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Consumer Preference towards Retail Banking Products

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ABSTRACT

Retail banking is an emerging sector in Indian Banking Industry. It covers segments like current account, saving account, housing loan, auto loan, personal loan, education loan, consumer durable loan, credit card and debit card. There are various drivers of retail banking in India which contributes in the growth of retail banking. Economic prosperity and the consequent increase in purchasing power have given a fillip to a consumer boom. Changing consumer demographics indicate vast potential for growth in consumption both qualitatively and quantitatively

By using non-probability convenience sampling a survey of 180 Investors of Ahmedabad was carried out using a structured questionnaire to study consumer preference. Analysis was carried out using graphs & Chi-Square. This paper is intent to study on Customer's Preference on Retail Banking.

KEYWORDS: Indian Banking Industry, Retail Banking, Customer Preference

INTRODUCTION TO RETAIL BANKING

Retail banking has emerged as a new sector in the Indian banking arena. It would be seen from these list of available services that retail banking mainly includes various financial services and products forming part of the assets as well as the liabilities segment of the Banks. It has to be viewed as a market segment by itself. Today's retail banking sector is characteristics:

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

India is poised to become the world's fourth largest economy in the span of two decades. In terms of products and services, deposit taking is the core retail banking activity on the liability side. On the asset side of the balance sheet, the key retail banking products are consumer credit and small business loans. The three dimensions of the retail banking business—customers, products and services, and the delivery channels linking customers with products—are interrelated. The share of retail banking in total income stood at 41.06 per cent during Q1 FY'10. The total income of banking sector increased about 24.3 per cent during Q1 FY '10, whereas the income from retail banking registered a growth of 6.03 per cent during the period. Changing consumer demographics indicate vast potential for growth in consumption both qualitatively and quantitatively. India is one of the countries having highest proportion (70 %) of the population below 35 years of age (young population). Technological factors played a major role. Indian retail banking is up and kicking. Retail contributed 42% of overall credit growth. Growing at the CAGR of 35% over last 5 years. Major product segments of retail credit include housing finance, auto finance, personal loans, consumer durable loan and credit cards to name a few. Housing constitutes the biggest segment of 48% of the entire retail credit; followed by the auto loans segment which constitutes almost 27.8%. While the balance retail credit is used by consumer durables at 7.2%, educational and other personal loans take the remaining 16%.

LITERATURE REVIEW

Santhiyavalli and at al. (2011) emphasis that the service quality of banking industry. Banking operations are driven by the market, and the customer is seen as a consumer of the bank and not of any particular branch of the bank. Today, the concept of core banking has made 'Anywhere and Anytime' banking a reality. Along with technology, banking services have also evolved, and the delivery of various banking products are carried out through the medium of high technology at a fraction of the cost to the customer. **Kumber and at al. (2009)** reviewed the Indian banks are changing towards modern banking system. Modernization in banking is changing banking services, products and operational methods of banking. All these developments are lead to facilities to customers delight as well as operational efficiency of banks and reducing operational expenses of banking services. **Sarkar (2011)** proved this statement "If there is any secret of success, it lies in the ability to get the other person's point of view, and seeing things from his angle" - Henry Ford by comparison studies between two private sector banks. **Swamy (2012)** stipulates the facts related to retail banking products. Customer service is perhaps the most important dimension of retail banking. While most public sector banks offer the same range of service with similar technology/expertise, the level of customer service matters the most in bringing in more business.

RESEARCH METHODOLOGY

OBJECTIVE

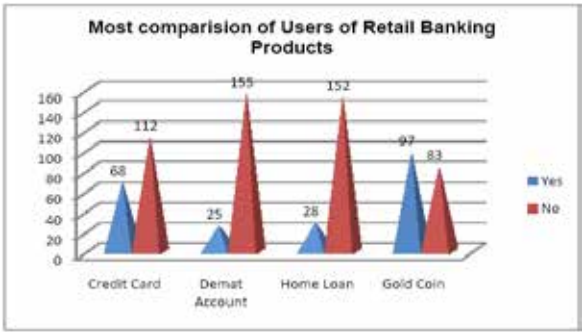
Our objective was to find out preferred retail banking product & banks amongst investor and to study purpose of investor to invest in different retail products based on their demographic profile.

SAMPLING FRAME

- Sample size : 180 respondents
- Sampling Unit: Investors who are investing in different Retail Banking Product in Ahmadabad
- Collection method: Primary as well as secondary
- Primary data: Structured Questionnaire
- Secondary: website, books.
- Sampling technique: Convenience sampling
- Analysis Tool: Statistical tools and Graphical presentation
- Statistical tools: Graphs & Chi-Square

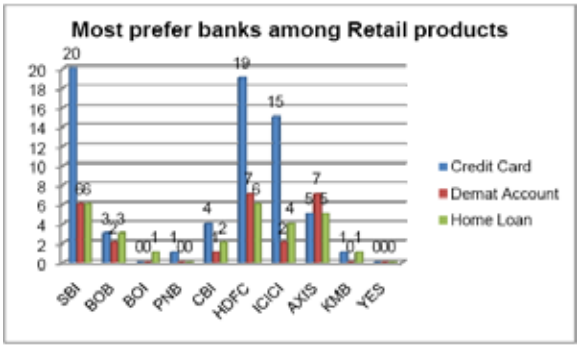
DATA ANALYSIS AND INTERPRETATION

Graph: 1



Interpretation
Researchers opine from the above graph that majority of investors (97%) prefer to invest in gold coin, followed by credit card (68%), home loan (28%) & demat account (25%).

Graph: 2



Interpretation
It has been revealed from the above chart that majority of the investors prefer SBI, HDFC & ICICI banks in order to procure in credit card. Investors prefer to have demat account with HDFC & Axis bank and HDFC & Axis banks are most preferred amongst investors for taking Home Loan.

CHI-SQUARE
Researchers aimed to apply Chi-Square to check the dependency between purpose of investor to invest in different retail products (Credit Card, Home Loan & Gold Coin) and demographic variables like age & gender.

Hypothesis
H1: Purpose of credit card usage and gender of card holder are independent attributes.

H2: Purpose of taking home loan and age loan taker are independent attributes.

H3: Purpose of investing in gold coin and age are independent attributes.

Table

Sr. No.	Dependent	Independent	Significance Value	H0
1	Credit Card	Gender	0.324	Do not reject
2	Home Loan	Age	0.347	Do not reject
3	Gold Coin	Age	0.303	Do not reject

Significance Value: 0.05

Interpretation
Chi-Square values depicted in the above table are higher than significance value & hence above stated three null hypotheses are accepted. This has lead researchers to interpret that age is not having any impact on investors' choice for home loan & gold coin and similarly, gender also does not play significance role in procuring & using credit card.

CONCLUSION
Retail banking is a growing sector, changing and developing with days and adopting new technologies, providing customers with fast and much efficient services. In such scenario, investors are having many options for investment offered by the different retail banks, but gold coin & credit card are the two most preferred retail banking product. In modern competitive environments services are gaining increasingly more importance in retail banking, the same has also been found out the present study. Investors prefer HDFC & Axis bank from the private sector banks over public sectors banks, so far as retail banking products are concern. Study also reveals the fact that demographic variables like age & gender does not have any influence on investors' choice of the different retail products like credit card, home loan & gold coin.

SUGGESTIONS & SCOPE FOR FUTURE RESEARCH
In 21st century banks are facing steep competition to sustain their market share. It is very difficult for the banks to differentiate them self on the basis of the products that is commonly offered by every bank. In order to, continue with the cut-throat competition, banks should keep a pace with the technological development happens in the retail banking product. Private sector banks should adopt more professional approach as customers give more importance to the quality of the service provided by the banks. As majority of the customers are not much aware about the gold coin & ETF products & hence banks should carry out awareness campaign on these products. Public bank should revolutionize their home loan procedure considering convenience of customers and facilities offered by private banks. The banks should also have to gear up to use the international standards in areas like Demat of Securities, electronic settlement system for funds and securities. One major limitation of the study is that sample does not represent the whole population as research is restricted to Ahmedabad city only. Respondent bias is another limitation of the study. Only few demographic variable of the respondent are studied with respect to the Credit Card, Demate Account & Gold Coin & hence by adding more demographic variables to the present study, scope of the research can be extended.

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