RETAIL BANKING

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CHAPTER 1

STUDY THE BEGINNINGS OF RETAIL BANKING

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ABSTRACT:

Globalization and liberalization have caused the Indian banking sector to place more emphasis on the retail market. No of their size or place of origin, all banks have begun to coordinate their efforts to maximize the rewards from this commercial potential. Operational restrictions that hampered the expansion of India's banking industry were lifted thanks to reforms of the financial sector that were started in 1995–1996. The banking industry hasn't looked back since that time. It is usually helpful to research banking's history in order to become familiar with it. This Chapter outlines the stages in the history of banking before moving on to the current state of the banking sector.

KEYWORDS:

Commodities, Evidence, Economic, Globalization, Money.

INTRODUCTION

Money was created primarily for non-economic purposes such as tribute, trade, barter, religious rites, ostentatious ornamentation, and acting as the common drudge for men of commerce. Blood money and bride money were also created for ceremonial and religious purposes. The propensity to choose one or two objects over others, leading to the selected items becoming partially accepted due to their abilities to serve as trade media, was one of the most significant advancements over the most basic types of early barter. Commodities were chosen as the ideal barter commodities for a variety of reasons, including their convenience and ease of storage, high value densities, and portability, as well as their durability. Due to their high demand and ease of exchange for other items, these commodities were eventually acknowledged as money. Barter was not the primary factor in the origin and early development of money, despite the fact that the drawbacks of the barter system gave rise to the development of money, the impulse behind which was purely economic. This is shown by the archaeological, literary, and linguistic evidence from the ancient world as well as the tangible evidence of actual types of primitive money from many different countries[1]–[3].

DISCUSSION

In the past, it was common practise to pay brides in order to make up for the loss of the family patriarch's daughter's services. Since very early times, rulers have levied taxes or demanded tribute from their people. Religious obligations may also include making a sacrifice or paying a tribute. As a result, the need for a way to pay for blood money, wedding money, tax, or tribute existed in many communities, which greatly aided in the spread of money. Objects that were first accepted for one use were frequently discovered to be helpful for additional non-economic uses, and as a result of their rising acceptance, they started to be used for general trading as well, complementing or replacing barter. The awkwardness of barter offered an economic impulse, but

it was not the main element in how money came to be used. As a result, the use of money arose out of deeply ingrained practises. It changed on its own in various places of the planet. The Inca civilization was the only one that survived without using money[4]–[6].

The beginning of the banking system

The invention of banking, in its most basic form, came before that of coinage. The development of banking coincided with the development of new and more complex forms of money. As business grew, the barter system gave way to money, which required a safe deposit box. Around 1000 B.C., it emerged in its most basic form from temples and regal residences. People in Babylon had a strong belief that royal residences and places of worship were secure locations to store treasures and money. Perhaps the earliest example of 'banking' was the practise of depositing personal goods at these locations, which also served as treasuries, against a receipt. The idea of banking became more significant as trade and commerce increased. Banking management increasingly moved from people to groups, and then to businesses. It gained a greater prominence in the loan industry throughout the Industrial Revolution of the 18th and 19th centuries. In their early, simple forms and later, more advanced forms, banks did not experience a continuous, obedient growth.

Through several stages of development, banking emerged and kept up with changing trade and commerce demands. The East India Company founded three "Presidency Banks" in the first half of the 19th century: the Bank of Bengal in 1809, the Bank of Bombay in 1840, and the Bank of Madras in 1843. These three banks were amalgamated in 1920, and a new bank, the Imperial Bank of India, was founded on January 27th, 1921. The Imperial Bank of India was replaced by the newly established State Bank of India after the State Bank of India Act was approved in 1955. The Reserve Bank of India Act, 1934, which established the Reserve Bank as the country's central bank, was passed in 1935. Many of the current top banks were founded around the time the Swadeshi Movement gave Indian joint stock banking a boost. The Punjab National Bank Ltd., Bank of India Ltd., Canara Bank Ltd., Indian Bank Ltd., etc. were among the 41 Indian banks operating in the field by 1913.

What Makes a Commercial Bank Itsself?

The word "bank" comes from the Greek word "banque" or the Italian word "banco," both of which imply "a bench" where moneylenders and money changers used to show their coins and conduct business in public areas. A bank is a for-profit business that deals with credit and money. It receives deposits and holds them in a secure location.

A commercial bank is an organisation that primarily lends credit and takes deposits to meet the capital needs of individuals and businesses. By making advances using the money it has been given, it builds credit and encourages the economy's savings. Commercial banks differ from most other financiers in that they extend credit rather than taking an ownership position in a corporate enterprise. According to the Banking Regulation Act of 1949, "banking includes accepting deposits from the public, for the purpose of lending or investment; and repayable on demand or otherwise and withdraw able by cheque, draught, order or otherwise." Consumer or business deposits and central bank and other bank deposits are the two main sources of deposits for commercial banks. Consumer interest fees and various customer service charges are two ways that commercial banks make money.

An increase in retail banking

However, retail banking is a very broad financial service that is largely targeted at individual customers. Commercial banks and smaller community banks typically offer retail banking services. Retail banking, as contrast to wholesale banking, is solely concerned with consumer markets. Retail banking organisations offer a wide range of services for individuals, including checking and savings accounts, bill-paying options, and debit and credit cards. Consumers can also get personal loans and mortgages through retail banking. Even while retail banking caters primarily to the mass market, many of its products may also be available to small and medium-sized businesses. Automated teller machines (ATMs) and online banking allow for much of today's retail banking to be conducted electronically. Credit cards or depository services are examples of related supplementary services. There are three main traits that define the modern retail banking sector:

Consumer banking

The Indian banking sector now has new benchmarks because to globalisation. No matter their size or place of origin, all banks have adopted the credo of "retail banking." Since new norms for retail banking have emerged, banks have begun to rethink their tactics to meet the demands of the moment. The banking industry is evolving as a whole. In recent years, the conventional strategy of "the sellers' market" for banking-related goods and services has been recast as a "buyers' market."

The time when obtaining a retail loan was a little difficult is long gone. All of these highlight the recent economic impetus that retail banking has gained in India. Increased customer choice is leading to increased demand for financial products, and customising services is quickly overtaking differentiation as a competitive advantage. Players are focusing more and more on retail banking as they realise the potential of this branch of the banking industry, which is predicted to develop at a rate of 30%. The banking industry as a whole is experiencing structural changes in regulatory frameworks at the same time, and by 2004, strict NPA criteria and securitization are anticipated to be in place. As a result, the faster one adjusts to these changing dynamics, the faster one is projected to gain the edge.

Indian retail banking

Indian retail banking is not a recent development. In India, it has long been common in a variety of forms. For many institutions over the past few years, it has come to represent mainstream banking. Housing loans, consumer loans for the purchase of durable goods, vehicle loans, credit cards, and student loans are the usual products offered in the Indian retail banking sector. To distinguish the loans from the other products that various banks offer, they are sold under catchy brand names. According to the report on Trend and Progress of India, 2003–2004, the loan amounts for these retail lending transactions normally range between Rs. 20,000 and Rs. 100 lakhs. Loans are often issued for a period of five to seven years, while home loans may be extended for up to fifteen years.

Another quickly expanding sub-segment of this product category is credit cards. Retail lending has recently emerged as a major source of profit for banks, with the retail portfolio accounting for 21.5% of all outstanding advances as of March 2004. The gross NPA ratio for the entire loan portfolio was substantially higher than the overall impairment of the retail loan portfolio. The

share of each component of retail credit has increased thrice, with the exception of loans against shares or bonds. In addition to the aggressive forays of new private sector banks, the declining interest rate and incentives provided to the housing sector are translating into higher home loans as well as the entry of the public sector into the personal loan segment.

The housing loans had the least gross asset impairment within the retail sector. In the banking industry, shopping actually makes excellent business sense. Public sector banks have not fallen behind, despite new generation private sector banks being able to carve out a niche in this area. Public sector banks have aggressively forayed to gain a larger piece of the retail pie by using their extensive branch network and outreach. However, India still has a lot of room to grow in terms of retail banking by global standards. After all, compared to other Asian nations, where retail loans account for around 35% of GDP, India's is less than 7%. Given that retail banking in India is still expanding from a small base, it is possible that the growth rates appear to be overstated.

Thus, one must be cautious when assessing the expansion of retail banking in India. The Indian players have high hopes for the retail industry, and these hopes are not entirely unwarranted. This is due to two key factors. First off, it is clearly beyond dispute that the Indian customer is evolving. A change in the urban household income structure reflects this. Indians' purchasing patterns, and thus their banking behaviours, will change to favour retail products as a direct result of this transition.

At the same time, India does fairly poorly in comparison to other economies around the globe whose spending habits are now comparable as a result of our economy's opening up. For instance, whereas the entire amount of outstanding retail loans in Taiwan is over 41% of GDP, it is less than 5% in India. Even more astonishing is the comparison to the West. The use of credit cards is another reasonable comparison when comparing retail industries. The potential here also stems from the fact that, in 2001, fewer than 1% of total consumer spending in India was made with plastic, compared to 18% in the US.

Analysis of Retail Growth Factors

A consumer boom has been fueled by economic success and the resulting rise in purchasing power. Few nations in the world have performed as well as India did in the ten years following 1992, when the country's GDP grew at an average rate of 6.8 percent and has continued to do so. The changing demographics of consumers point to enormous possibilities for qualitative and quantitative consumption growth. India is one of the nations with the largest percentage of people under the age of 35 (young population), at 70%. Technology played a significant influence. Many new clients have entered the banking industry as a result of convenience banking options like debit cards, internet and phone banking, and anytime, anyplace banking. Retail banking in India has expanded as a result of technological advancements related to increased use of credit/debit cards, ATMs, direct debits, and phone banking[7]–[9].

The last two years have seen a drop in bank treasury revenue, which had been bolstering bank bottom lines for the previous few years. A excellent option for maximising profits in such a situation is retail commerce. Retail loans have helped banks diversify their revenue streams while also putting a relatively lesser load on provisioning since retail's share of impaired assets is far lower than that of all bank loans and advances.

But up until recently, lending institutions could only rely on their personal interactions with a particular person to make this determination. With the arrival of organisations that judge a person's creditworthiness, that has changed. By obtaining a borrower's credit score from various sources, the lending bank can determine how creditworthy they are.

In this context, the applicant's credit history is essential because a strong score might make the loan more palatable with reduced rates. To enhance the information provided in a borrower's loan application, a lending bank may obtain the applicant's credit score from credit information companies.

Now, if a borrower had previously defaulted on a loan from one bank, the default would lower the credit score, which would also be known to any other lender. Additionally, it could affect not just the applicant's eligibility for a loan but also the interest rate. By increasing demand for such borrowing, the decline in interest rates has also helped retail credit expand.

CONCLUSION

In an expanding economy like India, retail banking offers numerous options. Retail banking will become a key driver as India's growth story develops. In this aspect, the expansion of the middle class in India is a significant contributing factor. It is anticipated that the proportion of Indian households with middle- to high-income will increase.

In addition to having more purchasing power, the younger generation may also be more comfortable with taking on personal debt than earlier generations. India's retail banking sector benefits from rising consumer purchasing power and more tolerant views of personal debt. The retail industry, which is still in its infancy, is predicted to experience significant growth as a result of the combination of the aforementioned causes. The areas of potential conflicts of interest tend to grow in universal banks and financiers due to bundling of services and delivery channels conglomerates.

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CHAPTER 2

A BRIEF STUDY ONINNOVATIONS IN PAYMENT SOLUTIONS

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ABSTRACT:

Contactless payments have emerged as a convenient and secure method of conducting transactions without the need for physical contact between a payment device and a point-of-sale terminal. This innovative payment solution has gained popularity due to its efficiency, speed, and ease of use, transforming the way individuals make everyday purchases. In a contactless payment transaction, a customer uses a contactless-enabled device, such as a debit or credit card, smartphone, smartwatch, or even wearable accessories, to complete a payment by simply tapping or waving it near a compatible payment terminal. The underlying technology that powers contactless payments relies on radio frequency identification (RFID) or near-field communication (NFC).

These technologies allow for the wireless exchange of payment information between the payment device and the terminal, making the transaction process seamless and swift. When a contactless-enabled device is held close to the payment terminal, the necessary payment details are transmitted securely and quickly, requiring only a few moments to complete the entire transaction.

KEYWORDS:

Digital, Payment, Financial, Wallets, Technology.

INTRODUCTION

The landscape of financial transactions has undergone a revolutionary transformation in recent years, driven by advancements in technology and changing consumer preferences. This Chapter delves into the realm of innovations in payment solutions, exploring how emerging technologies and evolving business models are reshaping the way individuals, businesses, and governments engage in transactions. From mobile payments and digital wallets to blockchain and decentralized finance, this Chapter examines the diverse array of innovations that are propelling the financial world into the future.Small Ticket Transactions: Contactless payments are particularly well-suited for small-ticket transactions, such as purchases at coffee shops, convenience stores, public transportation, and vending machines.

The speed and simplicity of these transactions make them ideal for low-value items.While contactless payments offer numerous benefits, they also come with considerations. Security concerns, such as the potential for unauthorized tapping of devices, must be addressed through proper authentication methods and secure encryption techniques. Moreover, the widespread adoption of contactless technology depends on the availability of compatible payment terminals and consumer awareness.

DISCUSSION

Contactless payments offer several advantages that have contributed to their widespread adoption:

Speed and Convenience: Contactless payments eliminate the need to insert a card, input a PIN, or handle cash. The quick and effortless nature of tapping a device near a terminal significantly reduces transaction times, making it ideal for busy retail environments or situations where speed is essential.

Security: Despite the convenience, contactless payments are designed with security in mind. The technology employs encryption and tokenization to safeguard sensitive payment information during transmission. Additionally, most contactless transactions have a limit on the amount that can be transacted without requiring a PIN, reducing the risk in case of device loss or theft.

Hygiene: In an era where health and hygiene are of paramount importance, contactless payments have gained further popularity due to their touch-free nature. Customers and merchants alike appreciate the reduced physical contact associated with these transactions, making them particularly relevant in times of heightened hygiene awareness.

Versatility: Contactless payment technology is compatible with a variety of devices, from traditional payment cards to smartphones and wearable devices. This versatility allows users to choose the payment method that suits their preferences and lifestyles.

Global Acceptance: Contactless payments have gained global acceptance, making them a practical choice for both domestic and international transactions. Many countries and regions have adopted contactless payment infrastructure, ensuring that users can make purchases conveniently across borders.

Ease of Adoption: Transitioning to contactless payments is straightforward for consumers. Cards with contactless capabilities are often provided by financial institutions, and smartphones can be easily set up for contactless payments using dedicated apps or digital wallets.

The Digital Revolution and Payment Transformation

The Shift to Digital Payments

The digital revolution has ushered in an era where cash transactions are gradually becoming obsolete. The proliferation of smartphones, widespread internet access, and the rise of e-commerce have contributed to the accelerated adoption of digital payment solutions. Consumers seek convenience, security, and real-time accessibility in their financial transactions, driving the demand for innovative payment methods[1]–[3].

Mobile Payments and Digital Wallets

Mobile payment platforms and digital wallets have emerged as the poster children of payment innovation. Services like Apple Pay, Google Pay, and PayPal allow users to link their bank accounts, credit cards, and even cryptocurrencies to their smartphones, enabling seamless and contactless transactions. These solutions are not only convenient but also enhance security through encryption and biometric authentication.

Cryptocurrencies and Blockchain Technology

Cryptocurrencies as Digital Currency

The advent of cryptocurrencies, led by Bitcoin, has introduced a new paradigm in the realm of payment solutions. Cryptocurrencies function as digital assets that operate independently of traditional banking systems and government-issued currencies. Their decentralized nature and underlying blockchain technology offer the potential for fast, secure, and borderless transactions.

Blockchain's Role in Payment Innovation

Blockchain, the technology that underpins cryptocurrencies, has found applications beyond digital currencies. In the context of payments, blockchain offers transparency, immutability, and reduced intermediaries, revolutionizing cross-border remittances, supply chain finance, and settlement processes. Smart contracts, self-executing code on the blockchain, automate and streamline payment agreements.

Fintech Disruption and Payment Ecosystems

Rise of Fintech Startups

The fintech landscape has seen a surge in startups that challenge traditional financial institutions by offering nimble, user-centric payment solutions. Peer-to-peer payment platforms, micro-investment apps, and robo-advisors exemplify the diversification of financial services through technology-driven innovation.

Ecosystem Approach to Payments

Ecosystem-based approaches are transforming how payments are integrated into everyday activities. Superapps, such as Alipay and WeChat Pay, offer a myriad of services beyond payments, including e-commerce, ride-hailing, and financial management. These platforms leverage user data to offer tailored financial solutions, blurring the lines between banking, payments, and lifestyle services.

Decentralized Finance (DeFi) and Open Banking

Decentralized Finance (DeFi)

Decentralized Finance, or DeFi, is a rapidly growing sector within the cryptocurrency space that aims to recreate traditional financial services using blockchain technology. Through decentralized lending, borrowing, trading, and yield farming, DeFi projects seek to eliminate intermediaries and provide users with greater control over their financial activities.

Open Banking

Open banking initiatives empower consumers by granting them control over their financial data. With user consent, banks share financial information with third-party providers, enabling personalized financial management and innovative payment solutions. Open banking fosters competition, drives innovation, and enhances consumer choice.

Challenges and Future Outlook

Regulatory and Security Concerns

The rapid pace of innovation in payment solutions has prompted regulators to grapple with ensuring consumer protection, preventing money laundering, and safeguarding financial stability. Striking a balance between innovation and security remains an ongoing challenge.

Financial Inclusion and Accessibility

While payment innovations hold immense promise, they must address the digital divide to ensure accessibility for all individuals, regardless of their socioeconomic background. Innovators must focus on creating solutions that are inclusive and cater to the needs of diverse populations.

Future Trajectories

The future of payment solutions is poised for continued disruption. Central bank digital currencies (CBDCs) are gaining traction, promising greater efficiency and oversight in digital transactions. Moreover, the integration of artificial intelligence, biometrics, and quantum computing holds potential to redefine security, efficiency, and user experiences in payments.

Cryptocurrencies and digital wallets represent a groundbreaking convergence of finance and technology, reshaping the way we perceive, store, and transact with money. Cryptocurrencies, led by the pioneering Bitcoin, are digital or virtual assets built on blockchain technology, while digital wallets are secure digital tools that allow users to store, manage, and facilitate transactions involving cryptocurrencies. This symbiotic relationship between cryptocurrencies and digital wallets has revolutionized the financial landscape, offering new opportunities and challenges.

Cryptocurrencies: A Paradigm Shift in Money

Cryptocurrencies are decentralized digital currencies that operate on blockchain technology, a distributed and tamper-resistant ledger. Bitcoin, introduced in 2009 by the pseudonymous Satoshi Nakamoto, kickstarted the cryptocurrency revolution. Since then, thousands of alternative cryptocurrencies, often referred to as "altcoins," have been developed, each with its unique features and use cases. Cryptocurrencies promise benefits such as borderless transactions, immutability, security, and potential for financial inclusion[4]–[6].

Blockchain, the underlying technology of cryptocurrencies, ensures the transparency and security of transactions by utilizing a network of nodes to validate and record transactions in chronological order. This innovative approach eliminates the need for intermediaries like banks and minimizes the risk of fraud and double-spending.

Digital Wallets: Bridging the Physical and Digital Worlds

Digital wallets, also known as e-wallets or virtual wallets, are software applications that securely store and manage cryptocurrencies. These wallets can be accessed through computers, smartphones, or specialized hardware devices. Digital wallets enable users to store their private keys the cryptographic keys that grant access to their cryptocurrency holdings safely and efficiently.

Digital wallets serve as a bridge between the traditional and digital financial worlds. They provide a user-friendly interface for sending and receiving cryptocurrencies, monitoring account

balances, and managing transactions. Wallets can be categorized into hot wallets (connected to the internet) and cold wallets (offline storage), each with its trade-offs between convenience and security.

The Synergy: Cryptocurrencies and Digital Wallets

The synergy between cryptocurrencies and digital wallets has amplified the adoption and utility of both concepts. Digital wallets offer a user-friendly gateway for individuals to enter the world of cryptocurrencies, providing a simple and intuitive means to manage and transact with their holdings. Users can download wallet apps, create accounts, and store their cryptocurrencies with confidence.

For the broader adoption of cryptocurrencies, digital wallets are a critical tool. They enable individuals to send and receive cryptocurrencies across borders without the need for intermediaries, reducing transaction costs and delays associated with traditional financial systems. Additionally, digital wallets empower users to actively participate in the burgeoning world of decentralized finance (DeFi), where they can lend, borrow, trade, and earn interest on their cryptocurrencies.P2P transfers are typically facilitated through mobile apps, online platforms, or digital wallets that enable users to link their bank accounts or cards and initiate transfers to others using their contact information or unique identifiers. This method not only simplifies the process of transferring money but also accelerates the speed at which transactions are completed, often occurring in real time.

Retail banking, also known as consumer banking, encompasses a range of financial services provided by banks to individual customers and small businesses. It focuses on meeting the personal financial needs of individuals, offering services like savings accounts, checking accounts, and certificates of deposit for secure money management and growth. Retail banks also provide borrowing solutions, including personal loans, mortgages, and credit cards, to help customers achieve their goals and manage unexpected expenses. Moreover, retail banking involves facilitating everyday transactions such as electronic fund transfers, bill payments, and debit card transactions. Through a network of branches, ATMs, online platforms, and mobile apps, retail banks ensure easy access to financial services, fostering financial inclusion and assisting customers in achieving their financial objectives.

The popularity of P2P transfers has grown due to their convenience, speed, and ability to transcend geographical boundaries. Whether it's repaying a friend for dinner, sending funds to family members abroad, or contributing to a group gift, P2P transfers provide a user-friendly and efficient solution. However, as with any financial transaction, security remains a concern, necessitating the use of reputable platforms, strong authentication measures, and adherence to privacy practices.In a world driven by digital interactions, P2P transfers offer a glimpse into the future of peer-to-peer financial exchanges, highlighting the potential of technology to reshape the way we handle money on a personal level[7], [8].

CONCLUSION

Innovations in payment solutions are revolutionizing the way financial transactions are conducted, shifting the emphasis from physical currency to digital, efficient, and secure methods. From mobile payments and digital wallets that redefine convenience to the transformative potential of cryptocurrencies, blockchain, and DeFi, the financial landscape is undergoing a

seismic shift. The key to the successful integration of these innovations lies in addressing regulatory concerns, ensuring financial inclusion, and navigating the delicate balance between technological progress and user security. As the financial world continues to evolve, these innovations will play a central role in shaping the way individuals and businesses engage with money and conduct transactions in an increasingly interconnected and digitized global economy.Peer-to-peer (P2P) transfers have emerged as a revolutionary method of directly exchanging funds between individuals without the need for intermediaries like banks or traditional payment processors. This innovative approach leverages technology to facilitate seamless and instant transactions, transforming the way people share money, split bills, and engage in financial exchanges.

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CHAPTER 3

ROLE OF RETAIL BANKING IN THE BANK OPERATIONS STRUCTURE

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ABSTRACT:

For their retail banking operations, banks take several tactics. Different models are used by banks, and different roles and priorities are assigned to retail banking by different banks. The models and procedures depend on how much weight corporate business strategies give the retail banking sector overall as well as how much business is expected to grow in that sector over time. Interesting insights across bank types can be seen in the business models for retail banking. Banks in the governmental sector, the private sector, and foreign banks all use different models. The primary strategies are as follows: Departmental Approach Departmental Approach Public Sector Banks in India often use the SBU Approach as their retail banking business model. No of the size or location of the balance sheets, all banks consistently use the model. It suggests that the strategy is less targeted and more generic, with retail banking as one of the business models. One of the top five public sector banks in Mumbai uses the SBU strategy, and its business model is compatible with that of private sector banks and international banks, according to a study on the models used by roughly 10 institutions, including public, private, and foreign banks.

KEYWORDS:

Banks, Goals, Private, Technologies.

INTRODUCTION

Banks typically design their retail banking models with a focus on positioning and being the best/top three players in their peer group or overall. The emphasis given to the business model varies from bank to bank and is based on the positioning objectives. Some public sector banks strive to be one of the top three retail players among all banks, including those in their peer group, while other public sector banks strive to be one of the top three inside their peer group. However, the approach taken by these banks was a component of the overall business mix plan projections and the bank's corporate goals. The positioning strategy is especially obvious in the case of older private banks. Based on their size and scale as well as the overall business plan, it is appropriate. But within the broader goal, for instance, one bank with headquarters in Tamil Nadu seeks to place among the top three banks in its peer group.

Their technological endeavours were consistent with their positioning goal. The private banks of today have a distinct idea of where they want to place themselves. They have a legitimate desire to hold the top position among banks of all classes. These banks benefit from technology, strategy, customer and business activities, and aggressive positioning to accomplish the required goals. Even newcomers to the private sector have defined positioning strategies for where they want to be in the next two to three years and have put in place sufficient action plans to accomplish their goals [1]–[3].

DISCUSSION

Company Models

Foreign banks typically base their decisions solely on business goals rather than positioning objectives. They follow business, profit, and consumer objectives. If the business model is not lucrative, they make a decision regarding it or one of its segments, and either depart the retail banking segment as a whole or a specific business line within the model. The classic example is BNP Paribas, which aggressively entered the retail banking market in the late 1990s with a full-fledged brand building initiative before exiting the market when they discovered that it was not a viable segment for them with the revenue they created. Similar to how American Express exited their credit card industry after evaluating its feasibility. On the plus side, despite entering the retail banking market after its competitors in the middle of the 1990s, ABN Amro Bank had a defined positioning strategy for expanding its retail banking franchise. ABN Amro Bank likewise entered the credit card market late, but they actively expanded their card base and posed a challenge to other well-established credit card providers.

Suitability of Retired Banking Principles

The success of the segment is largely attributed to a variety of components that make up the concept of retail banking, both individually and collectively. It includes things like business process architecture, product and process models, and implementation models. Let's examine how the many retail banking concepts that influence the market's success can be applied. For the implementation of their retail banking initiatives, banks use a variety of models. The most popular tactics include in-house sourcing, partial outsourcing, end-to-end outsourcing, and primary outsourcing. The product line, process needs, technological readiness, delivery capabilities—including human resources—and regulatory requirements all influence the implementation strategy. For retail banking, the majority of PSBs rely only on internal resources. Due to a shortage of internal resources, the issue portion is only outsourced for certain operations including ATM, Credit, and Debit Card transactions. One of the key factors influencing outsourcing or a lack of it in these institutions is regulatory requirements.Older private sector banks also only use internal resources to carry out their operations. Although slightly slanted towards outsourcing, the model for next generation private sector banks is a balanced combination of outsourcing and in-house work. In certain banks, the liability side is processed centrally but the asset side is outsourced.According to the business model, the implementation model is typically outsourced in overseas banks. Additionally, some international banks outsource both their front and back end operations, while other banks only outsource their back end operations for example, recruiting HNI clients using in-house staff.

Structure of Business Processes in Retail Banking

Transforming Retail Banking Processes, a research by Boston Consulting Group on the retail banking processes, identified four broadly defined process models used by banks. The technological and consumer interface capabilities of the banks under investigation were used to define these models. The four major categories are

1. Vertically organised model.
2. Model with vertical organization.

3. Model that is primarily vertically organized.
4. Model with a predominance of horizontal organization.

The quantity of customer information accessible in a single platform on the data base side for supplying numerous products/services across assets, liabilities, and other services determines whether to use a horizontal or vertical architecture. A horizontally organised model is a modular structure that offers end-to-end product solutions using several process models for various products. With a focus on customer data bases and the usage of centralised customer data bases across goods, a vertically arranged architecture offers functionality. Generally, product-oriented and horizontally organised, certain goods share similar customer information. The majority of the items in the mostly vertically arranged model have common information available[4]–[6].

The horizontally arranged model is the standard in the majority of PSBs. There are other banks, of course, where the organisational structure is primarily horizontal and reflects the amount of available common customer data for specific products. In one of the PSBs based in the West, the scenario suggests that the common customer information is available for the majority of the items, expanding the opportunity for cross-selling and up-selling.

In the case of older private sector banks, the situation is complex. in a Karnataka-based bank. There is a horizontally organised model and another bank with roots in Tamil Nadu has a mix of vertically and horizontally organised models with a reasonably high amount of shared customer information across products. The bank had planned for aggressive retail banking growth if we compare this data to the bank's positioning objective.

In general, new private sector banks have a vertically organised model. However, it is interesting to see that one bank, which is quite aggressive in the retail sector, uses a hybrid of horizontal and primarily horizontal organisational models. This demonstrates that the majority of products are sold based on unique client information and that not all products have access to common consumer information.In foreign banks, the vertical organisational structure predominates, meaning that initiatives in retail banking are attempted with shared customer data across products.

1. **Retail Banking:** Business Approach (Domain-Specific) varied banks take varied approaches to the business strategy with relation to the targeted domains. The following are the most typical methods:

(a) *Segmented Approach:* Branches are categorised according to their potential for business in terms of retail space, and only the businesses in these segments of branches are targeted by targeted marketing techniques. These branches will be designated as resource centre branches and will be included in the bank's broader segmentation strategy. To have a clear business emphasis, branches are divided into Resource Centres, Profit Centres, Priority Centres, and General Centres. This idea is a good business model for PSBs with a wide network and is already being employed in several public sector banks. It is also helpful for focused strategy.

(b) A geography-based strategy, in which retail models are constructed based on regions.

(c) A classification-based method, in which rural-specific tactics are developed. Almost urban. Metro and urban. Better product architecture for particular sorts of branches is facilitated by this tactic.

The majority of PSBs use a holistic approach focused on corporate goals for retail rather than developing any specific business models along the lines of those mentioned above. In some banks, the corporate model incorporates a segmented strategy but not a stand-alone segmented method. The general corporate purpose for retail serves as the foundation for the strategy in ancient private banks as well, and segmentation is only partially embedded into that model.

A combination of segmentation models and classification-based models is used in new generation private sector banks to capture the retail potential in segments where it matters. In foreign banks, the model is not limited to any of the aforementioned but instead is based on the banks' retail business strategy.

Models for Products in Retail Banking

Product portfolio structuring, which includes liability, asset, other service, and third party goods, is crucial to banks' retail banking operations. Although retail assets and liability products still serve as the foundation of retail banking, there has been a shift in recent years, and the marketing of third-party goods has become one of the key components of banks' retail banking operations. Let's look at the product models used by banks.

Insurance Products

Customers of retail banking can find liability products primarily in three categories: savings accounts, current accounts, and term deposit accounts. The easiest way to differentiate your product among these accounts is to offer additional value propositions. Banks make an effort to transform a basic account into a value-rich account by broadening the range of generic goods. Simple, useful products are no longer available. Functionality is now seen as including evolving needs. A simple passbook and chequebook for a savings account are no longer necessary; built-in ATMs, debit cards, credit cards, and multi-city cheques have become generic features; internet banking, telephone banking, and mobile banking have become essential value plays; and the value game has expanded to tagging group insurance products in the life and non-life space at a very competitive premium component. Savings Banks with ATM/Debit Cards are offered as a standard entry-level product in almost all PSBs. Sweep features and add-on life insurance and health insurance are only offered in a few banks. Super Savings Accounts with Value Bouquet for High Value Customers are also offered by some banks with specific brand names. Current accounts also offer the aforementioned features, as well as current accounts with fixed overdraft facilities.

In addition to standard savings accounts, old private sector banks also offered add-on life insurance, current account features similar to those provided by PSBs, and all of the aforementioned products are provided by newer private sector banks, just as they are with foreign banks.When comparing the services and products offered by different banks, we find that there is hardly any product distinction. Instead, value differentiation stands out as the primary determinant, and men from boys may be distinguished by their use of technology, processes, and delivery methods.

Fixed Deposits built with units of fixed amount are also offered by banks; this is intended to inject an unfixed component in a fixed deposit and enable the depositors to partially withdraw without disturbing the entire amount and the ensuing loss of interest. Banks also offer fixed deposits with built-in overdraft facilities so that it becomes more a flexible investment.

The aforementioned services are provided by almost all banks in all industries; however, due to operational constraints, group life insurance and health insurance are typically not supplied to term deposits. Some banks also offer accidental life insurance for term deposits.

Asset Products for Retail

Retail asset financing is a major component of retail banking model of banks. In fact retail loans are the backbone of the revenue streams of banks. In any customer expansion strategy, retail loan is packed as the main attraction uniformly by all banks. Product, price, process and delivery innovations are receiving constant attention in the retail asset side. Cross selling and product bundling opportunities are always structured and implemented around retail asset products. The focus is so high that in some banks retail assets constitute as high as 40 to 45 percent of the total asset base. The main advantage is the stability of the asset base because of the large customer base. Other important reasons are the better spreads in income, risk diversification and scope for capturing additional revenue streams from other avenues. The standard retail asset products offered by banks are Housing Loans, Consumer Durable Loans, Car Loans, Credit Cards and Personal Loans. Other retail loans include loan against rental receivables, salary overdrafts, loan against securities, loans for traders in the personal segment. Retail Loans are also structured by some banks to target specific professional segments like doctors, architects and advocates etc, to finance their professional requirements.Most of the other retail assets mentioned above are also extended to customers and prospects by almost all banks, but only a few banks extend loans against rental receivables and salary overdraft. Some banks have special schemes for small traders in the personal segment and also schemes for extending loan/overdraft facility against cars for enhancing their equity.

Additional Goods/Services

Other products and services, which broadly speaking cover the beyond product facilities tagged to the products and services, improve customer service by supplying process and delivery efficiencies by additional service tools to the basic products. One set of these products are Credit Cards, Debit Cards, ATM Cards, Telephone Banking, Mobile Banking, Internet Banking, Depository Service, and Broking Services[7], [8].

CONCLUSION

Not all PSBs are in the credit card business since it is a big volume game and needs process efficiencies. Some PSBs offer these products, though Debit Cards, ATMs are offered by almost all PSBs. Most of the banks are now actively paying attention to Internet Banking and Mobile Banking, to realize the huge potential available in this space. Depository Services are offered by some banks but Broking Services are offered only by very few banks. Corporate Agency for Life and Non-Life and distribution of mutual funds are done by almost all PSBs while sale of gold coins are done now by a good number of banks. Bill Payment services are attempted by a few banks and multi city cheque facility is offered by most of the banks. Payment Gateway facility is yet to make a big impact and offered only by select few banks. Wealth Management, Portfolio Management Services are not offered by any of the PSBs till now but the days are not far off for introduction of these services by PSBs. While old private sector banks offer standard services, they do not offer Credit Cards, Telephone Banking, Mobile Banking, Broking Services, Gold Coins etc., but some banks offer Depository Services, Mutual Fund Distribution, Life and Non-Life policies. Wealth Management, Portfolio Management and Private Banking are not attempted

by them. New generation private banks and foreign banks offer the complete bouquet of all the above products/services.

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CHAPTER 4

SUSTAINABILITY AND SOCIAL RESPONSIBILITY IN RETAIL BANKING

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ABSTRACT:

Companies with robust CSR practices tend to enjoy enhanced brand reputation and consumer trust. Customers are increasingly inclined to support businesses that align with their values and demonstrate a commitment to social and environmental concerns. Employee Engagement: A strong CSR program can attract and retain talent by providing employees with a sense of purpose and engagement. Employees often seek to work for companies that are socially responsible and offer opportunities for meaningful contributions.Risk Mitigation: Companies that embrace CSR are better equipped to mitigate risks associated with legal, environmental, and social issues. By proactively addressing potential challenges, businesses can prevent costly legal disputes and reputational damage.Innovation and Long-Term Sustainability: CSR encourages innovation as companies explore sustainable business models, products, and services. By considering societal and environmental needs, companies can identify new markets and opportunities for growth.

KEYWORDS:

Environmental, Social, Governance, Banking, Practices.

INTRODUCTION

The retail banking sector plays a critical role in the global economy by providing essential financial services to individuals and households. In recent years, the imperatives of sustainability and social responsibility have gained prominence in various industries, including banking. This Chapter explores the evolving landscape of sustainability and social responsibility within retail banking. It delves into the significance of these principles, examines the integration of environmental, social, and governance (ESG) criteria into banking practices, and analyzes the impact of sustainable initiatives on stakeholders. Moreover, the Chapter addresses challenges, opportunities, and future directions in promoting sustainability and social responsibility within the retail banking sector.

Enhanced Reputation: Companies with robust CSR practices tend to enjoy enhanced brand reputation and consumer trust. Customers are increasingly inclined to support businesses that align with their values and demonstrate a commitment to social and environmental concerns.At the heart of green banking initiatives is the integration of environmental, social, and governance (ESG) considerations into various aspects of banking operations. One prominent aspect is responsible lending and investment. Banks are increasingly factoring in the environmental impact of projects when making lending decisions. This involves evaluating the sustainability of ventures, assessing potential environmental risks, and favoring projects that align with renewable energy, energy efficiency, and other eco-friendly sectors[1]–[3].

Furthermore, green banking involves encouraging clients and customers to adopt sustainable practices. Banks have introduced financial products such as green loans and green mortgages that offer preferential terms for projects and homes that meet specific environmental criteria. These products not only incentivize sustainable behavior but also contribute to the growth of green industries. Beyond lending, green banking initiatives emphasize sustainable banking operations. This entails reducing the carbon footprint of bank branches and administrative functions by adopting energy-efficient technologies, reducing paper usage, and promoting digitalization of banking processes. By minimizing their own environmental impact, banks set an example for their stakeholders and reinforce their commitment to sustainability.

DISCUSSION

Employee Engagement: A strong CSR program can attract and retain talent by providing employees with a sense of purpose and engagement. Employees often seek to work for companies that are socially responsible and offer opportunities for meaningful contributions.

Risk Mitigation: Companies that embrace CSR are better equipped to mitigate risks associated with legal, environmental, and social issues. By proactively addressing potential challenges, businesses can prevent costly legal disputes and reputational damage.

Innovation and Long-Term Sustainability: CSR encourages innovation as companies explore sustainable business models, products, and services. By considering societal and environmental needs, companies can identify new markets and opportunities for growth.

Understanding Sustainability and Social Responsibility in Banking

Defining Sustainability and Social Responsibility

Sustainability entails the responsible use of resources and the preservation of ecological balance to ensure the well-being of present and future generations. Social responsibility encompasses ethical practices that benefit society, such as promoting social equity, diversity, and community development. In the context of retail banking, sustainability and social responsibility involve integrating these principles into operations, products, and interactions with stakeholders.

Rationale for Embracing Sustainability and Social Responsibility

Retail banks hold significant influence over economic activities, making their commitment to sustainability and social responsibility crucial for fostering positive societal and environmental outcomes. By aligning their practices with these principles, banks can enhance their reputation, mitigate risks, and contribute to the attainment of global sustainable development goals.

ESG Integration in Retail Banking

Environmental Considerations

Banks are increasingly recognizing their role in addressing environmental challenges, such as climate change and resource depletion. Initiatives include financing renewable energy projects, promoting energy-efficient mortgages, and adopting sustainable operational practices to reduce carbon footprints.

Social Considerations

Social responsibility in retail banking involves fostering inclusivity, diversity, and social well-being. Efforts range from providing affordable and accessible financial services to underserved populations, promoting financial literacy, and supporting community development projects.

Governance Considerations

Effective governance ensures that banks operate transparently, ethically, and in compliance with regulations. Implementing robust governance frameworks helps mitigate risks, prevent misconduct, and uphold the trust of stakeholders.

Impact and Benefits of Sustainable Banking

Stakeholder Benefits

Sustainable banking benefits a range of stakeholders, from customers to employees and shareholders. Enhanced customer trust, improved employee satisfaction, and increased shareholder value are among the positive outcomes of aligning banking practices with sustainability and social responsibility.

Mitigating Risk and Enhancing Resilience

Sustainability-focused practices enable banks to identify and manage risks associated with environmental and social factors. These banks are better positioned to navigate regulatory changes, reputational risks, and potential disruptions.

Financial Innovation and Market Opportunities

The pursuit of sustainability and social responsibility in retail banking drives innovation in financial products and services. Green bonds, impact investing, and sustainable mortgages are examples of offerings that cater to evolving customer preferences and open new revenue streams.

Challenges and Strategies for Implementation

Challenges

Implementing sustainability and social responsibility initiatives in retail banking faces challenges such as balancing short-term financial performance with long-term sustainability goals, ensuring transparency in reporting, and integrating ESG factors into risk assessment models[4]–[6].

Strategies for Implementation

Banks can adopt various strategies to embed sustainability and social responsibility into their culture and operations. These strategies include setting clear ESG objectives, developing robust reporting mechanisms, fostering cross-functional collaboration, and integrating ESG criteria into lending decisions.

Future Directions and Conclusion

Evolving Landscape

The trajectory of retail banking is intertwined with global sustainability agendas. Future banking practices are likely to see greater integration of ESG considerations into lending, investment, and operational decisions.

Technological Innovations

Technological advancements, such as digital banking and fintech, can facilitate the integration of sustainability practices by enabling efficient data collection, analysis, and reporting.

Collaboration and Advocacy

Collaboration among banks, regulators, and stakeholders can drive collective efforts to advance sustainability and social responsibility within the banking sector.

Green Banking Initiatives: Promoting Sustainability in the Financial Sector

Green banking initiatives represent a critical response to the urgent need for addressing environmental challenges and promoting sustainable practices within the financial sector. As concerns about climate change, resource depletion, and social responsibility grow, banks around the world are increasingly recognizing their role in contributing to positive environmental outcomes. These initiatives encompass a range of strategies and practices aimed at aligning banking operations with environmental sustainability goals.

Communication and transparency are also central to green banking. Banks are increasingly disclosing their ESG performance and commitments to the public, promoting accountability and allowing stakeholders to make informed choices. This transparency extends to reporting on investments in environmentally responsible projects, fostering trust among customers and investors. Collaboration is a key driver of successful green banking initiatives. Banks often partner with governments, regulatory bodies, non-governmental organizations, and other financial institutions to share best practices, develop industry standards, and advance sustainable finance on a larger scale. Such collaborations facilitate knowledge exchange and provide a unified approach to addressing environmental challenges.

While green banking initiatives hold immense promise, they also face challenges. Transitioning to sustainable practices requires financial institutions to strike a balance between short-term financial performance and long-term environmental considerations. The cost of adopting new technologies and implementing sustainable measures can sometimes be a barrier, although the potential for long-term savings and positive brand reputation often outweighs these initial costs.

Corporate Social Responsibility (CSR): A Commitment to Sustainable Impact

Corporate Social Responsibility (CSR) has emerged as a fundamental business approach that integrates ethical, social, and environmental considerations into a company's operations and strategies. Beyond profit-making, CSR reflects a company's commitment to contribute positively to society, address societal challenges, and uphold ethical values. This multifaceted concept encompasses various initiatives and practices that extend beyond the traditional boundaries of business, aiming to create a more equitable, sustainable, and responsible world.

Key Pillars of CSR:

Environmental Sustainability: One core aspect of CSR is promoting environmental sustainability. Companies increasingly recognize their role in minimizing their ecological footprint. This involves adopting energy-efficient practices, reducing waste, conserving natural resources, and mitigating pollution. Many organizations also engage in efforts to offset their carbon emissions and support conservation initiatives.

Social Well-Being: Companies have a responsibility to positively impact the communities they operate in. CSR initiatives often involve supporting local education, healthcare, and social welfare programs. Philanthropic efforts, community engagement, and partnerships with nonprofits are common ways through which companies contribute to social well-being.

Ethical Practices: Ethical considerations are central to CSR. Companies are expected to operate with integrity, transparency, and fairness. This includes adhering to ethical supply chain practices, respecting human rights, and ensuring that the company's activities do not harm employees, stakeholders, or society at large.

Stakeholder Engagement: Effective CSR requires engaging with stakeholders, including customers, employees, investors, and local communities. Companies actively seek input from stakeholders to shape their CSR strategies and ensure that they align with the needs and expectations of those affected by their activities.

Benefits and Importance of CSR:

Challenges and Criticisms:

CSR is not without its challenges and criticisms. Some argue that CSR initiatives may be driven by marketing rather than genuine commitment, leading to greenwashing—superficial efforts to appear environmentally friendly. Additionally, the resources required for effective CSR programs can strain smaller businesses.

Future Directions:

As societal and environmental challenges continue to evolve, CSR is likely to become even more integral to business strategies. The integration of technology, data analytics, and greater stakeholder engagement will shape the future of CSR. Companies will increasingly be held accountable for their impacts on society and the planet, necessitating a genuine commitment to positive change[7]–[9].

CONCLUSION

The intersection of sustainability and social responsibility with retail banking signifies a transformative shift in the industry's priorities. As banks increasingly recognize their role as stewards of societal and environmental well-being, they have the opportunity to align their practices with the broader goals of sustainability. By embracing these principles, retail banks can not only contribute to positive change but also foster long-term resilience, innovation, and stakeholder trust in an evolving global landscape. green banking initiatives represent a transformative shift within the financial sector, highlighting its capacity to contribute positively to environmental and societal well-being. By integrating ESG considerations into lending decisions, promoting sustainable financial products, adopting eco-friendly operational practices,

and fostering collaboration, banks can serve as agents of change in the global pursuit of sustainability. These initiatives not only align with broader environmental goals but also position banks as responsible corporate citizens, contributing to a greener and more sustainable future.

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CHAPTER 5

SUBSCRIPTION LINES OF A BANKER

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ABSTRACT:

Any bank that wants to succeed in retail banking must comprehend various market segments and create products that are tailored to these markets. Although different items target different market groups, other products, such as core products, target all markets. Similar to this, different lenders promote their various products under various labels even though they share similar characteristics. The purpose of this is to get the customer to associate the bank with the specific product name. "Branding" refers to the bank's endeavor to increase product recall. In general, banks use two different branding exercises. Banks try to increase product recall through product branding, and corporate branding aims to increase recall of the banks as a whole. We'll talk about bank branding initiatives in more detail individually.

By creating product-specific strategies, which they do for various items, branding initiatives by banks will aid them in developing definite business through that product. These goods come in both core and enhanced varieties. For core items, there needn't be much marketing focus, but for augmented products to flourish, the marketing department needs to put in a concerted effort.

KEYWORDS:

Market, Research, Externally, Banks.

INTRODUCTION

The fundamental strategy for product development begins with a market analysis of the needs and gaps within the target market, followed by the identification of the needs, development of the product, pilot testing it on a sample universe, feedback gathering, and final rollout of the product across the targeted segments.

Occasionally, one or more of these process steps that have to do with the product or management are skipped. A portion of the process may occasionally be outsourced, a portion carried out using internal resources, and a portion may even be bypassed. The procedures differ between banks. Market research is only carried out internally by PSBs, not externally.

Some banks introduce products based on industry standards and consumer needs without conducting any market research or soliciting client feedback. In retail banking, the processing of products and services is primarily approached from three angles: the entire processing is carried out using in-house resources, some products are processed in-house, some products have their processes outsourced, and the third approach entails outsourcing the entire process while adhering to established process standards.

DISCUSSION

Deposit Account Opening and KYC Standards

The foundational resources upon which the structure of retail banking is constructed are deposits. Therefore, mobilising resources becomes extremely important. While term deposits stabilise resource mobilisation and assist banks in growing their retail asset base with appropriate pricing models, CASA resources lower resource costs while increasing customer base. In this situation, banks make every effort to mobilise deposits through various marketing techniques. Different banks use various techniques to open accounts. Opening deposit accounts is done in a centralised liability processing centre in the majority of private and foreign banks. For account opening, the application information and supporting papers are scanned and sent to their centralised processing centres.

The majority of public sector banks (PSBs) have already deployed Core Banking Solutions and are on par with their private counterparts in terms of technology. Deposit accounts can sometimes be opened right at the branch level in PSBs. Some other banks have chosen a centralised model, while others have adopted a partially centralised model. Account opening and Pass Book issuance take place at the branch level in the partially centralised model, whereas Cheque Book and Debit Card issuance take place through a centralised process. End-to-end account opening is carried out centrally in a centralised model depending on the information provided by the branch. The aforementioned steps are used to open current and savings accounts. Almost all banks open term deposits at the branch level, issuing term deposit receipts to consumers right there in the branch[1]–[3].

Obtaining documentation to prove a customer's identification is a crucial part of creating an account. The bank opening the account should be aware of the client's credentials and background. Opening an account requires an initial introduction. There are requirements for the identification documents that applicants must produce, such as copies of their passports, voter identification cards, and ration cards. Additionally, as an annexure to the account opening form, prospective customers must submit the KYC Form. It is a legal necessity to submit a KYC form in order to learn more about the customer and his past, both for transactional purposes and to monitor potential money laundering schemes. The KYC Form also acts as a customer database for cross-selling additional products.

Forms for knowing your customers (KYC Forms)

As previously stated, all account holders must provide KYC forms at the time the account is opened. It can be acquired by adding it as an annexure to the account opening form. It sheds light on the various facets of the consumers and enables the banks to handle them effectively. The following is a discussion of the key information that must be provided on the KYC Form:

(i) The customer's name, address, and PAN or TIN number
(ii) Information about the partner, father, and son(s) or daughter(s)
(iii) Account Type: Savings, Current, Term Deposit, or Loan
(iv) Age: Age Band: 20, 21 -40, 41 -60, and >60.
(v) Details of Service, Profession, and Other Affiliations
(vi) Academic Requirements: Non-Graduate, Graduate, Post-Graduate, Others
(vii) Nationality

(viii) Own/Residential Accommodation
(ix) Conveyance two wheels, a car, etc.
(x) Telephone
(xi) Credit Card - Information on Credit Cards Held
(xii) Information on Loans and Deposits held at Other Branches and Banks
(xiii) The reason for opening the account.
(xiv) Source of funds: business, salary, etc.
(xv) Annual Salary
(xvi) If in business, all financial information.
(xvii) Passport information, if applicable.

Based on the above-mentioned data, the branch will confirm the customer's identity and genuineness, address verification, and perception of risk before setting a risk level threshold limit for them. The information will be updated yearly. Looking at the aforementioned information will show that the branch would be able to map the customer's whole biographical, professional, social, and credit profile. KYC Forms are used to cross-sell various goods and services to clients in addition to meeting regulatory requirements.

Products On Credit

Once more, there are two major categories into which the bank's credit products can be divided: classic credit schemes and innovative credit schemes that are focused on the market. Traditional credit products are cash credit accounts that give business owners the ability to set credit limits and freely operate within those limits as long as certain conditions are met. The purpose of an overdraft plan is to enable rapid adjustment of credit for a brief period of time. Similar to demand loans, term loans, and bill finance, these credit schemes help borrowers satisfy specific credit needs in their businesses for the acquisition of equipment, machinery, and other necessities as well as against receivables. When bills purchased or reduced for the borrower are realised, the Bill Finance facility self-liquidates. Both Demand Loan and Term Loan have a set duration of repayment. In the retail sector, banks provide loan programmes depending on the demands of particular market groups. Some of the standard forms of retail credit are mortgage loans, personal loans, auto loans, and credit card receivables.

Consumer loans

In addition, banks provide loans designed to fulfil certain needs, such as Loans for Professionals, Doctors, and Lawyers. Two dimensions are the fundamental presumptions for creating specialty credit schemes. Analysing the consumer segment is the first dimension. The primary goal of the banks will be to satisfy consumer needs if the customer segment is both in need of a product and is relatively significant. The bank's commercial approach makes up the second dimension. The bank will undoubtedly build and sell the product with the appropriate pricing and features if the customer size justifies its development and marketing and the generated product will produce adequate volumes and ultimately benefit the bank. Each retail loan's specific information is covered separately.

Authentic Services

All of the bank's services, except its deposit and credit schemes, can be categorised under the "other services" category. Remittances and other fee-based services are another subcategory that

it can be further divided into. Issue of Draughts, Bank Orders/Bankers Cheques, National Electronic Funds Transfers (NEFT), and Real Time Gross Settlements (RTGS) are the services provided to the consumer in the remittances sector. The amount of transactions and the customer's commercial relationship with the bank will determine how much it will cost to use these services.

Other fee-based services include cheque collection, safe deposit boxes and standing instructions for repeating the client's requests. Other services provided by the bank include consultancy services for projects in agriculture and export-oriented projects, portfolio management services for their non-resident Indian clients, and merchant banking services in the area of capital market issue management in the capacity of Lead Manager, Co-Manager to the issues, etc. The non-fund based business of the banks is another significant product line for the banker under "Other Services." When providing these services, the bank will be guarantying on behalf of the client to whom they are providing the goods. The following are two instances of non-fund-based business for banks:

Letter of Credit

Although there are no funds expended when the Letter of Credit and Letter of Guarantee are offered, at some point in the future, the banker may be required to part with bank cash. The obligation depends on whether specific events listed in the letter of guarantee occur or do not occur. A letter of guarantee is a promise made by a bank to a beneficiary on behalf of a client that ensures the beneficiary will make payments even if the consumer is not doing so. If the documents are negotiated in accordance with prescriptions, a letter of credit is an undertaking from the banker to pay the beneficiary the prescribed amount, subject to production of specific documents as stated in the contract between the customer and beneficiary, particularly those that are listed in the L/C itself. Although there would be no cash outlay at the time the service was provided in the event of a letter of credit, a liability could later materialise on the bank. Due to the fact that banks receive commission for providing these services without incurring any financial obligations, these non-fund based business models have enormous potential for revenue and profit. However, there is a risk because banks would have to spend money if the party's obligation was broken[4].

The aforementioned are examples of non-fund based companies, which aren't technically on the retail side but do include some aspects of the retail banking sector. A fantastic opportunity for bankers to increase their revenue without investing additional funds is non-fund based business. Banks typically provide these goods to their loyal clients. Other fee-based services that are distributed by other parties

The third party distribution strategy that banks use to increase fee-based income is another significant area of retail banking that has arisen during the past ten years. Let's define third party distribution precisely. Third Party Distribution is a new business model used by banks to increase their fee-based revenue by marketing the goods and services of other manufacturers in the financial and investment sector, such as mutual funds and life and non-life insurance companies.

These activities are referred to as para banking activities, and the Reserve Bank of India has established rules and regulations for banks to follow in order to conduct these activities. These facets will each be covered in depth independently. We can get a fair knowledge of a banker's product line by using this wide categorization of the items. Retail banking, often known as

personal or consumer banking, is an essential area of the financial sector that provides services to both individuals and small businesses. It centers on offering crucial financial goods and services that are specifically designed to fulfill these clients' short- and long-term financial demands. This area of banking includes a wide range of services, including as savings and checking accounts that let consumers perform transactions and easily access their money through bank branches, ATMs, internet platforms, and mobile applications while securely storing their money.

Development of New Products

In the previous pages, we talked about the product life cycle and learned that all products must typically go through the different stages of a product life cycle. It goes without saying that, with very few exceptions, any product must decline and be phased out over time, even though the products continue in the growth and maturity period longer for long-term survival of the product. The Valve Radio and the Record Player are two well-known examples of items that have died. Despite spending a considerable amount of time in the product life cycle's maturity stage, stereo cassette recorders have been supplanted by MP3s, MP4s, DVDs, and other media thanks to technical advancements.

The success of the marketer will depend on their ability to accurately pinpoint the current stage of the product life cycle and, through accurate future projection, develop new products that can skip the introduction stage and enter the growth stage when the older product enters the decline stage. By doing this, the group will be able to continue operating and meet its goals. Therefore, a proactive marketer should pay close attention to the product life cycle and its current state. The creation of new products is a crucial area for the marketer to expand and thrive in. Marketers for banks are not an exception. To proactively meet the evolving needs of the customer, the bank marketer must constantly monitor the market, assess the customer's changing needs, compare them to the features of the current product line, determine whether there is room for developing new products, and begin developing and marketing new products right away[5]–[7].

Retail banks offer a range of credit options in addition to basic deposit and transaction services. These include credit cards with a revolving line of credit for purchases, mortgages for buying homes, and personal loans to support emergency needs. These credit services give users the ability to accomplish objectives that might otherwise be out of reach. Retail banks also frequently offer financial guidance and educational materials to assist clients in making educated financial, investing, and debt management decisions.

CONCLUSION

In essence, core items are those that characterize the type of business we are in. Savings Bank, Current Account Term Deposit, Recurring Deposit, Cash Credit, Overdraft, Retail Loans, Term Loan, Draughts, etc. are some examples of core products in the banking industry. These core goods are necessary and do not require a lot of marketing content. Due of their necessity for the various client categories, these items will have a stable life in the product life cycle's growth stage. Products that are created from formal products by integrating two core products and enhancing the product's worth in terms of benefits and client conveniences are known as augmented products. When the buyer purchases the enhanced product, they will receive some added value.

The idea of an augmented product has evolved over time and will do so going forward. Giving a customer access to an ATM card ten years ago was seen as a value addition that would allow them to withdraw cash whenever they needed it. However, banks have aggressively implemented technology efforts over the past ten years, making ATM/Debit Cards a part of the core product.

The concept of core and augmented goods has changed as a result of the widespread use of Internet and mobile banking. A fundamental Savings Bank product in the modern world would comprise an ATM/Debit Card and a Cheque Book, and an enhanced product would include Internet Banking, Mobile Banking, and a product linked with group health or life insurance.

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CHAPTER 6

TECHNOLOGY ADOPTION AND THE FUTURE OF RETAIL BANKING

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ABSTRACT:

The retail banking industry has undergone a remarkable transformation fueled by technological advancements. From online banking to mobile apps, the integration of technology has reshaped the way financial services are delivered and consumed. This Chapter explores the trajectory of technology adoption in retail banking, analyzing the current state, drivers, challenges, and the potential future landscape. It examines the role of digitalization, artificial intelligence, blockchain, and other emerging technologies in shaping the future of retail banking, while also addressing the ethical and regulatory considerations that accompany this evolution.

KEYWORDS:

Banking, Virtual, Banks, Services, Models.

INTRODUCTION

Biometric authentication has emerged as a cutting-edge solution for enhancing security in various sectors, from banking and finance to healthcare and government services. This technology relies on unique physical or behavioral characteristics of individuals to verify their identity, offering a more robust and convenient alternative to traditional authentication methods like passwords and PINs. This Chapter delves into the world of biometric authentication, exploring its benefits, applications, challenges, and its pivotal role in safeguarding sensitive information in an increasingly digital and interconnected world.Privacy Concerns: The collection and storage of biometric data raise privacy concerns, as this data is highly personal and sensitive.

Proper encryption and strict data handling protocols are essential to address these concerns.Biometric systems are not infallible. Factors like changes in appearance (due to aging or injuries) or poor-quality scans can lead to false negatives or positives.Spoofing and Attacks: Biometric systems can be vulnerable to attacks using fake fingerprints, facial images, or voice recordings. Techniques like liveness detection are employed to counter these attacks[1]–[3].

DISCUSSION

The Evolution of Technology in Retail Banking

Early Technological Influences

The roots of technology in retail banking can be traced back to the introduction of automated teller machines (ATMs) in the 1960s. These machines marked the first step towards self-service banking and laid the foundation for subsequent technological innovations.

Emergence of Online Banking

The late 20th century saw the rise of online banking, enabling customers to access their accounts, make transactions, and manage finances from the comfort of their homes. The development of secure online platforms introduced convenience and accessibility, reshaping the way customers interacted with their banks.

Mobile Banking and Apps

The proliferation of smartphones in the 21st century ushered in a new era of mobile banking. Mobile apps empower customers to perform a wide range of financial tasks on their devices, including transferring funds, depositing checks, and managing investments. The convenience of mobile banking has rapidly made it a dominant channel for customer interactions.

Current Landscape of Technology Adoption

Digital Transformation

Digital transformation is a fundamental shift in the way banks operate, emphasizing customer-centricity, operational efficiency, and innovation. Traditional banking processes are being digitized, streamlining operations and enhancing customer experiences.

Personalization and Data Analytics

The abundance of data generated by customer interactions offers banks the opportunity to provide tailored services. Advanced data analytics enable banks to gain insights into customer behaviors, preferences, and needs, facilitating personalized recommendations and offers.

Fintech Disruption

The rise of fintech startups has introduced disruptive innovations in areas such as payments, lending, and wealth management. These agile and technology-driven companies challenge traditional banks, forcing them to adapt and innovate to remain competitive.

The Role of Emerging Technologies

Artificial Intelligence and Machine Learning

Artificial intelligence (AI) and machine learning are transforming various facets of retail banking. Chatbots provide instant customer support, while AI-driven algorithms enhance fraud detection, credit scoring, and investment advice.

Blockchain and Cryptocurrencies

Blockchain technology offers the potential for secure and transparent transactions, impacting areas like cross-border payments and identity verification. Cryptocurrencies challenge traditional notions of currency and payment systems.

Biometrics and Security

Biometric authentication, such as fingerprint recognition and facial scanning, enhances security and eliminates the need for traditional passwords. These technologies safeguard sensitive customer information and transactions.

Future Directions and Considerations

Seamless Omni-channel Experience

The future of retail banking envisions a seamless integration of online, mobile, and physical channels. Customers will expect consistent experiences across platforms, from digital interactions to in-branch visits.

Ethical and Regulatory Concerns

As technology evolves, ethical considerations surrounding data privacy, security, and the responsible use of AI become paramount. Regulatory bodies must strike a balance between fostering innovation and safeguarding consumers' interests.

Financial Inclusion and Accessibility

Technology holds the potential to extend financial services to underserved populations globally. Digital banking can bring previously inaccessible banking services to remote areas, contributing to financial inclusion.

Virtual Banking and Digital-Only Models: Shaping the Future of Banking

Virtual banking and digital-only models represent a transformative shift in the traditional banking landscape, offering innovative solutions that cater to the digital-savvy preferences of modern consumers. These banking approaches leverage technology to provide financial services without the need for physical branches, redefining the way customers interact with their banks. This Chapter explores the emergence of virtual banking and digital-only models, their key features, benefits, challenges, and the potential impact they hold on the future of banking.

Virtual Banking: A New Frontier

Virtual banking refers to the provision of banking services exclusively through digital platforms, without any physical branch presence. This approach leverages online and mobile channels to deliver a wide range of financial services, from account opening and funds transfer to loans and investments. By eliminating the need for brick-and-mortar locations, virtual banks streamline operations, reduce costs, and offer customers the convenience of accessing services 24/7 from any location.

Digital-Only Models: Redefining Banking Norms

Digital-only models take virtual banking a step further by operating as entirely digital entities. These banks eschew physical infrastructure and exist solely as digital platforms. They leverage cutting-edge technology to offer frictionless and personalized experiences to customers. Digital-only banks often prioritize user-centric design, simplified processes, and rapid customer support, catering to the expectations of a tech-savvy generation.

Key Features and Benefits:

Convenience and Accessibility: Virtual banking and digital-only models offer unparalleled convenience. Customers can access their accounts, make transactions, and manage finances at their fingertips, eliminating the need for physical visits to branches.

Cost Efficiency: By reducing overhead costs associated with maintaining physical branches, virtual banks can offer competitive fees and rates to customers, potentially passing on the cost savings.

Innovative Services: Virtual banks and digital-only models often lead the way in introducing innovative financial products and services, such as AI-powered budgeting tools, robo-advisors, and seamless cross-border payments.

Global Reach: Digital-only models have the potential to serve customers globally, transcending geographical boundaries and facilitating international transactions with ease.

Challenges and Considerations:

Customer Trust: Establishing trust is crucial for virtual banks and digital-only models, as customers may have concerns about the security of online transactions and the absence of physical branches.

Regulatory Landscape: Navigating regulatory frameworks can be complex, as virtual banks must adhere to local and international regulations to ensure consumer protection and financial stability.

Limited Personal Interaction: While virtual banking offers convenience, some customers may miss the personal touch and face-to-face interactions associated with traditional banks.

Applications in Security:

Mobile Devices and Apps: Biometric authentication is widely used to secure mobile devices and applications. Fingerprint sensors, facial recognition, and even iris scans are integrated into smartphones for unlocking devices and authorizing payments.

Financial Services: Banks and financial institutions leverage biometrics for secure access to accounts, performing transactions, and approving high-value operations like wire transfers.

Access Control: Biometric authentication is used to control access to restricted areas, buildings, and computer networks, ensuring only authorized personnel can enter.

Healthcare: Biometrics secure electronic health records, control access to medical facilities, and facilitate patient identification, minimizing medical identity theft.

CONCLUSION

Virtual banking and digital-only models exemplify the convergence of technology and finance, ushering in a new era of convenience, innovation, and accessibility. While challenges exist, the benefits of these models position them at the forefront of the banking industry's evolution. As technology continues to advance and consumer preferences evolve, virtual banking and digital-only models are poised to shape the future of banking by offering a seamless, customer-centric, and digitally empowered banking experience. The future of retail banking lies at the intersection of innovation and technology. The industry's evolution from physical branches to digital platforms has laid the foundation for further disruption and transformation. As banks continue to embrace technology, the challenge lies in harnessing the power of these tools while maintaining a human touch, addressing ethical concerns, and navigating the dynamic regulatory landscape. The future of retail banking promises greater convenience, accessibility, and customization, with technology serving as the catalyst for a more interconnected and digitally empowered banking experience.

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CHAPTER 7

APPROACH TO BUSINESS IN RETAIL BANKING

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ABSTRACT:

When comparing the services and products offered by different banks, we find that there is hardly any product distinction. Instead, value differentiation stands out as the primary determinant, and men from boys may be distinguished by their use of technology, processes, and delivery methods. With options for monthly, quarterly, or cumulative interest payments, all banks offer term deposit plans. Banks also provide fixed deposits that are constructed using units of a fixed sum. Injecting an unfixed component into a fixed deposit is meant to allow depositors to make partial withdrawals without affecting the total amount and incurring interest loss. Additionally, banks provide fixed deposits with built-in overdraft options, making them more resemble current accounts than fixed deposits.

Banks use these product reengineering techniques to increase term deposit account holders' level of comfort and provide convenience as a selling point. Almost all banks across industries provide the aforementioned services. Some banks provide accidental life insurance for term deposits, but group life insurance and health insurance are typically not provided for term deposits because they are designed to function as parts of demand deposit accounts.

KEYWORDS:

Banks, Business, Life Insurance, Retail Banking.

INTRODUCTION

For retail asset products, banks use various process models. Banks compete with one another to attain the finest process efficiencies for luring consumers and enhancing their retail asset book since retail assets serve as the centre of retail banking activity. Centralised Retail Assets Processing Centres are a common type of process model in which all retail loans obtained from branches and marketing teams are processed at one location, and assets are financed through that centre, or processing alone is done at the centre and financing is done at the branches. Another strategy involves regional processing hubs or stand-alone processing at branches for specific asset products, such as housing loans, and centralised processing for other products.

The third approach uses only regional processing hubs rather than centralised processing to serve a particular geography or cluster of branches and handle one or more loans. It will coexist with the branch-level stand-alone processing. Without using a centralised model or regional hubs, some banks process and deliver retail assets at the branch level on their own. The end goal is to create unbeatable process efficiency varied banks take varied approaches to the business strategy with relation to the targeted domains. The following are the most typical methods:

DISCUSSION

Segmented Approach:

Branches are categorised according to their potential for business in terms of retail space, and only the businesses in these segments of branches are targeted by targeted marketing techniques. These branches will be designated as resource centre branches and will be included in the bank's broader segmentation strategy. To have a clear business emphasis, branches are divided into Resource Centres, Profit Centres, Priority Centres, and General Centres. This idea is a good business model for PSBs with a wide network and is already being employed in several public sector banks. It is also helpful for focused strategy

The majority of PSBs use a holistic approach focused on corporate goals for retail rather than developing any specific business models along the lines of those mentioned above. In some banks, the corporate model incorporates a segmented strategy but not a stand-alone segmented method. The general corporate purpose for retail serves as the foundation for the strategy in ancient private banks as well, and segmentation is only partially embedded into that model.

A combination of segmentation models and classification-based models is used in new generation private sector banks to capture the retail potential in segments where it matters. In foreign banks, the model is not limited to any of the aforementioned but instead is based on the banks' retail business strategy.

Models for Products in Retail Banking

Product portfolio structuring, which includes liability, asset, other service, and third party goods, is crucial to banks' retail banking operations. Although retail assets and liability products still serve as the foundation of retail banking, there has been a shift in recent years, and the marketing of third-party goods has become one of the key components of banks' retail banking operations. Let's look at the product models used by banks.

Products Liability

Customers of retail banking can find liability products primarily in three categories: savings accounts, current accounts, and term deposit accounts. The easiest way to differentiate your product among these accounts is to offer additional value propositions. Banks make an effort to transform a basic account into a value-rich account by broadening the range of generic goods. Simple, useful products are no longer available. Functionality is now seen as including evolving needs. A simple passbook and chequebook for a savings account are no longer necessary; built-in ATMs, debit cards, credit cards, and multi-city cheques have become generic features; internet banking, telephone banking, and mobile banking have become essential value plays; and the value game has expanded to tagging group insurance products in the life and non-life space at a very competitive premium component.

Savings Banks with ATM/Debit Cards are offered as a standard entry-level product in almost all PSBs. Sweep features and add-on life insurance and health insurance are only offered in a few banks. Super Savings Accounts with Value Bouquet for High Value Customers are also offered by some banks with specific brand names. Current accounts also offer the aforementioned features, as well as current accounts with fixed overdraft facilities.

In addition to standard savings accounts, old private sector banks also offered add-on life insurance, current account features similar to those provided by PSBs, and all of the aforementioned products are provided by newer private sector banks, just as they are with foreign banks.

Asset Products for Retail

Retail asset financing is a major component of retail banking model of banks. In fact retail loans are the backbone of the revenue streams of banks. In any customer expansion strategy, retail loan is packed as the main attraction uniformly by all banks. Product, price, process and delivery innovations are receiving constant attention in the retail asset side. Cross selling and product bundling opportunities are always structured and implemented around retail asset products. The focus is so high that in some banks retail assets constitute as high as 40 to 45 percent of the total asset base. The main advantage is the stability of the asset base because of the large customer base. Other important reasons are the better spreads in income, risk diversification and scope for capturing additional revenue streams from other avenues. The standard retail asset products offered by banks are Housing Loans, Consumer Durable Loans, Car Loans, Credit Cards and Personal Loans. Other retail loans include loan against rental receivables, salary overdrafts, loan against securities, loans for traders in the personal segment. Retail Loans are also structured by some banks to target specific professional segments like doctors, architects and advocates etc, to finance their professional requirements.

Most of the other retail assets mentioned above are also extended to customers and prospects by almost all banks, but only a few banks extend loans against rental receivables and salary overdraft. Some banks have special schemes for small traders in the personal segment and also schemes for extending loan/overdraft facility against cars for enhancing their equity.

Costs for Goods and Services

Market dynamics, risk perception, return expectations, tenor/duration, resource position, asset liability management positions, and customer profile are some of the variables which are factored into the pricing model by banks. The key function for a good pricing model is the dynamic balancing of these various variables with changing market dynamics. In addition, regulators develop models for pricing of products and services based on certain fundamental parameters.

In PSBs, though pricing is market driven and competitive, in almost all the banks, pricing is mainly driven on the basis of the asset liability management practices of the banks. Of course, regulatory advices form part of the price structuring. In general, the model is built on the basis of all the above factors. But some banks like State Bank of India and Bank of Baroda have started implementing aggressive pricing strategies in Housing Loan segment to not only capture fresh accounts but also focus on migration from other banks. They follow a structured step-up pricing model with an initial low and attractive price and switch over to market related pricing after 3 years. The pricing will be slightly aggressive than PSBs in order to capture business in the competitive environment in case of old private sector banks. In new private banks and foreign banks, though the pricing fundamentals almost remain the same, the pricing of products are always aggressive and ahead of the market to set a price race in the market for demand driven products like term deposits, credit cards, car loans, housing loans etc.[4]–[6].

Stand-alone pricing for various products and services is the basic structure, and while the general structuring is basically an outcome of the pricing models, fine tuning always happens due to different factors. Quantum and volumes are two important determinants, and price preferences/price rebates based on the above also form part of the structuring.

Most PSBs have stand-alone pricing structures in addition to price concessions and rebates, but the same is applied depending on volumes, quantum, and of course relationship. Some banks have also tried to implement rebates upon successful completion of the repayment schedule. Price bundling is not widely used by PSBs. Effective price structuring occurs in new private banks and foreign banks by actively adopting both concessions and rebates.

Along with or in place of price rebates/discounts, some banks are structuring additional models for other products and services indirectly as a part of the pricing structure. For example, free remittance facilities, the issuance of draughts, the waiver of service charges, and processing charges are offered as hidden price structures and offered as tag on for quantum and volume business.

Additional Goods/Services

Other products and services, which broadly speaking cover the beyond product facilities tagged to the products and services, improve customer service by supplying process and delivery efficiencies by additional service tools to the basic products. One set of these products are Credit Cards, Debit Cards, ATM Cards, Telephone Banking, Mobile Banking, Internet Banking, Depository Service, and Broking Services.

CONCLUSION

Processing of products and services in retail banking is basically approached from three dimensions viz., the entire processing is done through in house resources, some products processed in house and for some products outsourcing is done for process and the third approach is outsourcing of entire process subject to prescribing process standards.

In PSBs and old private banks the entire process for products and services are done through in house resources but in some banks, process part of some products are outsourced. But generally, no outsourcing is done for the process part. In new generation private sector banks, outsourcing is attempted partially for some process areas. In foreign banks, the entire process is outsourced and normally happens through a dedicated back office covering the entire gamut of retail banking services.

Public sector banks are also implementing the centralized processing model for all assets in a phased way. Some banks have centralized/regional processing hubs for some products and standalone model for other products and in most of the banks, no centralized model is followed but process happen only through either regional hubs or branches or a blend of both. The level of implementation of centralized retail loan processing centres is low in PSBs and only local processing is happening in most of the banks.

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CHAPTER 8

NETWORK RISKS IN RETAIL BANKING

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ABSTRACT:

The machine more requests than it can process. This is the basic idea behind a DOS attack. There are toolkits that make this as easy as running a programme and instructing it to bombard one host with requests. The attacker's programme merely establishes a connection on a service port, maybe falsifying the header information that identifies the source of the packet, and then breaks the link. The host will obviously be unable to handle all of the attacker's requests, much less any genuine requests (hits on the website that is operating there, for example), if the host can only respond to 20 requests per second and the attacker is sending SO per second. Late 1996 and early 1997 saw a large amount of these attacks, but they are now less frequent. A denial of service attack can be avoided by taking preventative actions. Unauthorised access is a very general phrase that can be used to describe a variety of various types of attacks. These exploits aim to gain access to resources that your computer shouldn't give the attacker. A host, for instance, might be a web server that should deliver any requested web pages. But before granting command shell access, the host must be certain that the requester is a legitimate recipient, such as a local administrator.

KEYWORDS:

System, Access, Network, Security, Firewall.

INTRODUCTION

Your private company network and a public network, such the Internet, link at a firewall. A hardware/software setup called a firewall system stands at this boundary and regulates access to and from the network of your business. Although in theory firewalls only permit authorised communications between the internal and external networks, new ways to hack these systems are continually being developed. However, when properly deployed, they are quite efficient at preventing undesired activity on an internal network and blocking unauthorised users. A business network can also use firewall systems to separate various servers and networks, thereby limiting access to the network. For instance, a business might decide to restrict who can access the accounting and payroll server and keep it isolated from the rest of the network. Multiple levels of network protection and facilitation are provided by firewall systems.

DISCUSSION

Unlawful Command Execution

It is obviously unpleasant for a stranger or someone you don't trust to be able to issue commands to your server computers. The severity of this issue can be divided into two categories: administrator access and typical user access. A regular user can access a system in ways that an attacker shouldn't be able to (reading files, sending them to other people, etc.). Thus, an attacker

may only require this level of access. On the other hand, a hacker might want to modify a host's configuration (possibly by altering its IP address or installing a start-up script that causes the machine to shut down each time it is started, or a similar action). In this scenario, the attacker will want host administrator access.

Versatility Breaches

It is necessary to look at the threat model to determine what it is you are attempting to defend yourself from. Certain information might be very harmful if it ended up in the hands of a rival, an opponent, or the general public. In such situations, it is feasible that the breach of a regular user's account on the computer could be sufficient to cause harm (perhaps in the form of negative publicity or the acquisition of information that could be used against the company, etc.).

While a lot of these break-ins are carried out by thrill-seekers who are only interested in the shell prompt of your computer appearing on their screen, there are some who are more nefarious, as we shall see next. Additionally, keep in mind that it's conceivable for someone who is often only interested in the thrill to change their mind and do more. For example, perhaps a dishonest rival is willing to employ someone like this to harm you.

Data Squirming

Since it could take some time to realise that a break-in has occurred, the data diddler is most likely the worst type. He might be playing around with the figures in your spreadsheets or adjusting the dates in your estimates and plans. Perhaps he is updating the account numbers for certain pay checks that are deposited automatically. In any event, it is uncommon to arrive at work one day and instantly know that something is wrong. A discrepancy in the books could be discovered three or four months after the fact by an accounting method. It will undoubtedly be challenging to locate the issue, and once it is, how can any of your data from that time period be trusted? How far back in time must you go before you believe your data is secure?

Destruction of Data

Simply put, twisted jerks enjoy deleting things. Some attack their targets. In these situations, the effect on your computer capacityand therefore, your businesscan be no less severe than if a fire or other tragedy completely destroyed your computing equipment.

How to Access

How can someone break into your computer? Any connection you have to the outside world will allow him access. Included are dial-up modems, internet connections, and even physical access. Identification and assessment of all potential entrance points are necessary to properly deal with security. That entry point's security must adhere to your explicit policy about acceptable risk levels.

Intruders

The intruder, often known as a hacker or cracker, is one of the two most common risks to a network's security (the other being viruses). Gaining access to a system or expanding the scope of privileges available on a system are the intruder's goals. Three different sorts of intruders exist:

1. **Masquerader:** A person who is not authorised to use the computer breaks through access controls to take advantage of an authorised user's account.
2. **Misfeasor:** A valid user who accesses information, software, or resources for whom access is not permitted or who is permitted but abuses their rights.
3. **Clandestine User:** A person who takes over supervisory control of the system and utilises it to bypass access controls and auditing procedures or to conceal audit data gathering.
4. The miscreant is typically an insider, the masquerader is likely to be an outsider, and the clandestine user could be either an insider or an outsider.

Interception methods

There are two different categories of intrusion techniques: access control and one-way encryption.

1. **One-way encryption:** The system only saves the user's password in encrypted form. The technology encrypts the user's password when they enter it. compares it to the value that was previously saved. In actual use, the system often executes a one-way transformation (i.e., one that cannot be reversed), in which the password is used to create an encryption key and a fixed-length output is created.
2. **Access control:** Only one or a small number of accounts have access to the password file.

Intrusion Detection

The finest intrusion protection system will eventually break down as well. The second line of defence for a system is incursion, which has received a lot of attention in recent years for a number of reasons:

1. If an intrusion is discovered in time, it can be identified and removed from the system without causing any harm or compromising any data. Even if the infiltration is not noticed in time to prevent it, the sooner it is discovered, the less harm will be done, and the quicker the recovery will be acting as a deterrent, a good intrusion detection system can stop intrusions.
2. Information regarding infiltration methods that can be used to improve the intrusion prevention facility can be gathered through intrusion detection.
3. An audit trail, which is a list of all the events that have taken place in a system in chronological order, is typically used to detect infiltration. This record is kept so that abnormalities may be tracked down and the effects of error can be identified.
4. The system generates the standard audit trail, which includes information about both successful and unsuccessful operations, including terminal number, user ID, transaction details, time stamp, and authentication details. The audit trail should be carefully examined as a security measure, and special attention should be given to making sure that transaction numbers are in running sequence and that no digits are missing.

Control Measures

Hardware, software, networks, and data for information systems must all be secured by built-in controls. Accuracy, integrity, and safety of information system resources and related operations are ensured via efficient controls. They can reduce mistakes, fraud, and destruction in

information systems used on the Internet. In terms of administrative and software security, various controls are offered. Typically, input controls are established in the form of formatted data entry panels, error messages, login passwords, and other security codes. Processing checks are made to find mistakes in calculations in mathematics and logical processes. Additionally, they make sure that data is processed and is not lost. Process controls may be implemented using hardware or software.

Controls for output are created

Output controls are created to guarantee that infonation products are accurate, comprehensive, and timely accessible to authorised users only. Security codes that specify the output's type are typically used to restrict access to online output of computer networks. Another strategy to prevent the loss of crucial output documents is to use "pre-numbered output forms." The databases of real-time processing systems are typically shielded from unauthorised access or processing errors by operating systems or security monitors. To guarantee that only authorised users are permitted access, account codes, passwords, and other security codes are routinely utilised.

Operational Controls

These aid in ensuring the precision and integrity of system development and computer and network operations. Utilising standard operating procedures and documentation aids in enhancing quality and reducing the likelihood of fraud or error. It makes it possible for end users and IS experts to understand what is expected of them.

Disasters, whether man-made or natural, can occasionally seriously harm an organization's computing resources. Numerous mission-critical applications in banks, defence services, and airlines need to be safeguarded against being impacted by such catastrophes. Therefore, organisations must create catastrophe recovery methods and strategies. These protocols and plans outline the personnel who will assist in disaster recovery, their duties, and the necessary hardware and software facilities.

Building controls

Hazards including accidents, natural disasters, sabotage, industrial espionage, damage, or theft can affect computer networks and other technology. To protect an organization's hardware, software, network, and crucial data resources, numerous safeguards and control measures are required. As a result, a network's security is provided by specialised system software programmes called system security monitors. These are programmes that keep an eye on how computer systems and networks are used and guard against misuse, fraud, and devastation. Firewalls and encryption are the two techniques for network security that are most frequently utilised. Every control measure fits into one of the aforementioned four categories, but only one of the two – either system level or network level;

Controls at the System Level

The security of a stand-alone system or terminal is the focus of system level security. Passwords, anti-virus software, and firewalls, among other things, are often used control measures at the system level.The password system is the first line of defence against invaders. The password is used to authenticate the user's ID and allow them to access the system. The ID, in turn, offers

security in the following ways: It determines if a user has permission to access a system. In some systems, access is restricted to users who have already registered their IDs. The user's privileges are determined by their ID. A select few users may have administrative rights, often known as "super user" status, which allows them to view files and carry out tasks that are particularly protected by the operating system. Users of these accounts have fewer privileges than ordinary users on some systems that offer guest or anonymous accounts. Discretionary access control, as it is known, uses the ID. For instance, a person can provide other users access to read files held by that user by listing their Ids.

Password Choosing Techniques

Many individuals select passwords that are either too short or too simple to decipher. On the other hand, password cracking becomes virtually hard if users are given passwords made up of eight randomly chosen printable characters.

However, most users would find it nearly as difficult to remember their passwords. Fortunately, the universe is still too big to allow for realistic cracking, even if we restrict the password. Therefore, we want to do rid of passwords that are easy to guess while still letting users choose memorable passwords.

Viruses

Preventing a virus from entering the system in the first place is the optimal response to the harm that viruses pose. The number of successful viral attacks can be decreased through prevention, however this objective is generally impossible to accomplish. Being able to accomplish the following is the next best course of action:

1. **Detection:** Once an infection has taken place, ascertain that it did so and track down the virus.
2. **Identification:** Once a virus has been found and detected, it is important to pinpoint its precise location within a programmer.
3. Removal: Once the precise virus has been found, get rid of all signs of it from the infected programmer and put it back to how it was before. To stop the virus from spreading, remove it from all afflicted systems.
4. The alternative is to remove the contaminated programme and reload a clean backup version if detection is successful but identification or removal are not feasible. Technology improvements in antiviral and virus detection go hand in hand. Early viruses were made up of simple code snippets that could be recognised and eliminated by antivirus software programmes. Both viruses and, inevitably, antivirus software have grown more sophisticated as the virus arms race has progressed elegant and intricate. The digital immune system and generic decryption are two of the most widely utilised modern sophisticated antivirus solutions.
5. Common Decryption: With the aid of this technique, antivirus software can quickly and accurately detect even the most intricate polymorphic viruses. When a polymorphic viral file is executed, the virus must first decrypt itself in order to function. Executable files are processed via a GD scanner, which includes a CPU emulator, virus signature scanner, and emulation control module, in order to find such a structure.

Electronic Immune System

IBM created the digital immune system, a thorough method of viral defence. The growing threat of Internet-based viral spread has been the driving force behind this advancement. This system's goal is to have a quick response time so that viruses can be eliminated as soon as they are discovered. When a new virus enters a company, the immune system immediately removes it, analyses it, adds protection against it, and transmits information about it to systems running antivirus software so that it may be found before being permitted to spread elsewhere.

The Firewall Configurations' Capabilities

A firewall establishes a single point of entry or exit for potentially susceptible services, prevents unauthorised users from accessing the protected network, and offers defence against different IP spoofing and routing attacks. Because security capabilities are centralised on a single system or group of systems, the usage of a single choke point streamlines security administration.

A firewall allocates resources for keeping track of security-related events. The firewall system has the ability to implement audits and alarms.Several Internet functions that are not security protected can be easily performed on a firewall. Among them are a network address converter that converts between local and internet addresses and a network management feature that checks or jogs Internet use.

The restrictions

1. Anything that manages to get around the firewall cannot be protected against. Dial-out connectivity to an ISP may be available on Internet-connected devices. A modem pool that enables dial-up connectivity for remote workers and travelling staff may be supported by an internal LAN.
2. Internal dangers, such as a disgruntled employee or a worker who unintentionally assists an outside attacker, are not covered by the firewall.
3. The firewall is unable to stop the transfer of files or programmes that are infected with viruses. It would be impractical and possibly impossible for the firewall to scan all incoming files, e-mail, and messages for viruses due to the range of operating systems and programmes supported inside the perimeter.

Various Firewall Types

There are three typical types of firewalls:

1. Compared to packet filters, these application-level gateways are typically more secure. At the application level, it is simple to log and audit all incoming traffic.
2. The added processing overhead on each connection with this kind of gateway is one of its main drawbacks. With the gateway acting as the slice point, there are actually two spliced connections between the end users, and the gateway is responsible for inspecting and forwarding all traffic in both directions.
3. Circuit-level Gateway: A circuit-level gateway is a form of firewall. For certain applications, this may be a standalone system or a specialised task carried out by an application-level gateway. An end-to-end TCP connection cannot be established through a circuit-level gateway; instead, the gateway establishes two TCP connections, one with a TCP user on an inner host and the other with a TCP user on an external host. The gateway

normally transfers TCP segments from one connection to the other after the two connections have been established without looking at the contents. Choosing which connections will be permitted is the security function. When the system administrator has faith in the internal users, circuit-level gateways are frequently used.

4. Data encryption is the systematic encoding of data before transmission so that it cannot be decoded by an unauthorised party. There are various encryption methods, however each one can be used depending on the circumstance.

Methods that Make Use of Standard Encryption

Simple conventional encryption can be used to carry out authentication. just the legitimate sender would be able to securely encrypt a message for the other participant if we presume that just the sender and receiver share a key (which is how it should be). Additionally, the receiver is certain that no modifications have been performed and that sequencing is correct if the message contains an error-detection code and a sequence number. The receiver is certain that the message has not been delayed beyond what is typically anticipated for network transit if the message also contains a timestamp.

Retail banking is fast changing due to technological improvements and is no longer limited to conventional brick-and-mortar businesses. Customers can now manage their finances, pay bills, transfer money, and even apply for loans from the comfort of their homes thanks to online and mobile banking, which have grown to be essential components of this industry. With a focus on digital platforms, financial services are now more widely accessible, closing gaps and reaching underserved people.

CONCLUSION

Since the Internet is a public network, unencrypted material sent across it may be collected by unauthorised parties (a practise known as eavesdropping). If one can somehow communicate the data over the Internet in a "secret" or "coded" form, this kind of eavesdropping can be prevented. In order to ensure safe data transmission over the Internet (such as the transfer of payment-related data in payment gateways), encryption techniques aim to do this.Data that has been encrypted is changed into a format that requires one or more keys (specialised data chunks) to be able to decode.Decryption is the process of converting encrypted data back into a form that can be understood; it is the opposite of encryption. The following is a description of the two most popular encryption methods:Secret key, private key, or symmetric key cryptography: In this encryption method, the data is encrypted and decrypted using the same key, known as the secret key, private key, or symmetric key. As a result, both the sender and the retriever need to have access to the same secret key. In vast networks like the Internet, secret key cryptography is useless.

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CHAPTER 9

A BRIEF DISCUSSION ON REPAYMENT PRODUCTS

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ABSTRACT:

Remittances play a significant and essential role in retail banking. Cheques, Demand Draughts, Bank Orders, and Telegraphic Transfers are some of the earliest remittance products that served as the main means of remittance among banks. Over time, remittance products have evolved from physical movement of remittance instruments to instant electronic transfer of remittances across the nation and the world. But the remittances industry has also been affected by the banking industry's technological invasion. With the introduction of newer, quicker, more inventive remittance products in banking, technology caused a paradigm shift in the whole remittance market. In retail banking, the majority of new generation remittance solutions are useful. Retail electronic and card-based payments have increased dramatically over the past two years, mostly as a result of the implementation of RTGS and NEFT (National Electronic Funds Transfer). Although wholesale remittances make up a sizable share of RTGS transactions, the volume and value of transactions have more than doubled. Over the past two years, the idea of an electronic remittance mechanism has gained momentum, and this development presents an opportunity for companies to bundle remittance products as an add-on to their retail banking packages for customers. Let's go through in detail the characteristics of two crucial remittance products, NEFT and RTGS, which also apply to retail banking activities.

KEWORDS:

NEFT, RTGS, Retail, Banking.

INTRODUCTION

Credit cards date all the way back to the 1800s. Shop owners that sought a quick way to keep track of consumer purchases made on credit first used it. They provided tokens with numbers on them rather than continuously recording the personal information of their consumers. The store clerk just needed to record the token number when the consumer completed a transaction. Since nothing significant occurred for credit cards to be created, the history of credit cards is not particularly interesting. In the 1920s, individual firms in the United States, including hotel chains and gasoline companies, started giving them to customers in exchange for purchases made there. The first credit card that could be used at a wide range of establishments was launched by Diner's Club Inc. in 1950, and its use greatly increased following World War II. With this approach, the credit card firm would bill cardholders either monthly or annually for an annual fee. The American Express Company introduced "Don't leave home without it!" as another significant universal card in 1958. The Franklin National Bank came up with a ground-breaking new method of extending credit to their clients in 1951. Revolving credit accounts were developed by them, allowing their clients to borrow money, pay it back, and then borrow again without continually needing a loan approval as long as they stayed within their credit limitations. Other banks soon started imitating them and started providing revolving lines of credit to their clients.

DISCUSSION

As soon as the request for the funds transfer is received, the sending bank branch must prepare the Structured Financial Messaging System (SFMS) message and make arrangements to send it to the NEFT Service Centre before the batch's cutoff time.

1. Processing and data uploading at the NEFT Sending Service Centre
2. The sending NEFT Service Centre is responsible for accepting or rejecting communications from branches and internet banking users via the net banking platform.
3. NEFT message submission/transmission to the NEFT Centre
4. The transmitting Service Centre must use the communication network established by the Reserve Bank to send the NEFT SFMS message to the NEFT Clearing Centre. NEFT message processing and delivery to the recipient banks.
5. The NCC must process the data and provide the settlement for each beneficiary bank that has at least one inward remittance transaction in a given batch after combining all NEFT messages received from originating banks.
6. Using SFMS, NEFT messages created for destination banks will be sent to each receiving bank's service centre.

Data Verification at the NEFT Service Centre Receiving

1. The receiving NEFT Service Centre must process these files after receiving the NCC NEFT message before sending them via SFMS to the target branches.
2. As an alternative, the receiving NEFT Service Centre may upload these NEFT messages straight to their internal banking system via the Straight Through Processing Interface (STPI) present in SFMS in order to provide the credits to the beneficiary banks account on a centralised basis.

The beneficiary is paid

1. The beneficiary branches would instantaneously pay the beneficiaries on the same day by crediting the beneficiary's designated account or in another way putting money at the beneficiary's disposal.

Instruction to Cancel Payment

Once a payment instruction has been sent to the sending bank for execution, it cannot be changed. Any cancellation made after the sending bank has carried out the payment instruction is not binding on any other NEFT system participants.

Beneficiary Bank Acknowledgement and Return in the Event of Non-Credit:

The NEFT Scheme does not contemplate any acknowledgements. A message is deemed to have been finished and credited to the recipient branch's account if it is not returned unaltered by the following settlement day. Therefore, it is crucial that unaffected credits be sent back as return NEFT transactions in the very next batch.

Sender will be notified if there is a refund.

The sender must be notified right away when the sending bank receives the returned NEFT if the beneficiary listed in the sender's payment instruction does not receive payment through the NEFT system for certain justifiable reasons. The sending bank must also make arrangements for the sender to receive payment by crediting the sender's account or in some other way making money available to the sender.

Beneficiary to be Notified of Funds' Receipt

The beneficiary bank must notify the recipient of the monies received after crediting the beneficiary's account. The source of funds must also be briefly disclosed in the Statement of Account, Pass Book entry, or any online message system.

Holidays

If the beneficiary branch observes a holiday, the credit must be applied whenever possible on a value-dated basis, but no later than the start of operations on the next working day.

Customers' Rights and Obligations

The Reserve Bank of India has established the NEFT rights and obligations for both banks and clients. The identical are described below.

Every participating bank or institution is responsible for preserving the System's security, integrity, and effectiveness.The customer must issue funds transfer instructions in accordance with the participant bank's guidelines. The format must include all necessary information. The accuracy of the information provided in the payment instruction is the customer's responsibility. When a bank executes a payment instruction in good faith and in accordance with security procedures, the customer is bound by that action. However, the customer is not bound by a bank's execution of a payment instruction if he can show that the instruction was not issued by him and was instead the result of a bank employee's negligence or fraud. When instructing his bank to make a payment, the consumer must make sure there are funds in his account.

Once the Bank has carried out the payment order, it will no longer be possible to change it. Unless it is not adhering to the security method, the bank is not obligated by any notice of revocation.In the event of any delay in the completion of the funds transfer or any loss due to error in the execution of the funds transfer in accordance with a payment instruction, the bank's liability shall be limited to the payment of interest at the bank rate for the period of delay in the case of delayed payment and refund of the amount along with interest at the bank rate up until the date of refund, in the event of loss due to error, negligence, or fraud on the part of the recipient of the funds.The sender/originator has the right to compensation from the sending bank for the time that the money transfer was delayed, as well as any additional penalties the RBI may impose.If a problem is not resolved within thirty days, customers may file a complaint with the Banking Ombudsman.

Real-Time Gross Settlement (RTGS) System

The financial services industry's perception of remittances has been significantly altered by the Real Time Gross Settlement System (RTGS), a remittance product. In order to alter the way that remittances are sent and to improve the efficiency of real-time transaction settlement, this international practise was adopted in India. The following statistics show the effect and development of RTGS during the last two years. Although it is more skewed on the corporate and interbank side than the retail side, the enormous leap in volumes and value by more than 100% in 2009 over 2008 demonstrate the acceptance and growth of the product as an effective and rapid remittance instrument.

All of India's centres now use RTGS instead of high value clearing, saving a lot of money that would have been spent on manually managing these operations. Many banks have permitted

Straight Through Processing (STP) of RTGS transactions by corporate and retail customers with the use of net banking tools since Core Banking Systems (CBS) have been implemented in all banks. This has significantly decreased operating costs and, as a result, operational hazards for the banks that until recently handled remittances manually.

With the advent of electronic payment platforms like SWIFT, INDIA LINK, Western Union transfers, etc., international remittances from NRIs have been significantly made faster and more accurate. This has replaced the more time-consuming and expensive practises of mailing DDs, which were common until recently.

Real Time Gross Settlement System (RTGS) evolution

An integrated payments system's focal point is thought to be the Real Time Gross Settlement System (RTGS). Payment systems are described as "a set of instruments, procedures, and rules for the transfer of funds among system participants" in the Core Principles for Systemically Important Payment Systems published by the Committee on Payment and Settlement Systems of the Bank for International Settlements, Basle. A "payment system" is defined as "a system that enables payment to be effected between a payer and a beneficiary and includes clearing, settlement, or payment service" by our Payment System Bill, 2002. The operation and integration of the financial markets depend on the Payment System. It affects how quickly, how financially risky, how dependable, and how much transactions cost domestically and internationally. According to the following premise, payment systems work

There are no settlement delays, mountains of paperwork, or differences in costs or delays between domestic and foreign currency transactions. Interest is computed in real-time rather than on a "settlement day," a remnant from the ancient times when accounting was done. Anyone can make payments to anyone, whenever they want, in any currency they want, for the cost of a few cents per transaction. The aforementioned quote captures the spirit of RTGS. Instantaneous transaction processing and gross basis settlement are both used.

A Process Flow for RTGS

Through a number of process inputs, remittances and funds transfers made through RTGS are sent from the customer end to the beneficiary end. The settlement for the message is made on a gross basis from the liquidity held by the sender bank with the settlement bank. The remittances are transmitted via a structured messaging procedure. The settlement is likewise made on a dynamic basis, and the remittances are credited on a dynamic basis. That is, subject to the processes and procedures set forth for remittances using RTGS, message communication, remittance, credit, and credit settlement are all done quickly. Below is a description of the RTGS remittance process:

The "Inter Bank Transactions," "Customer Payment Transactions," and "Delivery Vs Payment Transactions" are the transactions that are carried out using RTGS.The participant bank settles its own account financial obligations through interbank transactions.Customer information can be supplied in a structured style along with the payment message in "Customer Payment Transaction"."Delivery Vs Payment Transactions" are settled in the RTGS as a separate transaction and will result from the RBI's Securities Settlement System. Treasury activities including dealings on the money and debt markets and foreign exchange transactions are the key drivers of interbank payments and transactions. Remittances from a client to a beneficiary in the

same bank or another bank are handled in customer-to-customer transactions. The transactions are routed through the bank's centralised RTGS operations and a centralised gateway to another bank from one RTGS-enabled branch to another RTGS-enabled branch of the same bank or another bank. Own account transactions involve the transfer of money from one bank's RBI account to another by the treasury division of banks in order to maintain the RBI-mandated liquidity limitations.

Customer-based transactions play a significant role in retail banking, and RTGS has proven to be a very efficient remittance method in place of draughts and bank orders but only if the amount being transferred exceeds the minimal threshold required to qualify for RTGS remittance. Let's examine the customer-based transaction process flow. Requests to send money through RTGS must come from the customer. The customer would ask his bank to debit his account and pay the recipient while supplying the beneficiary's bank account information. The originating bank would debit the account in accordance with the directive and produce an RTGS formatted message. After proper authentication, the message will be sent to the bank's payment system gateway. The identical information would be sent to the RTGS system. The communications would be forwarded to the gateway of the other bank through a central hub, which would receive the messages in a queue. The message will be processed, deducted from the sender bank, and credited to the beneficiary bank after authentication.

Following the debit, the customer and beneficiary information is used to make the credit.The message will then be sent to the beneficiary branch for credit to the beneficiary's account with the branch by the beneficiary bank (the message receiving bank).Banks will maintain separate settlement accounts with the RBI in order to execute RTGS debits and credits, and sufficient liquidity must be kept in these accounts.Mechanisms are in place to offer interim liquidity if there are any gaps in the liquidity of banks in their settlement accounts, ensuring that the transaction procedures are not jeopardised.

Although it is more important for high-value transactions and only partially suitable for retail banking, RTGS has revolutionised the idea of remittances.Electronic Clearing Services (ECS), Version 9.5Electronic Clearing Services (ECS) has endured the test of time as a dependable payment product, despite the fact that NEFT and RTGS have just debuted as extremely quick remittance goods. When ECS was first established decades ago, it immediately gained popularity among customers since it made it very easy for account holders to manage their regular payments.

CONCLUSION

Over time, remittance products have changed, moving from the manual transfer of remittance instruments to the quick electronic transfer of remittances around the world. Some of the early remittance items included checks, demand draughts, bank orders, and telegraphic transfers, which together made up the main method of remittance between banks. But the remittances industry has also been affected by the banking industry's technological invasion. With the introduction of newer, quicker, more inventive remittance products in banking, technology caused a paradigm shift in the whole remittance market. In retail banking, the majority of new generation remittance solutions are useful. Retail electronic and card-based payments have increased dramatically over the past two years, mostly as a result of the implementation of RTGS and NEFT (National Electronic Funds Transfer). Although wholesale remittances make up a sizable share of RTGS transactions, the volume and value of transactions have more than

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CHAPTER 10

RETIRED BANK RETAIL MARKETING

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ABSTRACT:

The Real Time Gross Settlement System (RTGS) has fundamentally altered how remittances are handled in the financial services industry. In order to alter the way that remittances are sent and to improve the efficiency of real-time transaction settlement, this international practise was adopted in India. The impact and expansion of RTGS over the last two years have shown how useful the product is. Although it is more skewed on the corporate and interbank side than the retail side, the enormous leap in volumes and value by more than 100% in 2009 over 2008 demonstrate the acceptance and growth of the product as an effective and rapid remittance instrument.

Although it is more important for high-value transactions and only partially suitable for retail banking, RTGS has revolutionised the idea of remittances. Another payment method is Electronic Clearing Services (ECS), in which the beneficiary receives a mandate authorising the payments for a given time period and dollar amount. ECS is a practical and adaptable payment method for the beneficiary as well as the parties involved, the issuer.

KEEYWORDS:

American, Express, Home, Universal.

INTRODUCTION

Credit cards date all the way back to the 1800s. Shop owners that sought a quick way to keep track of consumer purchases made on credit first used it. They provided tokens with numbers on them rather than continuously recording the personal information of their consumers. The store clerk just needed to record the token number when the consumer completed a transaction. Since nothing significant occurred for credit cards to be created, the history of credit cards is not particularly interesting. In the 1920s, individual firms in the United States, including hotel chains and gasoline companies, started giving them to customers in exchange for purchases made there. After World War II, this use dramatically grew.

In 1950, Diner's Club Inc. released the first credit card that could be used at a wide range of establishments. With this approach, the credit card firm would bill cardholders either monthly or annually for an annual fee. The American Express Company introduced "Don't leave home without it!" as another significant universal card in 1958. The Franklin National Bank came up with a ground-breaking new method of extending credit to their clients in 1951. Revolving credit accounts were developed by them, allowing their clients to borrow money, pay it back, and then borrow again without continually needing a loan approval as long as they stayed within their credit limitations. Other banks soon started imitating them and started providing revolving lines of credit to their clients.

DISCUSSION

Retail Banking Marketing and Delivery Channels

In contrast to corporate banking, retail banking is primarily influenced by the number of customers each bank has. The profitability and power of retail banking models will increase with the number of consumers. Banks would feel more at ease with a larger base and would concentrate on growing the customer base because earnings must come from a sizable clientele base. The primary priorities for banks in the retail banking sector are to fulfil those marketing promises and deliver on their product and service commitments. Let's examine the various aspects of retail banking service marketing as well as the evolving model of delivery channels.

Marketing for Registered Banks

Let's first define marketing in the context of banking and examine the value of marketing to a clientele. The definition of bank marketing given by Sir Frederick Seebohmn is "the creation and delivery of customer-satisfying services at a profit to the bank." According to Kenneth Andrew, bank marketing is the most profitable way to connect a bank's resources with a customer's wants. Deryk Vander Weyer offers a more precise definition of bank marketing as a proactive business strategy targeted at organisational excellence. He provided the following reasoning as being more appropriate to the retail banking sector:

1. Identifying the markets that are currently and, in the future, most profitable.
2. Analysing the customer's current and future needs.
3. Creating plans to achieve your business development goals,
4. Adapting to a changing marketplace environment
5. It should be obvious that all of the aforementioned ideas point to a carefully planned marketing strategy for retail banking that centres on the client. As was previously said, the customer is the focus of retail banking and marketing, and all efforts must be directed towards

The growth and profit goals of the firm are what the aforementioned activities ultimately aim to achieve.

Retail Banking Marketing Mix

The term "marketing mix" in the context of retail banking describes the various components that go into a satisfying meal for the client. The way the ingredients are organised and presented to the clients is done so that they will eat lavishly, enjoy it, and feel fulfilled. For this reason, the service and delivery standards should satisfy the needs of and all activities involving the customers' needs, while also effectively producing them. If the spread is enjoyed by the consumers, they will continue to eat the supplied feast continuously. What ingredients go into a tasty and effective marketing meal for the consumer. Let's talk about the following basic components of a successful marketing strategy for retail banking:

1. Goods
2. Cost
3. Advertising
4. Setting
5. Folks
6. Method
7. Physical proof

Basically, the banks' retail banking strategies depend heavily on the aforementioned seven Ps. When creating and implementing marketing strategies, bankers give these factors a lot of consideration. The retail bankers' adjustments and reengineering of the various aspects in the aforementioned Ps account for the variance. The victors will be those who create effective combinations of the aforementioned Ps and who also successfully deliver the promises provided relating to the aforementioned Ps. It is a known truth that there are multiple winners in the retail banking industry. That demonstrates how the retail banking canvas is incredibly large and that everyone can play their game and earn clients there. Let's talk about the various components of the marketing mix presently.

Product

"Anything that has the potential to provide the satisfaction, use, and return desired by the customer" is a definition of a bank product. The prior Chapters already covered the various retail banking products, such as Deposit, Asset, and Other Service items.

Price

According to the product being provided or purchased, "price" in the marketing mix refers to the transaction costs that must be carried by either the banker or the consumer. 'Price' in the context of deposit products refers to the interest rate that the banker is providing to the consumer. The interest rate that the bank charges the borrower client in exchange for providing the customer with the loan product is referred to as the "price" in asset products. When referring to other services, price means the fee(s) or charges that the bank levies in order to provide the various services.

Promotion

The actions taken by banks to reach its consumers are referred to as "promotion." By creating multiple promotional techniques, the product will be promoted using a multifaceted strategy. Personal and other promotional actions fall under this category. However, the main goal of these marketing strategies is to win over the consumer and convince him to use the bank's goods and services. The marketer can create promotion plans in a variety of ways, such as through personal selling, advertising, sales promotions, publicity, etc.

Place

In retail banking, the term "Place" often refers to the location where the Bank is providing its product. Over the past ten years, there have been significant changes to the idea of place. Earlier, the concept of "Place" was mostly restricted to the workplace of bankers, or the site of the branch and the location of the services. However, thanks to technology, the notion has altered, the physical location has transformed to an online format, and internet banking and mobile banking now reach the user wherever they are.

People

Once more, "People" are a key component of any marketing approach. Since retail banking is essentially services marketing targeted at a big client base, the human factor is crucial to the strategy's success. If we use marketing concepts once more, the crucial element of bank marketing is the delivery of services from the banker to the client via efficient marketing techniques.The effort begins with the human factor and ends with the human factor (i.e., the

lender and the consumer) in the chain of events that occurs in marketing. Therefore, in marketing, the term "people" refers to the individuals who execute marketing strategy and include "people" who benefit from marketing methods. Because the efficiency of the product depends on the effectiveness of the people delivering it, the inseparability principle of bank goods gives the concept of people even more significance[4]–[6].

Procedure

The word "process" permeates every aspect of product development, product structuring, and product delivery. The output of the process will only be successful if it is provided in the anticipated manner and fulfils the promise. Process, in a nutshell, refers to all organisational operations involved in marketing the finished good to the consumer, including delivery methods.

Physical Proof

Physical proof refers to the concept of banking services being more tangible and less abstract. Some strategies involve creating effective packaging and taking additional steps to increase tangibility. especially in the activities of retail banking. The classic examples of bank attempts at tangibilization are the Debit Card/ATM Card and Personalized Cheque Book.

When it comes to the success of marketing, the seven Ps work together and independently. Due to the internal mechanism of the entire plan, each of the Ps is crucial in determining the marketing tactics on its own. Each one of them has a part in the effectiveness. Individual contributions, however, are not the primary consideration. One of these Ps will be the deciding factor because of how these Ps are connected.

Retired Bank Retail Marketing

The effectiveness of the product and the strategy, for instance, depends on the price even though the product is a crucial component of the marketing mix. In a similar manner, even while pricing is a crucial component of the marketing mix, if the promotion or the location considerations are properly taken into account, the product and price will not matter as much. To elaborate, the other Ps won't work if the 'process' component is neglected. Thus, it is not only true that the Ps in the marketing mix significantly increase the success of the marketing strategies when used alone, but they also do so when used together. Thus, a comprehensive approach to retail banking and marketing success is represented by marketing mix and its constituent parts, specifically the seven Ps. The customer's reaction to the marketing methods can be used to gauge their efficacy. If a customer responds well, uses the marketer's goods or services, and is happy with the experience, this will lead to more repeat purchases or uses of the goods or services. If a customer is dissatisfied, there is no incentive for him to return because your goods or services failed to meet his needs. The customer will consider the competition as a result. Therefore, the seven Ps and marketing tactics are only successful when clients respond in a way that satisfies their needs. The issue of retail banking distribution channels then enters the picture.

Customer pleasure must occur through various channels, and customers must be given options so they can experience the best channel mix possible for maximum satisfaction. Let's go over each retail banking channel's effectiveness in more depth. Almost all banks use multi channel distribution as a strategy to provide a complete customer experience. Each channel, whether direct or distant, has advantages and disadvantages, depending on the client groups who utilise them. For a conservative customer, direct channels might be the best option, but youthful, tech-

savvy customers might choose remote methods. Let's examine the various retail banking channels and their significance for the quality of the products and services that customers encounter. The following is an illustration of the routes through which retail banking services are provided [7]–[9].

CONCLUSION

The means by which retail banking products and services are provided to customers are known as channels. There are primarily two categories of delivery channels. Remote channels and physical channels.Physical Channels are also referred to as Branches and Extension Counters. ATMs, Internet banking, and mobile banking are examples of remote channels, sometimes known as electronic channels, which are intended to serve consumers outside of the branch. Each of the channels has advantages and disadvantages of its own. Remote channels provide customers the opportunity to access services whenever it is most convenient for them, while branches add a personal touch to the service process. For using the aforementioned channels to access the services, procedures are set and processes are defined. Customers can use the services of ATMs whenever they want to withdraw cash or deposit checks and cash. Banks install ATMs both on the branch's property and in frequently visited branch locations that are handy for consumers.

Since all ATMs from various banks are now connected, clients can access their accounts and make free withdrawals of cash up to a certain limit from any bank's ATM. Customers can conduct transactions such as debits, credits, fund transfers, bill payment services, etc. through Internet Banking. Customers can do operations like balance inquiries, funds transfers, and more via mobile banking. Channels improve the customer experience of financial services, and customer satisfaction levels depend on how well banks meet their clients' expectations. to accomplish this. Banks should do accurate customer profiling in order to build and adopt the appropriate channel mix.

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CHAPTER 11

BANKING DELIVERY CHANNELS IN RESTART

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ABSTRACT:

The branch is the primary direct conduit for retail banking. Customers still favour the brick and location form of retail banking services, despite all the remote channels that are available to enhance the client experience. One of the main reasons is that branches make the intangible part of financial services tangible. The transactions that take place in the branch provide customers additional assurance that they are not only physically involved in the transactions but also feel the degree of customer attention there. Customers interact with the branch's personnel during transactions. Customers' and bank employees' expectations of the level of service are better understood when there is open communication between them. Physical interaction and transaction completion with bank employees build a sense of closeness that increases loyalty. Customers are more likely to understand products and services when staff members directly explain them to them in the branch. A well-designed branch environment and environment increases customers' feelings of goodwill and strengthens their relationship with the bank.

KEYWORDS:

Account, Banks, Centralized, Sector, Virtually.

INTRODUCTION

Despite their enthusiastic embrace of electronic channels for retail banking service, people still prefer to handle their banking needs in person at a branch, according to research. They don't just rely on automated techniques like ATMs, the internet, and mobile banking; rather, they seek personal interaction for their services. Let's look at the elements of a good branch design and the advantages of a welcoming branch environment as the branch is a key delivery channel for retail banking. The layout of the branch will influence how much the environment can be enhanced. Branch arrangement is a frequent illustration of this concept. According to George Terry, layout is "the arrangement of all physical elements within the available floor area to provide maximum effectiveness and coordination of these elements into an efficient and beautiful unit." The branch layout is the method of arranging numerous service facilities within the Branch to offer the most convenient service to the clients. Customers should feel comfortable when they are inside the branch. The branch's environment should be created to increase the "comfort factor" in customers' minds[1]–[3].

DISCUSSION

Branch Structure and Service Delivery

Branch evolution as a delivery paradigm has undergone a paradigm shift. The concept of service delivery at the branch level has changed over time. In the early days of banking, services were offered by employees across the counter in a typical front office, which divided customers and

workers by lengthy counters. As banking evolved throughout time, the concept of counters with corporate colour schemes took the place of traditional counters. However, the idea of counters has changed as a result of the introduction of technology in banking. Most banks now provide services in a completely automated environment thanks to the introduction of core banking technologies. The gap between the customer and the bank personnel has been reduced thanks to the single window idea in banks. To encourage a personal connection with the customers, who can use any of the desks for any of their service needs, the counters were each individually created as desks. Banks in all metro areas and urban areas have been impacted by this development, but primarily private banks and, naturally, the vast majority of public sector banks. Rural and semi-urban branches of public sector banks still use the traditional branch layout, nonetheless.

Personal banking offices

The concept of a branch has changed over time from a broad approach to a more specific approach. Instead of one shop serving all needs, branch design has altered to place more emphasis on specialised branches like Corporate, SSI, Agri Finance, Personal Banking/Retail Banking, etc. Nearly all of the banks opened specialised "Personal Banking Branches" to cater to the demands of retail customers exclusively. For the speedy and effective processing of retail loans, specialised Retail Asset Processing Centres were also formed. Banks use the specialised branch as a tool to increase the efficacy of service delivery by prescribing TAT (Turn Around Time) for different retail loans in order to advance themselves in the competitive retail banking environment. As a distribution channel, branch has undergone a number of alterations on the liability side. The only duties performed by branch offices with a physical location are front-office duties and marketing for the opening of various liability accounts. In virtually all private sector banks and some public sector banks, only the formalities for opening accounts are completed at the branch level. A centralised back-office system is used to handle account opening, the issue of Pass Books/Cheque Books, Debit Cards, PINs, and other services. This tries to create standards and make it easier for customers and banks to meet their expectations. This method allows banks to offer upgraded services like personalised debit cards, chequebooks, and other products (which require a localised activity).

Further Counters

Extension Counters are outposts of Branches that have been set up in particular areas to offer financial services to the targeted group inside their control area. Extension Counters are essentially associated with and governed by a Branch for accounting purposes. They are permitted to sell goods, mostly in the field of liability. Extension counters were restricted to usage in courtrooms, educational facilities like schools and colleges, or a single company's headquarters. In order for banks to deploy low-cost and free resources like savings and current accounts, extension counters are crucial. They bring in CAS A resources as well as core term deposits, which these banks hold as working capital. However, as they started to grow outside of their initial boundaries and take up the entire region within that geography by upgrading to Branches, the concept of Extension Counters has recently lost some of its clarity. According to that standard, they offer the whole spectrum of financial services to the area. Banks are methodically transforming all of their Extension Counters into Branches in order to accomplish the aforementioned goal. However, Extension Counter as a delivery channel always offers the liability items in the primary to a selected business or group.

With on-site ATMs, you may withdraw cash, send money, check your balance, and more without leaving the branch. Off-site ATMs are designed to be placed outside of branches in convenient locations so that customers can use them for a variety of functions without having to visit the branch. The off-site type of ATMs quickly gained popularity because customers could use them without having to go to the bank.

These figures demonstrate the efficiency of ATMs as a delivery mechanism. Commercial banks currently house 43651 ATMs, including 24645 On-Site ATMs and 19006 Off-Site ATMs. When we compare the quantity of ATMs (43651) to the total number of commercial bank branches (64608) as of March 2009, the ratio is rather high at 67%. The utilisation of ATMs grew from 2009 to 2009, rising by a startling 25.4%. The number of ATMs (43651) shows a penetration of more than 90% of the CBS Branches when compared to the number of CBS (Core Banking Solutions) Branches (44304) as of March 2009. The fact that only 79.4% of the Branches are covered by CBS must be taken into account. ATM transactions are often made using debit or credit cards[4]–[6]. There used to be restrictions on how users may use ATMs. Customers could only use the ATMs at the bank where their accounts were kept. It restricted customers to utilising either their bank's on-site or off-site ATMs. Later on, things changed, and customers can now also withdraw cash from ATMs owned by other banks. A common networking configuration named "National Financial Switch" was started for ATM operations. Banks that are a part of the network are able to provide their customers with networking services through two important network working arrangements known as "Cash Tree" and "INFINET-National Financial Switch," although using ATMs operated by other banks was subject to surcharges. Later, in October 2009, the RBI released rules permitting operations free of any costs for clients using the ATMs of other banks, provided that they met the following criteria:

Risks and Problems with ATMs

As indicated by the dramatic growth in volumes and value generated over time, ATMs are one of the most efficient remote channels for service delivery. However, this effectiveness comes with a price. However, there are concerns related to the effectiveness of ATM operation, and customers regularly complain about these circumstances.

As it is the most practical delivery method for the majority of retail customers and from the bank's perspective, it also significantly lowers the transaction costs of service delivery through the brick-and-mortar format, banks are competing with one another to increase the number of ATMs (both on site and off site).

Point-of-Sale (POS) technology

Credit and debit cards can be used to make purchases at merchant businesses thanks to point-of-sale terminals. The Point-of-Sale terminals enable payment of the purchase amount whenever a customer makes a purchase at a merchant business by gaining access to the account and completing the transaction.

Procedure: POS

1. A terminal utilised for electronic transactions is all that a POS system is.
2. The terminal interacts with a computer file to approve transactions and send sales data for posting to customer accounts.

3. There are two primary types of POS terminals: electronic cash registers used in high volume retailers like department stores and dial-up terminals that automatically call a specified phone number, typically a toll-free number, to obtain authorization.
4. In POS systems that operate in a store-and-forward mode off-line, net settlement, or when the transfer of funds really happens, may take place concurrently with or shortly after the transaction. Later in the day, it might also take place.

This system runs off-line, where the merchant terminal is not directly connected to a central computer for the authorization or processing of sales receipts.The Reserve Bank of India (RBI) first permitted cash withdrawals from any merchant business equipped with a POS terminal in July 2008. However, the RBI now only permits withdrawals of up to Rs 1,000 per day from merchant outlets using debit cards. The RBI had left it up to banks to negotiate rates among themselves for client cash withdrawals at retail locations. Banks have now consented to cap the fees they will charge.POS terminals make up about 450,000 of the nation's total terminals, whilst ATMs make for 4().(KK) plus. The reason the RBI permitted cash withdrawals was to improve financial inclusion by utilising the wide reach of POS terminals. The RBI intends to broaden the application of this capability by enabling prepaid card holders to withdraw cash at POS terminals similarly to debit card holders. POS terminals are currently utilised for a number of reasons, expanding the scope of its initial description.

Mobile banking

Due to its simplicity, portability, and accessibility, mobile banking has emerged as the newest and most convenient delivery method in retail banking. Simply put, you can conduct banking at your convenience and in your current location.The first fully functional mobile browser debuted in 2007, while Wachovia initiated global mobile banking operations in 2005. 2007 saw the introduction of mobile banking services by the majority of US banks, including Bank of America, Citibank, and Wells Fargo.In India, there are currently over 300 million mobile users, and the growth in April 2009 was a startling 35% (annualised), which translates to around more than 25% of the population using mobile devices.Due to the declining cost of mobile devices as well as the network operators' sharply reduced usage fees, there is tremendous room for growth. Banks are actively developing and implementing their mobi marketing strategies because to the operational advantages, reach, and time flexibility that mobile banking offers.According to the Reserve Bank of India's declared operational requirements for deploying mobile banking solutions, banks must first obtain permission from the RBI before offering mobile banking business services.

Utilising a mobile banking app

With the dual goals of providing an additional user-friendly channel and luring the younger generation of customers to expand the customer base as the customer profile of PSBs is skewed more towards senior customers than youth, some public sector banks have also entered the mobile banking space in addition to foreign and private banks.

Online banking

Prior to going into detail about the various significant aspects of internet banking, it is crucial to go over the historical observations made by Mr. Ernest T. Parkins, First Vice President, before the Bank of Japan in October 1997 regarding the growth of retail banking as well as the various

electronic channels and the opportunities in electronic banking, including internet banking in the United States.Let's examine the development of online banking in India now that we have a better understanding of the worldwide viewpoints on retail banking. Over the past ten years, foreign institutions and newer private sector banks have pioneered Internet Banking as a service and channel. New generation private banks rapidly adopted their internet banking channels and grew their customer base by taking advantage of technology from the very beginning. They were able to develop a connection portfolio that was more heavily weighted towards the younger age because to their technological initiatives. Due to these younger consumer generations, private banks used electronic channels more frequently. Public sector banks actively upgraded their technology by switching to Core Banking Solutions and offering Internet Banking services to their clientele. Although certain banks were able to promote it strongly, the level of acceptance of Internet Banking from the public sector bank consumers wasinitially muted. This is mostly caused by the employee and customer age distribution being older in public sector banks. However, public sector banks were able to increase the number of users over time thanks to their fast-track technology investments and phased marketing of their internet banking operations. However, compared to private sector banks, public sector banks have a lower internet banking penetration rate. Let's examine the ideas, principles, and operational features of online banking.

In the USA, electronic channels and Internet banking

Internet banking will significantly impact Internet commerce, new electronic retail payment models, electronic retail banking, and a wider shift in the delivery of retail financial services to electronic channels, including insurance, discount brokerages, and mutual funds, according to Ernest T. Parkins.Banks would investigate ways to reduce costs, increase customer access, and avoid direct competition in areas where nonbank competitors already have a significant competitive advantage. For instance, these banks are setting up smaller branches in supermarket (large grocery-store) chains where many consumers, including the customers of their competitors, are almost certain to come a few times each week rather than relying on conventional branches, setting up Internet sites, and waiting for the consumer to take the initiative and eventually come to the bank in person or electronically. In order to keep expenses as low as possible, many banks are installing self-service, electronic access devices in these supermarket branches, but they also have one or two bank workers on hand to provide personal customer assistance, answer queries, and promote banking products. These strategically positioned, scaled-back branches could aid these banks in capturing the retail market segment that is either not yet ready for fully computerised financial product delivery or who may not be actively looking for information about financial products. In any case, many banks in the United States are taking into consideration this alternative branch structure because it is far less expensive than traditional, stand-alone branches[7]–[9].

CONCLUSION

In order to target specific customer segments for new product offerings and save resources by not making the same product offering to other segments that are probably not interested, banks will increasingly 'push' the vast amount of customer information from their electronic data bases into data warehouses. This will increase the electronic transmission of product offerings to the targeted consumer segments.In order to maintain their "brand names" in the eyes of their clients and stop them from switching to nonba, banks would try to market the value of the total, individually tailored relationship in the supply of financial services. In other words, banks would

work to promote the value of the total, uniquely tailored relationship in the delivery of financial services, decreasing the likelihood that particular items would be viewed by customers as just commodities. In the aforementioned work, the full idea of electronic and remote channels, including their efficacy, acceptance, and user-friendliness, as well as any technology-related concerns and associated risks, has been expressed holistically. The aforementioned speech focuses on the following aspects of electronic banking. A decade ago, the situation that exists now in the retail banking sector was very properly predicted. The problems are quite current, and banks are handling them properly.

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CHAPTER 12

GLOBAL EVOLUTION OF INTERNET BANKING

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ABSTRACT:

The chart below shows how Internet banking has changed globally as indicated and published in the RBI report. In the USA, there are 1275 commercial banks and thrifts, or 12% of all banks and thrifts, that have transactional websites. A total of 78% of commercial banks with assets of $5 billion or more, 43% of banks with assets between $500 million and $5 billion, and 10% of banks with assets under $ 500 million all have transactional websites. Seven of the 1275 thrifts and commercial banks that provide transactional Internet banking might be referred to as "virtual banks." Ten conventional banks have opened online branches or divisions that run under a distinctive brand name. The US market is seeing the emergence of a number of new business practises and technological developments, including Electronic Bill Presentment and Payment (EBPP), hand-held access devices like Personal Digital Assistants (PDAs), Internet Telephone, and Wireless Communication channels and phones. A few banks have turned into Internet Service Providers (ISPs), and in the not too distant future, banks may turn into online service providers and portal websites. In the US, computerised banking operations of all sizes and levels of sophistication frequently depend on third party contractors. Currently, current networks and payment methods are used to complete practically all online transactions.

KEYWORDS:

Banks, Eliminated, Market, Risk, Technology.

INTRODUCTION

The majority of banks in the United Kingdom now provide transactional services via a larger array of platforms, including as Wireless Application Protocol (WAP), mobile phones, and television. In terms of Internet penetration and the variety and calibre of their online services, the Swedish and Finnish markets are at the top of the list globally. With 1.2 million Internet customers, Merita Nordbanken (MRB), now Nordic Bank Holding, is the leader in "log-ins per month," and its penetration rate in Finland (about 45%) is among the greatest in the world for a bank with a "brick and mortar" origin. Sweden's first Internet bank, Standinaviska Easkilda Banken (SEB), launched its website in December of that year. The first bank to offer Electronic Bill Presentment and Payment (EBPP) was Swedbank. Australia offers two different types of internet banking: web-based and through the use of proprietary software. Initial web-based banking products concentrated on consumer banking, whilst proprietary software was offered to businesses and corporations.

The majority of banks with Australian ownership and a few bank subsidiaries abroad have interactive or transactional websites. The websites of Pis offer a variety of online banking services, including account administration and financial transaction facilitation. Online customer services include account administration (bill payments, funds transfers, online product applications), account monitoring (electronic statements, real-time account balances), and

financial activities (stock trading, foreign exchange transactions). Major banks in New Zealand that provide consumers with Internet banking services do so through a division within the bank rather than as a distinct legal organization [1]–[3].

DISCUSSION

In order to ensure its relevance in light of developments in Internet banking, whether as an additional channel, in the form of a specialised division, or as standalone entities (Internet Only Banks), owned either by existing banks or by new players entering the banking industry, the Monetary Authority of Singapore (MAS) in Singapore has reviewed its framework for licencing, as well as for prudential regulation and supervision of banks.Banks in Japan are placing more and more emphasis on client e-banking interactions. They have made internet banking a key component of their plan. Inquiry, settlement, the acquisition of financial products, and loan applications are just a few of the services that some banks offer, but others are looking to set up finance portals with non-finance company firms. In addition to internal services, the majority of banks utilise outside providers.

Indian Banks' Internet Banking Activities

As was previously said, Indian banks provided internet banking services on par with their international counterparts. The service level was initially limited to account information, but very quickly practically all private sector banks and a select few public sector banks began delivering fully functional transactional websites to cover the complete spectrum of online transactions. The majority of public sector banks have fully fledged internet banking services and have deployed 100% core banking systems. Let's talk, for instance, about a public sector bank's internet banking system and the services it provides.The services are available through the bank's website that offers internet banking. Customers will be able to conduct business with the bank online and from any location at any time of day thanks to this feature.

The following are the services that the Bank provides:

1. A view of the account's balance.
2. View of the most recent transactions
3. Create an account statement
4. Moving money between accounts at the same bank that are used for savings, current, cash credit, loans, or recurring deposits.
5. Using the NEFT system to transfer money to accounts at other banks.
6. Viewing accounts for recurring deposits and loans
7. Pay their Excise and Service taxes, which are indirect taxes.

Eligible Clients

The sort of branch where the customer has an account and the kind of customers both affect the customer's eligibility. Customers that fit the following descriptions can open internet banking accounts.

(i) Individual and business clients of branches connected by a network. The majority of public sector banks are now functioning on the CBS platform along with new generation private banks.
(ii) Questions about propriety.

(iii) Corporate clients, such as Limited Companies, Partnership Firms, Trusts, Societies, Associations, etc., where the operation of the account is delegated to a specific person or individuals by the Corporate, Partnership Firm, Trust, Society, or Association. These users should only sign up using the "Corporate Banking" feature.
(iv) The customer must adhere to KYC and AML requirements in accordance with current laws.
(v) For people (or proprietary organisations), the account's mode of operation should be "Single," "E or S," "Any One," or "Survivor."
(vi) The account holder is ineligible if the account is operated "JOINTLY" or if they are a minor.
(vii) An account holder may register all of their accounts under one login ID if they have multiple accounts. An account holder, however, is unable to add accounts that are not under his name.
(viii) Jointly run accounts and accounts in minors' names are ineligible for the Internet Banking service the process for using the service

Retail Customers must take the following steps in order to register for and use internet banking

(i) The consumer must register for the services online through the bank's website.
(ii) The customer is only allowed to register accounts that he is personally authorised to use.
(iii) Each user will have a special login ID chosen by him during the registration procedure to access the account through Internet Banking.
(iv) A customer-id in the branch system is required of the user.
(v) Individuals must deliver the properly signed registration form to the branch.
(vi) The system will create a four-digit pin number once registration is complete.
(vii) The client should commit it to memory and use it while utilising the funds transfer function.
(viii) After logging into Internet Banking with the supplied login-id and password, the client can change his PIN number by selecting the Change Pin option under the Account Services menu.
(ix) Customers who have accounts at many branches may register all of their accounts. The appropriate branches must receive the registration forms.

After consumers submit registration forms, the bank will review the information, complete all criteria for internet banking compliance, and activate the online banking service for the customer if the opening account requirements are met.The Central Bank might be concerned about how Internet banking would affect its credit and monetary policies. The Internet might not have an effect on monetary policy as long as it is exclusively utilised to supply financial services and facilitate standard payment activities.

However, its potential impact on the monetary system cannot be ignored once private sector effort results in electronic money replacements like e-cheques, account-based cards, and digital coins. Even in highly developed nations, online banking has had little to no influence on monetary policy.

Central bankers and regulators from all over the world have been addressing themselves to take on the new difficulties presented by this type of banking. Numerous studies have demonstrated that the price of delivery[4]–[6].

The use of internet banking has increased over time, however in public sector banks, the growth of the service has not kept pace with the user base. This is mostly because there are a lot ofRural PSB branches and clients may not be particularly motivated to use internet banking. Due to the fact that internet banking is not a "bottom of the pyramid" offering, the potential for internet banking in rural branches is also lower than in urban and metro branches. However, public sector banks are making every effort to attract the majority of their urban and metropolis clients to internet banking through services like utility payments, account to account transfers between banks, mutual fund investments, etc. The numbers have increased substantially during the past two years.

Because mobile services are so widely used across the globe, particularly in rural areas, internet banking will fall short when compared to mobile banking as a fully remote channel. Mobile banking is a universal remote channel that appeals to both bottom of the pyramid customers and high-end customers, whereas online banking is a popular channel for upper middle class, tech-savvy customers. Due to its accessibility and ease, mobile banking will eventually reign supreme among retail banking's remote delivery channels. Internet banking services are far less expensive than conventional distribution methods. This is sufficient justification for banks to swarm online and offer an increasing number of services as quickly as possible. Banks run the risk of being eliminated from the market if they don't integrate this new technology in a timely manner.

The focus of regulatory thought in such a situation has been to guarantee that the banks maintain their efficiency and cost-effectiveness while also being aware of the risks involved and having the necessary built-in protections, equipment, and systems to manage the growing hazards. Having systems in place is not enough for banks; even more difficult is keeping the systems updated to the latest, tried-and-true technologies. The third component is to create a regulatory environment that is favourable for the orderly expansion of this type of banking. Many central banks have established extensive regulatory frameworks for internet banking.

(a) It has given various risks that are typically connected to the banking industry a new
(b) Dimension, heightening some of them and posing fresh problems for risk management.
(c) Due to the fact that the Internet is a public domain that is not under the control of a single authority or group of users, issues that have long been of concern to bankers and supervisors, such as the security of banking transactions, the legality of electronic contracts, customer privacy, etc., have taken on new dimensions.
(d) As the efficient and affordable method of delivering banking services, it poses a strategic risk of business loss to those institutions that do not act quickly.
(e) A new type of competition has developed between the market's established players and freshcomers who are not strictly banks [7]–[9].

CONCLUSION

Internet banking is nothing more than traditional banking services given through an electronic communication backbone, namely the Internet, from the perspective of banking products and services being offered through the Internet. However, in the course of doing so, it has brought to light problems with implications that go beyond what a new delivery channel would typically anticipate, which has forced regulators all over the world to take notice of this burgeoning channel. Some of the unique characteristics of i-banking. It does away with the conventional geographic restrictions because it can interact with clients from many nations and legal systems.

The issue of whether legal system or regulatory framework should have authority over these transactions has been brought up as a result.One of the main areas of worry is the security of online banking operations. The adoption of cutting-edge minimum technology standards for access control, encryption/decryption (minimum key length, etc.), firewalls, digital signature verification, public key infrastructure (PKI), etc. are among the security-related concerns.

The banking industry's security policy, security awareness, and security education are all issues that the regulator is equally concerned. The operational and supervisory concerns include early warning systems and risk control methods. auditing information technology and redesigning operational processes. The regulator would also be worried about whether the kind of goods and services offered fall within the legal parameters and whether the transactions conceal money-laundering activities.

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CHAPTER 13

SECURITY FRAMEWORK, LAW ENFORCEMENT AND MONEY LAUNDERING

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ABSTRACT:

Geographical distances have been substantially reduced and communication has become even more quick thanks to connectivity via the Internet. No matter where the trading partners are located, the legislation governing business transactions must be uniform. To support the security infrastructure required for the secure transfer of sensitive information across and within national boundaries, a security policy framework is required. It is required to have some well-established practise for the identification of security threats (as well as the deployment of appropriate controls to manage risks) in order to ensure the secure operation of this type of infrastructure. By using formal methods and tools, this practise can be formalised and (semi-) automated, increasing the reliability of the system specification and, consequently, the users' confidence in it. This is significant since a system's security greatly depends on the precision of its specification. The risk analysis framework must be detailed enough to create a scalable roadmap of the types of problems that are present and to rank them in terms of severity, which makes it easier to choose which ones should be addressed first. Its main goal is to create a practical framework for a precise, unambiguous, and effective risk analysis by combining risk analysis techniques with object-oriented modelling, (semi-)formal methods, and tools. This will help to improve security risk analysis and security policy implementation of security-critical systems.

KEYWORDS:

Disaster, RBI, Recovery Storing Backup, Verified, Transaction.

INTRODUCTION

It must be our goal to make these critical infrastructures completely secure and impregnable because they use the public Internet for communication, including but not limited to the exchange of business, administrative, and research information. Examples of such critical infrastructures include those in the banking and finance, gas and electricity industries, transportation, water, and telecommunications sectors. What types of legislative regulations enable Internet banking in our nation? India does not currently have a formal law governing online banking. As the country's top financial regulatory authority, the Reserve Bank of India has developed standards for Internet banking that would be implemented gradually by banks nationwide. An earlier "Working Group on Internet Banking" established by the RBI concentrated primarily on three areas: technological, security, and legal challenges, as well as regulatory and supervisory difficulties. The RBI has established new criteria for technology andsecurity, among them the designation of a network and database administrator with clearly defined responsibilities.

Additionally, banks must have a security policy that has been duly authorized by the board of directors. Additionally, banks must separate the responsibilities of the security officer or group that only works with the IT division, which is responsible for putting the computer system into place. An information systems auditor will examine the information systems.Additionally, banks are required to provide logical access control methods, which may include user IDs, passwords, smart cards, or biometric methods.

Banks should at the very least deploy a firewall of the proxy server variety to prevent any direct connection with the Internet. An inspection firewall has been advised for sensitive systems. Real-time security alert is among them. The guidelines advise isolating devices offering dial-up services via modem on the same LAN as an application server to prevent intrusions into networks that bypass the proxy server. Technology that uses public key infrastructure is most favoured. Banks may, however, utilise at least a 128-bit SSL (Secured Socket Layer) until it is implemented. On the application server, any unused services must to be turned off[1]–[3].

DISCUSSION

Legal and Security Framework

Additionally, keeping track of all Internet accesses and messages received is crucial. When formulating future policies, it is important to consider reporting security violations (whether suspected or attempted) and the necessary follow-up action.Banks must routinely assess their security framework and procedures. Periodic penetration testing should be performed by the information security officer and the information system auditor, including attempts to crack passwords, searches for backdoor traps and well-known security flaws in software, etc. 'Ethical hackers' are third-party professionals that banks may hire for similar purposes. 'Ethical hackers' is a word used in the RBI guidelines. It is surprising that the RBI guidelines encourage banks to use ethical hackers given that the new cyber law does not distinguish between ethical and unethical hacking and that the IT Act, 2000 made hacking a criminal offence punishable by up to two lakh rupees in fines and three years in prison. The RBI rules further state that a reliable mechanism for storing backup data must be in place and regularly verified to ensure recovery without transaction loss.Establishing disaster recovery sites is necessary to guarantee business continuation. In order to fix defects and security problems, systems should be updated by applying patches made available by developers.

Banks are required by the current regulatory framework to verify the potential customer's identity and conduct due diligence. Only after a proper introduction and physical identification of the prospective consumer could an account be opened.Asymmetric cryptosystems are the only ones that banks should use for digital authentication, in accordance with Section 3(2) of the IT Act of 2000.Under the current legal framework, banks are also expected to safeguard the privacy and confidentiality of their customers' accounts. But it's possible that banks won't be able to fulfil this obligation.Therefore, banks are instructed to implement suitable risk control procedures to manage the same. Additionally, they must let their clients know when and under what conditions any stop payment requests might be honoured.Additionally, banks need to protect themselves from technological failures that result in service interruptions and unauthorised transfers of money from customers' accounts through hacking. It is significant to remember that the rights and obligations of clients using Internet banking services have not yet been determined.The RBI guidelines urge that the current regulatory framework for banks be expanded to include Internet banking under the heading of Regulatory and Supervisory Issues.Additionally, it has been urged

that only banks with licences that are supervised in India and who have a physical presence there are permitted to conduct Internet banking with Indian citizens.The items should not be sold in other jurisdictions and should only be made available to account holders. Only local currency products should be covered by the service provided.The 'out-in' and 'in-out' scenarios in which banks offer cross-border jurisdiction are often not allowed, and the same policy shall also be relevant to Internet banking.

However, customers who are allowed to keep their accounts with foreign banks are not subject to these limitations. If Indian banks are approved by both the host and home authorities, they will be able to provide Internet banking services to consumers abroad. Other directives for banks to follow have been published by the RBI guidelines. For instance, before providing Internet banking services, banks must first obtain approval from the RBI.A business plan, cost-benefit analysis, operational arrangements, third-party service providers, systems, and control procedures that the bank intends to use should all be included in the request for such authorisation. Any violation or malfunction of security protocols and systems must be reported to the RBI. The. Internet banking will be subject to RBI recommendations on "Risks and Controls in Computers and Telecommunications".

To control the risks associated with using third-party service providers, banks should create outsourcing rules. Only organisations that belong to the nation's cheque clearing systems will be allowed to use the inter-ban payment gateways for online transactions.Inter-bank payment gateways must not accept any intra-bank payments, credit card transactions, or payments resulting from international e-commerce transactions.The bank should employ a least line network to connect to the gateway via the computer system. Once a PKI system is put into place, it should be followed. It is important to clarify the obligations and rights of each party, including the payee, the payee's bank, other participating banks, the service provider, and the banks themselves. Banks are required to use a disclosure form to disclose customer risks, obligations, and liabilities. Only those portals with which a bank has a payment agreement should be accessible via links from its website. All types of electronic banking are subject to the aforementioned rules as well.

With the RBI's suggestions put into practise, Internet banking in our nation is expected to receive the necessary boost. The Information Technology Bill, which addresses some of the aforementioned challenges, was passed by Parliament. The Act establishes a framework for the law such that the fact that the information is in electronic form does not invalidate it or prevent it from being enforced. This is accomplished through validating and approving the use of electronic records, electronic signatures, and electronic data interchange (EDI). The Information Technology Act of 2000, which establishes guidelines for the validation and registration of contracts created using electronic means and supports the acceptance of computer evidence in legal proceedings, should usher in the new era of e-commerce and e-government. The Act will make it easier to submit documents electronically to government bodies. The following are considered offences under the Act that pertain to information technology.

Non-compliance with CCA

In accordance with the Act's provisions and any implementing rules and regulations. any distortion or omission of information in order to get a licence or digital signature certificate. disclosure of any electronic record, book, register, information, document, or other material accessed/obtained without the authorization of the person involved, which constitutes a breach of

confidentiality and privacy. Hacking, which refers to periodically erasing or changing any data stored in a computer resource that the Indian government has designated as a protected system. intentionally producing, disseminating, or otherwise making a digital signature certificate available for any fraudulent or illegal purpose. The earlier-developed Acts underwent a great deal of modification. However, it is urgently necessary to alter several regulations in order to make electronic fund transfers legitimate and to bring them into compliance with Internet usage.

Security Procedure

All of the aforementioned topics concern specific actions you may do, tools you can use, and approaches you can use to plug security gaps. A cohesive and successful security programme is held together by security policy. A formal specification of the guidelines by which users are granted access to a computer and its resources is known as a security policy. Creating a Security Policy,the first network security rule is straightforward: Anything that isn't explicitly allowed is forbidden. Simply said, a security policy should explicitly add back access after initially prohibiting it to all network resources. The purpose of creating a policy on computer security is to specify the organization's standards for appropriate computer network usage as well as the steps to take to avoid and address security issues. This requires the policy-making group to take into account and agree upon specific organisational characteristics.

It is important to take into account the organization's objectives and strategy. A military base, for instance, can have security issues that are considerably different from those of a university. Departments within the organisation will also have varied needs, and these should be taken into account. The security policy that is created must be in compliance with all current policies, rules, regulations, and laws that the organisation is bound by. As a result, it will be important to locate them and take them into account while creating the policy.It is vital to think about security consequences on a broader global scale unless the local network is totally isolated and standalone. The policy should handle both the situations in which remote sites cause issues on remote systems and the situations in which local hosts or users cause issues on remote systems. Who will create the network security policy is an important factor to consider. A representative group of decision-makers, technical staff, and regular users from various levels within the organisation must collaborate to create policies. The policy must be enforceable, technical staff must provide guidance on its implications, and everyday users must have a say in how "usable" the policy. A security policy that cannot be applied, implemented, or enforced is meaningless. Identifying the organisational assets and threats, assessing the risk, assessing and implementing the tools and technologies available to address the risks, and defining a usage policy are all steps in the development of a security policy. A timely auditing system that examines network and server use must also be developed. Before any violation or breakdown happens, a response should be set up. All users of the computer network, whether they are employees or contractors, should be informed of the policy, which should also be regularly reviewed[4]–[6].

Finding the Organization's Resources

A security policy's initial step is to compile a list of all the objects (assets) that need to be secured. Since most organisations constantly add and remove equipment, the list needs to be updated. Hardware such as CPUs, boards, keyboards, terminals, workstations, personal computers, printers, disc drives, communication lines, terminal servers, and routers are among the things to be taken into account. Programmes for creating sources, objects, utilities, diagnostics, operating systems, and communications. Data throughout execution, saved online,

archived offline, backups, audit logs, databases, and information travelling via communication means. System operation requires users, or humans. Programmes, hardware, systems, and regional administrative practises should all be documented. Paper, forms, ribbons, and magnetic media are the supplies.

Identifying the Risk

Even though there is a lot of concern about computer network intrusions, most polls reveal that the actual loss from people within the organisation is much higher. Finding out what needs to be protected, from what, and how includes conducting a risk analysis. It is the process of evaluating each risk and classifying them according to their seriousness. Making decisions about what you want to safeguard that are cost-effective is a part of this process. In addition to the threats already mentioned above, your network may also be vulnerable to unauthorised access. Data corruption, a virus-caused slowness, or a lack of service, including all or partial network services. Sensitive information being revealed, particularly if it gives another person a distinct advantage, or information, like credit card numbers, being stolen. The danger and the value of the resource should be balanced after the list has been created. This will make it possible for policymakers to decide how much work needs to be done to protect the resource.

Setting Standards for Acceptable

The technical underpinnings of a security policy will be the tools and programmers covered in the previous section. However, this just addresses a portion of the issue; equally crucial is how users engage with the network. Who is permitted to utilize the resources should be taken into account when developing an acceptable usage policy. What kind of use should be made of the resources? Who has the power to authorize usage and give access? Who might be granted system administration rights? What obligations and rights do users have? In comparison to those of the user, what are the system administrator's rights and obligations? How do you handle private information? You may wish to address a number of matters when defining users' rights and obligations, including: The rules for resource consumption, if users are restricted, and, if so, what those constraints are. What does system performance abuse look like? Whether or not users are allowed to share their accounts or allow others to use them. Users should keep their passwords as "secret" as possible. How frequently users should change their passwords, as well as any additional password requirements or restrictions. Whether you give people backups or demand that they make their own. disclosure of potentially confidential information.

E-mail privacy statement (Electronic Communications Privacy Act)

Does the business regard email as be the property of the company or private to each employee? Your stance on obscenity, harassment, and other inappropriate content in emails or posts to mailing lists or discussion forums, as well as how you represent the organisation in these spaces.It is crucial to specify who would interpret the rules on electronic communications, mail forgeries, etc. It could be a single person or a group of people. No matter how carefully drafted the policy is, it will occasionally need to be interpreted. This group would be responsible for reviewing, interpreting, and revising the policy as necessary. Utilise the tools that come with your computer and network to conduct an audit and review to help identify any security policy violations. In log files, the majority of operating systems keep a wealth of information. The first line of defence in identifying unauthorised use of the system is frequently routinely reviewing these log files. Compare lists of users who are now logged in and prior login data. The majority

of users regularly log in and log out at the same time every day. An unauthorised user can be using an account that is logged in outside of the account's "normal" hours. For billing purposes, many systems retain accounting records. These records can also be utilised to identify the system's usage habits; unexpected accounting records could point to unauthorised system use. Check system logging tools, such as the UNIX "syslog" application, for odd error messages coming from the system software. For instance, a high volume of unsuccessful login attempts in a short amount of time may be a sign that someone is attempting to guess passwords. Users running programmes they are not authorised to use can be found using operating system commands that list presently running processes. Unauthorised programmes that have been started by an intruder can also be deleted using these commands. You can make it difficult for an intruder to predict your behaviour by running different monitoring instructions at various intervals throughout the day. Reviews are essential given the dynamic computer environments of today. Through readily available user-friendly point-and-click tools, breaking into networks over the internet is becoming astonishingly simple. The process of security is dynamic. An organisation can only remain secure and productive by collecting the core team or a representative subset, reviewing how things are working while being aware of the most recent threats and security technologies, and measuring the risk against new assets and business practices [7]–[9].

CONCLUSION

A formalised process that informs all users about the security policy should be part of the security policy. Users should also be made aware of the proper usage of computer and network systems as well as how to safeguard against unauthorised users through an educational campaign. Each user should be made aware of the "proper" ways to use their workstation or account. Sending the user, a policy statement at the time he acquires his account is the most convenient way to accomplish this. The proper application of policies often specifies issues like whether or not the account or workstation may be used for personal tasks (such chequebook balancing or letter writing), whether profit-making activities are permitted, whether gaming is allowed, etc. How to detect unauthorised access to an account should be explained to users. When a user logs in, if the system publishes the last time they logged in, they should be instructed to check that time and note whether it matches the last time they actually logged in or not. The security policy should, ideally, strike a balance between security and efficiency. Violation Response When a site security violation is discovered, an organisation may decide to take a number of desirable and unsatisfactory actions. It's a good idea to prepare replies for various circumstances far in advance, before there's any pressure from an actual incident. You must have clearly defined series of actions based on the type of user breaking your computer security policy in addition to having defined actions based on the type of violation. To guarantee fast and appropriate enforcement after a policy violation is found, the next step should be determined in advance. To ascertain how and why the breach took place, a probe should be conducted. The right corrective action should then be taken. Depending on the kind of infraction that happened, a variety of actions are taken, varying in nature and severity.

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CHAPTER 14

NEED FOR SECURITY IN E-BANKING

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ABSTRACT:

Business bank accounts have historically been supported by a strong relationship between the business owner and the bank manager, who used to work at the same branch and job for years. The reorganization and restructuring of bank branches significantly altered this approach.Today's business owner is concerned with having more opportunities to quickly obtain consistent, trustworthy, high-quality counsel, the opportunity to check his account balances whenever he wants, and the capacity to process checks quickly and efficiently for paying vendors, among other things. As a result, numerous banks' clients and consumers can now access e-banking services. Among the services provided by Indian banks. Account information, including a summary of the transaction and the current balance.The real-time balance of the company's account; Day-to-day transactions; and Information on the cash credit limit, drawing power, amount used, etc. Downloading the account statements as an Excel or Word file: For automatic reconciliation, the statements can be integrated with the ERP system.Fund Transfers: By using an online fund transfer method, one can manage a supply-chain network effectively. Real-time fund transfers occur between the various bank locations. One-to-one fund transfers between two linked accounts are made possible by this offering.

KEYWORD:

Network Other, Programmer. System,Virus.

INTRODUCTION

For facility access, a registered user must input their corporate ID and password. He has access to real-time financial transfers within the bank network and online account views across all of the bank's locations. The security features embedded in the software: Total security is to prevent hacking at the site through foolproof mechanisms. The fund transfers are maintained in a database at the bank and are later made available to him to integrate with his MIS. Firewalls, data encryption, and digital certification precautions offer complete security and stop site hacking so that no malevolent or unauthenticated individual may access it.

Benefits for the Client: The Client incurs no additional costs in order to utilise such services. All that is necessary is access to the Internet. The solution enables the business to effectively manage its cash flows and simplify reconciliation tasks because all MIS is accessible with a single mouse click. The customer's account statements can be downloaded as either an Excel file or a Text file for integration with the client's ERP system. With the assistance of the bank, the account statements and bulk payment files can be integrated with his ERP system. Depending on the type of work involved, the bank may impose a small cost. fund transfers in bulk. You upload the file containing payment/collection information when transferring money in bulk. Some bank systems handle the full file processing, and after the file is processed, it can be integrated with your ERP for automatic reconciliation.

The net-based fund transfer allows for the creation of user-wise limitations and multiple signatures in a real-world scenario. You can define the number of approvals required for each fund transfer as well as the user-wise cap on funds transfers[1]-[3].

DISCUSSION

Online banking and business clients

One can link the accounts to his or her account with a Power of Attorney from the suppliers or dealers in order to have an online fund transfer, saving and money involved in cheque collecting systems. Alternately, the dealer can use this channel to credit his or her account. In a similar vein, one might make payments and other transactions online. Additionally, clients can make the following requests online:

Payment of individual bills

Thus, the Internet has ushered in the idea of anytime, anywhere banking. The onerous chore of the individual having to visit many locations to pay his service bills, such as telephone, water, and electricity, is overcome by the Electronic Bill Pay Service offered by the banks. He may pay his usual monthly expenses, including those for his phone, energy, mobile phone, insurance, etc., directly from his PC. He can arrange his bills in advance to prevent missing deadlines and to increase the interest he receives on his money. No more missed deadlines, no more interest loss.

The electronic mall for shopping

As the bank can offer online real-time shopping mail services through partner shopping sites, the consumer may also make his payment for his purchases through the bank's safe website, allowing him to shop without worrying about security.

Share Trading: Cash Trading

When considering an immediate liquidity alternative, "Cash on Spot" may be the best choice for the consumer. When shares are sold using the "cash on spot" option, funds are credited to the customer's bank account that evening rather than on the payout date set by the exchange. Then, you can withdraw this money from any of the bank's ATMs. The client may also transact directly through his bank at the recognised stock exchanges of the nation.

Purchasing mutual funds

Electronic banking offers the user the same ease of use and paperless investing that is available when investing in mutual funds. Without having to deal with the inconvenience of filling out application papers or any other paperwork, he can invest in mutual funds. No signatures or identification documents are required for him to invest. There are no manual procedures involved once the investor submits a request to invest in a specific fund. His bank accounts are automatically credited or debited, and his unit holdings are also credited or debited[4]–[6].

Futures trading in derivatives

On the approved stock exchange, the consumer may also trade index and stock futures using electronic banking. He enters into buy/sell positions in index or stock contracts with a lengthier contract period of up to three months when he trades futures.

Optional trading of derivatives

A contract known as an option grants the buyer the right to purchase or sell shares at a particular price, on or before a particular date. The buyer must pay the seller a sum of money known as a premium in exchange for this. The buyer is not required to continue the transaction if the pricing is not in his favour. He needs to put down a specified amount of order value as margin before he may buy or sell index or stock options. With options trading, he can take considerably larger buy/sell positions than he could in the cash segment without exceeding his trading limit.

Online IPOs

The consumer could also invest in Initial Public Offers (IPOs) online without having to deal with the trouble of filling out any application forms or paperwork. He can obtain in-depth analysis of upcoming fresh initial public offerings (IPOs). A user may keep up with the IPO markets with the help of tools including an IPO calendar, recent IPO listings, prospectus/offer materials, and IPO analysis.

The range of services that banks and other financial organisations can offer through the electronic channel is thus limitless. Every institution strives constantly to develop and offer new items in an effort to win over the customer. Because of the Internet, customers can now quickly learn what kinds of services are being offered by various organisations and can choose the option that best suits their needs. The advantages for the employee are equally wonderful. He has changed from being a clueless employee who filled out paperwork and copied from books to a reliable service provider who genuinely cares about the client. He now deals with consumer expectations, when in the past he dealt with a specific process. As a result, he now needs more knowledge resources, which he can obtain through better training and other organisational development initiatives like work groups and functional teams, where people with various backgrounds and skills come together to share knowledge and perform high-tech services and operations.

Security is Required?

The rise in Internet usage, most notably the boom in computer interconnection, has completely changed how businesses are conducted and how organisations around the world communicate. The advantages have been tremendous. Today, we actually have a wealth of knowledge at our fingertips. Financial and other commercial transactions can frequently be carried out instantly, frequently around-the-clock. Electronic mail, websites, and computer message boards make it quick and simple to communicate with virtually any other person or group.

Almost all of our key record-keeping tasks are now performed by computers. Recently, personal computers have made automating many office tasks affordable. Organisations are starting to exchange data widely now. This has led to initiatives to transform LAN-based protocols, in particular, into WAN-friendly protocols. In order to impose mostly broadcast protocols via point-to-point links, which are two different techniques of delivering packets across networks, the consequence has given rise to an entire business of consultants who are knowledgeable about manipulating routers, gateways, and networks. TCP/IP, the main protocol used on the Internet, has frequently been the preferred protocol. TCP/IP is used by businesses to connect with one another across public and private networks. This gives people, governments, and corporate organisations plenty of opportunity to engage with one another globally.

There are many benefits to computerization, and it is here to stay. But automated systems come with additional dangers. The advantages of this interconnectedness are followed by enormous threats to computer systems, vital activities, and infrastructures that they support, including telecommunications, power distribution, national defence, law enforcement, financial services, government services, and emergency services. The dangers that were there while manual processes were in use, as well as certain new hazards brought on by the distinctive characteristics of computers themselves, should now be of concern[7]–[9].

How Networks are affected

One system's issues will ripple through its network of associated systems. Massive computer networks offer connections between systems that, if improperly secured, can be leveraged to obtain unauthorised access to data and operations from distant places. Businesses place a great value on private information arriving at its destination undamaged and without being accessed by anybody other than the intended receiver when sending it over the internet. Obviously, those transmitting private conversations want secure communications.When a system is connected to a network, it becomes vulnerable to assaults. If the security of a system is breached, there is a substantial danger of data loss. When a large volume of data is concentrated in one place, a serious risk is presented. The effects of loss or destruction will be more severe the more concentrated the data.

The risk of computer users accessing data from distant terminals is another. We need to be able to positively identify the user and guarantee that they can only access information and features that have been granted permission.A file is sent from user X to user Y. The file contains confidential information that needs to remain private, such payroll records. Unauthorised users have the ability to grab a copy of the file during transmission and keep an eye on its broadcasts. These are just a few extremely basic instances.This Chapter goes into great detail about the causes of risks, the effects they are likely to have, the control measures to be adopted, and the methods to evaluate them. It also covers the legal aspects and security control measures.

Network System Components

All systems are made up of three elements: personnel, personnel, and procedures. The same is true for network and computer systems. The ways of safeguarding a computer system include the security of the software and hardware, the reliability of the processes for using and maintaining the system, and the dependability of the people who use and manage it.

The three types of risks to a system are malicious intent, ignorance, and acts of nature or the gods. The main factors that affect and endanger the banking industry are errors and fraud threats, regardless of the amount of technological advancement. However, technology once more takes the lead and works to keep these hazards in check. Therefore, we can only deem a system successful when it is able to control and prevent hazards to the greatest extent possible.

Banks and other financial firms face fierce competition as a result of customer demands. They are attempting to provide customers cutting-edge products at more affordable prices and higher-quality services. Therefore, the effectiveness of a bank is measured by the quality of the information present in the communication networks and how well they are applied to the changing needs of the business and the customers.

But the dangers of using IT, along with security and control gaps in banking practises, might seriously jeopardise the business of banking. The threats have not only spread outside the conventional sectors but have also become a significant cause for worry as a result of the drastic growth in reliance on computers and IT-related equipment.

Risk

The danger is that a hacker might be successful in trying to connect to your local network using your wide-area network link. Such an event could have a wide range of repercussions. The information may be revealed, destroyed, or altered as a result of unauthorised access. In other words, it happens when information systems are accessed or used for improper, unlawful, or prohibited objectives. Generally speaking, someone has the chance. The danger arises whenever someone with the desire tries to break into a network without authorization or whenever someone already has access to your network. The threat could therefore originate from anyone. The susceptibility of a network to a threat is affected by a number of variables, including:

Different Threats

Viruses are one sort of threat, but others include malicious software, trapdoors, logic bombs, and Trojan horses.Malicious programmes can be divided into two groups: those that require a host programme and those that can run on their own. The former are essentially parts of programmes that require an actual application programme, utility programme, or system programme to function. The latter are independent programmes that the operating system can schedule and execute.

Trap doors:

A trap door is a covert entryway into a programme that enables a user to enter without going through the regular security access procedures if they are aware of the door's existence. When they are employed by dishonest programmers to gain unauthorised access, they turn become threats.

Logic bombs:

A logic bomb is a piece of code that is embedded in a trustworthy programme and is programmed to 'explode' if particular criteria are satisfied. The existence or absence of specific files, a specific day of the week or date, or a specific person operating the application are a few examples of situations that might be utilised as triggers for a logic bomb.

Security Issues with Online Banking

Trojan horses are helpful programmes or command procedures that contain hidden code that, when executed, carry out specific tasks. undesired or detrimental effect. Trojan horse programmes can be used to perform tasks that an unauthorised user cannot directly perform.

Worms

To propagate from one system to another, worm programmes need network connections. A network worm can mimic a computer virus or bacteria after it has entered a system, install Trojan horse programmes, or carry out any number of disruptive or harmful operations.

Bacteria

Programmes that don't specifically harm any files include bacteria. They exist just to reproduce themselves. Bacteria multiply rapidly until they eventually occupy all available CPU power, memory, or disc space, preventing people from using such resources.

Viruses

A virus is a programme that alters other programmes in order to 'infect' them with a copy of the viral programme, which can then spread to other programmes. Everything that other programmes can accomplish, a virus can also do. The sole distinction is that it joins another programme and runs covertly when the host programme is launched.

CONCLUSION

A polymorphic virus is one that changes with each infection, making it impossible to identify it by its "signature." A typical virus goes through the following four stages during the course of its lifetime: Dormant phase: The virus is dormant. It will eventually be triggered by a certain circumstance, such as a date, the existence of another programme or file, or the disk's capacity exceeding a certain threshold. Not all viruses make it beyond this barrier. Phase of propagation: The virus inserts a duplicate copy of itself into other programmes or specific system locations on the disc. A copy of the virus will now exist inside every infected programme, and it will start to spread on its own. Phase of triggering: The virus gets turned on to carry out the task for which it was designed. The triggering phase, like the dormant phase, can be brought on by a variety of system events, such as a tally of how many times this viral copy has multiplied.

Execution phase: During this phase, the virus carries out the desired task, which could be beneficial (such as displaying a message on the screen) or detrimental (such as deleting programmes and data files). The majority of viruses operate in ways that are unique to certain operating systems and, in some cases, exclusive to particular hardware platforms. They are therefore made to capitalise on the specifics and flaws of particular systems. Vulnerability In essence, vulnerability refers to how well-defended your network is against intrusions from the outside, as well as how well-defended it is against access being accidentally or purposefully given away by a member of your network or other network-related harm. In your own internal audit of security standards and policies, you will need to evaluate two factors: motivation and trust.

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CHAPTER 15

STRUCTURE OF CREDIT AND DEBIT CARDS

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ABSTRACT:

A credit card is what? A credit card is a thin plastic card that is typically 3-1/8 inches by 2-1/8 inches in size. It features identity information like a photo or signature and allows the person whose name is on it to charge goods or services to his account. He will be billed for these charges on a regular basis. ATMs and Point of Sale (POS) Terminals at various businesses, including textile shops, supermarkets, jewellery showrooms, book stores, and restaurants, among others, may read the information on the card. Let's look at the operational process of using credit cards before we get into the specifics of the issue, use, and management of credit cards from beginning to end. The credit card's "Buy Now, Pay Later" philosophy. Credit cards contain many intricacies, despite how straightforward they may seem. Credit cards are plastic cards that can be used to pay for products and services instead of cash and to withdraw cash when necessary. The card payments or cash withdrawals must be done after a predetermined length of time and with a payment option spread across time. Utilising the card initiates the procedure, which concludes with the payment of outstanding card balances. Depending on the needs of the card user and the regularity of their needs and requirements, the process is repeated throughout time. The volumes and values as indicated below reflect the significant evolution of cards as a payment method in India during the past ten years.

KEYWORDS:

Cash Back Offer, Incentive, Increments, Payment.

INTRODUCTION

Credit cards date all the way back to the 1800s. Shop owners that sought a quick way to keep track of consumer purchases made on credit first used it. They provided tokens with numbers on them rather than continuously recording the personal information of their consumers. The store clerk just needed to record the token number when the consumer completed a transaction. Since nothing significant occurred for credit cards to be created, the history of credit cards is not particularly interesting.

In the 1920s, individual firms in the United States, including hotel chains and gasoline companies, started giving them to customers in exchange for purchases made there. The first credit card that could be used at a wide range of establishments was launched by Diner's Club Inc. in 1950, and its use greatly increased following World War II. With this approach, the credit card firm would bill cardholders either monthly or annually for an annual fee. The American Express Company introduced "Don't leave home without it!" as another significant universal card in 1958. The Franklin National Bank came up with a ground-breaking new method of extending credit to their clients in 1951.

Revolving credit accounts were developed by them, allowing their clients to borrow money, pay it back, and then borrow again without continually needing a loan approval as long as they stayed within their credit limitations. Other banks soon started imitating them and started providing revolving lines of credit to their clients[1]–[3].

DISCUSSION

Worldwide Scenario

The banks then began issuing credit cards that customers could use to make purchases at nearby stores. Customers soon desired the ability to use their credit cards outside of their immediate area, though. The bank credit-card system arrived later. In accordance with this arrangement, the bank credits the merchant's account when sales slips are received (merchants appreciate getting paid promptly!) and gathers charges to be invoiced to the cardholder at the conclusion of the billing month. The cardholder then pays the bank the outstanding debt in full or in interest-bearing monthly installments (also known as carrying costs). In 1959, the Bank of America in California launched Bank Americard as the nation's first statewide bank plan. Beginning in 1966, this system received licences in other states, and in 1976 it changed its name to Visa. Following were other well-known bank cards, such as MasterCard, formerly known as Master Charge. Many smaller banks that had previously supplied credit cards on a local or regional basis developed partnerships with large national or worldwide banks in order to offer extended services, like meals and lodging.

Indian Case Study

In the 1980s, Citibank and HSBC led the way in the Indian credit card industry. In 2000, there were more than 10 players, an increase of two decades. Between 1987 and 2001, the credit card market experienced a brisk annual growth rate of over 25%. Andhra Bank and Bank of Baroda were among the first public sector banks to open, followed by Bank of India. Among the international banks, Standard Chartered Bank started offering credit cards and progressively increased its volume. Canara Bank is a different bank that entered the credit card market later but increased volume by partnering with other PSBs like Union Bank of India, Indian Overseas Bank, etc. Canara Bank was the first to introduce the franchisee and co-branded model in the credit card industry in order to reach a critical mass. But despite all of the aforementioned changes, international banks remained the market leaders for credit cards in India until the emergence of two significant domestic companies, ICICI Bank and then State Bank of India. Both of the aforementioned banks actively rolled out their credit card initiatives and entered the market with user-friendly card application requirements. For its credit card operations, State Bank of India established a separate company with GE Capital. Along with the two mentioned above, HDFC Bank is another significant player. Several banks, including foreign, private, and PSB banks, eventually entered the credit card market, but Citibank, Standard Chartered, State Bank of India, ICICI Bank, and HDFC Bank dominate it with more than 90% of the market.

Credit Card Features

1. Due to their partnership with Visa and Master Card, credit cards are accepted everywhere.
2. The "Card Limit" is a usage cap that is placed on credit cards and establishes the maximum amount that can be charged. Limits on ATM withdrawals of cash are fixed and

must not exceed the entire card limit within the overall limit. While the total amount may be utilised whenever necessary without incurring any fees, depending on how frequently cash withdrawals are made, finance charges may be collected.

3. Credit cards have a regular billing cycle, and the billing date determines the due date for payment. The free credit period, which varies between banks and typically lasts between 20 and 50 days after the billing date, is the time frame during which payment must be completed.
4. Reward points are given based on the quantity and type of usage to encourage card use. varying reward classes, such as Silver, Gold, Platinum, and Titanium, have varying reward points. The total reward points for the usage will be based on the usage and calculated per Rs. 100. The reward points will be provided based on usage and will be fixed points per Rs. Cardholders may redeem their reward points in accordance with the card issuing bank's rules. generally every two reward points. Re 1 will be redeemable, and the use of reward points will be subject to the merchants the card issuer has listed.
5. Another marketing strategy that encourages credit card use is currently popular. In order to encourage more use of credit cards, the "Cash Back Offer" concept was established. This incentive is granted in increments of 2% to 10% and is factored into the payment. There is always a cap on the overall amount of the cash back offer.
6. There are several ways to pay for card usage that occurs both after the credit period and on the due date. On or before the due date, the complete payment may be made. As an alternative, at least 10% of the outstanding balance can be paid each month by the deadline. The third method of payment involves turning the unpaid balance into a loan and paying it back in equal monthly installments (EMIs).
7. Late fees are charged for payments received after the due date and can range from Rs. 200 to Rs. 500 depending on the bank.
8. As an extra feature, cards are often produced with images. .Most credit card issuers have a minor cap on their liability to the cardholder in the event of card loss. Typically, the responsibility is limited to Rs. 1000/- (Rupees One Thousand Only), with any remaining liability being covered by an insurance policy issued by the card issuer. From the moment the loss is reported to the card centres, which are open 24/7, liability for lost cards can be managed.
9. The Reserve Bank of India has enforced the use of special security features like Verified by Visa, Mastercard Secure Code, and others for additional password protection for online purchases made with credit cards, similar like PIN for ATM transactions.
10. Depending on the type of card, some banks provide cardholders with complimentary personal accident insurance coverage ranging from Rs. 1 Lac to Rs. 10 Lac.

Charges

For the various services provided by card issuing institutions, fees are occasionally assessed and must be paid by cardholders.If a cardholder deposits less than the whole amount due or the minimum payment, finance charges may apply. The remaining sum due will be carried over to following statements. Finance costs will apply to the entire amount due, including new purchases and other bank fees, until the day of full and complete payment. Cash advance finance fees are charged on the day the cardholder made the transaction and continuing until it is fully paid. At the conclusion of each day, finance costs are determined based on the customer's outstanding balance at that time.

Illustration:

Minimum Amount Due: To determine the Minimum Amount Due (MAD), the New Debits for the month, past-due payments, and additional charges are added together. Included in the minimum amount is the amount by which the cardholder went above the card limit. The minimum monthly payment must be greater of the following:

1. The 5% of the outstanding statement, or
2. The sum of all installments due, interest, fees, other costs, the amount that exceeds the limit, and 1% of the principle, whichever is greater.
3. Rs.250/-. if the statement balance is less than Rs. 250 or if there is a default. The total amount owing must be paid.

The concept of the Minimum Amount Due in credit card debt repayment is highly perplexing. By delaying payments and charging an astronomical rate of interest on the remaining balance, it is designed to increase the card issuer's revenue. For instance, it will take approximately 6.5 years to pay back Rs. 10,000 if we spend that much and pay the Minimum Amount Due each month.

Maximum Interest Free Period: This is the length of time during which no interest is applied to card balances, provided that no past-due card payments are outstanding. The time frame varies based on the type of card and the card issuer, and can be anywhere between 20 and 50 days. Only retail purchases are eligible for this, and only if the balance from the previous month has been fully paid.

Assume that the second of each month is the date of your statement. For instance, the purchases that were billed between September 3 and October 2 will be included in your October 2nd statement. You have 22 days to make payment, and the card due date will be established based on that. If you make a purchase on October 3rd, it will show up on your statement dated November 2nd, and the payment is due 22 days later. However, interest will be applied to the entire term and any subsequent purchases if the full payment is not made by the due date[4]–[6].

The Interest Free Period does not apply to Revolving Balances or Cash Advances.

Annualised Percentage Rate (APR): Interest will be assessed for any sums that are still owed as of the due date as well as for any subsequent purchases. To lessen the impact of high interest rates, the interest rate was traditionally stated as a monthly percentage rates when figured on a yearly basis. However, due to regulatory requirements, credit card issuers must now explicitly state the interest rate as an annualised percentage rate. To calculate the Annualised Percentage Rate (APR), the monthly interest is annualised.

Let's look at an example where a card issuing bank charges varying APRs for different kinds of purchases.It is obvious from the above that interest rates vary depending on the type of transaction, with cash withdrawals having higher rates than other types of retail transactions, even if both are excessively high. However, the rates are set high since unsecured credit card debt is predicted to have a high delinquency rate. However, the majority of cardholders will review their APR every three months based on how they use and manage their cards.

Other Fees & Penalties: The credit card company's issuing bank may impose additional fees and penalties. Below is a list of the fees/penalties that a bank charges for different services and defaults[7]–[9].

CONCLUSION

Debit cards have many features that credit cards do not. As previously stated, credit cards define the phrase "Buy Now, Pay Later," but debit cards define the phrase "Buy Now and Pay Now." The crucial feature of a debit card is that it allows users to make payments directly from their account balances at the point of sale. The debit card has the account information encoded in it and may be used to make purchases at both retail outlets through POS machines and to withdraw cash from ATMs. Although credit and debit cards have similar technology in terms of usage, size, numbers, etc., there are distinctions between the two in terms of functionality and fees. When debit cards first came out, they were marketed under the subbrand names Electron (Visa) and Cirrus (Master). However, these brands are no longer used today; instead, Visa and Master simply issue debit cards under the term "International Debit Card." When an account is opened with the bank, a debit card is issued. This is now a standard feature and vital value addition for savings banks. Banks can offer debit cards in two different methods. A generic debit card without the name embossed was issued at the time.

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CHAPTER 16

MANAGEMENT OF CUSTOMER RELATIONSHIPS IN RETAIL BANKING

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ABSTRACT:

The three factors mentioned above show that managing clients and their relationships with them is a responsibility for banks. By providing the appropriate product(s) that meet the customer's demands, the bank must manage the customer. Relationship with the client indicates that the bank's service quality must completely meet the customer's expectations and produce the customer's complete satisfaction. Additionally, it underlines the need of addressing all of the customers' needs and ensuring complete customer satisfaction through service delivery. Customer relationship management (CRM) generally entails having a 360-degree picture of the consumers and their profile, tracking their requirements continuously, providing them with products and services that are a match, cross-selling pertinent products to his changing demands, and keeping him satisfied indefinitely. Now let's examine the CRM dynamics.

KEYWORDS:

Customer Relationships, Management, Retail Banking,Service Delivery.

INTRODUCTION

The goals of an effective CRM are to form close relationships with individual consumers, deliver the best products and services in a dynamic manner, and generate lifetime value from those customers in order to develop long-term profitable partnerships. Processes and models that are organised and focused on technology would be used to achieve this. CRM aims to improve client spending on banks' services and boost the profitability of banks on a per-customer basis. NPAs and retail banking go hand in hand.

Despite being a lucrative revenue stream for banks, operating the company involves certain inherent risks. Since they are essentially unsecured, sensitive retail items like credit cards and personal loans are prone to default. In fact, some private banks are seeing significant delinquencies in this market, forcing them to change from an aggressive to a monitoring mode and limit the growth of their retail asset base. Due to defaults and delinquencies, certain public sector banks are also seeing increased NPAs, particularly in the home loan segment.

This necessitates the development of an efficient customer tracking system for the supervision and recovery of retail loans. Despite the fact that Credit Scoring models are used to evaluate credit card limits, loan limitations, etc., the NPA phenomena still exists. CRM aids in customer tracking and recovery follow-up [1]–[3].

DISCUSSION

Management of Customer Relationships in Retail Banking

What does Customer Relationship Management (CRM) mean in the context of banking, specifically retail banking? There are three components to CRM, as is common knowledge, namely.

(a) Client
(b) Connection
(c) Management

i. Using a tech-enabled model to capture the client profile.
ii. Breaking down the profiles into categories of related data.
iii. Creating appropriate goods and services to satisfy the various information buckets.
iv. Providing the correct products and services at the right price to the targeted and segmented client base.
v. Using the proper sales and service procedures to ensure complete client satisfaction.
vi. Monitoring client information on an ongoing basis to develop new goods and services that take into account the shifting needs of the market.

All of the aforementioned projects show that CRM gives banks a way to be proactive in addressing customer requirements and expectations, as well as analyse data from all channels and data sources to profile customers, predict attrition, and forecast customer profitability. The core of CRM is customer optimisation, which may be handled through three dimensions, namely.

a. Finding new, profitable customers for the bank right away.
b. Maintaining long-term relationships with existing clients who are most profitable and beneficial to the bank.
c. Growing the customer base with the bank, which encourages more purchases and moves the less lucrative clients to lower-cost delivery methods.

HOW and WHY CRM?

Why use CRM? Everyone involved in retail banking has to know the answer to this crucial question: Without CRM, can banks track customer profiles and provide the services and products that best meet their needs and expectations? But the following requirements for banks to undertake a CRM programme will provide the answers to the aforementioned queries.

(i) The requirement to improve operational effectiveness
(ii) The need to get greater value out of workers.
(iii) Growing Competition in Retail Banking
(iv) Rising NPAs
(v) The significance of fee-based income is rising.
(vi) Efficacy of the Delivery Channel
(vii) Technology Application.

CRM is required for banks in order to create business synergy and resource optimisation, not only as an alternative. CRM can be used as a tool to explore new possibilities in product management and profitability per customer, as well as to generate and maintain brand equity and customer loyalty. For a better grasp of CRM, let's go through each of these requirements in more detail.

The requirement to improve operational effectiveness.

Managing operational expenses for the bank generally and delivery costs specifically as they relate to retail banking is the essence of operational efficiencies. Moving consumers to computerised and remote channels like ATMs is the traditional illustration of branch banking. Delivery through the counter is less expensive than direct delivery at the branch. ATM.

Therefore, the goal of the banks is to move the consumer from the branch to the ATM in order to save operating costs and increase operational effectiveness. The ability to identify client categories that can be moved to ATM as an alternative delivery option for them is made possible by CRM.

The need to get greater value out of workers.

By changing employees' duties to provide service to clients who are more profitable, the next dimension is to increase employee productivity. The wave of retirements through VRS and superannuation has forced banks to embrace technology extremely aggressively and use the diminished staff more effectively to create more value. In this case, there are two value dimensions: employee value and customer value.

Employing employees in marketing and for cross-selling and up-selling chances, improved company values, and volume increases their value. Customer value is derived from employee productivity and per-customer profitability in order to encourage customers to use the greatest possible number of goods and services. The output quality of employees would increase, as would total employee productivity, with effective CRM solutions.

Growing Competition in Retail Banking

In retail banking, the word of the moment is competition. Private and foreign banks compete for market share since retail banking is a lucrative business model for them. Customer orientation is their main focus in order to do this, and they use a variety of strategies, including product creation, process optimisation, pricing, delivery options, and value enhancements, to attract, keep, and expand their customer base. A strong CRM programme aids banks in achieving the aforementioned goals.

The significance of fee-based income is growing

Due to spread pressure, most banks' net interest margins are declining, and banks are searching for ways to boost their bottom lines. The third party distribution of fee-based income is a desirable option for the banks. In certain private banks, fee-based models account for more than 50% of total revenue. Public sector banks are actively engaged in third party distribution to generate fee-based income.

Selling insurance products (both life and non-life insurance) and mutual funds to specific consumer categories provided excellent opportunity to generate fee-based income. Another way to increase fee-based income is through the retail sale of gold coins, which was pioneered by a few banks and adopted by practically all institutions. CRM tools assist the bank in locating potential consumers to whom it can market these goods[4]–[6].

Efficacy of the Delivery Channel

Customers can choose from a variety of physical and remote channels to improve their experience and get the most out of the channel(s) they use. While some client categories choose remote channels like ATMs, Mobile Banking, and Internet Banking, other consumer segments prefer direct channels like branches. However, some customers choose to use a variety of channels to meet all of their demands. In order to increase customer loyalty and retention, banks can better serve their various client categories by providing the correct channel mix.

Technology Application

Retail banking cannot be separated from technology, and programmes like Core Banking Solutions, Mobile Banking, and Internet Banking are only a few examples of its many forms. Banks must use technology to maximise sales through a methodical approach to cross-selling and customer mining in order to maximise earnings. CRM software makes this possible through the use of technology.

The aforementioned arguments simply serve to emphasise the necessity of CRM from many angles. When all of this is combined and managed, CRM becomes extremely profitable. But the reliability of the client data is the foundation of CRM. A meaningful CRM requires the use of two key tools: data warehouses and data mining. To guarantee the accuracy of the data, the data must be seamlessly sourced from the Core Banking Solutions (CBS) platform without any user intervention. Major business decisions and strategies are based on the MIS produced by this instrument, which is a crucial factor given the enormous volumes that are typical of a retail banking environment. As a result, CRM practises without a strong client database will not be effective and will not produce the expected results.Now that we are aware of the necessity for CRM in banks, let's examine the implementation aspects of CRM in banks.

CRM Installation Process in Banks

Even though CRM is essential in India's retail banking environment, the implementation process is challenging due to several differences in business process structure, organisational structure, and technological structure and architecture, to name a few. Let's look at the various crucial challenges that banks have when using CRM.

Business procedures

To decide what kind of products to offer and how to build the bank's customer portfolio, it is critical to evaluate the present business procedures. A crucial prerequisite for tailoring the CRM solution for the specific bank is the orientation and description of the business operations.

Information processing

Analysing the information procedures that the bank is currently using is a part of this. The adoption of the CRM systems in the bank depends on their connection with the CRM system and an appropriate restructuring. The information flows must be organised and channelled in order for the new system to complement and improve upon the current one.

Information Systems

Retail banks have developed their own legacy IT infrastructure and systems during the course of their institutions' IT evolution. It is necessary to examine the bank's current information

architecture and tailor the installation of the CRM infrastructure accordingly. Instead of replacement, the emphasis must be on reinforcing.

Fourth, Organisational Internal Culture

The systems' integration is simply one factor in successful deployment; there is another crucial factor. The organisational change must be compatible with the bank's systems. The organization's ability to adapt to it and create the specific customer relationships that CRM promises will determine whether or not the CRM implementation is successful.

We were talking about the steps necessary to deploy a CRM system in banks. CRM implementation happens in four stages, depending on whether the aforementioned conditions are met. Let's examine the steps that a bank goes through to internalise CRM.

CRM Implementation Stages

The implementation of CRM goes through four stages, as was already mentioned. Now let's talk about the four stages.

Recognition of Clients

This serves as the foundation for CRM deployment. Based on the customers' use of the bank's goods and its primary objectives, the bank must identify them. This would assist the banks in concentrating on the market segment they wish to target and in making efficient use of the CRM system. to accomplish this. Banks must create a database of customer information about those who purchase various goods and services. Since that is the foundation on which CRM is built, the customer data should be accurately collected through the available channels.

Differentiating Customers

It is necessary to classify clients with various viewpoints, focuses, and levels of attention based on the data obtained as above. According to the profitability and size of the account, the type of interactions the bank must have with the aforementioned information must be generated, and the CRM database must be updated accordingly.

Banks must categorise clients based on factors such as profitability, product sag rate, and cost to serve the customer using the vast data repository gathered in the previous stage, cleaning this data, and applying decision criteria using data mining and clustering algorithms. As a result, the banks will be better able to target certain categories and create programmes that work well for increasing returns from current clients[7]–[9].

CRMS Benefits

A successful CRM deployment in retail banking will have numerous advantages for the banks. Some significant advantages that accrue to banks and improve their customer-focused culture include the following:

(i) Increases the banks' potential for cross-selling and customer pleasure.
(ii) Aids banks in gaining a larger portion of customers' wallets.
(iii) Increases the banks' operating effectiveness.
(iv) Aids in overcoming competition because CRM increases consumer focus and retention.

(v) Contributes to the dynamic understanding of Customer Lifetime Value through the structured data base.
(vi) Aids in managing multiple delivery channels more effectively so that uniform service standards can be adopted and upheld across channels.
(vii) Facilitates seamless information transfer between delivery functions.
(viii) Leads to improved relationship marketing because client segments can be targeted more effectively thanks to CRM data.

As a result, CRM is a great tool for designing and providing more pertinent products and services for the targeted segments of customers using a more calibrated approach to customer segmentation. CRM will unquestionably increase both the bank's profitability and the worth of its customers.

CONCLUSION

CRM software establishes client segments and aids in developing a specific kind of strategy for each one. Banks can segment the entire market and then analyse how customers use their products and services to create various marketing strategies and create campaigns to engage with them. Based on the comprehensive customer data, specialised campaigns can be designed to target particular customer segments. Product managers can build mass-customized products for each of the target segments and launch campaigns by choosing the right media mix and customer engagement points supported by historical usage data and intention forecasts from customers. The CRM implementation procedure will then be finished.

A new set of consumer data will be retrieved through customer feedback, which will aid in further refining the plan to target the segment with lucrative product propositions.Retail banking's overarching goal is to promote financial wellbeing by providing a full range of goods and services that cater to a variety of customer demands. Retail banking is crucial in assisting people and small businesses manage their economic life with ease and confidence, whether it be for future savings, smooth transactions, loan availability, or getting financial advice.

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CHAPTER 17

STANDARDS OF SERVICE FOR RETAIL BANKING

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ABSTRACT:

The Banking Codes and Standards Board of India (BCSBI) has codified the promises made by the banks for providing services to retail banking clients and has prescribed the various compliance standards for those promises. The following pages provide a reproduction of the bank promises made for the various services that they provide. The majority of the recommendations are applicable to private clients using retail banking services.Banks must abide by any regulatory or supervisory directives issued from the Reserve Bank of India (RBI) from time to time; the Code neither replaces nor supersedes these directives. The Code may contain provisions that establish higher standards than those stated in the regulatory instructions, and those higher standards will take precedence because the Code embodies best practises that we voluntarily agreed to as part of our commitment to you. The customer is referred to in the Code as "you," and the bank they deal with is referred to as "we."

KEYWORDS:

Bank,Customer, Retail Banking, Service.

INTRODUCTION

We will do our best to make it simple and convenient for our special customers, such as elderly people, those with physical disabilities, and people who are illiterate, to bank with us. This will entail creating convenient rules, goods, and services for these clients and applicants. If a person who is blind or physically disabled calls the bank directly, together with a witness who is familiar to both them and the bank, we will explain the account opening process and other terms and conditions.In most cases, we will give you at least 30 days' notice before closing your account. Examples of situations that are not "normal" include inappropriate account handling, for instance.

You will always be forced to find a replacement for any checks you have previously written and to stop writing new checks on that account explain the clearing cycle for both local and outstation instruments, including information on when you can withdraw money after submitting collection instruments and when you will be eligible to receive delayed interest in accordance with our Cheque Collection Policy.This voluntary code establishes basic requirements for banking practises that banks must adhere to when working with specific customers. It offers you protection and clarifies how banks are required to interact with you in the course of your daily business[1]–[3].

DISCUSSION

Commitment to Products and Services

The following details the obligations that BCSBI has made with reference to the various services.

1. Purposes of the Code
2. Code application
3. Crucial Commitments.
4. Our main promises to you
5. Information – Openness
6. General
7. Avoid Calling Service
8. rates of interest
9. Tariff table
10. Rules and regulations
11. Sales, marketing, and advertising
12. Privacy and discretion
13. Agency for Credit Reference
14. Receipt of debts
15. Policy on Security Repossession
16. Feedback, Grievances, and Complaints
17. Internal Methods
18. Bankers' Advocate Service
19. Services and Goods
20. Savings Accounts
21. Cycle of Clearing/Collection Services
22. Cash exchanges
23. Stop Payment Service
24. You issued the checks or the debit instructions.
25. Branch closure or relocation
26. Agreement for the Resolution of Claims Against Deceased Account Holders
27. Secure Deposit Boxes
28. Exchange-rate services
29. Internal remittances to India
30. .Lending

The foregoing list makes it very evident that the BCSBI has addressed the service promises for the whole range of services provided to retail banking customers. Let's attempt to comprehend some of the important promises for products and services are outlined in BCSBI in the paragraphs that follow. Readers must read the complete BCSBI code, which is available on the Reserve Bank of India website, for information regarding all of the commitments made under the BCSBI.

Important Customer Commitments under BCSBI

For ease of comprehension, the verbatum below contains a reproduction of the promises made to clients regarding the various goods and services offered by BCSBI.

Savings Accounts

(a) You are welcome to open a variety of accounts with us, including savings accounts, term deposits, current accounts, "No Frills" Accounts, etc. The following account types are available for opening:
(b) You may choose to open the aforementioned with or without the nomination facility. The option for nomination will be included on the account opening form. At the time the account is opened, we will go over the consequences of the aforementioned accounts as well as the nomination options.
(c) We'll confirm that we've received your nomination information and note it on your passbook, account statement, and FDRs. Upon your request, we will also put the nominee's name there.
(d) At the time of account opening, we will also tell you of the liquid deposit facility, sweep account, and other similar products we offer, as well as the consequences and steps involved.

Account Opening and Deposit Account Management

(a) Exercise due diligence as required by the bank's "Know Your Customer" (KYC) policies
(b) Request that you supply the relevant paperwork or other evidence.
(c) Only gather data necessary to satisfy any statutory, anti-money laundering, or KYC obligations. In the event that further information is required, it will be requested separately, and we will state the reason for doing so. Giving such information is optional.
(d) Give you the paperwork and papers for opening an account. The same would include information on the crucial data that must be provided and the records that must be produced in order to satisfy the KYC standards.
(e) go over the processes involved in opening a deposit account and offer any explanations you need.
(f) subject to certain limitations and restrictions provided by the Deposit Insurance and Credit Guarantee Corporation of India (DICGC), make available to you the details of the insurance cover in effect under the insurance scheme at the time the account is opened.

Alteration of Account

(a) Within 14 days of making your first deposit into the account, if you are unhappy with your choice of current or savings account, we will work with you to switch to another one of our accounts or we will refund your money, including with any interest it may have accrued. Any notice period and additional fees won't apply to us.
(b) In the event that you choose to close your current or savings account, we shall do so three working days after receiving your instructions.
(c) We will move your account to another branch of our bank if you request it. After receiving your request, your account at the new branch will be operationalized within two weeks, provided you follow the new branch's necessary KYC procedures. As soon as the account is functioning, we will let you know. If you have any standing orders or direct debits, information about them will be given to the new branch.
(d) If we make a mistake or take an unreasonable amount of time to process a transfer of your current or savings account to or from us, we will waive any bank fees you would otherwise be required to pay.

Current/Savings Accounts

(a) Tell you how many transactions, cash withdrawals, etc. you can make without incurring fees in a certain time frame.
(b) Advise you of the type of fees that may apply if these limits are exceeded. The Tariff Schedule will contain specifics about the fees.
(c) Let you know the amount, methodology, and frequency of interest payments made on your savings deposits.

Lowest Balance

Our branches will indicate the minimum balance that must be kept in the Savings Bank account. We will let you know about any deposit products, such as savings bank accounts, current accounts, or other types of deposit accounts:

(a) The minimum balance that must be kept in accordance with the rules and regulations regulating the operation of such accounts
(b) The fees that you will incur if you fail to keep a minimum balance in your account. The Tariff Schedule will contain specific information on the fees.
(c) We shall notify you 30 days in advance of any change in the minimum amount required to be maintained. We won't charge you for failing to maintain the increased minimum balance required during this notice period [4]–[6].

Charges

(a) Our Tariff Schedule will include specific fees for the issuance of cheque books, additional/duplicate statement of accounts, duplicate pass book, copies of paid checks, folio charges, debit card, ATM card, signature verification, return of checks for insufficient funds, change in mandate or style of account, closure of Savings Bank/Current accounts, etc.
(b) Any concessions or relief granted (such as a perpetual remission of the renewal charge on a lifetime credit card1-) cannot be revoked during the concession's or relief's initial period of validity.

Statements

(a) Unless you have chosen a pass book, we will send you a monthly statement of account to help you manage your account and review transactions in it.
(b) For a fee, you can ask us to send you account statements more frequently than is customary for your kind of account. The Tariff Schedule will make mention of this fee.
(c) The counter will display your most recent transactions. Wherever such services are offered by us, you will also be able to view the transactions via ATM, internet, phone, and mobile banking.
(d) If you want, we will also send you a statement of accounts through email or through our secure Internet banking service, provided we have access to such a service.
(e) We'll make sure that the entries in your pass book and statements are succinct and clear.

Terms of Deposit

If you want to work with us on a term deposit, we'll:

(a) ask for your permission before disposing of your deposits when they reach maturity on the application form.
(b) explain how to withdraw from a term deposit before it matures.
(c) advise you of the interest rates that apply and the penalties for early term deposit withdrawal.
(d) at the time the deposit is accepted, inform you of the terms and interest rate that will apply if you renew the deposits after the date of maturity.
(e) inform you of the provisions of the I.T. Act that apply to the interest income that will accrue to you on your deposits, our responsibilities under the act, and the options you have for requesting exemptions from Tax Deduction at Source.

If you are not required to pay tax on your interest income, the IRS will (f) request Form 15 H/15 G from you at the time of application.

If we deduct tax on the interest that has accumulated on your deposits, we must (g) issue the necessary certificate.

Deposits against Advances

Account with "No Frills"

We will offer a straightforward banking account with "no frills" or a very low minimum balance. A separate Tariff Schedule will list the fees that apply to the various services and goods in such an account. The type and volume of transactions allowed in these accounts may be limited, and this information will be openly disclosed to you upon account opening[7]–[9].

Transactions by Minors

If you ask, we'll explain how a minor can open a deposit account and manage it. Unique Accounts

(a) without awaiting a demand from you, give you compensation in accordance with our compensation/cheque collection policy for any delays in the collection of instruments.
(b) give information if we offer prompt credit for outstation cheques, including the terms and restrictions that apply, such as the maximum amount that can be credited for the instruments you submit, maintaining good financial standing, etc.
(c) act in accordance with our check Collection Policy and offer any assistance necessary for you to obtain a duplicate check or other financial instrument in the event that one that you have tendered is lost in transit.

CONCLUSION

When sourcing a loan product, we will include information about interest rates, whether floating rate or fixed rate, fees/charges payable for processing, the amount of such fees refundable if loan amount is not sanctioned/disbursed, pre-payment options and charges, if any, penal rate of interest for delayed repayments, if any, and conversion fees for switching your loan from fixed rate to floating rate in the loan application form. You will always receive an acknowledgement from us regarding your loan application. We will try our best to state on your application the time

frame in which you can anticipate hearing back from us regarding your loan request. The Most Important Terms and Conditions (MITC) for the loan or credit facility you have accessed will be provided to you. Normally, we will gather all the information needed to process the loan application at the time of application. We will get in touch with you right away if we require any more information. We will give you the sanction letter, which will include information on the amount sanctioned, the terms and conditions, your duties and the bank's duties, etc. Additionally, when the interest rate changes, we will let you know if you have the choice of keeping equated monthly installments the same while extending the term, or vice versa. At our expense, we will provide authenticated copies of each loan instrument you signed, as well as copies of all enclosures mentioned in the loan agreement.

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CHAPTER 18

A BRIEF STUDY ON RETIRED BANKING TECHNOLOGY

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ABSTRACT:

Technology is crucial to the evolution of bank processes. According to the Wharton Study from 1998, large banks in the United States invest 20% of their non-interest expenses in information technology. The dynamics outlined by Kotler have sparked technological advancement in the retail banking sector, notably in terms of new distribution channel technologies that give customers more options to access their accounts. Banks are under pressure to come up with fresh ideas for generating income through their distribution network and boosting consumer share of wallet. The first phase is platform automation, which gives staff members access to a single view of consumers. The single view enables personnel to assess a customer's importance based on their product portfolio rather than their balance in their checking account at the time. According to research, clients experience better performance in organisational sub units where employee opinions are positive. Customer satisfaction has been identified as a crucial intervening variable in this relationship by the service profit chain model of business performance, which also supports the associations between organisational climate, employee attitudes, customer satisfaction, and sales performance in the retail banking industry. For the effective implementation of a retail banking model, banks have established people (both internal and external consumers) strategies. The themes raised above shed light on various aspects of the global retail banking industry, including how international banks are tackling various dimensions and innovating across key components like product, process, people, and technology.

KEYWORDS:

Banks, Cross Sell,Customer, Models,Technologies.

INTRODUCTION

The ways that different banks implemented new technology varied. Foreign banks that were aggressive in the retail sector either adopted their own software created for international operations or purchased it from start to finish from outside vendors to meet their needs. Due to their late entry into the market, new generation private sector banks had a significant advantage because they could start with the technical advantage and purchased it from outside vendors. In public sector banks, it varied from bank to bank and was not always correlated with bank size. The pioneers invested time and effort into creating their own unique model and building internal tools for phased branch adoption. With time, the implementation evolved from a standalone model at the level of each branch to an integrated model that networks the branches. However, this strategy had its own limitations after a while, and in order to stay up with the technological advancements in retail banking, they were forced to work with an outside vendor and connect such applications with their old systems. The PSBs that were late adopters of technology chose an external provider for improved channel delivery and efficiency. Some PSB banks who were using a piecemeal strategy hiring separate vendors for various needs later switched to a unified

model of technology delivery. Due to their modest size, the majority of old generation private banks chose outsourcing because they were extremely late comers and took advantage of the most recent technological developments. As a result, different banks adopted different technologies for retail banking, but all the banks in the aforementioned models were successfully able to cross sell and up sell anywhere they had a complete customer database and a competent CRM system for retail banking. For their retail banking models, different banks rely on various technological systems. Various software providers offer specially tailored solutions to meet the needs of the banks and design their software accordingly. But the fundamental structure is the same[1]–[3].

DISCUSSION

A Few Key User Friendly Features

Let's take a look at some of the user-friendly features and advantages that a significant participant in the banking and financial services software solutions providers offers for retail banking, as an example.

Advisor

This solution gives banks the opportunity to use a fully aided self-service channel to deliver goods and services while leveraging the company's already-existing Internet banking capability. The system, which incorporates co-browsing and "triple play" communication that includes video, audio, and data communication, adds the comfort of human intervention to the self-service channel by leveraging Web 2.0 principles and current technology advancements in the IP convergence arena. In essence, this mimics the customer service encounter at a branch. The tool gives bank customers real-time access to their interactions with the institution, including account enquiries, financial transfers, remittances, credit card payments, and payments for mutual funds. They may now pay people and organisations using platforms like the Internet and kiosks, which are both compatible with multimedia-capable PCs with Internet or intranet connections. The solution makes use of the Microsoft application platform.

Customer Delight: Customers can access extensive financial services in a totally secure setting thanks to the solution's self-service features. The interface also makes it easier for bank employees to comprehend what customers require. A truly positive customer experience is produced by the added comfort of human interaction via video, voice, and data transmission.

Robust Inclusivity Framework: The solution broadens the bank's service area while navigating the challenges of a variety of remote locales. As a result, banks are able to reach out to a variety of consumer groups through this new channel, including particular underserved and unbanked populations.

By utilising their current Internet banking solution, the product offers banks the benefits of lower integration. It provides banks with an alternative method of reducing operating expenses. By enabling the implementation of an optimised channel management strategy, it enables a significant decrease in service distribution and transaction costs. Additionally, it helps banks generate demand without having to add more expensive branches in order to increase customer acquisition[4]–[6].

Alerts

The aforementioned alerts solution gives banks the opportunity to inform end users of events that have been captured by the bank's various business systems. Customers of the bank can choose the information they wish to be alerted about, as well as the time and channel of information delivery, using the subscription feature of the solution.

The solution offers multichannel and multilingual support and is built on cutting-edge industry standards J2EE and.NET. The solution offers warnings for internal bank users in addition to corporate and retail customers of the bank. In order to restrict access to different warnings, banks might designate alert categories.

The approach reduces the volume of outgoing notifications by allowing a group of alerts to be integrated into a message digest. Additionally, it permits the inclusion of branding messages in notifications.The company's software solution details mentioned above are merely being presented here as an example and to gain academic understanding.

Client Analytics

Through both insightful business reports and rigorous statistical models, the customer analytics solution, which is connected with the universal banking system, offers banks comprehensive customer analytics. This helps the company to increase its customer engagement and management strategy through cross-leverage of the analytical output, institutionalizing customer relationships and differentiating the service experience.

By utilizing quantitative modelling methods and multi-dimensional reporting, the system provides banks with all-inclusive analytics support, from data collecting through reporting and analysis. To provide thorough understanding of the consumer, it gives crucial information like customer attrition scores or profitability scores. To support quick and efficient decision-making, these scores can be added to front-end applications or integrated with online tacit information.

Across the customer life-cycle stages of acquisition, development, and retention, customer analytics solutions give banks the freedom to select and choose certain customer analytic tasks that are pertinent to the business. The entire client relationship life-cycle is covered by the solution's end-to-end analytics. Banks are given a solid framework by the interactive modules to better understand their customers and enable customized client experiences.

Increased Customer Value

Through analytical insights that promote efficient cross-selling and up-selling, increased stickiness, targeted loyalty programmers, and profitable offering repositioning, the analytics solution boosts the bank's relationship revenue. This enables banks to make decisions that are centered on customers and increase their value.

Better Decision Support

Customer analytics solutions give businesses the knowledge they need to make smart, well-informed, and timely decisions by providing banks with best-in-class analytical CRM capabilities across the customer lifecycle.

Slashed Time to Market

The solutions include automatic analytical outputs, preconfigured data mapping, data extraction programmer, and data aggregation. The built-in analytical models and reporting templates considerably shorten the time it takes to go live.

Low Total Cost of Ownership

Customer analytics systems require only modest infrastructure and resource expenditures. With little adaptation work, the technology-neutral solution may be implemented on the reporting and modelling platforms already used by banks.

Wealth Administration

Core banking and investment management systems that are completely scalable, modular, and tailored to the unique requirements of private and retail banks make up the majority of wealth management solutions. The ability to handle investment products from a variety of asset classes, such as structured deposits, structured notes, equities, mutual funds, and insurance, end to end is made possible by their special mix of a broad range of functions and exceptional flexibility.

Financial institutions can take advantage of the rule-based definitions provided by the solutions to provide new products with a specific time-to-market advantage, such as dual currency deposits, principal protected deposits, range accrual deposits, mutual funds, and insurance products. The wealth management solutions ensure distinct customer definition, a single, unified picture of the customer's portfolio across asset classes, and seamless flow of transactions because they are integrated with basic banking and CRM solutions. Offering products and services to HNWIs and the mass wealthy helps banks take use of their client base to generate new sources of income.

Finacle's wealth management solution enables financial institutions to gain extensive, integrated information about the investment portfolio of the HNWI customer. (c) Business Benefits: Leverage the HNWI Opportunity. In order to take advantage of the potential presented by the hot listed clients to investigate opportunities for cross-selling and fee-based individualised guidance, sophisticated analytics, pertinent financial planning, and asset allocation tools can be implemented.

Ease of Expanding Product Portfolio: The adaptable solutions give designers the freedom to design fresh product flavours and cater to burgeoning customer niches. Without altering the application's source code, it enables business users at the bank to enhance their offers with cutting-edge features and functionalities. The solutions also effortlessly integrate with satellite and specialised systems, enabling the bank to roll out new products more quickly[7], [8].

Greater Operational Efficiency: The solutions support Straight Through Processing (STP) and come with a strong integration structure that allows them to connect to the bank's core banking system and external data sources. This is essential for cutting down on operational lag time and guaranteeing smooth transaction flows at the bank.

Every financial transaction is handled the same way. Execution either guarantees that all linked data is successfully updated or a full reversal in the event of a technical issue. It is assured to be reliable and consistent. The solution also guarantees data consistency because it is fully integrated and component-based.

To ensure strong security, access privileges are strictly controlled, each request for a transaction is examined, and meticulous records are kept as audit trails. Users from various legal entities are able to collaborate on a single system and database thanks to the solutions. As a direct result, the bank will see much lower implementation costs and simpler centralised reporting.

CONCLUSION

Wealth management solutions are generally future-proof and can be smoothly linked with other enterprise applications because they are built on new-generation technologies. They guarantee safety for the bank's technological investments thanks to proven scalability and a flexible architecture. The information presented above is simply intended to serve as an illustration of how one software company's technology is used in retail banking. Different software suppliers offer a variety of efficient solutions. Numerous technological features are available for the efficient provision of retail banking services. The banks will be able to effectively cross sell and achieve complete client satisfaction with the help of these capabilities and a solid CRM solution. The graphical representations and features are displayed below. Banks embraced technology projects in various ways. While some banks used in-house resources for development and execution, other banks used vendors that were outsourced. Some banks used a hybrid model that included proprietary and outsourced practises. In all of these methods, sustainability and scalability are the primary problems. To assist banks in identifying customers, determining their needs, and providing the appropriate goods and services, both internal and outside generated models are available.

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CHAPTER 19

A BRIEF STUDY ON SECURITISATION

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ABSTRACT:

Securitization is what? Definable asset classes are divided up into tradable units through the process of securitization, which is then sold to third parties using a Special Purpose Vehicle (SPV) structure. The assets are taken off the balance sheet through the securitization process, and the money raised can then be used to expand the assets further. The Special Purpose Vehicle transforms assets into securities referred to as "Pass Through Certificates" and sells them to customers who might need to purchase that specific asset class for a necessity or investment. Asset-backed securities (ABS) are another name for these certificates because they are backed by assets. Mortgage-based securitization is another name for assets that have underlying mortgages. Securitization is the process of grouping individual long-term loans into packages and selling them to different investors as Pass Through Certificates (marketable securities) through a Special Purpose Vehicle with the clause that the proceeds from recoveries will be distributed proportionately to the purchasers.

KEYWORDS:

Credit Card, Collateral Debt Obligation (CDO), Home Loans, Mortgage Loans.

INTRODUCTION

Securitization has the benefit of removing receivables from the books once they have been sold, but it does not result in a liability on the balance sheet. Securitization aids in capital sufficiency as well as asset-liability management.Another idea known as Collateral Debt Obligation (CDO) is also popular on the retail side. In a CDO, several asset classes and receivables, including mortgage loans like home loans, credit card receivables, and auto loans, are gathered and securitized. Based on the quality of the assets and underlying risk perceptions in the assets, multiple layers of PTCs with different rates and coupons are issued. Compared to Rs. 300 billion in FY08, the Indian retail asset securitization market was worth approximately Rs. 193.1 billion in 2009. Investors in securitized papers/deals began to approach them with caution as the credit crisis in the US and European markets deepened.

Rising delinquencies in the retail asset lending market served to emphasise this caution even more. However, securitized pools in India continue to operate well, with no defaults reported to yet. The primary impetus for securitization during the year was the banks' need to lend to priority sectors. In FY08–09, the majority of retail loan pools that were securitized were backed by loans from the priority sector. Since this technique makes it possible to move priority sector loans directly to the acquirer's loan book rather than investment book and so satisfy the criterion for priority sector lending, direct assignment transactions dominated the market.

DISCUSSION

Retail Banking Securitization

In terms of the value of the loans securitized, the Asset Backed Securitization (ABS), which is backed by retail loans other than housing loans, made up about 76% of the total retail asset securitization market in FY09, with the remaining transactions (MBS-Mortgage Backed Securitization) being backed by residential housing loans. Commercial vehicles (CV), automobiles (CE), construction equipment (CE), personal loans (PL), small and medium-sized enterprise loans (SME), tractor loans (TL), two- and three-wheeler loans (TW), microfinance loans (Mf), utility vehicles (UV), gold loans, and other asset classes were among the asset classes that were securitized in ABS in FY09. In FY09, CV loans, followed by Cars and CE loans, remained the most common asset class to be securitized. The majority of the securitized CV, CE, and TL pools are eligible for priority sector rules.

Knowing the procedure for recovering retail loans is crucial when talking about securitization. Equated Monthly Installments, or EMIs, are the means by which recoveries in retail loans are accomplished. In the EMI repayment plan, the loan is paid off in full over the course of the payback period in set, regular monthly installments. The principal and interest make up the two halves of the EMI. In an EMI, the interest component will be greater in the early months while the principal component will be lower. The principal component will rise and the interest component will fall as the repayment process continues. This is because the principle component will drop as repayment proceeds, which will also result in a decrease in interest payments. As a result, the next payment will cover a larger portion of the principle. Let's look at how the EMI for loans is determined.

The ways that different banks implemented new technology varied. Foreign banks that were aggressive in the retail sector either adopted their own software created for international operations or purchased it from start to finish from outside vendors to meet their needs. Due to their late entry into the market, new generation private sector banks had a significant advantage because they could start with the technical advantage and purchased it from outside vendors. In public sector banks, it varied from bank to bank and was not always correlated with bank size. The pioneers invested time and effort into creating their own unique model and building internal tools for phased branch adoption. With time, the implementation evolved from a standalone model at the level of each branch to an integrated model that networks the branches. However, this strategy had its own limitations after a while, and in order to stay up with the technological advancements in retail banking, they were forced to work with an outside vendor and connect such applications with their old systems.

The PSBs that were late adopters of technology chose an external provider for improved channel delivery and efficiency. Some PSB banks who were using a piecemeal strategy hiring separate vendors for various needs later switched to a unified model of technology delivery. Due to their modest size, the majority of old generation private banks chose outsourcing because they were extremely late comers and took advantage of the most recent technological developments. As a result, different banks adopted different technologies for retail banking, but all the banks in the aforementioned models were successfully able to cross sell and up sell anywhere they had a complete customer database and a competent CRM system for retail banking. For their retail banking models, different banks rely on various technological systems. Various software providers offer specially tailored solutions to meet the needs of the banks and design their

software accordingly. But the fundamental structure is the same. Customer Delight - Customers can access extensive financial services in a totally secure setting thanks to the solution's self-service features. The interface also makes it easier for bank employees to comprehend what customers require. A truly positive customer experience is produced by the added comfort of human interaction via video, voice, and data transmission.

Robust Inclusivity Framework

The solution broadens the bank's service area while navigating the challenges of a variety of remote locales. As a result, banks are able to reach out to a variety of consumer groups through this new channel, including particular underserved and unbanked populations.

Cost Savings

By utilizing their current Internet banking solution, the product offers banks the benefits of lower integration. It provides banks with an alternative method of reducing operating expenses. By enabling the implementation of an optimised channel management strategy, it enables a significant decrease in service distribution and transaction costs. Additionally, it helps banks generate demand without having to add more expensive branches in order to increase customer acquisition. The aforementioned alerts solution gives banks the opportunity to inform end users of events that have been captured by the bank's various business systems. Customers of the bank can choose the information they wish to be alerted about, as well as the time and channel of information delivery, using the subscription feature of the solution.

The solution offers multichannel and multilingual support and is built on cutting-edge industry standards J2EE and.NET. The solution offers warnings for internal bank users in addition to corporate and retail customers of the bank. In order to restrict access to different warnings, banks might designate alert categories. The approach reduces the volume of outgoing notifications by allowing a group of alerts to be integrated into a message digest. Additionally, it permits the inclusion of branding messages in notifications.

Client Analytics

Through both insightful business reports and rigorous statistical models, the customer analytics solution, which is connected with the universal banking system, offers banks comprehensive customer analytics. This helps the company to increase its customer engagement and management strategy through cross-leverage of the analytical output, institutionalising customer relationships and differentiating the service experience. By utilising quantitative modelling methods and multi-dimensional reporting, the system provides banks with all-inclusive analytics support, from data collecting through reporting and analysis. To provide thorough understanding of the consumer, it gives crucial information like customer attrition scores or profitability scores. To support quick and efficient decision-making, these scores can be added to front-end applications or integrated with online tacit information. Across the customer life-cycle stages of acquisition, development, and retention, customer analytics solutions give banks the freedom to select and choose certain customer analytic tasks that are pertinent to the business.

Wealth Administration

Core banking and investment management systems that are completely scalable, modular, and tailored to the unique requirements of private and retail banks make up the majority of wealth

management solutions. The ability to handle investment products from a variety of asset classes, such as structured deposits, structured notes, equities, mutual funds, and insurance, end to end is made possible by their special mix of a broad range of functions and exceptional flexibility.

Financial institutions can take advantage of the rule-based definitions provided by the solutions to provide new products with a specific time-to-market advantage, such as dual currency deposits, principal protected deposits, range accrual deposits, mutual funds, and insurance products. The wealth management solutions ensure distinct customer definition, a single, unified picture of the customer's portfolio across asset classes, and seamless flow of transactions because they are integrated with basic banking and CRM solutions. Offering products and services to HNWIs and the mass wealthy helps banks take use of their client base to generate new sources of income.

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Ease of Expanding Product Portfolio

The adaptable solutions give designers the freedom to design fresh product flavours and cater to burgeoning customer niches. Without altering the application's source code, it enables business users at the bank to enhance their offers with cutting-edge features and functionalities. The solutions also effortlessly integrate with satellite and specialised systems, enabling the bank to roll out new products more quickly[7], [8].

Greater Operational Efficiency:

The solutions support Straight Through Processing (STP) and come with a strong integration structure that allows them to connect to the bank's core banking system and external data sources. This is essential for cutting down on operational lag time and guaranteeing smooth transaction flows at the bank.

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CONCLUSION

Wealth management solutions are generally future-proof and can be smoothly linked with other enterprise applications because they are built on new-generation technologies. They guarantee safety for the bank's technological investments thanks to proven scalability and a flexible architecture. The information presented above is simply intended to serve as an illustration of

how one software company's technology is used in retail banking. Different software suppliers offer a variety of efficient solutions. Numerous technological features are available for the efficient provision of retail banking services. The banks will be able to effectively cross sell and achieve complete client satisfaction with the help of these capabilities and a solid CRM solution. The graphical representations and features are displayed below. Banks embraced technology projects in various ways. While some banks used in-house resources for development and execution, other banks used vendors that were outsourced. Some banks used a hybrid model that included proprietary and outsourced practises. In all of these methods, sustainability and scalability are the primary problems. To assist banks in identifying customers, determining their needs, and providing the appropriate goods and services, both internal and outside generated models are available.

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CHAPTER 20

DOCUMENTS REQUIRED FOR APPLICATION OF A HOME LOAN

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ABSTRACT:

A big step in fulfilling the dream of homeownership is getting a home loan. But the procedure entails a careful analysis of a borrower's financial security, creditworthiness, and property information. The mandatory paperwork applicants for a house loan must provide is described in this abstract. These records form the basis on which lenders evaluate the borrower's eligibility and set the loan's conditions. The list of required documents is extensive and includes things like personal identity, financial statements, information on the property, and legal agreements. The abstract emphasises how crucial precise and comprehensive documentation is to a quick and easy home loan application procedure. The choice to apply for a home loan is crucial in the process of becoming a homeowner. To analyse the risk involved in the transaction and determine the borrower's ability to repay the loan, lenders want thorough paperwork.

KEYWORDS:

Financial Statements, Home Loan, May, Sale.

INTRODUCTION

Borrowers must provide identification and residency proof in order to start the home loan application process. A copy of the applicant's passport, license, Andhra card, or other form of official identity is one of these. In order to confirm the borrower's present address, further proof of residency is necessary, such as utility bills or rental agreements. In addition to confirming the applicant's identification, these documents aid the lender in setting up a trustworthy channel of communication during the loan evaluation process. Lenders examine a borrower's income and financial data to see whether they have the resources to repay the mortgage. People are often needed to present the last several months' worth of pay stubs or income certificates. Self-employed candidates must submit audited financial statements, including balance sheets and profit and loss statements, to prove their ability to make consistent revenue. These records give lenders the capacity to figure out the borrower's debt-to-income ratio, a vital criterion for figuring out if the loan is eligible and how affordable it is. The documents can be used to confirm a borrower's identification, creditworthiness, property information, and legal compliance. This abstract clarifies the paperwork applicants must submit when requesting a mortgage, outlining the importance of each area in the loan application procedure.

DISCUSSION

Job Creation and Stability

An essential step in the loan application procedure is the verification of employment. Documents proving the borrower's current employment position, such as appointment letters, employment contracts, or most recent pay stubs, must be provided. Lenders can evaluate the borrower's ability

to repay the loan over time and the stability of the borrower's income source using this information. Any job gaps must also be adequately disclosed to provide transparency and allay any potential worries[1]–[3].

Property Specifications and Value

Along with the borrower's financial history, the property being funded is carefully scrutinised. The house loan application is dependent on the title, ownership, and location documents for the property. These records comprise the selling deed, the purchase agreement, the land records, and the property tax invoices. In order to determine the market value of the property, lenders also want a property valuation report from a licenced valuer. These records make sure that the property is legally sound and is valued appropriately, protecting the lender's interest.

Legal Contracts and Complying

Documents related to compliance and legal agreements must be submitted with home loan applications. The sale contract, sale deed, possession certificate, and occupancy certificate from the builder are among these papers. The borrower must present share certificates and membership credentials if the property is being purchased from a housing society or cooperative society. These records attest to the legitimacy of the real estate deal and the borrower's observance of the law.

A thorough process is involved in applying for a house loan, and careful documentation is necessary for an easy examination and approval. Lenders evaluate the borrower's financial stability, property details, and legal compliance using the submitted documents as the cornerstone. The many categories of documents that borrowers must give, such as personal identification, financial statements, property information, and legal agreements, have been highlighted in this abstract. In addition to speeding up the loan application process, accurate and thorough documentation also promotes transparency, fosters lender confidence, and makes it possible for people to start their road towards homeownership.

I.A check-off system should be explored in the case of employees. The borrower should sign a properly drafted irrevocable authorisation authorising salary deductions and remittance to the lender. The employer should be prompted to document this power and indicate his agreement to follow this directive.

The following components will be included in the arrangement:

(a) There will be an unrevocable letter from the borrowers authorising the deduction of a certain amount from his earnings or pay each month as an instalment.
(b) Unrevocable authority to pay lender debts out of any money owed to the employee, including benefits in the event of their death, retirement, resignation, or other termination of employment.
(c) A promise by the employer to ask the bank for permission before paying the employee's debts upon transfer, resignation, or retirement.
(d) If a salary is paid through a bank, the check-off mechanism can operate through that account, and the bank can record an irrevocable standing instruction to pay the lender.
(e) The lender must be informed of any changes to the customer's job condition, his employer's banking relationships, and other elements that could have an impact on the repayment.

A letter of commitment from government officials who themselves are drawing and disbursing funds and taking out home loans is sufficient in their instance. The employer's reputation is undoubtedly crucial when selecting whether to use the check-off feature for instalment collection.

PDCs (post-dated checks)

Lending banks demand post-dated checks for Equated Monthly Instalments (EMI) in order to ensure prompt repayment of house loans. The banks have mechanisms in place to handle every step of the chain, including custody, presenting checks on time, taking action when checks are dishonoured, etc.

The PDCs' date

In order to be as practical as possible, lenders set the due dates for installment payments to coincide with the dates that the borrower's deposit account will be funded.

Managing checks that are returned unpaid

If checks are returned unpaid by the paying banker because to insufficient money, the borrower should be notified right away. After the cheque has been returned, you have three days to present it again unpaid upon borrower's written request. The following procedure for starting legal action under Section 138 of the Negotiable Instruments Act of 1881 should be started if the borrower fails to deposit the amount of the cheque. What to do if a check is returned unpaid due to (a) insufficient funds, (b) cancelling the account, or (c) stopping the check's payment (due to inadequate funds).

Step 1

Within 15 days of receiving information from the financial institution regarding the return of the cheque, the bank is required to notify the drawer in writing when a cheque is dishonoured.

Step 2

Shall be carried out if the drawer does not pay the Bank the specified sum of money within 15 days after receiving the notice described in Step-1.

Step 3

Within one month of the cause of action date, a complaint must be filed with the court. If the demand for payment was last honoured on January 1, 2003, then the cause of action is said to have arisen on that date. The complaint must be submitted by 31.1.2003 or before. The most crucial step in recovery is managing PDCs since it guarantees regular repayment and prevents past-due payments and NPAs.

Documentation

The following documents are obtained by banks before the loan is disbursed.

a. Request Term Loan Agreements and/or Promissory Notes for home loans.
b. Guarantee Agreement from the Guarantors
c. A letter allowing the bank to dispose of loan proceeds so that the money is ultimately used for the intended purpose and in compliance with the terms of the sanction.

d. Stamped Memorandum of Equitable Mortgage (EM) letter for submitting title documents with the goal to form an EM in the financing bank's favour (or Registered Mortgage Deed against the real estate).
e. Subrogation of the mortgage contract, in the event that another bank or financial institution takes over the accounts.
f. Documents for pledging bank deposits, NSC, IVP, or KVP, assigning a life insurance policy, or hypothecating movables. - When appropriate.
g. A letter of assurance from the builders stating that they have not disregarded any regulations or rules set forth by statutory authorities or other government constraints. (If not, the branch must confirm that the fiat-financed project has not been constructed in contravention of the approved plan.)
h. If the builder has appealed to the authorities for regularisation of an unauthorised construction, an indemnification or guarantee may be obtained. (The banks' judgement will determine whether to finance.)
i. The valuation report from the bank's panel of engineers. If the unit is purchased from the Housing Board, the State Development Authority/Bodies or the Local Improvement Trust, an engineer's valuation report is not required. The valuation report from the engineer shouldn't be older than five years.
j. Legal advice provided by the bank's attorney
k. A declaration in the manner required by the Bank stating whether any relatives are employed.
l. A letter granting the bank permission to give Credit Information Bureau of India Ltd. (CIBIL) a credit opinion regarding the borrower.
m. A No Objection Certificate (NOC) and a promise from the housing society, with whom the flat is registered, to place a lien in the financing bank's benefit.

Records pertaining to the home

a. Sale deeds or an Agreement of Sale, coupled with patta, by which the applicant obtained title to the property.
b. Patta is a requirement if a parent sale document is not available.
c. A 13-year certificate of encumbrances showing no encumbrances.
d. Building plan approval.
e. 30 year old parent documents.
f. A legal opinion from the Bank's attorney attesting to the property's clear title.
g. A letter of allocation from the housing society or board.
h. An authorised plan's copy.
i. A construction licence or permit.
j. A report of estimation or valuation from certified valuers.
k. Search Report from the Registrar's records whose jurisdiction the property is under; non-encumbrance certificate to be obtained by the Bank's attorney for a period of 13 years.
l. Receipt for registration.
m. The builder's or seller's NOC.
n. Receipts for payments.
o. A possession certificate, if necessary.

p. Where appropriate, NOC in accordance with the ULC Regulation Act of 1976 in its original form.
q. A copy of the relative order, in the event that agricultural land is turned into homestead land.
r. When buying an older property, a certificate from the bank or government that the architect and structural engineer are qualified to do the work is required.

Use of Loan as Security

The following section focuses on a crucial aspect of the security documentation, namely. mortgage. There are outlined the fundamental processes involved in creating a mortgage. The legal framework around the formation of a mortgage and the steps a lender should take to protect his position are covered in full.

Mortgage

Mortgage is defined as "a transfer of an interest in specific immovable property for the purpose of security, for the payment of money advanced or to be advanced by way of a loan, an existing or future debit, or the performance of an engagement which may give rise to a pecuniary liability" in Section 58(a) of the Transfer of Property Act, 1882.

Different mortgages

The transaction is known as a simple registered mortgage when, without giving up ownership of the mortgaged property, the mortgagor binds himself personally to pay the mortgage money and agrees, either explicitly or implicitly, that if he fails to do so, the mortgagee shall have the right to sell the mortgaged property and use the sale proceeds, to the extent necessary, to pay the mortgage money. Simple registered mortgages require the Deed of Mortgage to be registered with the concerned sub-Registrar/Registrar of Assurances within four months of the date of execution by paying the applicable stamp duty and registration fees whose jurisdiction the whole or some portion of the property to which the document relates is situated. Property can only be sold under this sort of mortgage with the involvement of the court. Creating a mortgage deed that is properly witnessed by two witnesses, paying the ad valorem stamp duty, and registering the deed are all required for a registered mortgage. As a result, it is an expensive venture[7]–[9]. Mortgage made by the issuance of title documents or an equitable mortgage. The "Mortgage by Deposit of Title Deeds" is defined by the Transfer of Property Act as follows:"The transaction is known as a mortgage by Deposit of Title Deeds" when a person delivers to a creditor or his agent documents of title to immovable property with the intent to create a security interest thereon in any of the following towns: Kolkata, Chennai, Mumbai, and any other town that the Statement Government concerned may, by notification in the Official Gazette, specify in this regard.

The following are the necessary conditions for a "Mortgage by Deposit of Title Deeds":

(a) There must be a debt, either current or upcoming.
(b) Immovable property title documents need to be deposited.
(c) The deposit needs to be made in one of the municipalities that was informed.
(d) The mortgagee or his agent must receive the deposit from the mortgagor or his agent.
(e) With the intention of serving as a security for the debt, the deposit must be made.
(f) A letter of intent needs to be acquired. The document registry should be updated as needed.

Equal rights apply to mortgagees of registered and equitable mortgages. An equitable mortgage will therefore take precedence over later registered mortgages. A fair mortgage is still enforceable as long as possible.

CONCLUSION

The first EMI payment typically starts one month after the final payout. The Borrower shall pay interest on the portion of the Loan issued until final distribution and commencement of repayment. Pre-EMI interest is the name of this interest. From the date of each disbursement until the start of the EMI, pre-EMI interest is due each month. When the interest rate on a house loan changes, the total amount owed to the lender also changes. The EMI amount is typically not altered by the lender. Depending on how the total amount owed has changed, the number of instalments may be raised or decreased. while the mortgagee still has possession of the title deeds. The mortgage will be cancelled if the mortgagee relinquishes control of the title deeds. However, if the mortgagee gives up custody of the title deeds for a specific reason, such as for examination by the solicitors or solicitors of the prospective buyer of the mortgaged property, or for the purpose of creating a second mortgage with the understanding that the first mortgage will continue to exist, the mortgagor will not be considered to have given up possession even though he gave up custody of the title deed. Only the sale of the mortgaged property via court order (i.e., a suit for sale) is available to the mortgagee as a remedy under an equitable mortgage.

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CHAPTER 21

A BRIEF STUDY ON MORTGAGE AND REPOSITORY SECURITIES

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ABSTRACT:

Securitization, in its simplest form, is the process of turning current or upcoming cash inflows to any person into tradable securities that may then be sold on the market. Financial assets such as trade receivables, credit card receivables, fare collections, mortgage loans, vehicle loans, and other cash inflows serve as the security against which borrowings are raised. In fact, individuals can use securitization tools to increase their own economic efficiency. For instance, a person with a regular stream of rental income from a property can obtain a loan by pledging his or her rent receivables as security; as a result, the rent receipts will first be used to pay the loan before being applied to other needs. Due to the heightened element of creditworthiness created by the lender's assurance of consistent cash inflows, he or she may be able to give the loan at a reduced interest rate. Of course, transactions involving corporate securitization worth millions of rupees are far more difficult. Securitization is significant because it enables the low-cost conversion of future receivables or illiquid assets into present cash inflows. The business might market the receivables and raise loans.

KEYWORDS:

Home, Market, Pool, Loan, Securities.

INTRODUCTION

For the next five years, it will cost about Rs. 140,000 crores to build new homes. The HFCs, banks, and other lenders lack the resources necessary to devote this much money only to house loans. Banks typically offer short-term loans in the form of cash credits with 12-month repayment terms. Thus, after a year, the money is again accessible for another lending cycle. Home loans, on the other hand, have a lifespan of 5 to 20 years, with a likely average of 15 years. Therefore, it will be a while before these funds are accessible for new lending. Selling the assets associated with home loans on the financial market is one way that the banks could theoretically raise new capital. By doing this, money would be brought into the banking system for new loans, and each time a lender did it, he would be able to create a new pool of mortgage assets and produce new fee income. Of course, such a sale of assets is possible if the system has savers looking to invest in assets and the market is sufficiently deep to sustain demand for the home loan assets that the lenders will offer for sale. It would be easy for the banker if investors fully purchased all of the banks' market placements. But this does not take place. Players on the market have various expectations for their investments and returns. They are not interested in a bank's home loan book with all of its characteristics for retail lending. Since the management of these assets requires regular follow-up and transaction-intensive assets, an organisation is needed. Only other bankers with comparable skills will be interested in purchasing these assets in their original form. Although it does happen, such a match between the sale and purchase criterion would be relatively uncommon. But generally speaking, the market participants differ in the following way.

DISCUSSION

The Demand for Security

Risk Tolerance:

Market participants have varied levels of risk tolerance. Some investors would choose a low-risk investment with a respectable return, while others might accept a higher-risk investment with a higher return.

Maturity:

The typical loan maturity for mortgages is 15 years. However, the investors could search for investments with a shorter maturity. A maturity of seven years may be acceptable to the typical bond market investor.

Return Expectations:

There will be variations in return expectations. Each type of investor would accept a different level of bond interest payment based on the structure, even though everyone would expect a return greater than what a sovereign risk would pay.

Periodicity

The frequency of interest payments that each investor would anticipate as well as the structure of interest payments associated with either fixed-rate or floating-rate securities.

Promissory Note Liquidity

Investments will flow in freely if the secondary market is well-developed. If not, the investor can anticipate a greater risk premium; alternatively, the sale of home loan assets might not happen, leaving the bank to carry the asset book. Home loan assets must therefore be properly structured to satisfy any or all of these requirements before they may be sold. Before examining how such structuring is carried out, we can look at the qualities present in a bank's home loan portfolio, including. Mortgages serve as collateral for home loans. As a result, there is a pool of mortgage assets that can be packaged as security for the issuance of bonds or promissory notes. Monthly and, in certain situations, quarterly repayment schedules are used for mortgage loans. There is a pool of receivables as a result. Home loans (mortgages), which represent a variety of assets and have an average residual life of, say, 5 years, 7 years, 10 years, etc., might be chosen. The next stage is to consider how to structure a bond or promissory note so that it has qualities that would appeal to the market. The following actions could be taken by the Lending Institution (also known as LI), which wants to raise money by selling the mortgage loans: Bank A would establish a trust to handle the administration of promissory note issuance. To secure the promissory notes, document the security, document the transaction between the lender and the trust, ensure that money is received either from the pool of home loan assets purchased off the LI or from the lender who may be asked to continue monitoring and managing the loans in his book on behalf of the trust, etc. are the points to be taken care.

If the market believes that the LI does not pose a LI AAA risk, the LI may not be allowed to issue the securities. It's possible that its home loan book won't have a solid credit rating. In either case, Bank A would step in and offer a letter of credit or a guarantee to strengthen the proposed promissory notes' or bonds' credit.

The price of the promissory note/bond, note issue fees, mortgage creation fees, and trustee maintenance cost should all be discussed and agreed upon. Choose the interest rate on the bond or note's coupon, in other words. Discuss and choose whether the receivables will be received by the current LI and then transferred to Bank A, or whether they will be received directly by the bank. Discuss and decide how any monthly or periodic collecting deficits will be handled. Based on historical default/delinquency rates of the LI's home loan book, it is feasible that the pool of mortgages or loans being sold may include a surplus amount as margin to deal with this scenario. As a matchmaker, Bank A brings together the individual investor seeking a return on his investment and the LI eager to offload certain assets from its books.

It goes without saying that a number of problems exist that would need to be addressed in order to structure a mortgage-backed securitization initiative. Each of these initiatives would be different and would rely on the security value, receivable quality, and house loan (mortgage) quality. In many developed nations, especially the USA and the UK, the housing finance system is characterized by the existence of a robust secondary market, which enables mortgage originators to remove their loan portfolios from their balance sheets by selling them to significant secondary market participants. As a result, the system is given more liquidity and more money pours into the housing market. The National Housing Bank is working to establish a market for these securities in India.

Securitization: Concept and Justification

Securitization is the process of turning mortgage loans (or any loan, for that matter) and future receivables into tradable securities or assignable debt. It entails the actions described above, i.e. Putting together a designated pool of mortgages and receivables and offering these packages to different investors as securities with the underlying assets and their corresponding income streams serving as security. Mortgages are transformed into securities, which are tradable debt instruments, through securitization. A secondary market is created as a result of the free market trading of the securities, which are backed by the mortgages. The procedure enables the lender to redistribute his funds among various asset-building initiatives. maybe leaving the home loan sector and entering different areas. Additionally, this makes it easier for money to move between regions and industries.

Here, we'll talk about one specific type of securitization. In the flowchart above, Bank "A" serves as the special purpose entity and functional trustee and receives the receivables that the lending institution sells or assigns. Bank A pays LA the discounted value of the receivables, and LA then provides Bank A with a pass/pay through certificate in the form of a receipt for the payment. The receiving and paying agent may still be LA. Then, even after selling the debt, it collects the unpaid receivables (principal and interest due on the underlying loans) and transfers the collections to the trust for distribution to the investors in preparation for a partial or complete liquidation of securities. The trust theoretically divides the asset pool into smaller units or shares and offers the Pay Through or Pass through Certificate to interested investors in the form of negotiable promissory notes or bonds.

There are two alternative ways to structure asset-backed securities (ABS). The 'Pass through Structure' is the first. This is typically used for loans with terms longer than a year, like mortgages and loans for homes or cars. A large number of loans are converted into ABS via a pass through structure. The term of the loans and the maturity of the ABS are frequently comparable. The returns on ABS are paid out of the loan payments in full.

The second structure, known as the "Pay-Through Structure," is typically utilised for short-term loans like credit card receivables. In this instance, the ABS are issued for longer periods than the securitized loans. Since the issuer will need to reinvest the money, he has received in installments, this necessitates careful cash management on his part. The earnings from this reinvestment are used to pay the ABS holders.

MBS stands for mortgage-backed securities

Western housing finance corporations are fond of the idea. Home loan assets are combined into securities and offered for sale to investors. Due to the fact that these are mortgage-backed securities (MBS), the mortgaged house loans serve as collateral for the pool of receivables sold to the SPV. Because of the way MBS is set up, HFCs are only required to transfer payments' cash flows to investors. Investment in MBS is typically guaranteed by a third party. For instance, Freddie Mac and Ginni Mae in the US back MBS. MBS also provides a good yield to offset the risk of reinvestment. MBS is a desirable investment due to the guarantee and the yield. The HFCs often group loans with similar maturities but different levels of credit risk for securitization in order to form an MBS. A corporation may, for example, combine 500 different loans into a 10-year MBS with an average duration of 10 years but diverse credit risk. In reality, these loans are transferred to a Special Purpose Vehicle (SPV) established especially for this use. The securities are issued to investors by the SPV. The Special Purpose Vehicle (SPV) in turn offers securities to the investors at a discounted present value in order to pay for this portfolio.

There are two fundamental securitization techniques. First, the assets are not truly sold by the originator to the SPV. It merely signs a 'agreement to assign' with the trustee. As a result, the originator retains legal ownership of the asset pool, and only the benefit interest in the portfolio of stored receivables is transferred to the SPV. When the SPV issues certificates or securities in the form of receipts to the investors, a small stamp duty must still be paid in order to avoid the substantial stamp duty ranging from 3-15% due on the transfer of assets. But because they are not negotiable instruments, these receipts are not highly liquid. As an alternative, the originator sells the assets, transferring to the SPV all of the stake. Stamp duty ad valorem and registration fees apply to this transfer. In this transaction, SPV acquires legal ownership of the assets and is able to issue certificates in the form of more liquid and marketable promissory notes.

There are two reasons why the MBS are unpopular in India. First, there aren't many strict foreclosure rules. Currently, the HFCs cannot sell the property to recover their debts without going to court if home loan customers fall behind on payments. In these situations, the ultimate disposal takes place after lengthy delays during which time funds are locked up, expenses rise, and assets' quality and worth deteriorate. This effectively destroys the market and frustrates securitization efforts. Second, there is no margin left for offering good rates because converting assets into securities is subject to significant stamp duty. Additionally, the SPV's stamp duty is typically very high, which prevents MBS from being a commercially viable instrument.

Securitization: The Efforts of NHB

In India, NHB is an MBS pioneer. NHB has to address a number of concerns before introducing MBS in its truest sense. Insolvency of the originator, the issuance and transferability of MBS, the foreclosure of mortgages, provisions concerning institutional investments, fiscal issues relating to borrowers, originators, issuers, and investors, accounting issues, and regulatory issues are just

a few examples. Additionally, there were other factors that needed to be looked into, including the choice of mortgage pools, credit score, and prepayment behaviour of mortgages.

It would be necessary to have a large number of high calibre loan originators and a huge collection of high calibre mortgages because the current law is biassed against borrowers. This would suggest that the house borrowers have a limited clientele and put them under pressure. The National Housing Bank Act has been updated with a new Chapter to streamline the recovery process. This Chapter outlines the methods for selecting officers from recognised institutions to serve as recovery officers, how to apply to them, how they conduct hearings, and how they issue and carry out orders. Additionally, in the case of securitized loans, NHB may submit an application to the State Government for the recovery of the amount in the same manner as arrears of land revenue, without prejudice to any other means of recovery.

The securitization procedure for NHB's home loan receivables operates as follows: Securitization is typically thought of as a two-stage process.

First stage

Transfer of mortgage debt, with or without the underlying security, from the principal lending institution (Originator) to a Special Purpose Vehicle (NHB SPV Trust established by NHB by declaration).

Second stage

Without any recourse to the originator or the SPV, the mortgage debt that has been bought will be transformed into tradable debt instruments (such pass-through Certificates).

Mortgage debt securitization

NHB SPV may buy home loans, securitize them into securities or PTCs concurrently, and then sell them on the capital market for investment by investing institutions.

Execution of Memorandum of Agreement with NHB

The Primary Lending Institution is needed to engage into an umbrella agreement (referred to as a Memorandum of Agreement) with NHB in order to sell or securities its portfolio of housing loans. The Memorandum of Agreement covers the full MBS transaction and gives NHB the authority to execute all necessary actions, such as disseminating the Information Memorandum and obtaining the requisite subscription funds from investors, in order to buy or securitize a specified pool of housing loans.

The Primary Lending Institution would choose the pool of home loans from among its current housing loans using a set of criteria known as the "pool selection criteria."

The following requirements must be met by home loans in order for them to be selected for inclusion in the Mortgage Pool being offered for securitization:

(a) The borrower should be a person or persons.
(b) At the time of selection or securitization, the mortgages must be current.
(c) The minimum seasoning period for house loans should be 12 months (excluding the moratorium period).

(d) The maximum permitted loan to value (LTV) ratio is 85%. Housing loans with an LTV of more than 85% that were initially approved but whose current outstanding balances are less than 85% of the security's value are eligible.
(e) The highest permitted Instalment to (EMI) to Gross Income ratio is 45%.
(f) Throughout the life of the loan, there should never be any overdues that are more than three months past due.
(g) The amount of outstanding principal on the loan should be between Rs. 0.50 lakh and Rs. 100 lakhs.
(h) The pool of mortgage loans may have variable or fixed interest rates.
(i) There is only one loan agreement between the Borrowers and the Primary Lending Institution (PLI).
(j) On the date of selection or securitization, the loans should be free of any charges or encumbrances. Loans refinanced by NHB are the only loans that fall outside of this rule (in such circumstances, the loans may be securitized provided that the originator replaces them with other qualifying housing loans that abide by the terms of the NHB refinance schemes).
(k) Each individual loan for a home should have had a properly executed Loan Agreement, as well as a properly formed security by the borrower in favour of the PLI. All documentation should also be legally legitimate and enforceable in accordance with the conditions of the papers.
(l) The Bank/HFC is fully and unconditionally entitled to transfer and assign the mortgages it has on the land, buildings, and dwelling units used to secure each of the housing loans to NHB.

Information

The Primary Lending Institution must supply the following loan information regarding the pool in the formats specified here.

Investigational Audit

Following the completion of the MoA, the Primary Lending Institution will request that the Statutory Auditors of the Company or a firm of Chartered Accountants acceptable to NHB perform a due diligence examination of the loan accounts, and it will then submit a due diligence and report to NHB certifying the following:

(a) Every single housing loan in the pool complies with and meets the requirements set forth by NHB.
(b) The Primary Lending Agency provided NHB with accurate and complete information about the Borrower of the stated agency.
(c) The NHB has good and assignable title to each of the housing loans, free and clear of any setoff, cross-claims, demands, encumbrance, equity, pledge, charge, claim, or security interest thereon, and all the documents pertaining to the pool of housing loans proposed for sale to/securitization through NHB are legally valid and enforceable.
(d) Since I IK-HFC is the sole legal and beneficial owner of these housing loans and has complete authority to transfer and assign the housing loans to NHB, none of the housing loans have ever been sold, assigned, transferred, or pledged to anybody.

CONCLUSION

In order to obtain a reasonable and effective price structure that benefits originators, NHB will take into account paying the purchase consideration to the primary lending agency using the following methodology: In accordance with the pricing methodology, the total future outstanding principal balances of the individual loans as of a Cut-Off Date would constitute the compensation due to the Primary Lender for transferring the pool. Premium Pricing Methodology: The Primary Lender would be compensated for transferring the pool on the basis of discounting the stream of future net cashflows related to the pool. On a Cut-Off Date, it must typically be greater than the sum of the outstanding principal balances of all the individual loans since the discounted rate utilised must be lower than the pool's weighted average coupon. Discount Pricing Methodology: Due to higher risk perception, the discounting rate used will be higher than the weighted average coupon of the pool, resulting in a lower consideration paid to the Primary Lender for transferring the pool than the total outstanding principal balances of the individual loans on a Cut-Off Date. Important Elements of Valuation The underlying mortgage loans' outstanding principal cannot be less than the face value of the RMBS papers. The outstanding principal as of the cut-off date may be calculated by subtracting any prepayments that were made during this time period from the original loan amount and adding the principal component of the EMIs that were due up until the cut-off date. Any EMIs or other fees that were still owing as of the cutoff date must be included individually as cutoff date receivables.

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CHAPTER 22

FINANCE FOR HOUSING AND TAX PLANNING

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ABSTRACT:

A number of tax incentives, waivers, and other announcements have been made over the years in the Union Budgets to promote housing and housing finance in order to address the housing shortage in India. The benefits that are available and how to use them to lower one's tax liability are described below. Tax advantages related to housing finance. The borrower may profit from both interest and principal repayment on loans taken for the purchase or construction of residential units. Under section 24(b) of the Income-tax Act of 1961, interest on housing loans may be deducted from income from property, wages, business/profession, capital gains, or any other source, up to a maximum of Rs. 10,000 per year, provided the following requirements are met. Purchase or construction of a residential property is the purpose of the loan, or it may be used to refinance (take over) the principal balance of a prior loan taken out for the same purpose. However, in the event of a construction loan, the construction must be finished three years after the loan is raised. Only the financial year in which the purchase or construction is finished may be used to claim a deduction.

KEYWORDS:

Income, Interest, Land, Property, Value.

INTRODUCTION

Only if the property is self-occupied or if the owner is unable to occupy the property due to his employment, business, or profession at another location, where he/she resides in a building not owned by him/her or his/her spouse/close blood relatives, may a deduction on account of interest on that loan be claimed. The deductions are only allowed in relation to one of the borrower's properties; therefore, even if the borrower has obtained loans for many properties, interest can only be deducted in relation to one of those properties, at the borrower's discretion. According to section 80C of the Income Tax Act of 1961, only an Individual/HUF borrower may deduct principal repayment from gross total income. The most that can be deducted under Section 80C (deduction for life insurance premiums, deferred annuities, provident fund contributions, home loan repayment, etc.), Section 80CCC (deduction for pension funds), and Section 80CCD (deduction for contributions to Central Government pension scheme) combined, however, is Rs. 1,000,000. The maximum of Rs. 10,000 or Rs. 30,000, as the case may be, may not apply to the interest paid on a loan if the property is rented out in its entirety. An individual, HUF, partnership firm, company, or any other person may fully deduct the interest on loans taken for commercial property or loans taken for business or personal requirements against the mortgage of real estate from their income from rent, businesses, professions, or other sources, as applicable. However, under certain circumstances, the advantage related to principal payments will not be available[1]–[3].

DISCUSSION

In India, there are no rules governing the mortgage advising industry. There is no barrier to entrance and no regulation-mandated code of ethics or conduct. Anyone can become a member of the profession, offer counsel, and do business. The provision of mortgage advice services is governed by laws in the US, the UK, and other nations. To appreciate the situation that exists in these countries and to feel the necessity for such restrictions in India, it would be interesting to look at some of the legislative rules in the US. The US, state and federal government organisations control the participants in the mortgage lending business by chartering, licencing, auditing, and examinations in addition to providing direct support for housing and home finance.

Mortgage Broker is one such participant. Licences are used to control him. Without a licence, no person or business can engage in mortgage brokerage activities. Once a mortgage broker receives a licence, they are then subject to the substantive rules of the licencing law, which typically contain requirements for behaviour and consequences for breaking them.

Information Pack: What is it?

The Home Information Pack includes crucial details that both buyers and sellers should be aware of. Home Information Packs, which include Energy Performance Certificates, will be introduced gradually in the UK starting on August 1st, 2(K)7. Packs will then be necessary for the sale of residences with four bedrooms or more, with the implementation of this requirement for smaller properties to follow as soon as enough fully competent energy assessors are available.

Since buyers will be better educated when making judgements about buying a home, sellers should experience fewer unpleasant shocks throughout the selling process that could cause the sale to be delayed.The Pack offers free access to crucial information for purchasers regarding the houses they are thinking about purchasing.The list of required documents is included in the pack's content. The list includes both required and optional documents that must be provided so that purchasers can utilise them to make the best choice. The following vital documents are required:

(a) A sale statement that includes basic information about the location, such as the property's address, tenure type (freehold, leasehold, etc.), and whether it is being sold vacantly.
(b) Title documentation demonstrating ownership of the property and the seller's authority to sell it.
(c) An energy performance certificate that rates a home's energy efficiency on a scale from A to Q. Band A homes are the most energy-efficient and should have the lowest fuel costs.

These are the optional documents:

Home Condition Reports are legal documents that sellers, buyers, and lenders can rely on to provide accurate information on the physical condition of a property.

(a) Legal summary providing buyers with an overview of the legal considerations. However, the buyer is also free to seek his own legal counsel.
(b) Home use/contents forms that provide details on a variety of property-related issues. Information about boundaries, notices, services, neighborhood sharing, and other topics of interest to prospective buyers are among them. When selling a house, it is customary for the seller to specify which fixtures, fittings, and other furnishings are included in the

> sale, excluded from the sale, or up for negotiation. For the next five years, it will cost about Rs. 140,000 crores to build new homes. The HFCs, banks, and other lenders lack the resources necessary to devote this much money only to house loans. Banks typically offer short-term loans in the form of cash credits with 12-month repayment terms. Thus, after a year, the money is again accessible for another lending cycle. Home loans, on the other hand, have a lifespan of 5 to 20 years, with a likely average of 15 years. Therefore, it will be a while before these funds are accessible for new lending.

Selling the assets associated with home loans on the financial market is one way that the banks could theoretically raise new capital. By doing this, money would be brought into the banking system for new loans, and each time a lender did it, he would be able to create a new pool of mortgage assets and produce new fee income. Of course, such a sale of assets is possible if the system has savers looking to invest in assets and the market is sufficiently deep to sustain demand for the home loan assets that the lenders will offer for sale. It would be easy for the banker if investors fully purchased all of the banks' market placements. But this does not take place. Players on the market have various expectations for their investments and returns. They are not interested in a bank's home loan book with all of its characteristics for retail lending. Since the management of these assets requires regular follow-up and transaction-intensive assets, an organisation is needed.

Only other bankers with comparable skills will be interested in purchasing these assets in their original form. Although it does happen, such a match between the sale and purchase criterion would be relatively uncommon. However, the market participants generally differ with regard to the rules of the Bombay Stamp Act before the document is offered for registration. The parties to the agreement may apply to the Registrar if a document is not presented for registration within the allotted period of four months and the delay in presentation does not exceed a subsequent term of four months. The document may be admitted for registration by the Registrar upon payment of a fine not to exceed 10 times the correct registration fees.

The parties to the document sign a Deed of Confirmation certifying that the primary deed is legal and enforceable against them if the delay persists for longer than these additional four months. By use of such a deed, the transferor(s) additionally attests that they do not possess any right, title, or interest in the property that is being transferred to the transferee(s). This Deed of Confirmation has a copy of the primary deed attached to it. The only way the registration lapse may be fixed is in this way.

Verification of the Property's Title

In most cases, the buyer of the property must confirm that the seller has a clear and marketable title. One must do a search of the property in order to determine whether the seller's title is clear and marketable. The relevant Sub-Registrar's offices are where the property search must be conducted; a 30-year search is typically required. The buyer may also request copies of the paperwork the seller filed with the Sub-Registrar's office. After doing the search, it is simple to confirm any objections to the property's title.

For instance, only after conducting the search can it be determined whether a party has mortgaged the property and registered the paperwork with the Sub-Registrar of Assurances. The parties should move on with the deal once the title to the property has been satisfied.

Who Performs Value?

A qualified engineer or architect with knowledge of building costs, market conditions, economic trends, development plans, legal legislation and provisions controlling real estate, rental income and expenses, etc., can perform valuation work. The Valuer is needed to gather data on the aforementioned factors, but as it is difficult to find reliable information, especially about supply and demand, he must rely on his own knowledge and judgement to determine the fair market value. Thus, a difference of opinion between two valuers on the value of the same property is unavoidable.

Values are registered by the Income-tax Department under Section 34AB of the Wealth Tax Act of 1957 based on their technical training and expertise. To do this, the Dept. has divided values into distinct groups, including those for (a) immovable property, (/>) agricultural land, (c) plant & machinery, (d) jeweler, etc. A professional organization that admits practicingvalues to membership is The Institution of Values, Delhi. Many banks and financial institutions also need membership or fellowship of the institution in addition to registration under the Wealth Tax Act.

Real Property Types

Land that may be utilised for farming or for growing valuable plants or trees is referred to as agricultural land. The following variables affect the return from agricultural land:

(a) Setting
(b) Soil composition
(c) Access to water and power
(d) Holding size
(e) Land with a Clear Title
(f) Road access and approaches
(g) Cottage or farm house, fencing, and gates

Agricultural land is valued using one of two methods:

The income is calculated on the assumption that the land is rented on a crop-sharing basis. After subtracting all costs, including local taxes, maintenance costs, input costs, insurance, etc., the net annual income is determined. The sum is then capitalised at the appropriate rate of interest to determine the worth of the land.

The value of urban open spaces rests on their potential for development through the erection of suitable structures, whether for residential or industrial usage. The following variables affect the value of unoccupied land:

Location

Proximity to medical services, shopping, entertainment, transportation, schools, and police stations, among other things.There is a higher demand for plots of a particular size in a given locality. Similar to this, plots with irregular shapes or those that are below road level are worth less. Low soil carrying capacity raises foundation costs due to soil quality and water availability. Street frontage increases value whereas excessive depth lowers the value of the site.

Development restrictions

Land with a higher FSI is more expensive. The ratio of the entire built-up area, including all floors, to the area of land on which the structure is erected is known as the "FSl" or "Floor Space Index" (also known as the "Floor Space Area" or "FAR"). It is decided by the local government and differs for various locations or structures in the city. The term "available FSI" describes the discrepancy between "permissible FSI" and "used FSI." Land having encumbrances, such as easement rights, unauthorised hutment occupants, etc., is substantially less valuable than land without encumbrances. Open land is valued using the following procedures:

Comparative Approach:

The value is established using a fair market value for nearby land as evidenced by a number of recent sale-purchase transactions. While employing this procedure, the Valuer must rely on his prior knowledge because land rates listed in sale deeds sometimes do not correspond to actual rates. Urban land value depends on the overall demand for real estate, both now and in the future.

Rent Capitalization Method: The capitalised value is determined by dividing the net revenue by the number of years the property has been owned. Next, a comparable property in the neighbourhood that is currently rented is used as a benchmark. The building's replacement cost is then calculated, taking into account factors like construction quality, and its present value is calculated by applying the appropriate depreciation. The value of the land is calculated by deducting the capitalised value from the latter.

Depending on the area, the net rental revenue for residential properties is from 4% to 6.5%, and for commercial properties, it ranges from 6% to 9%.

Belting Method: This is used for large plots with a narrow frontage and a deep interior. The land is divided into a number of belts that run parallel to the frontage, and rates are gradually reduced for belts that are farther away from the frontage.

With Building Land

The following techniques are used to value land with a building:

Comparison Technique

The Town Planning Dept. While land and buildings are typically sold as a single unit, the Comparative Method is typically used to estimate the value of land with buildings. The rate of the land along with the building placed on it is referred to as the composite rate. The rate is calculated by gathering data on recent selling prices of surrounding comparable homes. The technique is used to value office space and residential apartments in multi-story buildings in urban locations. The Apartment Ownership Acts were created by Slate Governments to provide buyers of the premises as a house, workplace, showroom or godown with a marketable title.

Profit-based valuation

When valuing real estate such as hotels, movie theatres, restaurants, etc. that is used for commercial purposes, the capitalised value of the net profit as shown in the business entity's books of accounts is employed. By multiplying the net profit by the YP for a predetermined number of years or indefinitely, with a rate of return appropriate to the particular business, the net profit is capitalised.

Cost-based valuation

Using current rates and factors such as the building's construction, age, and condition, the present cost of the structure is assessed. Appropriate depreciation is then applied to provide the depreciated value. After giving adequate consideration to the encumbrance factor, the value of the land is calculated based on current rates. The two are added to determine the total worth of the property.

Because the earning potential of the building impacts the value of the land, the phrase "encumbrance factor" refers to the value imposed on the land as a result of the type of structure built there. The sort of structure restricts how much money can be made from the land and thereby encumbers it.

In situations where there are no comparable sale instances, this strategy is typically used. The technique is appropriate for a variety of buildings, including hospitals, police stations, libraries, town halls, temples, and mosques. The appraisal might be necessary for things like fire insurance.

Development Method

This approach is based on the property's potential value if it is developed as effectively as possible by making the appropriate adjustments. The land could be undeveloped or have a building on it. The cost of adjustments and additions is estimated, and the potential value is represented by the discrepancy between the estimated rise in capital value and the anticipated cost of alterations and additions. This technique is helpful for properties that have hidden value due to potential for development or redevelopment.

Buildings built for a specific function, such as bars, breweries, hotels, motels, and movie theatres, are prized by professionals who have familiarity with the market norms and regulations relevant to the particular trade. Only until a licence has been obtained from the government can the business be pursued. In addition to the value of the real estate, when a business is sold as a going concern, one must also consider the value of intangible assets like monopoly, goodwill, management expertise, etc.

CONCLUSION

When doing the valuation of land with a building on it, a Value is required to estimate the future life of the building during which it can produce an assured income. Due to wear and tear, the introduction of new construction techniques, the supply of greater amenities in new structures, etc., a building loses capital value over time. Based on the materials used in construction, maintenance, climatic conditions, etc., the structure's durability is estimated. The typical lifespan of a structure is 40 to 80 years. A building's useful life can be increased by maintaining it properly, adding appropriate additions and adjustments to the structure to increase its strength and durability, etc. The valuation is based on capitalizing the average net profit over the previous two years at a reasonable interest rate. The balance-sheet method is another name for this approach. The rate of interest used for capitalization should take into account the business's typical rate of return as well as the risks and unknowns that come with it. A proper evaluation of the gross income generated by the company, as well as the shops and service establishments that have rented space on the premises, is necessary for the valuation procedure in relation to movie theatres or hotels. To calculate net income, direct and overhead costs, as well as taxes, must also

be estimated. For producing a meaningful appraisal of worth, the valuer must be knowledgeable about occupancy rates, management calibre, lodging standards, and additional facilities like parking, lifts, gardens, etc.

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CHAPTER 23

ADVANCEMENT OF RETAIL BANKING

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ABSTRACT:

Retaining customers will be a difficult task. A study by Reich held and Sasser published in the Harvard Business Review found that a 5% improvement in customer retention can boost profitability by 35% in the banking industry, 50% in the insurance and brokerage industry, and 125% in the market for consumer credit cards. Therefore, banks must place a strong emphasis on maintaining clients and expanding their market share. Rising debt levels may become a source of worry in the future. Of course, India's situation cannot be compared to the industrialized worlds, where household debt as a percentage of disposable income is far greater. High uncertainty results from such a setting. Technology presents both opportunities and difficulties. Although there are ATMs and Internet Banking, many customers still appreciate the personalized service of their local branch bank.

KEYWORDS:

Industrialized, KYC,Organization, Personalize.

INTRODUCTION

Through the use of technology, the branch bank network can now offer services such as fast checking account updates and quick money transfers for stock transactions. However, because of increasing reliance on the network, the IT department now has new duties and difficulties in administering, maintaining, and enhancing the functionality of retail banking networks. In order for today's retail banks to earn income and stay competitive, it is crucial to make sure that all bank products and services are always accessible to the entire organisation. In addition, there exist difficulties with network administration, making it crucial to maintain the effective operation of these intricate, dispersed networks and applications in support of corporate goals. Making sure that account transaction software operate well across branch offices and data centres is one of the specific challenges. Another significant difficulty in retail banking is KYC concerns and money laundering dangers. The perception of the amounts involved makes retail lending a low-risk area for money laundering. However, the competition for customers may also result in the waiver of KYC requirements in the quest for new business. The types of identification documents that banks will accept as well as other procedures that must be followed must be given careful consideration.

DISCUSSION

Change in Retail Banking

Now that you know what retail banking is all about, let's examine its development and history. A business model for retail banking Retail Banking: Gung Ho! Banks' business strategies for retail

banking have changed over time from traditional banking. Before the 1960s, banking in India was traditionally associated with providing working capital and project financing to business and corporate clients. The traditional banking methods were only available to class clients during the aforementioned time period, and they satisfied all of their banking needs by providing funding for raw materials, work-in-progress, finished items, and bills payable. Various products, tools, and facilities were introduced to serve the business customers in order to provide these services.

The operating accounts, such as current accounts, that were used to extend the aforementioned services were a crucial component of the services. These services were organised primarily on the basis that the demands and requirements were clear-cut and straightforward. However, throughout time, as customer requirements and wants grew and more and more products and services were required, banks have revised their model for products and services. To accommodate the numerous and varied expansion of organisations, banks were forced to provide specialised and sophisticated products. The point had been reached where banks' legacy architecture could no longer meet all of the demands. In order to perform their traditional commercial duties as well as the investment side of banking, corporate capital raising, fund raising, and debt structuring activities, banks adopted new guises like Investment Banks and Merchant Banks. Separate activities for the investment function and independent investment banks have both developed to handle the multifaceted responsibilities of investment banking, mergers and acquisitions, etc. For capital and debt raising as well as other associated activities, merchant banks were the solution. However, the problem didn't end there because the banking industry was constantly growing, making it imperative for banks to adopt newer business models in order to meet the constantly changing needs of their current clientele as well as those of a new class of emerging clients. Banks were forced to redesign their product and service models in order to accommodate these customers and meet their diverse needs because the evolution of banking was a continuous process with the expansion of the customer base and the character of the customer base changing from homogenous to heterogeneous over time. Corporate banking and retail banking emerged as a result. Since the emphasis was on individual consumers, retail banking was sometimes referred to as consumer banking. Let's look at the development of retail banking globally before talking about the architecture of retail banking. Capgemini. In order to provide insights to the financial services community, ING and the European Financial Management & Marketing Association (EFMA) conducted a study of the global retail banking market in 20()6 that included 142 banks in 20 countries across the following geographic regions: Europe-non-eurozone (Czech Republic, Norway, Poland, Portugal, Spain, Austria, Belgium, France, Germany, Ireland, Italy, Netherlands, and Spain).

The WRBR 2006 provides a broad picture of the forces at play in the retail banking sector. The report highlights the prices that end users in a particular country pay for routine banking services, as well as the channel strategies. Following is a brief summary of the pricing front's key findings:

In the nations surveyed, the cost of banking services increased on average by more than 3%. However, it was noted that his tendency obscured variations between regions, particularly between North America, where prices decreased, and the euro zone, where they increased.Prices in the euro zone were slowly convergent, despite the fact that there were still significant price disparities between neighbouring nations. The SEPA initiative, which aims to establish a domestic payments market throughout the euro zone by 2010, will result in competition, price transparency, and homogeneity, and will have an impact on the banks' revenue structure. As a result, this trend will continue.

Three different levels of user activity less active, active, and highly active were used to generate the pricing indexes. The usage patterns for specific products vary greatly among nations, which results in large pricing discrepancies between local and worldwide markets. Based on the local active customer profile, the average cost of basic banking services was 76 Euros in 2005. Prices varied by consumption pattern in a given area, with a ratio of up to one to within a certain location, similar costs were seen, but they were the product of quite diverse pricing algorithms.

Price structures have changed as a result of fierce competition (US) and developing retail banking markets (Eastern Europe, China). Banks are lowering the cost of using remote channels in an effort to increase client usage. Over the past two years, prices for things that are rarely used have been rising steadily. The usual industrial development pattern, in which prices fall with maturity, is followed by banking services.

The report claims that the emergence of new distant channels has altered banks' distribution paradigms and that multichannel issues require the implementation of new tactics. In an effort to combat this, traditional retail banks are integrating direct sales and customer service into their channel designs and continuing to invest in alternative channels to stay up with changing consumer demands and market trends. The difficulties in managing several channels exist in two dimensions. To increase the value for client involvement, the first dimension is to both construct remote channels and reposition branches. The second factor is how to raise customer satisfaction levels, stand out from the competitors, and boost multi-channel model productivity.

Capgemini examined a sample of 41 top retail banks from around the world, including 16 from the euro zone. The purpose of the study was to examine how banks are addressing the issues of multi-channel management by looking at 15 institutions, five of which were located in China, five in North America, and 15 outside the euro zone. The key conclusions of the study are outlined below. The primary format is selling through the branch channel, however volumes have decreased over time. In contrast, sales through the Web, which were low at 2% in 2000, moved up to 5% in 2005 and are likely to move up to 17% in 2010. The same is true for sales through phone, which increased from a low of 4% in 2000 to 8% in 2005 and are likely to increase to 13% in 2010. The data above shows the rapid migration of sales from the direct channels to remote channels.

Another significant element in channel strategy is the distribution of services across channels. Over the years, there has been a significant shift in the proportion of daily financial transactions conducted through various channels. Consequently, the transaction level has increased from 19% in 2000 to 29% in 2005 and likely to touch 28% in 2010. In a similar vein, the transactions through the web, which were extremely low at 4% in 2000, have moved up to 18% in 2005 and likely to reach 28% in 2010. Phone Banking transaction usage also increased from a low of 5% in 2000 to 9% in 2.

The banks in the sample anticipate that, up from 6% in 2000, remote channels will contribute 33% of their sales in 2010. All types of products, from straightforward current accounts to more complicated mortgage and insurance products, are consistent with this tendency.

Although ATMs were the early leader among remote channels, it is obvious that the Internet is responsible for the current wave of automation. The increased use of remote channels will require a reevaluation of the branch structure and a transition to advisory selling in branches by appropriately repositioning the branches for advisory selling. Employees will receive advisor

training so they can assist consumers with their business inquiries across numerous channels. With a score of 88%, the new trend of advisers developing a proactive attitude towards clients appears to be highly favourable. In order to handle inbound clients and calls, managing multi-channel problems involves creating a multi-channel common customer file. Just 33% of the banks in the survey have a useful multichannel common customer file.

British Retail banking

After the telegraph was invented in the early 1850s, which sped up communication and information exchange and decreased price differences between stock markets, retail banking in the UK underwent its first substantial adjustments. Additionally, a higher degree of communication led to more frequent administrative interactions between the corporate headquarters and the branches. Later, this led to alterations in the organisational structure, enabling regional offices to take on tasks that had previously only been assigned to central offices. Banks actively participated in branch network consolidation during the final quarter of the nineteenth century in order to operate more cohesively at the regional level. They also opened new offices and established a structure of financial activities, ranging from lending to exerting control over customers. Through significant mergers and acquisitions, banks accumulated a large-scale dimension.

The number of banking offices increased together with the gradual collapse of British banks. Just under half of all bank offices were run by private banks at the start of the century, although this number started to decline in the 1850s. These changes in outlet management were primarily brought about by joint-stock banks' increased readiness to run branch networks and an increase in ownership concentration owing to inter-bank mergers. After the turn of the century, when the number of offices increased by thrice, the aggressive branching strategy persisted. These factors support the finding that, despite their declining numbers, banks have increased market concentration and, most critically, interoperability. The formal provision of short-term loans and normal business activities were the only financial services available back then.

The need for effective and trustworthy information management became obvious since without sufficient information flows, banks were unable to realise profitable synergies with the range of industrial activity. For these reasons, valid memos documenting the termination of customer relationships have been a fundamental banking practise ever since confidential records were first created. More significantly, the practise of keeping records made it possible to define standardised procedures for effectively tying local offices to the central management. It is noteworthy to note that the definition of unofficial standards in operational practises has been a long-standing phenomenon in banking.

The basis for such an argument lies in the very nature of banking, which is based on mutual trust and confidence established with customers and strengthened by information management. According to this viewpoint, the advent of clerks and typists during this period was especially significant since they added a dynamic component to the process of the division of labour. This was also attributable to the commercial launch of the typewriter in 1873. The introduction of technological initiatives in the banks drew the banks' interest because it would increase system efficiency. The evolution of the technological and organisational components followed separate but complimentary growth patterns with the development of services in retail banking.

American retail banking

In the US, a stately office on Main Street with a branch manager who is familiar with the neighborhood and has solid client relationships is the classic picture of a bank. However, this brick-and-mortar business model faced challenges from technology and legislative developments in the 1990s. After the national ATM networks lifted their 1996 ban on surcharges, automated teller machines (ATMs) flourished; by 2002, there were 352,000 devices in the country. Customers could access their accounts electronically thanks to the Internet, which also gave rise to "virtual" banking institutions; forty Internet banks were in operation in 2000. In order to handle customer service issues and to start transactions, including deposits and loans, banks also created centralised call centers. Many banks moved tasks that were previously handled by branch bank employees, like small-business loan approval and management, to regional or national offices in conjunction with these changes. All of these changes seemed to lessen the traditional bank branch's function in providing retail banking services. The 1990s' deregulation helped to further these trends. The Riegle-Neal Act of 1994, in example, permitted banks to branch out and combine across state borders, sparking a period of bank consolidation that was centred on cutting expenses to increase profits. As a result, there were less than 9,000 US banks and thrifts left at the end of 2003, down from about 12,500 in 1994. The number of bank and thrift branches increased throughout this time. Following the banking crisis of the late 1980s and the recession of 1990–1991, banking organisations started to grow their branch networks; from 1993 to 2002, the number of bank branches increased by 8.6%. This branch development was aided by the Riegle-Neal Act and the Gramm-Leach-Bliley Act of 1999, the latter of which allowed banks to originate insurance and securities products and allowed branches to distribute those products. The nation's largest banks and thrift organisations are consolidating their branches and deposits more as a result of the shrinking number of banks and increasing number of branches working together. 53 percent of the nation's deposits and 46 percent of its branches were in midsized branch networks (100 to 500 branches) and big branch networks (more than 500 branches) in 1994. These percentages had increased to 61% of deposits and 51% of branches by the middle of 2003. We refer to a subset of the big branch networks—those with more than 1,000 branches as the "very largest" networks since they have undergone the most consolidation. In June 2003, these networks included approximately 20,000 branches, a significant increase from 9,200 branches in 1994. Nearly 25% of all US bank branches are currently controlled by the major branch networks.

CONCLUSION

Increased interstate branching and banking have occurred concurrently with the consolidation of branches into larger networks. While the total number of organisations declined by a third between 1994 and 2003, the number of organisations having branches in more than one state nearly doubled to 538. At least 12 bank and thrift branch networks are now present in at least 20% of the nation. The institutions with the greatest geographic reach have branches in almost half of the states, which is significantly higher than the situation 10 years ago but still falls short of fully nationwide banking. Bank clients and the banks themselves may be affected by the trend towards the consolidation of branches into sizable branch networks. Customers and small companies have historically relied mostly on physical locations of banks to access banking services. According to the facts, these clients may have to make a trade-off as a result of the expansion of very large branch networks. On the one hand, larger banking institutions typically impose more fees than smaller ones.

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CHAPTER 24

DEVELOPMENT OF PRODUCTS FOR RETAIL BANKING

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ABSTRACT:

Banks make a variety of attempts at product development. One method is internal product development, when items are independently developed based on market dynamics and research. Product creation includes hybrid cross-pollination, which incorporates the greatest aspects of competing products on the market, as well as added value engineering. Another method of product development is the "follow the leader approach," which entails developing along the same lines as the leader while basing decisions solely on market conditions and client groups without conducting any prior market research. The second most typical paradigm is blindly adhering to Top Management's directives without conducting any prior investigation or analysis. The segmentation approach, geography-based approach, classification-based approach, or approach based on specific customer segments like NRI, HNI, Mass Affluent, Salaried, Professionals, Women, etc. are the bases for these product developments, as was previously stated. In most PSBs, product development is carried out in-house while taking market dynamics into account. The development takes into account the bank's customer segments and market conditions. In PSBs, the top management's opinions and directives are what most heavily influence product development. Geographical considerations are not given much weight in the development process, but branch and centre types and business potential.

KEYWORDS:

Approach, Mass Affluent, NRI, HNI.

INTRODUCTION

The fundamental strategy for product development begins with a market analysis of the needs and gaps within the target market, followed by the identification of the needs, development of the product, pilot testing it on a sample universe, feedback gathering, and final rollout of the product across the targeted segments. Occasionally, one or more of these process steps that have to do with the product or management are skipped. A portion of the process may occasionally be outsourced, a portion carried out using internal resources, and a portion may even be bypassed. The procedures differ between banks. Market research is only carried out internally by PSBs, not externally. Some banks introduce products based on industry standards and consumer needs without conducting any market research or soliciting client feedback. In retail banking, the processing of products and services is primarily approached from three angles: the entire processing is carried out using in-house resources, some products are processed in-house, some products have their processes outsourced, and the third approach entails outsourcing the entire process while adhering to established process standards.

DISCUSSION

Product and Service Process Models

The complete process for products and services is carried out using in-house resources in PSBs and older private banks, however some banks outsource the process for particular products. But for the process element, outsourcing is typically not done. In several process areas, partial outsourcing is being tried in newer private sector banks. Foreign banks typically outsource the entire process, which happens through a distinct back office that offers the full range of retail banking services. For retail asset products, banks use various process models.

Banks compete with one another to attain the finest process efficiencies for luring consumers and enhancing their retail asset book since retail assets serve as the centre of retail banking activity. Centralised Retail Assets Processing Centres are a common type of process model in which all retail loans obtained from branches and marketing teams are processed at one location, and assets are financed through that centre, or processing alone is done at the centre and financing is done at the branches.

Another strategy involves regional processing hubs or stand-alone processing at branches for specific asset products, such as housing loans, and centralised processing for other products. The third approach uses only regional processing hubs rather than centralised processing to serve a particular geography or cluster of branches and handle one or more loans. It will coexist with the branch-level stand-alone processing. Without using a centralised model or regional hubs, some banks process and deliver retail assets at the branch level on their own. The end goal is to create unbeatable process efficiency.

The centralised processing paradigm is being gradually implemented by public sector banks for all assets as well. For some goods, some banks have centralized/regional processing hubs, while others have stand-alone models for other items. In the majority of banks, however, no centralised model is used; instead, processes only take place through regional hubs, branches, or a combination of the two. In PSBs, centralised retail loan processing centres are not widely used; instead, local processing is the norm for most banks. Older private sector banks often use a stand-alone approach, whereas newer banks use a hybrid model.

Costs for Goods and Services

Process models vary depending on whether a product requires a single stage or multiple stages of processing. For instance, opening a fixed deposit and generating a receipt only requires one stage of the process. In a similar vein, approving a car loan only requires one step. However, there is multi-stage processing involved when it comes to mortgage loans or savings and current accounts. For better process/delivery efficiencies in this case, the process model should either be stand alone or centrally located depending on the product. Different models are used by banks in this field. In the case of PSBs, a thoughtful combination of the many models is in place rather than the adoption of a single process model. A single point end-to-end process paradigm is used in several banks. In older private sector banks, a single bank end-to-end model is used, while a holistic model that incorporates all models is tried in newer private banks. In foreign banks, using an end-to-end outsourcing model for all products is typical procedure[4]–[6]. The effectiveness of retail banking operations is significantly differentiated by process time. Process Time affects both business and customers.

It is a crucial part of business promises on the delivery of goods. It displays the bank's trustworthiness and operational effectiveness. The delivery efficiencies and consumer recognition increase with process speed. For various retail asset offerings, banks are putting process time prescriptions into place.

For various asset products, the majority of PSBs have set process times. It's interesting to note that one PSB in the south has applied the Six Sigma Quality Implementation Model, which includes process time. Most of the other PSBs have set processing times that range from 7 to 15 days, depending on whether processing takes place in a branch, regional hub, or centralised facility. The process time is essentially the same for all products, which is a general trend seen in PSBs. Older private banks' increased dedication to the expansion of retail assets can be seen in the unusually short processing times for retail asset products. As centralised processing is the usual model adopted by new private sector and international banks, the process time for various asset products is structured based on the type of asset. Between the time of a sanction and the actual release of funds, the procedure time at these banks is well defined.

Models of Technology in Retail Banking

The technology platform for retail banking is crucial to the success of banks' retail banking activities. In the current environment, technology is the foundation of banks' operational and delivery efficiencies. Banks often use one of four technology models: in-house, outsourced, partially in-house, or partially outsourced. Each model will have benefits and drawbacks, and the success of the model will depend on how the business as a whole performs.

The majority of PSBs employ internal models with some outsourcing. Again, some banks practise complete in-house development and implementation by the in-house team, but in some other banks, the development is handled by a vendor and implementation is handled by the bank. Cost will be advantageous in a fully in-house development scenario, but it will be important in the second model. A south-based PSB successfully completed all internal development and implementation, and it easily transferred to the core banking platform. Some other institutions have completely outsourced programmes that they have internally implemented. Due to the size required to transition to the Core Banking approach, almost all older private banks use an outsourced technology approach. When it comes to new private banks, the model is primarily outsourced with some internal components. The outsourced approach is primarily used in overseas banks. Retail banking and technology are intrinsically linked. The retail banking edifice is constructed around technology all over the world. Building and converting a client data base into a retail banking operation is made possible by technology. In accordance with international trends, banks utilise various technological platforms. PSBs began implementing technology at several levels, starting with standalone Automated Ledger Posting Machines.

In the early stages of computerization, (ALPMs) advanced to complete branch automation and regional network hubs. Beginning with a single server environment, new private banks had a technological advantage over competing banks. In order to network customers and accounts on a single platform, PSB banks have reengineered their technology initiatives and begun implementing core banking solutions. Some banks have almost finished the core banking solutions process, whereas in other banks, the level of implementation is at various stages. The degree of core banking adoption will immediately improve the likelihood that customer data base is available across products and will expand the opportunity for upselling and cross-selling. The level at which the data base is vertically or horizontally organised can be inferred from core

banking. Whether data is available customer- or product-wise on an integrated basis depends on whether it is organised horizontally or vertically.

Only a small number of banks have not yet caught up with the majority of PSBs, who have implemented a 100 percent core banking system. The current technological model in those institutions is a combination of Core Banking Model in varying stages of adoption. Depending on the branch type and business, total branch automation and legacy systems (stand-alone ALPMs) may be used. In the process model, PSBs are also more horizontally organised with varying degrees of vertical position between banks. Effective retail operations will be hampered by the partial integration of customer data bases and items. Core banking is the technology and process paradigm on which the whole business model is based in new private banks and foreign banks. It is a vertically organised approach that completely integrates the client and the product and is used to advertise a range of retail products to a specific customer base.

Set Apart from Corporate/Wholesale Banking and Retail Banking

The fundamental methods of banking used by Corporate or Wholesale Banking and Retail Banking are different. The following are the main distinctions between the two segments:

1. While corporate banking primarily serves corporate clients, retail banking focuses on the individual market sector.
2. When compared to wholesale/corporate banking, which targets a much smaller segment of the business/corporate client base, retail banking is a mass market banking model.
3. Business to customer (B2C) is the strategy used in retail banking, whereas business to business (B2B) is used in corporate banking.
4. While corporate loans have a high-ticket value, retail banking loans have a modest ticket size.
5. Retail banking has a large customer base, which increases risk, but corporate banking has a smaller consumer base but higher risk due to larger ticket sizes.
6. Because spreads for various asset classes are wider in retail banking, returns are higher. However, because corporations can negotiate for lower rates because the loan quantities are larger, the returns in corporate banking will be poor.
7. Compared to corporate banking, retail banking has a bigger customer base, making asset monitoring and recovery more difficult.

Due to the modest ticket size of retail deposits, the cost of deposits is likewise relatively low on the liability side and often follows card rates. Due to pressure, deposit costs will be high in corporate banking since deposit ticket sizes will be enormous. Retail banking as a concept contains a number of components that each individually and collectively contribute to the success of the segment. It includes things like business process architecture, product and process models, and implementation models. Let's examine how the many retail banking concepts that influence the market's success can be applied. For the implementation of their retail banking initiatives, banks use a variety of models. The most popular tactics include in-house sourcing, partial outsourcing, end-to-end outsourcing, and primary outsourcing. The product line, process needs, technological readiness, delivery capabilities including human resources and regulatory requirements all influence the implementation strategy.

Older private sector banks also only use internal resources to carry out their operations. Although slightly slanted towards outsourcing, the model for next generation private sector banks is a balanced combination of outsourcing and in-house work. In certain banks, the liability side is processed centrally but the asset side is outsourced.

According to the business model, the implementation model is typically outsourced in overseas banks. Additionally, some international banks outsource both their front and back-end operations, while other banks only outsource their back-end operations—for example, recruiting HNI clients—using in-house staff.

Structure of Business Processes in Retail Banking

Transforming Retail Banking Processes, research by Boston Consulting Group on the retail banking processes, identified four broadly defined process models used by banks. The technological and consumer interface capabilities of the banks under investigation were used to define these models. The four major categories are

(a) Vertically organized model
(b) Vertical Organized Model
(c) Model that is primarily vertically organized
(d) Model with a predominance of horizontal organization

The quantity of customer information accessible in a single platform on the data base side for supplying numerous products/services across assets, liabilities, and other services determines whether to use a horizontal or vertical architecture. A horizontally organized model is a modular structure that offers end-to-end product solutions using several process models for various products. With a focus on customer data bases and the usage of centralized customer data bases across goods, a vertically arranged architecture offers functionality. Generally product-oriented and horizontally organized, certain goods share similar customer information. The majority of the items in the mostly vertically arranged model have common information available.

The horizontally arranged model is the standard in the majority of PSBs. There are other banks, of course, where the organizational structure is primarily horizontal and reflects the amount of available common customer data for specific products. In one of the PSBs based in the West, the scenario suggests that the common customer information is available for the majority of the items, expanding the opportunity for cross-selling and up-selling.

In the case of older private sector banks, the situation is complex. in a Karnataka-based bank. There is a horizontally organized model and another bank with roots in Tamil Nadu has a mix of vertically and horizontally organized models with a reasonably high amount of shared customer information across products. The bank had planned for aggressive retail banking growth if we compare this data to the bank's positioning objective.

In general, new private sector banks have a vertically organized model. However, it is interesting to see that one bank, which is quite aggressive in the retail sector, uses a hybrid of horizontal and primarily horizontal organizational models. This demonstrates that the majority of products are sold based on unique client information and that not all products have access to common consumer information. In foreign banks, the vertical organizational structure predominates, meaning that initiatives in retail banking are attempted with shared customer data across products.

CONCLUSION

Only the degree of customer satisfaction may be used to gauge whether requirements of customers have been met. The pleasure will result from how clients feel about the goods and services provided by various banks. Banks like public sector banks, private sector banks (old and new generation private sector banks), and foreign banks may have different experiences. Generation private banks and foreign banks offer the full range of all the aforementioned products/services, according to a recent study by a reputable research firm measuring customer service quality as a reflection of meeting customer requirements. The study showed that PSBs' current product and service standards are good and above industry averages, and it also showed the bank's priority areas in the aforementioned segments. The aforementioned elements show that public sector banks generally meet consumer requirements for products and procedures, but they also show that there is always room for improvement to take into account the constantly changing nature of client requirements. Following the analysis of customers' expectations and the level of service quality provided by various banks with relation to savings accounts and housing loans, the following paragraph provides a general breakdown of what customers anticipate from banks.

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CHAPTER 25

ANALYSIS OF MARKETS AND BUSINESSES

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ABSTRACT:

While each lender seeks the highest interest rate, each borrower looks for the lowest. A lender looks for a return that includes a premium for the risk he believes he takes of not getting paid back in addition to his profit. Because it differs between borrowers, it is best to determine a borrower's risk perception based on their credit history. But until recently, lending institutions had to base their assessment solely on their encounters with a specific borrower. That has altered with the introduction of groups that evaluate a person's creditworthiness. The lending bank can assess a borrower's creditworthiness by getting their credit score from numerous sources. The applicant's credit history is crucial in this situation because a high score may make the loan more bearable with lower charges. A lending bank may collect the borrower's credit score from credit information businesses to supplement the data included in the loan application.

KEYWORDS:

Market, Product, Selling, Sales.

INTRODUCTION

It is critical to understand the idea of product positioning when we have finished discussing product policy. The unique selling proposition (USP), despite it could seem to be a continuation of it, is really different from it. The customer's mind is the most important factor in "positioning," so the first step in positioning is to understand or "map" the way a potential or current customer thinks about things. Rosser Reeves defines positioning as "the art of selecting from among a number of unique selling propositions, the one which will get you the maximum sales." According to the positioning grid below, the consumer would be considering the many products and services that different banks offer. Customers' mental views of bank products take on different positions in their minds depending on the return and liquidity characteristics of the deposit.

Again, the little time that these elements remain in the customer's mental perception is dependant on the effectiveness of the product. Therefore, bank marketers should strive to set their products apart from those of competing banks in the eyes of their clients while also getting much closer to meeting their needs. Once more, the goal should be to dominate the customer's thoughts. To do this, the marketer must find and occupy a strong mental space within the target audience. Jack Trout, the positioning expert, asserts that positioning is "not what you do to the product, but what you do to the mind." Bank marketers will examine the product's characteristics and USPs, add value to the product, and seek to restore or preserve the position if it is threatened when the market climate changes due to competition. Repositioning is the term for this approach. The circumstances and the market conditions must be taken into consideration as banks continually assess their positioning strategies and create repositioning plans.

DISCUSSION

Creating Concepts for New Products

Market research is used to create new product concepts based on customer expectations from both present and potential customers. Additionally, it is created internally by bank employees. As part of a staff suggestion scheme, employees of some banks are requested to make suggestions for new products. Members are encouraged to openly share their thoughts on novel items based on their exposure, knowledge, and customer feedback. Both ideas for enhancing the existing items and recommendations for entirely new ones are welcomed.

Idea filtration

The following process is used to evaluate the ideas after they have all been gathered from internal and external sources:

Is there any indication that the new product is necessary? Does it improve upon the current product? Can the new product be supported by the existing infrastructure? Does the new product belong to an established category or a completely untapped market? Concepts that respond positively to the aforementioned questions go to the next stage.

Cognitive Testing

The next stage is "concept testing." The ideas behind the novel product are examined. The goal of this test is to determine whether consumers comprehend the concepts behind the product and whether they are compelling enough to persuade them to buy the product when it becomes available. This helps the marketer comprehend how consumers have reacted to the "product concept" and how they perceive the product.

Business analysis and market research

If the product is financially and commercially successful will depend on this phase. This will be determined based on a cost-benefit analysis of the product from the perspectives of the banker and the client. Additionally, it will look at how customer growth and retention would impact the expected rise in sales and profitability. It will also look at how market share is expected to be affected, as well as how the competition is expected to penetrate the market.

Actual product development, trial sales, and commercialization

Concepts and analyses are internalised after the aforementioned phases are finished, and product development is then carried out using the gathered data. The newly developed product is first tested in a specific market area, and then, based on feedback from the market, it is fully introduced to the targeted segments. A good example of the above steps in new product creation is the marketing of a Deposit Cum Credit Linked product by a public sector bank in recent years. The bank developed the brand-new item specifically for working women. The new product's development was influenced by both internal and external sources. Customers can save money in recurring deposit accounts with fixed monthly installments thanks to features included into the bank's product, and after three months, they can apply for loans with predetermined multiples of RD installments based on their wage and other conditions. How the loan was ultimately utilised would depend on the customer's tastes and wishes. The loan can be repaid in a number of ways, including by making direct payments to the loan account, paying the interest on a regular basis,

and adjusting the principal loan amount with the money from maturing recurring deposits. The target market of the product, working women, will find various compelling qualities. It was first exclusively made available in large cities and urban areas, specifically targeting the working women in those areas. There was some disagreement to one of the product's features, which forced the customer to wait three months before requesting for a loan, despite the fact that it was generally well-received. This small inconvenience was quickly resolved so that the loan approval and RD opening could take place simultaneously. The market received this new product favourably, and the bank enjoyed enormous success with it. After realising the new product's immense potential, the bank expanded its offer to working women in semi-urban and rural branches as well, with the eligibility restrictions for broader market acceptance.

Another wonderful example is the development of new products in response to customer ideas for banks. Another public sector bank is creating a new product in this case. The bank branch was situated in a southern section of a state, in a densely inhabited rural area. A minority community makes up about 90% of the people in one village. Due to the increase in employment opportunities in the Gulf countries, many residents of that village relocated there in quest of work. The majority of immigrants to the Gulf were semi-skilled and unskilled labourers. They had trouble making ends meet and had to take out hefty loans in order to fly to the Gulf and pay for their visa and other travel expenses. The branch manager was urged to think about giving these people loans to pay for their visa and travel charges by a few of the bank's esteemed customers. Higher-ups were informed of the idea along with details on possible business and the resulting client expansion. Credit was granted to them based on their travel documents and the recently introduced "Visa Loan" product. The marketing campaign for the new product development was a resounding success. In addition to repaying their loans, loan recipients opened Non-Resident Savings and Deposit Accounts at the bank and sent several remittances. They also served as marketers for the bank's Gulf branch, generating numerous new client contacts from the Gulf region for both that branch and other close-by bank branches. Business at the branch skyrocketed like never before. This concept was also used by the bank for analogous branches at other locations. The success of new product development depends on the efficiency with which numerous ideas from various sources had to be prioritised and the marketer's capacity to translate these ideas into profitable items that maximise the business.

Limitations on New Product Development

There are accompanying restrictions even though the development of new products offers the banks new commercial opportunities. In the competitive bank marketing sector, where many businesses are vying for both their own slice of the cake and that of their rivals, new product creation is unavoidable. However, there are also many restrictions.

The following is a list of some of the limitations:

(a) The diversity of the consumer base among the different branches is one of the external constraints. It would be difficult to develop a new product that will appeal to all customer segments. As they develop new products and work to crystallise the homogeneity within the heterogeneous group, the bank must take this restriction into account.
(b) At the height of the technological revolution, product obsolescence occurs swiftly, which results in a large shift in consumer preferences. This would have an effect on the new product's life cycle, which would have an effect on the economics of the product.

The current product portfolio at the majority of public sector banks is another impediment to the development of new products. Having twenty or more deposit goods. Their range of goods had gotten complicated. The main focus of the effort was product cutting rather than creating new items. The ideation stage of the product development process occasionally has an allure. However, developing the idea into a successful business enterprise would be difficult. This is a limitation once more.

Employee opposition to the creation of new products because they fear that these products would increase their workload or force them to lay off or relocate their employees. Another restriction is this problem with attitude. There have been discussions about a few of the obstacles to the creation of new products. The limitations are not exhaustive and are only illustrative. Each bank marketer will be subject to specific limitations in addition to the limits mentioned above, which are of a more general character.

Product Management

Product management is one of the main tenets of bank marketing strategies. The definition of a product was covered in the Chapter before, and products are almost always blends of the tangible and the intangible. A product can be defined as a "entity satisfying needs" for the consumer. But the product has seen considerable changes throughout time from both the marketer's and the consumer's perspectives. The product has experienced quick changes throughout time due to the evolving consumer expectations and the marketer's constant efforts to upgrade and improve the product. The marketer enhanced the product's features from the most fundamental to the most sophisticated in order to satisfy the customer and outperform the competition over time. Let's now search for the changes the product has undergone over time. According to Theodre Levitt, the final result evolved along the lines. The generic product is a commodity lacking in branding and differentiation. such as bread, rice, wheat, and fabrics. It is an essential component. In the area of banking, a few examples of generic products include savings banks, current accounts, term deposits, draughts, and other fundamental financial products. The "name" given to a deposit, such as "Reinvestment Deposit," is what distinguishes the products from one another.

The expected result

The expected product is an illustration of both the buyer's prerequisites for the purchase and what the consumer hopes to get out of the item. Different customers may have different expectations. In order to do this, the lender will take these requirements into account while designing the product and work to set it apart from similar products offered by other lenders. In light of this, the bank marketer will change the product. A savings bank customer, for instance, anticipates being able to withdraw cash anytime they like, pick up checks through their account, and monitor their account balances. The Pass Book facility for viewing current balances, the Cheque Book/Withdrawal Slips facility for cash withdrawals, and the Collection Facilities facility for receiving customer checks all meet these standards.

The Enhanced Item

It is optional for the improved product to use the product that is being enhanced. The improvements made voluntarily by the marketers in an effort to increase the product's value result in the augmented product. These modifications were neither suggested by the customer nor even anticipated by them. The bank marketer alone improves the product by adding a new

amenity or feature. For instance, some banks offer free check collection and the opportunity to collect customer checks at their doorsteps as part of their savings bank account. across addition to the branch where the customer is maintaining the account, other banks offer the option of managing the customer's savings bank account from any of their branches across India. He can use this type of account access from any branch as an improved feature of the product.

The Potentially Beneficial

Anything that could be done to entice and retain customers is referred to as a "potential product". This potential product could be developed using suggestions, new ideas, and revised contemporary topics. In the modern competitive landscape, a potential product is one that has a lot of space for improvement. The ability to use a service from the client's website without going to the bank is an example of a prospective offering. Even if it is currently available to some corporate clients today, setting up computer terminals at the customer's location and allowing him to do banking business there may be a future product in the technology-sensitive banking scenario. The knowledge presented above will help us understand how a product develops over time and how each stage contributes to the ultimate product's value. Naturally, the ultimate purpose of the entire development process is to maximise customer satisfaction through routine product reviews and redesigns from a number of perspectives. The main objective of the activity is, of course, to achieve corporate goals through the ecstasy of customers.

Product Policy

Product policy is one of the main duties of product management. The marketer should pick carefully the products to provide to different market segments. Particularly if the customer base is somewhat large, the product line should be based on the consistent requirements of the varied client base and consumer categories. Otherwise, the product selection will be overly complicated. However, if the market segment is sizable, the marketer must think about developing products just for that clientele. The marketer should choose to include the following principles in their product policy:

(a) Analyzing the product line and individual items
(b) Making choices about product diversification
(c) Product positioning
(d) Brand preferences
(e) Choices in packaging
(f) Creating new products

A bank marketer who wants to succeed must constantly evaluate his product line. Environmental changes, evolving customer preferences, and business competition could all put products in danger. Even if there may not be many changes, the marketer must evaluate the potential of the current product range. Products that were desirable yesterday could not be desirable now and perhaps lose their usefulness tomorrow. A banker must scan the area. Term deposits with monthly interest facilities, deposits with quarterly interest facilities, and deposits with cumulative interest facilities are a few examples of term deposit product types. These improve the product in some way. The company's business objectives will be directly harmed if the lender merely maintains selling these things on their own without examining the business potential or assessing the circumstances that might demand phasing them out.

One of the three term deposit options, for instance, might only have good customer service, while the others would not. The banker must then decide whether to refer the product or gradually stop selling it, depending on the situation. Recurring Deposits is another example, where there are too many product extensions, confusing the customer base. Combining the several recurring deposit options into a single offering could help customers feel less confused and ultimately help with product cutting.

Choosing How to Differentiate Your Products

In the intensely competitive industry of banking, almost all banks provide goods with nearly identical qualities. But how can the bank marketer gain a competitive edge in that case? To succeed, this marketer needs to differentiate her products. A marketer should strive to differentiate his product as much as possible from those of rivals. Differentiation strategies are used to differentiate features, advantages, and customer satisfaction levels by adding some value to the product. In order to accomplish this, bank marketers might emphasize the product's USP. The product's "Unique Selling Proposition" is referred to as USP. The USP of a given product is its distinguishing nature. There will be a "USP" for every product and as part of the differentiation strategy, the product's USP must be emphasized. For instance, "cumulative interest calculated on a quarterly compound basis" is the USP of a bank's reinvestment deposit plan. "Withdrawing a portion of the deposit without losing interest" was the USP of Citibank's "Multi-Deposit Account." "No minimum balance" was the USP of the product in the former "Freedom account" offered by HDFC Bank. Similar to the Special Fixed Deposit offered by another nationalized bank, the USP is "receiving monthly or quarterly interest" in this case.

CONCLUSION

The archetypal example of positioning in bank marketing is 'Un Fixed Deposit' that Citibank advertised decades ago when they first began to establish themselves as a retail bank. Here, the bank's positioning strategy was impacted by a coordinated effort to differentiating goods and creating a unique selling offer. Every bank offered fixed deposits, but in order to access the money, a borrower had to apply for a loan first and fulfil certain steps. Fixed deposit returns are reasonable, but the "liquidity" is low. The consumer has some leeway in their thinking, and they believe the return and liquidity to be above average. Citibank developed the "Unfixed Deposit," a new product with the features of a Fixed Deposit with high returns and the option to withdraw money anytime needed using a chequebook and without any hassles, after sensing the positioning opportunity. Under the unusual brand name "Unfixed Deposit," they promoted them. The product gained popularity fast and was well-known to customers. If positioning is to be successful, the marketer must be proactive and informed in order to recognise the positional slots. Once more, the early adopter will profit the most because it will take some time for the product to earn acceptance among the latter adopters. Other companies copied this aggressive positioning technique in an effort to surpass it in consumers' views.

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