



## **A STUDY ON RETAIL BANKING WITH REFERENCE TO ICICI BANK.**

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### **Abstract**

*Retail banking refers to the banking services that are geared primarily to the individual customer. Commercial banks as well as smaller community banks usually make available retail banking products and services to their customers. The focus of retail banking is on consumer markets. Entities dealing with retail banking provide a wide range of personal banking services, including offering savings and checking accounts, bill paying services, as well as debit and credit cards. Through retail banking, consumers may also obtain mortgages and personal loans. Retail banking products may also extend to small and medium sized businesses. Today much of retail banking is streamlined electronically via Automated Teller Machines (ATMs), or through virtual retail banking known as online banking. Retail banking deals with lending money to consumers. This includes a wide variety of loans, including credit cards, mortgage loans and auto loans, and can also be used to refer to loans taken out at either the prime rate or the subprime rate. In Retail banking, the banking institutions execute transactions directly with consumers, rather than corporations or other entities. Retail Banking is also described as “the part of a bank’s operations providing services at its branches for small (in bank terms) account holders.” Retail banks offer banking services to individual customers such as saving accounts, personal loans, remittance services etc.*

**Keywords:***Customers,Retail Banking,Payments,Deposits,Mortgage,Debit Cards,Credit Cards,Loans, Online Banking,Personal Banking Services,Investment Banking,Money,Commercial Banking, Transactions, Wholesale Banking.*

### **Introduction**

Retail banking, also known as consumer banking, is the provision of services by a bank to individual consumers, rather than to companies, corporations or other banks. Services offered include savings and transactional accounts, mortgages, personal loans, debit cards, and credit cards. The term is generally used to distinguish these banking services from investment banking, commercial banking or wholesale banking. It may also be used to refer to a division or department of a bank dealing with retail customers. In the U.S., the term commercial bank is used for a normal bank to distinguish it from an investment bank. After the Great Depression, through the Glass–Steagall Act, the U.S. Congress required that banks only engage in banking activities, whereas investment banks were limited to capital markets activities. This separation was repealed in the 1990s. Commercial bank can also refer to a bank or a division of a bank that mostly deals with deposits and loans from corporations or large businesses, as opposed to individual members of the public (retail banking) Retail banking, particularly mortgage lending and home loans, is one of the most profitable streams for banks. However, it is also fraught with risks as banks increasingly move away from the traditional means of doing business to one that uses risk-based pricing, indirect lending and hedging. The expansion of retail lending across geographies means that regulatory, compliance and disclosure issues compound the already existing problems. Retail loans are those loans issued to individuals for meeting such as housing, education, buying consumer durables and meeting personal needs. Credit cards are also part of retail portfolio

### **Objectives**

1. Retail banking increases the subsidiary business of the banks.
2. Retail banking results in better yield and improved bottom line for a bank
3. Retail segment is a good avenue for funds deployment.
4. Consumer loans are presumed to be of lower risk and NPA perception.
5. Helps economic revival of the nation through increased production activity.
6. Improves lifestyle and fulfils aspirations of the people through affordable credit.
7. Retail banking involves minimum marketing efforts in a demand – driven economy. Banks can earn good profits by providing non fund based or fee based services without deploying their funds.



### **About ICICI**

ICICI Bank is India's largest private sector bank with total assets of Rs. 7,206.95 billion (US\$ 109 billion) at March 31, 2016 and profit after tax Rs. 97.26 billion (US\$ 1,468 million) for the year ended March 31, 2016. ICICI Bank currently has a network of 4,850 Branches and 13,780 ATM's across India.

### **Review of Literature**

One-stop solution offering a complete suite of Banking products including lending and liability products and solutions like Internet Banking, Payment Solutions, Cash Management Services (CMS) and Trade Services Need-based banking solutions made possible through a customized Relationship Management approach at the branch level.

### **Products & Services Working Capital Finance**

1. Overdraft / Cash Credit
2. Overdraft against Credit Card Receivables
3. Order Invoice / Financing
4. Supply Chain Finance
5. Trade Finance with LC / Bill Discounting

### **Retail Loan**

1. Personal and Small Business Loans
2. Home Loans
3. Loan against Property (LAP)

### **Cash Credit/ Over Draft-**

A Cash Credit is a short-term cash loan to a company and ICICI BANK LTD provides it against collateralized security. Loan limit is prearranged and companies can continuously draw up to the limit as and when needed.

**Working Capital Demand Loans-ICICI Bank Ltd:** provides working capital facilities in the form of Working Capital Demand Loan instead of cash credit facility. The primary or collateral security will be as mentioned in cash credit facility. Here also interest is levied on the amount drawn rather than on the amount utilized.

**Term Loans-ICICI Bank Ltd:** caters to the need of long-term funds to enable growth opportunities of business, capacity expansions, plant modernization and other such requirements. Keeping these requirements in mind we provide term loans up to acceptable tenor with suitable moratorium, if required, and repayment options structured on the basis of companies estimated cash flows. These loans are primarily secured by a first charge on the fixed assets acquired through the loan amount. This loan is against Suitable collateral security.

**Bill Discounting Facilities ICICI Bank Ltd:** provides bill discounting facilities to fund customer's receivables. This is done by discounting credit worthy bills or receivables and providing credit against that. This facility is provided for a period of 3-6 months depending upon the tenor of the bill.

**Export Finance-ICICI Bank Ltd:** provides finance for export activities in the form of Pre-Shipment Credit against firm order and or Letter of Credit and Post shipment credit. Credit is available for procuring raw materials, manufacturing the goods, processing and packaging the goods and shipping the goods. Finance is provided in Indian or foreign currency depending upon the need of the borrower.

**Buyers Credit- ICICI Bank Ltd:** provides Buyer's credit, it is the credit availed by an Importer (Buyer) from overseas Lenders i.e. Banks and Financial Institutions for payment of his Imports on due date. The overseas Banks usually lend the Importer (Buyer) based on the letter of Credit (a Bank Guarantee) issued by the Importers (Buyer's) Bank.



**Bank Guarantees-ICICI Bank Ltd:** Provides Bank Guarantee on behalf of our client to various other entities such as Government, quasi Govt bodies, corporate and so on. A range of guarantees are provided such as Performance guarantee, financial guarantee, EPCG etc.

**LETTER OF CREDIT-** Apart from fund based working capital facilities ICICI BANK LTD provides a range of Non-Fund Based facilities such as Letter of credit, Bank Guarantees, Solvency certificates, etc. Letter of Credit is provided to meet need for trade purchases. These are generally provided for 3-6 months depending upon customer's trade cycle. Apart from this we provide Import Letter of Credit for importing machinery or capital goods. Such LOCs are for tenure ranging from 1-3 years depending upon the need of the borrower.

ICICI BANK LTD NEWLY LAUNCHED PRODUCT (EDUCATION LOAN Private Player, ICICI BANK LTD) has revealed its plans to foray into retail lending by the next fiscal. The bank has plans to enter the retail lending space with a special student loan offering in April 2015. The bank is working to create bandwidths with various educational institutions on a countrywide magnitude to kick off its new business. "That is going to create a robust environment for education loans in India. 'Education has been one of the focus areas of this year budget and presents good business opportunity, "Higher government allocations and increased spending by the Indian hoi-polloi on education are expected to fuel growth of private education institutions in India."

**ICICI Bank Ltd To Expand Retail Banking:** Competition in retail banking is likely to intensify with ICICI BANK LTD's plan to enter the home, personal & education loan and credit cards businesses soon. The bank has embarked on a five-year growth trajectory with plans for a business of Rs 1, 50,000 crore by 2015, of which 20-25 per cent will come from retail banking.

#### **ICICI BANK LTD Offers Retail & Corporate Net Banking**



ICICI BANK LTD has announced the launch of its retail and corporate net banking service. Some of the services offered include, RTGS facility on a Straight through Processing (STP) for all retail and corporate banking customers. RTGS is an instant and convenient way to transfer funds to own or third party accounts, across more than 6000 bank branches in the country, without having to undergo the trouble of issuing a cheque or demand draft.

#### **Methodology**

Research methodology is a structured enquiry that utilizes acceptable scientific methodology to solve problems and create new knowledge that is generally applicable. Scientific methods consist of systematic observation, classification and interpretation of data.

**Primary Data:** Primary data entails the use of immediate data in determining the survival of the market. The popular ways to collect primary data consist of surveys, interviews and focus groups, which shows that direct relationship between potential customers and the companies. Primary data is more accommodating as it shows latest information. Primary data is accumulated by the researcher particularly to meet up the research objective of the subsisting project. Primary data is completely tailor-made and there is no problem of adjustments. Primary data takes a lot of time and the unit cost of such data is relative



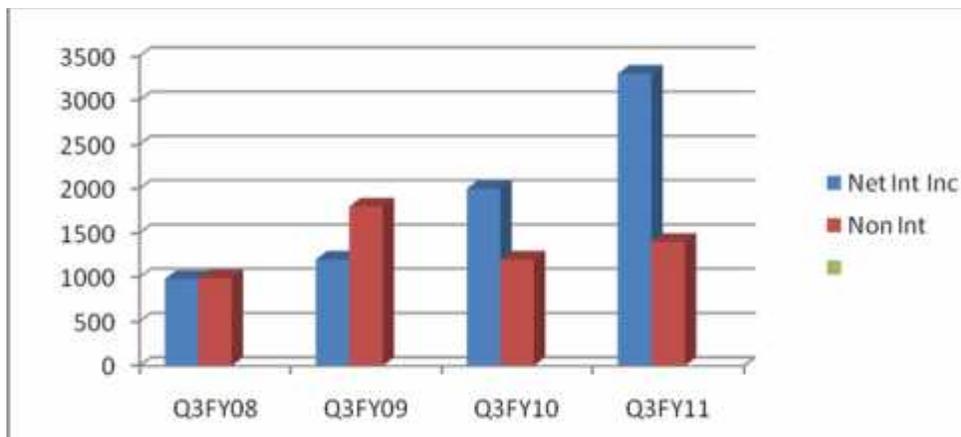
**Secondary Data:** Secondary data is a means to reprocess and reuse collected information as an indication for betterments of the service or product. Secondary data is obtained from some other organization than the one instantaneously interested with current research project. Secondary data was collected and analyzed by the organization to convene the requirements of various research objectives. Secondary data is available effortlessly, rapidly and inexpensively. “Secondary data is the data that consists of infrastructure already existing somewhere has been collected for the purpose”. Secondary data is generally collected from various books, organization profile, and previous research studies and through websites.

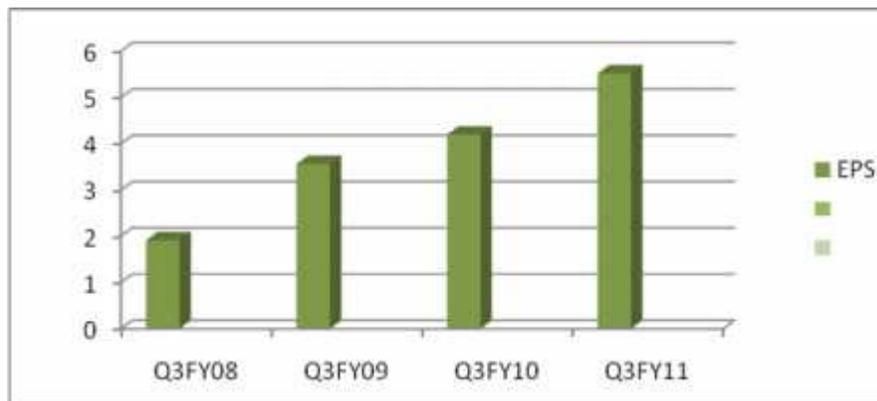
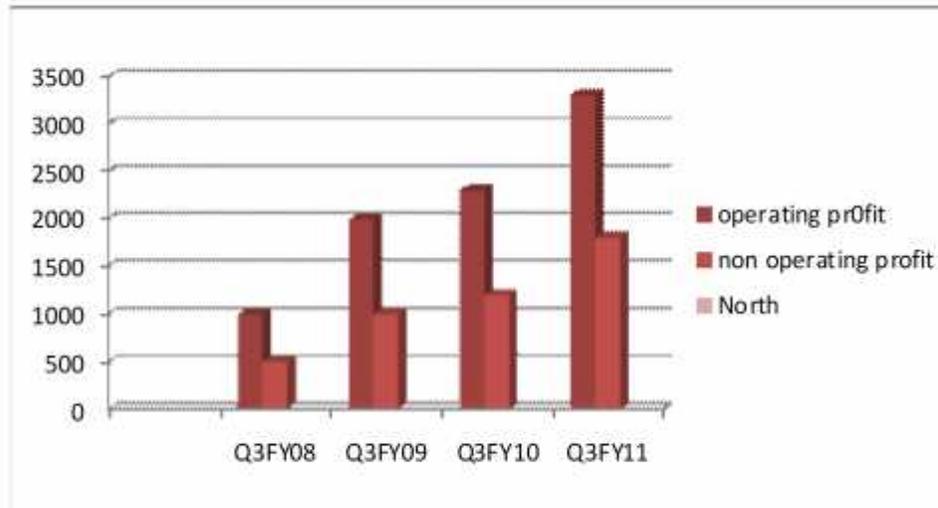
### Data Analysis

#### Profit & Loss Highlights

MILLION		Q4FY14	GROWTH	FY14	FY15	GROWTH15
Net Interest Income	3,485	2,442	42.7%	12,469	7,880	58.2%
Non Interest Income	1,969	1,601	16.7%	6,233	5,755	8.3%
Total Net Income	5,333	4,043	32.4%	18,702	13,635	37.2%
Operating Expenses	1,865	1,467	27.1%	6,798	5,0002	35.9%
Operating Profit	3,488	2,576	35.4%	11,904	8,633	37.9%
Provision &Contingencies	433	426	1.6%	982	1,396	-28.3%
Provision For Tax	1,021	750	36.2%	3,650	2,487	46.8%
Profit After TAX	2,034	1,400	45.3%	7,270	4,777	52.2%

**Interpretation:** Robust growth in NII of 42.7% & Non-interest Income of 16.7% resulting in stellar growth in





- Steady growth in Net Interest Income (NII)
- Steady growth in NII on account of growth in Advances & relatively steady margins
- Advances grew by 66.3% y-o-y
- NIM were steady at 2.8% for Q3FY16
- Strong growth in Non Interest Income 26.5% to ` 1,617 million y-o-y on the back of steady growth in Transaction Banking, Financial Markets and Branch Banking & Others business stream
- BALANCE SHEET GROWTH COMPARISON.

Q3FY12 - BALANCE SHEET GROWTH

Million	Dec31,2016	Dec 31,2015	y-o-y growth
Assets	522,460	295,875	76.6%
Advances	311,122	187,104	66.3%
Investment	152,223	82,820	83.8%
Liabilities	522,460	295,875	76.6%
Shareholders' Funds	36,937	19,813	86.4%



Total Capitals Funds	68,320	37,517	82.1%
Deposits	394,528	220,386	79.0%
CASA	40,369	22,289	81.1%

#### Q3 FY-12 –KEY FINANCIALS INDICATORS

Million	Dec 31,2016	Dec 31,2015	106Sep 30,2015
ROA	1.5%	1.8%	1.5%
ROE	21.3%	26.3%	20.9%
Cost To Income	35.8%	36.2%	36.6%
NIM	2.8%	3.1%%	3.0%
Net NPA	0.06%	0.09	0.06%
EPS	5.52	4.2	5.13
Book Value	106.51	65.99	100.87%

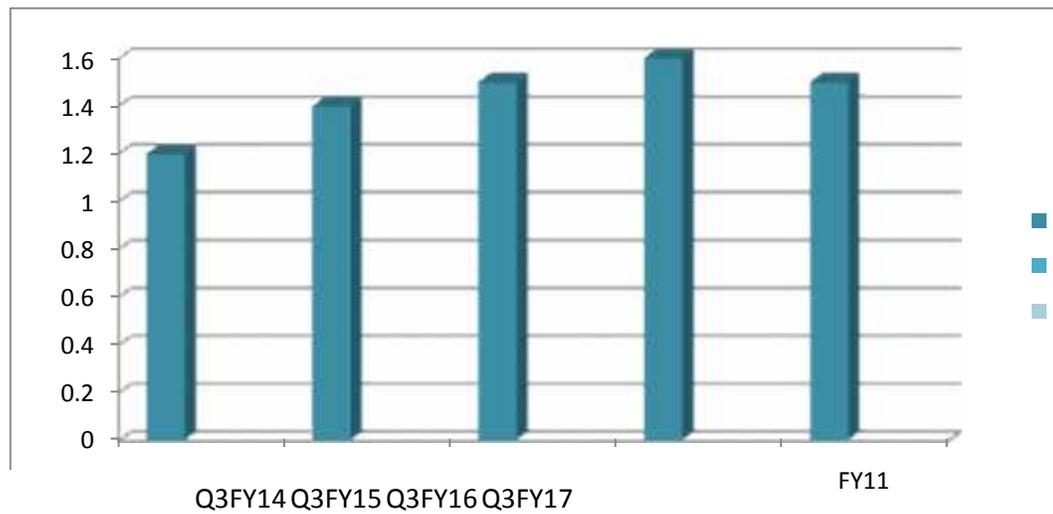
#### Interpretation

- CASA growth of 81.1% y-o-y along with Strong Deposit growth of 79.0% y-o-y .The bank has strong financial structure from the financial year 31 Dec 2016 To 31 Dec 2017

#### The Key Metrics Of Icici Bank Ltd

##### Key Metrics

##### Return on Assets





## Discussion and Conclusion

### Discussion

1. The bank holding in retail banking space is just small portion of percentage while comparing from wholesale banking.
2. The bank has to aggressively launch the retail banking practices
3. Overall the bank had to increase its retail loan book, which gives a good source to earn good revenues.
4. The small and medium enterprise loan book is very small at present. The bank should take initiatives to increase its offerings for small and medium loans.
5. The bank has announced that it may launch personal loans, car loans, and salary overdraft loans for employees, this program must be initiated soon.
6. Before sanctioning the loans bank should take care of the present as well past financial position of the customer.
7. Bank should take care to decrease Non Performing Assets
8. The employees must be given benefits
9. Promotions should be given.

### Conclusion

1. Being a relatively new player in the business. ICICI BANK LTD is on a much faster growth trajectory than its peers.
2. It has enhancing its presence in retail banking space.
3. ICICI BANK LTDs Earning Price per Share (EPS) is expected to witness a CARG of 35% in the next two years. Such high growth rates make the stock trade at PEG (ratio of P/E to growth in EPS) of less than 1%. This shows that the stock is trading at a discount to its growth potential making it an attractive buy at current levels.
4. The bank has excellent financial performance and encouraging future outlook and objective and rewarding share holders with cash dividends while retaining capital to maintain a healthy capital adequacy ratio to support future growth.
5. ICICI BANK LTD has delivered another impressive quarter of financial performance with the quarterly profit crossing Rs 2 billion for the first time in the bank's history. This has been achieved due to robust growth in advances
6. The Financial Express/ E&Y Best Banks Survey 2016 has ranked ICICI BANK LTD as the No. 1 Private Sector Bank in India ahead of a number of larger and older entities, which is a significant achievement and recognition of the bank's differentiated business model.

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