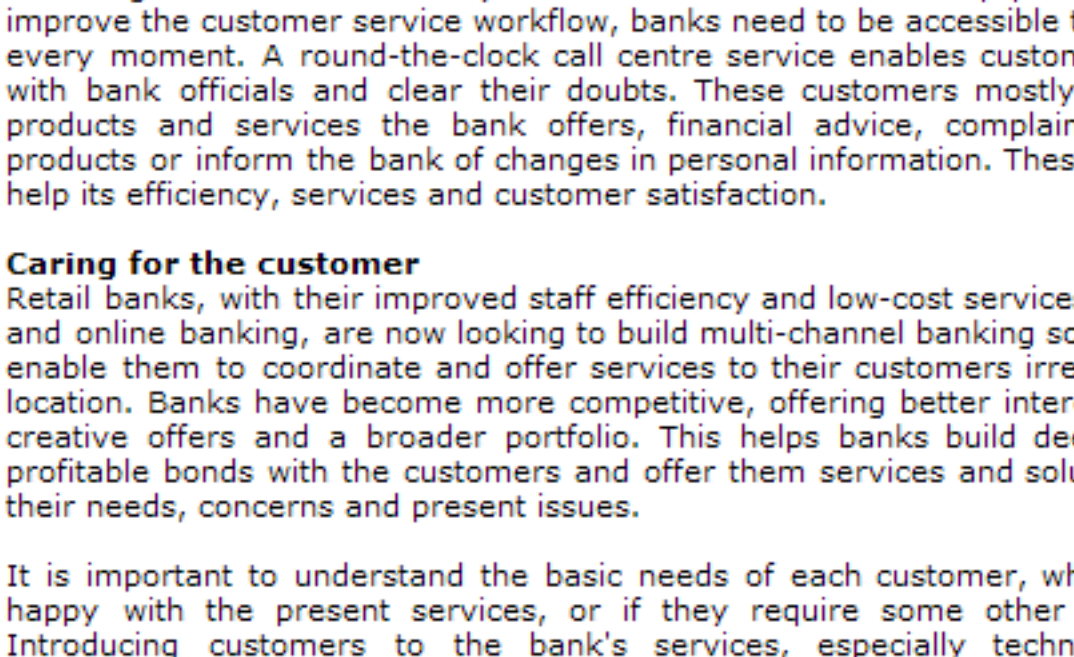
Online banking enables a customer to manage his or her account, make transactions and pay bills via the Internet. Almost all the banks today allow customers to access their bank accounts online. The origin of online banking goes back to 1981 in New York, when four major banks—Citibank, Chase Manhattan, Chemical Bank and Manufacturers Hanover—offered home banking services using the videotex system. Though the videotex system failed, the concept saw many developments thereafter. Stanford Federal Credit Union was the first institution to offer online internet banking services to its members in October 1994.

According to Nimish Swarup, iBanking software enables edgers to be maintained digitally and linked seamlessly to the mainframe. Even with greater networking and banking services available, security becomes a more crucial. Gemalto India provides secure internet banking solutions such as security tokens. These tokens generate a one-time password to authenticate the signatory. The company also offers smart-card tokens with a display and number keypad that the card holder can use for EMV transactions as well as to digitally sign cheques.

Despite its convenience, banking transactions over the Internet have several disadvantages too. Security remains a concern for online banking. Transactions through the Internet involve using special identification numbers, but these are always prone to hacking. Though the information remains encrypted and banks assure security of such funds, it is up to the customers to take safety measures and stay safe from fraud.

### Mobile or SMS banking

Another service that has proved to be quite popular with customers is mobile banking. Mobile banking allows customers to access their bank accounts and get updates on their transactions on their personal mobile phones. The services provided via mobile banking range from only updates on the bank transactions through text messages to receiving bank statements, allowing cash transactions and reporting complaints. PC/E Mobile Banking is an innovative solution offered by Wincor Nixdorf. This enables banks to extend their Internet banking services to mobile phones, enabling a faster roll-out of the mobile banking application as it is primarily based on the existing Internet banking application.



According to the Mobile Banking report by the Urban Indian Mobile Phone Users, March 2009, 40 million urban Indians used their mobile devices to check their bank account details and balances. The report also reveals that ICICI Bank continues as the leader in the mobile space, followed by HDFC Bank. Around 15.9 per cent users check account balances, 11.8 per cent view their last three transactions, 8.7 per cent check the status of their cheques or demand drafts that are issued, 7.3 per cent check the payment reminders and 7.5 per cent request a cheque via mobile banking.

### Call centre services

The enlightened banks of today realise that the customer is top priority. In order to improve the customer service workflow, banks need to be accessible to customers at every moment. A round-the-clock call centre service enables customers to interact with bank officials and clear their doubts. These customers mostly enquire about products and services the bank offers, financial advice, complain about certain products or inform the bank of changes in personal information. These calls can also help its efficiency, services and customer satisfaction.

### Caring for the customer

Retail banks, with their improved staff efficiency and low-cost services through ATMs and online banking, are now looking to build multi-channel banking solutions that will enable them to coordinate and offer services to their customers irrespective of the location. Banks have become more competitive, offering better interest rates, more creative bonds and a broader portfolio. This helps banks build deeper and more profitable bonds with the customers and offer them services and solutions based on their needs, concerns and present issues.

It is important to understand the basic needs of each customer, whether they are happy with the present services, or if they require some other extra service. Introducing customers to the bank's services, especially technology-intensive processes that may be unfamiliar to the customer, will go a long way in retaining customers.

Keeping customers updated about developments and attending to their queries are also important. Feedback about the services and employees of the banks can be collected through surveys. These surveys could be analysed to gain meaningful insights about the performance of the employees and help the bank determine which additional services can help in achieving the best business outcomes for the organisation.

### The future of retail banking

Traditional banking has already undergone radical changes. With the increasing impact of technology and the ever-changing demands of the customers, retail banking will be all about delivering financial services to meet the needs of the customers. With increasing competition in business and marketing, banks will now need to develop visionary strategies to win over every customer, help in achieving profitable deals and manage their wealth. The shift from maintaining big ledger books to using technologies such as computers, mobile phones and offering solutions online has encouraged traders and customers to opt for more investments.

"The Indian economy is now dependant on the concept of retail banking. Personal banking, credit and debit cards, loans and mortgages—customers are using each of these services. In fact, this has been like a boon to many industries such as auto and other consumer products such as home appliances and interiors," says Mr Sarin.

Customers were, and will be, the most important factors in retail banking. Their changing lifestyles and demands will determine the competence of banks, which will be challenged to provide the best solutions and services at ever-cheaper rates. As technology evolves, customers will only get more demanding. For banks, constantly adding new and exclusive features and upgrading the existing features will play an important role in retaining the customer base.