

Bank's Misplaced Priorities Hurt Retail Customers



Commerce

KEYWORDS : Core activity; fee-based services; payments banks; small finance banks

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ABSTRACT

The banking industry boasts of five layers now, with the addition of payments banks and small finance banks. Nowhere in the world will one come across banks that accept deposits but do not lend. The main activity of a bank is to lend money and accept deposits. Banks lend at a higher rate of interest and pay interest on the deposits (borrowings) they accept, at a lower rate. The difference between the two rates of interest represents gross interest income for the banks. However, banks provide other services too where they collect a fee and hence such services are called fee-based services. Lately, the profit generated by fee-based services of banks has been rising at a faster pace than the profit generated by their main activity. This is allegedly because the retail borrowers are being sidelined by banks who find it more lucrative to render fee-based activities. Fee-based activities can be rendered cost-effectively since banks do not have to go through the rigmarole associated with lending. Additionally, banks allegedly coax retail customers into buying products and services they do not need by exploiting the customers' naivety. The researcher's findings reveal that there is some truth in the allegation. The researcher suggests that the banks do not lose sight of the big picture. Dilution of focus on the core activity may look attractive now but in the long run, it is lending and mobilising deposits that will stand banks in good stead. Banks cannot afford to antagonise the retail customers since they cannot find a more self-sacrificing community of contributors of cheapest capital. Unlike corporates, retail borrowers blindly accept whatever interest rate banks apply to their loans. The ticket size of retail loans is smaller which means that the banker can spread the risk across a larger base of retail borrowers.

1.1 Theoretical background of the topic

The country's banking paradigm has witnessed a sea change lately. The banking industry boasts of five layers now, with the addition of payments banks and small finance banks to it. In fact, nowhere in the world one will come across banks that accept deposits but do not lend. What is more, the so-called deposits-only payments banks will leverage state-of-the-art technology for their operations. Even the biggest lender of the country, despite being majority-owned by the Union of India, does not get to exploit the kind of technology that these payments banks will, to bring the financially excluded sections of society into mainstream banking. Payments banks are all set to give the country's commercial banks a run for their money. Conscious of this distinct possibility, commercial banks have been girding themselves for the eventual battle with the payments banks even if it means that they have to scrape the bottom of the barrel for the purpose.

1.2 Statement of the problem

According to received wisdom and the statute, the main activity of a bank is to lend money and accept deposits. Banks lend at a higher rate of interest and pay interest on the deposits (borrowings) they accept, at a lower rate. The difference between the two rates of interest represents gross interest income for the banks. However, banks provide other services too that do not involve lending or acceptance of deposits. For example, they may issue demand drafts or accept payments on behalf of public utilities. To render such services, banks collect a fee and hence such services are called fee-based activities. In value terms and volume terms, these fee-based services, being supplementary in nature, would account for a small percentage of the profit earned by banks. Lately however, the profit generated by fee-based activities of banks has been rising at a faster pace than the profit generated by their main activity (namely lending and accepting deposits). This increasingly conspicuous trend has upset the community of retail customers of banks, amongst others. Retail borrowers in particular, it is alleged, are being sidelined by banks since banks find it more lucrative to render fee-based activities. Fee-based activities can be rendered by banks cost-effectively since they do not have to go through the rigmarole associated with retail lending -- like vetting the loan application, disbursing the loan after setting aside the appropriate capital

for the loan, ensuring end-use of the loan and monitoring the repayment of the loan over its tenor. Retail loans involve a higher servicing cost for the banks while fee-based activities, being one-off activities, entail a lower servicing cost. This subtle shift in operational strategy carried out by the banks rather unobtrusively, has allegedly led to discontent among retail customers in general and retail borrowers in particular. Additionally, it is alleged that banks coax retail customers into buying products and services they do not need by exploiting their naivety. At times, banks are said to arm-twist their retail customers into buying products and services that they do not need. This is truer in the case of retail borrowers. The present study seeks to address these problems.

Review of literature

Banks' net interest margin (NIM) has been falling, in the backdrop of rising NPAs. All the same, profits of banks have been rising (Kavya & Deepti, 2015). According to RBI, profits of all scheduled commercial banks have been rising at a compounded annual growth rate (CAGR) of 15 percent for the past 10 years. Private banks' profit CAGR has been 25 percent. To ensure stability in profitability levels, banks have been focusing on other sources of income. This explains the third-party tie-ups banks have been forging with fund houses, insurance companies, etc. This also explains the advent of new products like EDC (electronic data capture) machines and products catering to non-resident Indians and affluent segments. The share of other income to total income was the highest for foreign banks (23 percent). Private banks (with 16 percent) and public sector banks (with nine percent) followed them.

Autosweep savings accounts may be more rewarding, considering that excess money from them is automatically swept into a fixed deposit (FD) account (Kavya, Home: livemint, 2015). But many depositors do not realise that, at times, they could lose some interest in the bargain. Under the auto-sweep regime, when the savings account balance crosses a pre-defined limit, the excess money is automatically swept into an FD account. The threshold could be in the INR 25,000 – INR 100,000 range. The FD's minimum maturity period is defined by the bank and it is one year generally. Unfortunately, auto-sweep works against the depositor if the SB account balance falls short of the thresh-

old. In such an event, the bank will debit the FD account to offset the shortfall in the SB account. This effectively could lead to a situation where the FD account earns interest at a lower rate than the SB account. This is because such a debit qualifies as premature withdrawal. Any premature withdrawal from the FD account (as is the case here) attracts a penalty.

1.4 Research gap

The reviewed literature has not examined if the rising dependence of banks on other income or non-core income has rendered banking costlier for the retail customer segment. Further, it has not examined if such dependence has implications for the retail customer segment and if so, what those implications are. It is this gap that the present study seeks to bridge.

1.5 Scope of the present study

The study covers commercial banks, irrespective of the nature of ownership.

1.6 Objectives of the study

The objectives of the study are to:

Ascertain if banks' rising dependence on other income has rendered banking costlier for retail customers.

Identify the micro-level implications of banks' rising dependence on other income for retail customers.

1.7 Hypothesis proposed to be tested

The study proposes to test the following hypothesis:

"Banks' rising dependence on other income has rendered banking costlier for retail customers"

1.8 Research design

1.8.1 Research methodology

This is a descriptive study, involving investigations and adequate interpretation. Since it is a fact-finding study, data has been collected through personal interviews with the sample respondents. Information so collected from the respondents was documented with the help of structured interview schedules drafted for the purpose.

1.8.2 Sources of data

Data required for the study was collected from primary as well as secondary sources. Primary data was collected from the respondents, viz, bankers, consultants and retail customers. Secondary data was downloaded from the web sites of reputed financial dailies and the RBI.

1.8.3 Sampling plan

Bankers, consultants and retail customers represent the sampling universe.

Bankers: Given the rather limited number of commercial bank branches into retail banking in the vicinity where the Researcher lives, purposive or judgement sampling under the non-probability method was deployed. Applying the exposure to retail banking services as the criterion, the Researcher selected 30 such bankers which have been into retail banking for at least three years. This criterion, according to the Researcher, is the most appropriate one for the present study. What is important is the typicality and the relevance of the sampling units to the study and not the overall representativeness to the population. Thus it guarantees inclusion of the relevant elements in the sample. Probability sampling plans cannot give such a guarantee.

Consultants: Given the rather limited number of banking consultants operating in the vicinity where the Researcher lives, purposive or judgement sampling under the non-probability

method was deployed. Applying the exposure to retail banking services as the criterion, the Researcher selected 30 such consultants who have exposure to retail banking for at least three years. This criterion, according to the Researcher, is the most appropriate one for the present study. What is important is the typicality and the relevance of the sampling units to the study and not the overall representativeness to the population. Thus it guarantees inclusion of the relevant elements in the sample. Probability sampling plans cannot give such a guarantee.

Retail customers: Given the rather limited number of retail customers residing in the vicinity where the Researcher lives, purposive or judgement sampling under the non-probability method was deployed. Applying their exposure to retail banking services as the criterion, the Researcher selected 50 such retail customers (depositors or borrowers or both) who have been transacting with banks for at least three years. This criterion, according to the Researcher, is the most appropriate one for the present study. What is important is the typicality and the relevance of the sampling units to the study and not the overall representativeness to the population. Thus it guarantees inclusion of the relevant elements in the sample. Probability sampling plans cannot give such a guarantee.

1.8.4 Data collection instruments

Structured interview schedules were drafted and administered to the respondents for collection of primary data.

The interview schedules featured open questions and closed questions. Open questions were incorporated to identify opinions, ascertain the level of exposure to the topic and seek suggestions.

1.8.5 Data processing and analysis plan

Non-parametric statistical units were used to test the association between qualitative characters. Conclusions were arrived at on the basis of formation of H_0 and H_1 . To be specific, chi-square test was applied to test the association.

1.8.6 Limitations of the study

Primary data has at times been inferred through frequent topic-oriented discussions with the respondents. This may have influenced the findings of the study. The Researcher is however convinced that such influence is too insignificant to affect the accuracy of the findings of the study.

1.9 Data Analysis – Bankers

1.9.1 Banks' rising dependence on other income has rendered banking costlier for retail customers

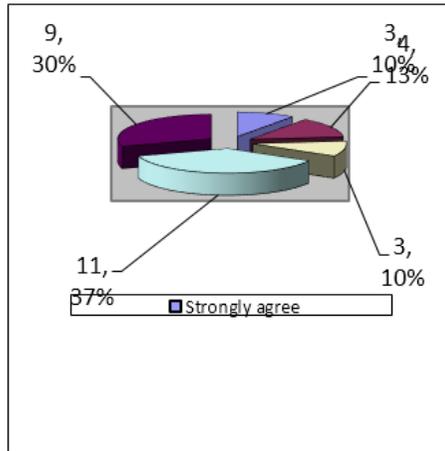
Banks have been increasingly focusing upon other income or non-core income to improve their operating income and by extension, their bottom line. This is a curious paradox considering that banks primarily operate by borrowing at a lower rate of interest and lending at a higher rate of interest. This rate differential, net of their other expenses, is called net interest margin (NIM) and naturally accounts for the biggest chunk of their profit. Other income generated by banks represents a smaller chunk of their profit. This is understandable since banks primarily lend (in the form of loans and advances) and borrow (in the form of deposits). Since other income is derived primarily from non-lending or fee-based activities, banks give the retail borrower the cold shoulder, rendering banking costlier for retail customers, according to one school of thought. Hence the researcher sought to know from the respondents if they would agree with the statement that banks' rising dependence on other income has rendered banking costlier for retail customers. The respondents' agreement / otherwise with the statement is expressed at five levels, namely, Strongly Agree, Agree, Neutral, Disagree and Strongly Disagree. These variates are assigned the values 1, 2,

3, 4 and 5 respectively. Their levels of agreement with the statement are reflected in the following Table and Figure.

Table & Figure-1

Banks' rising dependence on other income has rendered banking costlier for retail customers

Levels of Agreement (Values)	Frequency	Percentage
Strongly Agree (1)	3	10
Agree (2)	4	13
Neutral (3)	3	10
Disagree (4)	11	37
Strongly Disagree (5)	9	30
Total	30	100



Three respondents accounting for 10 percent strongly agree with the statement that banks' rising dependence on other income has rendered banking costlier for retail customers. Four respondents accounting for 13 percent agree with the statement that banks' rising dependence on other income has rendered banking costlier for retail customers. 11 respondents accounting for 37 percent disagree with the statement that banks' rising dependence on other income has rendered banking costlier for retail customers. Nine respondents accounting for 30 percent strongly disagree with the statement that banks' rising dependence on other income has rendered banking costlier for retail customers. Three respondents accounting for 10 percent remain neutral.

Seven respondents accounting for 23 percent agree with the statement that banks' rising dependence on other income has rendered banking costlier for retail customers.

1.9.2 Micro level implications of banks' rising dependence on other income for retail customers

Banks' rising dependence on other income is said to have micro level implications for the retail customers. Hence the researcher requested the respondents to disclose the micro level implications of such dependence. Their replies to the query appear in the following Table.

Table-2
Micro level implications of banks' rising dependence on other income for retail customers

Micro level implications	Number of respondents
Banks coax the existing retail customers into buying products they do not need	9

Micro level implications	Number of respondents
Some banks persuade retail borrowers seeking commercial loans to buy general insurance products	8
Some banks persuade prospective retail borrowers to buy life insurance policies from them	6
Some banks persuade retail customers to buy insurance products or mutual funds	5

Banks coax the existing retail customers into buying products they do not need, admit nine respondents. Some banks persuade borrowers seeking commercial loans to buy general insurance products, confess eight respondents. Some banks persuade prospective retail borrowers to buy life insurance policies from them, confess six respondents. Some banks persuade retail customers to buy insurance products or mutual funds, state five respondents.

1.10 Data Analysis – Consultants

1.10.1 Banks' rising dependence on other income has rendered banking costlier for retail customers

Banks have been increasingly focusing upon other income or non-core income to improve their operating income and by extension, their bottom line. This is a curious paradox considering that banks primarily operate by borrowing at a lower rate of interest and lending at a higher rate of interest. This rate differential, net of their other expenses, is called net interest margin (NIM) and naturally accounts for the biggest chunk of their profit. Other income generated by banks represents a smaller chunk of their profit. This is understandable since banks primarily lend (in the form of loans and advances) and borrow (in the form of deposits). Since other income is derived primarily from non-lending or fee-based activities, banks give the retail borrower the cold shoulder, rendering banking costlier for retail customers, according to one school of thought. Hence the researcher sought to know from the respondents if they would agree with the statement that banks' rising dependence on other income has rendered banking costlier for retail customers. The respondents' agreement / otherwise with the statement is expressed at five levels, namely, Strongly Agree, Agree, Neutral, Disagree and Strongly Disagree. These variates are assigned the values 1, 2, 3, 4 and 5 respectively. Their levels of agreement with the statement are reflected in the following Table and Figure.

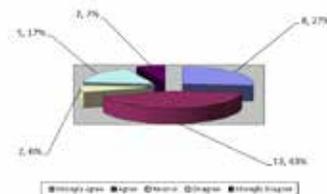
Table-3

Banks' rising dependence on other income has rendered banking costlier for retail customers

Levels of Agreement (Values)	Frequency	Percentage
Strongly Agree (1)	8	27
Agree (2)	13	43
Neutral (3)	2	6
Disagree (4)	5	17
Strongly Disagree (5)	2	7
Total	30	100

Figure-2

Banks' rising dependence on other income has rendered banking costlier for retail customers



Eight respondents accounting for 27 percent strongly agree with the statement that banks' rising dependence on other income has rendered banking costlier for retail customers. 13 respondents accounting for 43 percent agree with the statement that banks' rising dependence on other income has rendered banking costlier for retail customers. Five respondents accounting for 17 percent disagree with the statement that banks' rising dependence on other income has rendered banking costlier for retail customers. Two respondents accounting for seven percent strongly disagree with the statement that banks' rising dependence on other income has rendered banking costlier for retail customers. Two respondents accounting for six percent remain neutral.

21 respondents accounting for 70 percent agree with the statement that banks' rising dependence on other income has rendered banking costlier for retail customers.

1.10.2 Micro level implications of banks' rising dependence on other income for retail customers

Banks' rising dependence on other income is said to have micro level implications for the retail customers. Hence the researcher requested the respondents to disclose the micro level implications of such dependence. Their replies to the query appear in the following Table.

Table-4
Micro level implications of banks' rising dependence on other income for retail customers

Micro level implications	Number of respondents
Some banks persuade prospective retail borrowers to buy life insurance policies from them	26
Some banks mis-sell insurance products and churn mutual fund portfolios just to earn more commission	25
Some banks persuade retail borrowers seeking commercial loans to buy general insurance products	24
Banks coax the existing retail customers into buying products they do not need	22
Some banks persuade retail customers to buy insurance products or mutual funds	21

Some banks persuade prospective retail borrowers to buy life insurance policies from them, confess 26 respondents. Some banks mis-sell insurance products and churn mutual fund portfolios just to earn more commission, admit 25 respondents. Some banks persuade retail borrowers seeking commercial loans to buy general insurance products, confess 24 respondents. Banks coax the existing retail customers into buying products they do not need, admit 22 respondents. Some banks persuade retail customers to buy insurance products or mutual funds, state 21 respondents.

1.11 Data Analysis – Retail customers

1.11.1 Banks' rising dependence on other income has rendered banking costlier for retail customers

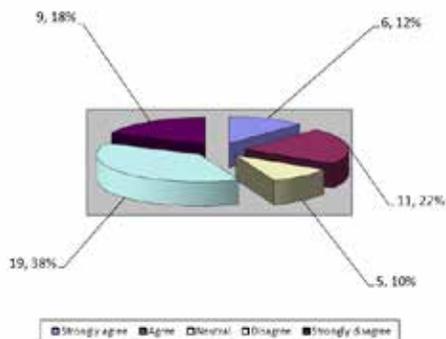
Banks have been increasingly focusing upon other income or non-core income to improve their operating income and by extension, their bottom line. This is a curious paradox considering that banks primarily operate by borrowing at a lower rate of interest and lending at a higher rate of interest. This rate differential, net of their other expenses, is called net interest margin (NIM) and naturally accounts for the biggest chunk of their profit. Other income generated by banks represents a smaller chunk

of their profit. This is understandable since banks primarily lend (in the form of loans and advances) and borrow (in the form of deposits). Since other income is derived primarily from non-lending or fee-based activities, banks give the retail borrower the cold shoulder, rendering banking costlier for retail customers, according to one school of thought. Hence the researcher sought to know from the respondents if they would agree with the statement that banks' rising dependence on other income has rendered banking costlier for retail customers. The respondents' agreement / otherwise with the statement is expressed at five levels, namely, Strongly Agree, Agree, Neutral, Disagree and Strongly Disagree. These variates are assigned the values 1, 2, 3, 4 and 5 respectively. Their levels of agreement with the statement are reflected in the following Table and Figure.

Table-5
Banks' rising dependence on other income has rendered banking costlier for retail customers

Levels of Agreement (Values)	Frequency	Percentage
Strongly Agree (1)	6	12
Agree (2)	11	22
Neutral (3)	5	10
Disagree (4)	19	38
Strongly Disagree (5)	9	18
Total	50	100

Figure-3
Banks' rising dependence on other income has rendered banking costlier for retail customers



Six respondents accounting for 12 percent strongly agree with the statement that banks' rising dependence on other income has rendered banking costlier for retail customers. 11 respondents accounting for 22 percent agree with the statement that banks' rising dependence on other income has rendered banking costlier for retail customers. 19 respondents accounting for 38 percent disagree with the statement that banks' rising dependence on other income has rendered banking costlier for retail customers. Nine respondents accounting for 18 percent strongly disagree with the statement that banks' rising dependence on other income has rendered banking costlier for retail customers. Five respondents accounting for 10 percent remain neutral.

17 respondents accounting for 34 percent agree with the statement that banks' rising dependence on other income has rendered banking costlier for retail customers.

1.11.2 Micro level implications of banks' rising dependence on other income for retail customers

Banks' rising dependence on other income is said to have micro level implications for the retail customers. Hence the researcher requested the respondents to disclose the micro level implications of such dependence. Their replies to the query appear in the following Table.

Table-6
Micro level implications of banks' rising dependence on other income for retail customers

Micro level implications	No. of respondents
Some banks persuade retail customers to buy insurance products or mutual funds	42
Some banks persuade prospective retail borrowers to buy life insurance policies from them	33
Banks coax the existing retail customers into buying products they do not need	16
Some banks persuade retail borrowers seeking commercial loans to buy general insurance products	14
Some banks mis-sell insurance products and churn mutual fund portfolios just to earn more commission	8

Some banks persuade retail customers to buy insurance products or mutual funds, state 42 respondents. Some banks persuade prospective retail borrowers to buy life insurance policies from them, confess 33 respondents. Banks coax the existing retail customers into buying products they do not need, admit 16 respondents. Some banks persuade retail borrowers seeking commercial loans to buy general insurance products, confess 14 respondents. Some banks mis-sell insurance products and churn mutual fund portfolios just to earn more commission, admit eight respondents.

1.12 Summary of findings

In the following paragraphs, a summarised version of the findings arrived at in respect of the three categories of respondents, namely bankers, consultants and retail customers, is furnished.

1.12.1 Bankers

Seven respondents accounting for 23 percent agree with the statement that banks' rising dependence on other income has rendered banking costlier for retail customers.

Banks coax the existing retail customers into buying products they do not need, admit nine respondents. Some banks persuade borrowers seeking commercial loans to buy general insurance products, confess eight respondents. Some banks persuade prospective retail borrowers to buy life insurance policies from them, confess six respondents. Some banks persuade retail customers to buy insurance products or mutual funds, state five respondents.

1.12.2 Consultants

21 respondents accounting for 70 percent agree with the statement that banks' rising dependence on other income has rendered banking costlier for retail customers.

Some banks persuade prospective retail borrowers to buy life insurance policies from them, confess 26 respondents. Some banks mis-sell insurance products and churn mutual fund portfolios just to earn more commission, admit 25 respondents. Some banks persuade retail borrowers seeking commercial loans to buy general insurance products, confess 24 respondents. Banks coax the existing retail customers into buying products they do not need, admit 22 respondents. Some banks persuade retail customers to buy insurance products or mutual funds, state 21 respondents.

1.12.3 Retail customers

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suaude prospective retail borrowers to buy life insurance policies from them, confess 33 respondents. Banks coax the existing retail customers into buying products they do not need, admit 16 respondents. Some banks persuade retail borrowers seeking commercial loans to buy general insurance products, confess 14 respondents. Some banks mis-sell insurance products and churn mutual fund portfolios just to earn more commission, admit eight respondents.

1.13 Conclusions

Conclusions are inferences / generalisations drawn from the findings. They relate to the hypotheses. They are answers to the research questions or the statements of acceptance or rejection of hypotheses.

Hypothesis

As already explained, the study proposes to test the following hypothesis:

"Banks' rising dependence on other income has rendered banking costlier for retail customers."

Hence H_0 and H_1 are as follows:

H_0 : Banks' rising dependence on other income has not rendered banking costlier for retail customers

H_1 : Banks' rising dependence on other income has rendered banking costlier for retail customers

On the basis of the primary data collected from the respondents, vide Tables: 1, 3 and 5, a chi-square test was applied to ascertain the association, if any, between the two variables. The following Table reveals the computation made using MS-Excel:

Category	Observed Values		
	Yes	No	Total
Bankers	7	23	30
Consultants	21	9	30
Retail customers	17	33	50
Total	45	65	110
Expected Values			
Category	Yes	No	Total
Bankers	12.27272727	17.72727273	30
Consultants	12.27272727	17.72727273	30
Retail customers	20.45454545	29.54545455	50
Total	45	65	110
	Yes	No	
o-e	-5.272727273	5.272727273	
	8.727272727	-8.727272727	
	-3.454545455	3.454545455	
(o-e)^2	27.80165289	27.80165289	
	76.16528926	76.16528926	
	11.9338843	11.9338843	
((o-e)^2)/e	2.265319865	1.568298368	
	6.206060606	4.296503497	
	0.583434343	0.403916084	
CV	9.054814815	6.268717949	15.32353276
TV			5.991464547
p			0.000470476

The calculated value of χ^2 is 15.32353276, higher than the table value of 5.991464547 for an alpha of 0.05 at two degrees of freedom. Hence the null hypothesis is rejected. $p=0.000470476$ is the inverse of the one-tailed probability of the chi-squared distribution.

Hence banks' rising dependence on other income has rendered banking costlier for retail customers.

1.14 Researcher's recommendations

The following are the researcher's recommendations:

There is nothing wrong with banks focusing on maximising their income from all activities, be they core activities or other activities. However, such focus should not lead to their focusing on fee-based activities to the exclusion of their primary activity which happens to be lending. Dilution of focus on the core activity may look attractive now but in the long run, it is their primary activity, namely lending and mobilising deposits that will stand them in good stead.

By diluting their focus on their primary activity, bankers may end up rubbing the retail customers the wrong way. Eventually, banks may fail to mobilise deposits from retail customers since the retail customers may begin to focus on other investment avenues and other asset classes like gold, post office savings bank accounts, real estate, mutual funds and shares. Banks should remember that retail customers provide them with the cheapest source of capital in the form of savings bank balances. By parking their money in savings bank accounts, retail customers help banks mobilise costless working capital! After all, the rate of inflation seldom falls below the nominal rate of interest that banks allow on the SB account balances, leading the SB account-holders to generate a negative return on their SB balances. Banks cannot find a more self-sacrificing community of contributors of capital. Banks had better treat the retail customers with the respect they deserve!

Retail borrowers represent the least risky and the most profitable constituency for the banks. Unlike corporates, they blindly accept whatever interest rate banks apply to their loan accounts. The ticket size of retail loans is smaller which means that the banker can spread the risk across a larger base of retail borrowers. Additionally, the loan issued per capita is invariably smaller. Thus, defaults if any on the part of retail borrowers do not affect the banks' bottom lines markedly.

Banks are not justified in coaxing retail customers into buying products and services that the customers do not need, unless such coaxing is justified by the findings of a need analysis. This is seldom the case, unfortunately. Banks have no right to mis-sell their products.

Banks should not arm-twist their borrowers into buying life insurance products or general insurance products from them taking advantage of the borrowers' indebtedness to the banks. This is grossly unfair and smacks of profiteering of sorts. This qualifies as mis-selling too.

It is a fact that falling NIM has been affecting the bottom lines of banks no thanks to rising NPAs. It is also a fact that income from fee-based activities is growing at a faster pace. But income from fee-based activities can under no circumstances be viewed as a remedy to make good the losses the banks incur in their loans / advances portfolio. Such cross-subsidisation is ill-advised in the banking field particularly considering that the newly permitted payments banks are better placed than commercial banks, technologically and geographically, to offer such fee-based services more effectively, on all financial metrics.

RBI has clearly mandated that there should be no 'linkage' either direct or indirect, between the provision of banking services to customers and the sale of insurance products by banks. Considering that commission income, especially from insurance products, accounts for a huge chunk of banks' profits, one is inclined to believe that banks do not implement the RBI mandate in spirit. Banks apparently use the traditionally cheapest and most effective tool, namely, word-of-mouth to mis-sell the products. It renders it difficult for the regulator to catch the banks in the act

and punish them!

1.15 References

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