

A STUDY ON THE PERFORMANCE OF RETAIL BANKING ASSETS IN PUBLIC AND PRIVATE SECTOR BANKS OF INDIA

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Abstract: Retail Banking refers to provision of banking products and services offered to individual customers, typically for non-entrepreneurial purposes. The focus on retail banking is on consumer markets. This project deals with the part of retail assets in the total assets of a public/private bank, along with its growth over the period.

The objective of the study is to find out the selected banks which deliver a good degree of quality retail banking advances and services, and to help investors and customers in choosing a reliable bank to avail retail banking services. The research began by gathering information on the importance, advantages, disadvantages, opportunities available and the threats associated with the retail banking scenario in India. The project also details upon brief profiles of the banks under study and the break-up of the retail advances granted by the public and private sector banks to its customers. A comparative analysis of inter and intra bank on the retail assets, percentage of retail assets to the total assets, and the growth of retail assets over the period under study has been done with the computation of average figures of retail assets and its growth.

Keywords: Retail assets, banking, products and services, advances, growth, analysis

1. Introduction

All over the world, there is a shift in the economy from the manufacturing to the service sector. The contribution of banking to the service economy is duly recognized. Banking industry includes a number of businesses such as corporate banking, investment banking, wealth management, capital market etc. Retail banking is another segment of the banking industry. It is a typical mass-market banking characterized by a large customer base and a large volume of transactions. There is a high level of cooperation between banks, retailers, customers and consumers in this segment. Retail banking has brought in a drastic make over in the overall banking scenario in India. Retail banking refers to provision of banking services to individuals and small businesses where the financial institutions are dealing with large number of low value transactions. This contrasts with whole sale banking where the customers are large, often multinational companies, governments and government enterprises and the financial institution deal in small number of high value transaction. In India, the Retail Banking scenario has been the market changing from a seller's market to a buyer's market. Retail banks offer services like account opening, credit card, debit card, ATM, internet banking, phone banking, insurance, investment, stock broking and so on. Retail banking refers to the dealing of commercial banks with individual customers, both on liabilities and assets sides of the balance sheet. Fixed/current/saving accounts on the liabilities side, and mortgages loans. The concept of Retail Banking is not new to banks but is now viewed as an important and attractive market segment that offers

opportunities for growth and profits. Retail banking and retail lending are often used as synonyms but in fact, the latter is just the part of retail banking. In retail banking all the needs of individual customers are taken care of in a well – integrated manner. Retail banking in the country is characterized by multiple products, multiple channels and multiple customer groups. This multiplicity of the roles to be played by the retail bankers adds to the excitement as well as the challenges faced by the bankers. Retail banking is the most visible face of banking for the general public. Thus, retail banking services broadly corresponds to the banking services providing in the intermediate phase of evolution of banking. The banking sector is under a competitive trench exclusively, both the private and public bank managements are at a lure to provide healthier services to their customers in offering valid and efficient services. This project deals with the comparative study on the performance of retail assets in the study.

2. Review of literature

Bhayani (2005), arrived at a conclusion about the low literacy among the customers, they are not aware of technology assisted banking services. So the banks should try to create awareness among customers on technology and technology driven products for better retail banking operations.

Bayel & Janalgie (1994) This study investigates & identifies the services quality dimensions pertaining to financial services, the relationship between perception accorded to these dimensions, the overall attitude towards the banking, and the important discrimination in service quality factors among the different group of banks by paired comparison.

Frances X. Frei (1999) The findings of this study are that the financial performances of banks that perform better across these processes tend to be better than that of other banks.

Source Technologies, (2004) it explains how the retail service had integrated multiple data sources and CRM information is also dealt with.

Sudhir (2005) in his study emphasized that existing potential of Retail Banking was untapped in rural and semi-rural areas and that untapped clientele provided a good and vast opportunity for growth in this segment. total assets of public/private banks, along with its growth over the period of time of the study.

3. Research Methodology

This research deals with the performance of retail assets in the total assets of public/private banks, along with its growth over the period of time This would help to analyse the level of bank's performance in lending retail advances and it will also help the investors in preferring a trustworthy bank for retail loans and services.

OBJECTIVES OF THE STUDY

- To find out the level of banks' performance in extending retail advances and services.
- To help investors and customers in choosing a reliable bank to avail retail banking services.

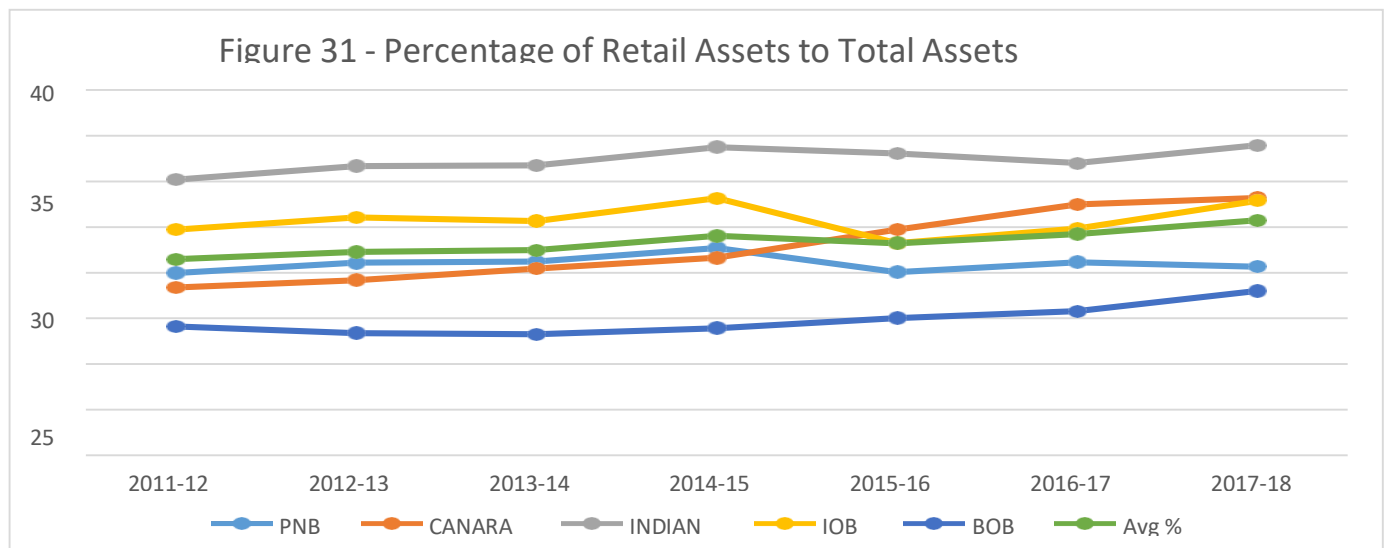
The research study includes gathering information on the total assets, total liabilities and retail assets of a public/private bank. Data were collected from the annual reports of 5 public and 5 private sector banks, wherein, the total assets, retail assets, total liabilities and the percentage of retail assets to the total assets were computed and shown graphically. The period of study is 7 financial years i.e. from April 2011 to March 2018. The statistical tools used for analysis are: Percentage analysis and Line Charts.

4. Data Analysis and Interpretation

INTER BANK ANALYSIS AMONG PUBLIC AND PRIVATE SECTOR BANKS:

INTER BANK COMPARISON OF RETAIL ASSETS – PUBLIC SECTOR BANKS:

YEAR	% OF RETAIL ASSETS TO TOTAL ASSETS					Average % of Retail Assets	HIGHEST	LOWEST
	PNB	CANARA	INDIAN BK	IOB	BOB			
2011-12	19.97	18.39	30.18	24.73	14.11	21.476	30.18 (IB)	14.11 (BOB)
2012-13	21.11	19.18	31.66	26.05	13.38	22.276	31.66 (IB)	13.38 (BOB)
2013-14	21.22	20.47	31.75	25.65	13.26	22.47	31.75 (IB)	13.26 (BOB)
2014-15	22.69	21.64	33.74	28.16	13.92	24.03	33.74 (IB)	13.92 (BOB)
2015-16	20.06	24.73	33.04	23.24	15.02	23.218	33.04 (IB)	15.02 (BOB)
2016-17	21.14	27.49	31.99	24.83	15.79	24.248	31.99 (IB)	15.79 (BOB)
2017-18	20.67	28.19	33.96	27.89	18.01	25.744	33.96 (IB)	18.01 (BOB)



Interpretation:

In the above table depicts the percentage of retail assets to total assets of 5 Publicsector banks over the years of study, and it infers the following information:

Year-wise analysis:

2011-12: The average percentage of retail assets to total assets of the 5 banks in this year is 21.46%. Indian bank and IOB acts as outperformers of the average with 30.18% and 24.73% respectively. Banks like PNB and Canara have percentage of retail assets below 20% and BoB has the least of all banks with 14.11%.

2012-13: The average percentage of 5 banks for this year is computed at 22.276 percentage, which is well outperformed by Indian Bank (31.66%) with 9% more than the average. It is then followed by IOB with 26.05% which is also above the average. There has been growth in the percentages of rest of other banks from the previous year(except for BOB which dropped from 14.11% in 2011-12 to 13.38 in 2012-13), but as the average also increased, there was relative growth, but not outperforming the average.

2013-14: For the third consecutive year, IB has been in the position of highest outperformer with 9% more than that of the average. It is then followed by IOB with 25.65%, which is also outperformed. But the rest of other banks, didn't meet the average requirement of retail assets for the year. PNB and Canara banks have percentage of retail assets more than they had in their previous year, but BOB again had a 0.12% decline from the previous year.

2014-15: The average percentage of retail assets to total assets for all the 5 banks is 24.03%. Banks like PNB, Canara and BOB had relative growth compared to the percentages of previous year, but the percentage remain less than the average percentage. But Indian Bank again is the highest outperformer with the maximum of 33.74% and it is then followed by IOB with 28.16% both performing above the average percentage.

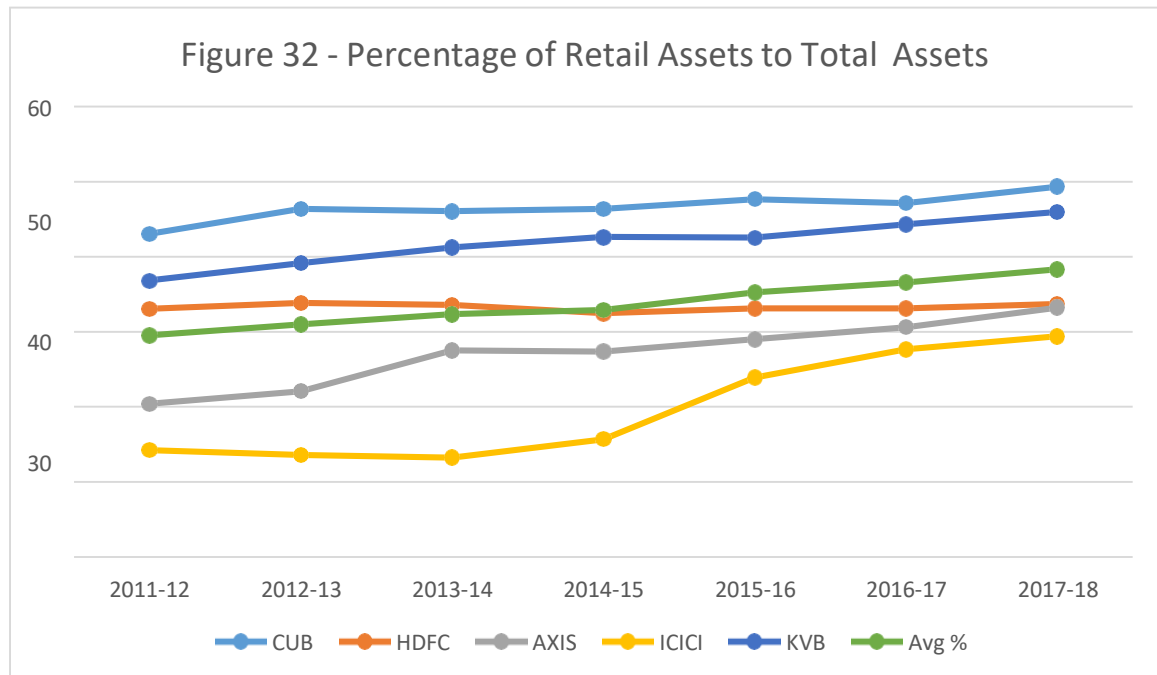
2015-16: Average percentage of retail assets to total assets of the 5 banks stood at 23.218%. The average percentage has decreased 1% from the previous year. Indian bank has outperformed the average by exceeding 7% more than the average. This year, Canara bank has outperformed the average with 24.73%. This year IOB has outperformed by having just 0.20% more than the average, this is because the percentage of retail assets has come down compared to the previous year. The percentages of PNB and BOB were 20.06 and 15.02 respectively.

2016-17: The average percentage of all 5 banks is 24.248%, which is the second highest of the 7 years. Indian Bank, with the maximum of 31.99% is the leading outperformer of this year. Canara bank has also exceeded the average with a margin of 3.20% and has overtaken IOB, with 24.83% which exceeds the average in a small margin of 0.60%. BOB has the lowest percentage of 15.79, because the segment of retail assets in the total assets of the bank is very low. However, BOB has attained relative growth, the percentage is more than the previous year.

2017-18: The average percentage of retail assets of this year is the highest of all 7 years with 25.744%. The highest outperformer is sustained by Indian Bank with 33.96%, and the second highest outperformer is Canara Bank with 28.19%, and then IOB has also exceeded the average percentage with 27.89%. PNB and BOB have percentages of 20.67 and 18.01 respectively.

INTER BANK COMPARISON OF RETAIL ASSETS – PRIVATE SECTOR BANKS:

YEAR	% OF RETAIL ASSETS TO TOTAL ASSETS					Avg % of Retail Assets	HIGHEST	LOWEST
	CUB	HDFC	AXIS	ICICI	KVB			
2011-12	43.06	33.08	20.42	14.26	36.84	29.532	43.06 (CUB)	14.26 (ICICI)
2012-13	46.38	33.84	22.09	13.59	39.15	31.01	46.38 (CUB)	13.59 (ICICI)
2013-14	46.08	33.58	27.55	13.26	41.25	32.344	46.08 (CUB)	13.26 (ICICI)
2014-15	46.38	32.47	27.39	15.70	42.62	32.912	46.38 (CUB)	15.70 (ICICI)
2015-16	47.69	33.15	29.02	23.93	42.54	35.266	47.69 (CUB)	23.93 (ICICI)
2016-17	47.17	33.15	30.62	27.68	44.32	36.588	47.17 (CUB)	27.68 (ICICI)
2017-18	49.34	33.71	33.22	29.41	45.97	38.33	49.34 (CUB)	29.41 (ICICI)



From the above table 2011-12: The average percentage of retail assets to total assets of all private sector banks is 29.532. CUB has very well outperformed the average, with 43.06%, while ICICI bank has underperformed with the least of 14.26% which is much below average. Banks like KVB and HDFC have also performed above average with percentages of 36.84% and 33.08% respectively, and Axis bank has tried to attain the average with 20.42%.

2012-13: The average percentage of retail assets to total assets is computed at 31.01%. CUB has outperformed the average with a maximum of 46.38%, while ICICI has underperformed with the minimum percentage of 13.59. Axis, KVB and HDFC have percentage of retail assets more than the previous year, with 22.09, 39.15 and 33.84 respectively.

2013-14: Average percentage of retail assets to total assets of private sector banks stands at 32.344. CUB again acts as an outperformer with maximum percentage of 46.08. It is then followed by KVB and HDFC with 41.25% and 33.58% respectively. However, banks like ICICI and Axis were unable to meet the average with 13.26% and 27.55% respectively. The least percentage is borne by ICICI bank.

2014-15: Over all the years, the average percentage of this year is 32.912%. CUB has a good relative growth and it sustains to be the successful outperformer by having 13.462% higher than the average (46.38%). But rest of the other banks were unable to meet the average percentage this year, this may be due to the allocation of a small portion of total assets as retail assets. The least percentage of retail assets to the total assets in this year was in ICICI bank with minimum of 15.70%. However, it is a higher allocation than the previous year.

2015-16: Average percentage of retail assets to total assets of the 5 banks stood at 35.266% (which is the third highest of all years). CUB has 1.31% more than previous year and has well outperformed the average percentage. The next outperformer is KVB with 42.54%. The other banks namely: HDFC, Axis and ICICI are some few decimals behind achieving the average percentage mark.

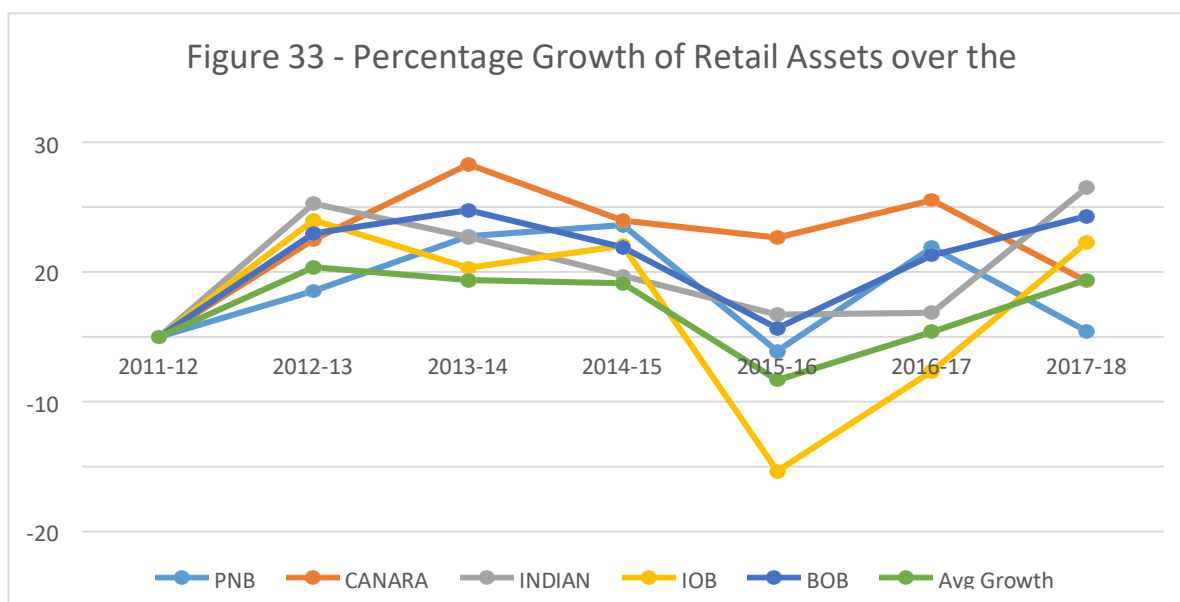
2016-17: The average percentage of all 5 banks is 36.58%, which is the second highest of the 7 years. CUB, with the maximum percentage of 47.17, is the leading outperformer of this year. It is then followed by KVB, with 44.32% which is also higher than the average. ICICI has the lowest percentage of 27.68

2017-18: The average percentage of retail assets of this year is the highest of all 7 years with 38.33%. CUB is the highest outperformer with 49.34%, and the second highest performer is KVB with 45.97%. ICICI has a percentage of 29.41 and Axis with 33.22%. HDFC has a percentage of 33.71 in this year.

INTER BANK COMPARISON OF GROWTH OF RETAIL ASSETS

– PUBLIC SECTOR BANKS:

YEAR	% GROWTH OF RETAIL ASSETS OVER THE YEARS					AVG GROWTH	HIGHEST	LOWEST
	PNB	CANARA	INDIAN Bk	IOB	BOB			
2011-12	-	-	-	-	-	-	-	-
2012-13	7.06	14.97	20.53	17.96	15.93	15.29	20.53 (IB)	7.06 (PNB)
2013-14	15.51	26.56	15.37	10.63	19.5	17.514	26.56 (CB)	10.63 (IOB)
2014-15	17.22	17.91	9.4	14.04	13.79	14.472	17.91 (CB)	9.4 (IB)
2015-16	-2.2	15.27	3.45	-20.7	1.32	-0.572	15.27 (CB)	-2.2 (PNB)
2016-17	13.77	21.05	3.7	-5.3	12.57	9.158	21.05 (CB)	-5.3 (IOB)
2017-18	0.87	8.59	22.93	14.53	18.59	13.102	22.93 (IB)	0.87 (PNB)



In the above table depicts the percentage growth of retail assets to total assets of Public sector banks over the years of study, and it infers the following facts:

Year-wise analysis:

2011-12: The FY 2011-12 is considered as the base year for computing the growth percentage of retail assets of the 5 banks. It can be inferred from the blank figures in this year in Table 23 and the plotted lines for each bank starts with the initial point of zero in the year 2011-12, in Figure 33.

2012-13: The average percentage growth of retail assets is computed at 15.29% for all the 5 banks. Indian Bank has been the highest outperformer, because it has a growth percentage of almost twice the average percentage (20.53). Banks like IOB and BOB has also outperformed the average growth. PNB has the least growth percentage in the year with 7.06%, and Canara bank missed the outperforming chance just by 0.29%.

2013-14: The industry average of growth of retail assets from the base year is 17.514%. Canara bank and BOB was able to outperform the average with 9% and 2% more than average respectively. However, the growth percentage of PNB, Indian Bank and IOB have good percentage of growth of retail assets, but it was a few percentages behind in achieving the average benchmark.

2014-15: The average percentage growth of retail assets of the 5 banks for the year is 14.4725%. Canara bank has very well outperformed the average with a percentage of 17.91. It is then followed by PNB with 17.22%. IOB has a growth percentage average is also de growth. The de growth has been maximum for IOB with -20.7%, indicating that the retail assets allocated for the year is 20.7% less than the previous year. It is then followed by PNB with 2.2% de growth.

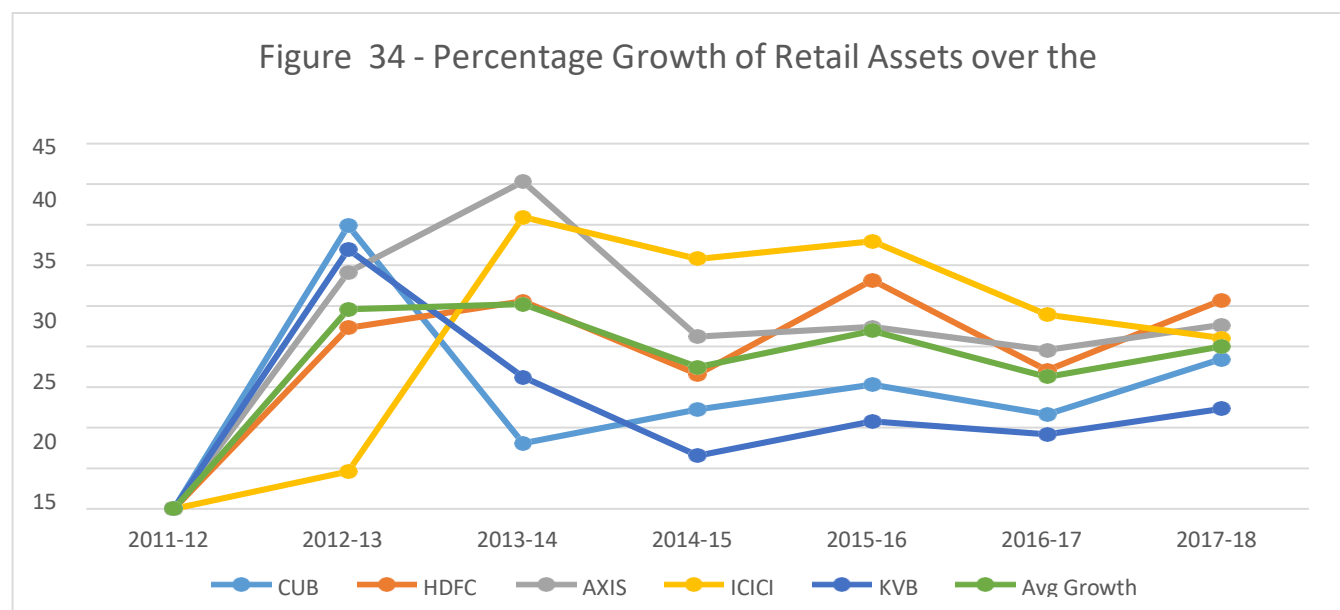
2016-17: The industry average growth percentage of retail assets of the year is 9.158%, which is well outperformed by Canara bank with 21.05% at the highest and PNB with 13.77%. BOB is also an outperformer with 12.57%. The underperformers are Indian Bank and IOB with 3.7% and -5.3% respectively.

2017-18: The industry average of growth percentage of retail assets is 13.102%. India bank has very well outperformed the average with a percentage of 22.93. It is then followed by BOB with 18.59%. IOB has a growth percentage of 14.53% and missed to outperform the average. Canara has a growth percentage of 8.59 and PNB has the least growth percentage of 0.87%

INTER BANK COMPARISON OF GROWTH OF RETAIL ASSETS – PRIVATE SECTOR BANKS:

YEAR	% GROWTH OF RETAIL ASSETS OVER THE YEARS					AVG GROWTH	HIGHEST	LOWEST
	CUB	HDFC	AXIS	ICICI	KVB			
2011-12	-	-	-	-	-	-	-	-
2012-13	34.86	22.29	29.13	4.58	31.95	24.562	34.86 (CUB)	4.58 (ICICI)
2013-14	8.06	25.56	40.32	35.92	16.20	25.212	40.32 (AXIS)	8.06 (CUB)
2014-15	12.23	16.56	21.18	30.78	6.53	17.456	30.78 (ICICI)	6.53 (KVB)
2015-16	15.29	28.17	22.40	32.95	10.76	21.914	32.95 (ICICI)	10.76 (KVB)
2016-17	11.63	17.07	19.54	23.89	9.17	16.26	23.89 (ICICI)	9.17 (KVB)
2017-18	18.45	25.71	22.65	21.03	12.31	20.03	25.71 (HDFC)	12.31 (KVB)

Figure 34 - Percentage Growth of Retail Assets over the



The above table shows depicts the percentage growth of retail assets to total assets of Public sector banks over the years of study, and it infers the following facts:

Year-wise analysis:

2011-12: The FY 2011-12 is considered as the base year for computing the growth percentage of retail assets of the 5 banks. It can be inferred from the blank figures in this year in Table 24 and the plotted lines for each bank starts with the initial point of zero in the year 2011-12, in Figure 34.

2012-13: The average percentage growth of retail assets is computed at 24.562% for all the 5 banks. CUB is the highest outperformer with 34.86% which is well above average. The second highest outperformer is KVB with more than 7%, exceeding the average. The growth percentage of AXIS bank is 29.13% that has helped it to outperform the average. The growth percentage of HDFC is 22.29%, and the least percentage growth from the base year is of ICICI bank with 4.58%.

2013-14: The industry average of growth of retail assets from the base year is 25.212% (which is the highest growth average of all the years). AXIS bank and ICICI was able to outperform the average with 15% and 10% more than average respectively. ICICI, unlike previous year, has well shoot up in the growth of retail assets in the present year. HDFC is also an outperformer at a margin of few percentages beyond average with 25.56%. However, the growth percentage of KVB, has come down from the previous year and it is now at a percentage of 16.20. CUB has a decline in the growth percentage of Retail assets which has come down to 8.06%, and hence, it did not outperform the average.

2014-15: The average percentage growth of retail assets of the 5 banks for the year is 17.456%. ICICI bank has sustained the position of highest outperformer with a growth percentage of 30.78. It is then followed by AXIS with 21.18%. HDFC has a growth percentage of 16.56% and missed to outperform the average. CUB has a growth percentage of 12.23 and KVB has the least growth percentage of 6.53%.

2015-16: The industry average of growth of retail assets for the year is 21.914%. ICICI, for the second consecutive time, outperformed the average with a margin of 11% more than the average. HDFC and AXIS have also outperformed this year with a percentage of 28.17 and 22.40 respectively. Banks like CUB and KVB did not meet the average growth percentage, they have a growth percentage of 15.29 and 10.76%.

2016-17: The industry average growth percentage of retail assets of the year is 16.26%, which is the least growth percentage average among all the years. It is well outperformed by ICICI with 23.89% at the highest and AXIS with 19.54%. HDFC is also an outperformer with 17.07%. The underperformers are CUB and KVB with 11.63% and 19.17% respectively.

2017-18: The industry average of growth percentage of retail assets is 20.03%. HDFC Bank has very well outperformed the average with a percentage of 25.71. It is then followed by AXIS Bank with 22.65%. ICICI has a growth percent

COMPARISON OF PUBLIC AND PRIVATE SECTOR BANKS

TABLE 25: COMPARISON OF AVERAGE GROWTH OF RETAIL ASSETS OF PUBLIC AND PRIVATE SECTOR BANKS

YEAR	Avg % GROWTH OF RETAIL ASSETS (PUBLIC SECTOR BANKS)	Avg % GROWTH OF RETAIL ASSETS (PRIVATE SECTOR BANKS)
2011-12	-	-
2012-13	10.714	24.562
2013-14	8.724	25.212
2014-15	8.242	17.456
2015-16	6.664	21.914
2016-17	0.752	16.26
2017-18	8.78	20.03

- For the referential and comparison purposes, FY 2011-12 is considered as the base year for measuring growth of retail assets. It is evident from the graphical representation in Chart and table that, the private sector banks are more aggressive towards lending retail loans to its customers.
- Compared to private sector banks, public sector banks have less percentage of retail assets in their total assets, as well as the growth of retail assets over the years has been both increasing and decreasing. The growth percentage of retail assets for private sector banks has been very consistent.
- In the year 2016-17, the growth percentage of retail assets for both public and private banks are in their least (with 0.72 and 16.26 percentage respectively). This has reasons with economic background because, certain major economic events like GST and Demonetisation took place during the year 2016-17, which had a major impact on business, trade and even banking sector. It serves as the key reason behind the downfall of growth of retail assets of both public and private sector banks.
- The selected banks for study focused upon executing the objectives of earning more profit, increasing market value & expanding the customer base. Hence they aggressively focused on lending loans to individual customers for retail purposes – such as home loans, vehicle loans, personal loans, mortgage loans etc.
- The public sector banks' objectives differ with private sector banks to a great extent. It mainly focuses upon the development of the country, its economic stability, and by empowering priority sector to contribute more towards the GDP of the nation. Hence, it concentrated more on lending priority sector advances like – MSME loans, Agriculture loans, Small business loans etc.

5. Findings

- In public sector banks such as the PNB, majority of the retail advances is given as Housing loans and loans to the pensioners post retirement life. The advances lent to the pensioners account for 22.14% and secondly housing loans account for 17%.
- The next preferred type of retail advance given to the customers is in the form of Education loan (accounting for 13%), where the students who are pursuing their degree avail loans, and it has to be settled after the education is completed.
- The next form of retail advance is vehicle loan (9%), where the bank lends a retail advance to an individual customer to purchase a new vehicle.
- In private sector banks, the categories under retail advances is more diverse.

- Apart from home loans, education loans, vehicle loans, there are also other types such as Kisan agri loans, credit cards, loans against property (also known as mortgage loans), gold loans, two- wheeler loans etc.
- However, housing loan contributes for the majority of the retail advances of private sector banks, followed by personal loans for individual customers. It is evident from the figures arrived from analysis of private sector banks that the percentage of retail advance lent as housing loan accounts from the range of 20% -50%.
- After personal loans, the private sector banks lend the majority of retail advance to vehicle loans towards purchase of new automobile for personal purposes.

6. Suggestions

- The suggestions for the findings of this project could be that the public sector banks can take more initiatives towards lending retail loans to individual customers. This will not only facilitate their customers to fulfil their needs of life, but it will also empower the bank to build a larger and stronger customer foundation.
- Public banks can offer retail loans at competitive interest rates and simple processing models for retail loans and retail services.
- Public sector banks, which are offering considerable amount of retail services, steps can be taken to ensure that the retail services they lend to their customers are consistent year on year, or growing.
- For private sector banks which are now offering retail services, necessary steps can be taken on the banks' behalf to retain the customer by introducing new customer benefit schemes and more attractive retail services. This would help each private bank to survive the stiff competition given by other private banks in retail loans and services.

7. Conclusion

It is inferred from this project that the private sector banks (under study) have performed well than the public sector banks under study. This statement is finalised through comparative analysis of the retail assets of various public sector and private sector banks. Banks play a key role in the development of an economy, because they become the prime source of money for the people, especially during times of economic boom or depression. Some economic policies and events may have a large impact on the economy, and banks play a key role towards making the economy balanced in critical situations. Equal participation of private and public sector banks towards retail lending helps to create a balanced banking environment, and towards providing a major contribution towards promoting the country as an economically and socially healthy one.

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