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Impact of Emotional Intelligence in Indian Retail Banking Industry: Challenges and Opportunities

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Abstract

The banking industry in India has a huge canvas of history, which covers the traditional banking practices from the time of Britishers to the reforms period, nationalization to privatization of banks and now increasing numbers of foreign banks in India. Therefore, Banking in India has been through a long journey. Banking industry in India has also achieved a new height with the changing times. The use of technology has brought a revolution in the working style of the banks. Nevertheless, the fundamental aspects of banking i.e. trust and the confidence of the people on the institution remain the same. The majority of the banks are still successful in keeping with the confidence of the shareholders as well as other stakeholders. However, with the changing dynamics of banking business brings new kind of risk exposure. This study helps to know the emotional intelligence of employees working in educational institution. It is important for the employees working in service industries to have high level or morale with emotional intelligence. Emotional intelligence is not only crucial when you're on the job - it's also paramount when you're searching for a graduate role and going through the recruitment process. In this paper an attempt has been made to identify the general sentiments, challenges and opportunities for the Indian Banking Industry. Public and private are among the many employers in retail banking and insurance that highlight the importance of emotional intelligence. It's a quality that's easily forgotten because it's not explicitly requested or graduates don't know what it means. This article is divided in three parts. First part includes the introduction and general scenario of Indian banking industry. The second part discusses emotional intelligence in retail the various challenges and opportunities faced by Indian banking industry. Third part concludes that urgent emphasis is required on the Indian banking product and marketing strategies in order to get sustainable competitive edge over the intense competition from national and global banks. This article is a small seed to existing branch of knowledge in banking industry and is useful for bankers, strategist, policy makers and researchers.

Keywords: Emotional Intelligence, Employee and Customer Retention, Global Banking, Risk Management, Rural Market

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1. Introduction

In recent time, we have witnessed that the World Economy is passing through some intricate circumstances as bankruptcy of banking and financial institutions, debt crisis in major economies of the world and euro zone crisis. The scenario has become very uncertain causing recession in major economies like US and Europe. This poses some serious questions about the survival, growth and maintaining the sustainable development. Emotional intelligence is the ability of a person to solve personal, business and social problems. Emotional intelligence is the innate potential to feel, use, communicate, recognize, remember, learn, and understand emotions. In the present business scenario, where our youth are complaining of unemployment, severe competition and lower salaries as compare to higher rate of inflation on the other hand business world is complaining of lower skill, education and knowledge not at par with the fast changing technology and on the top lack of patience in our youth which is due to lack of self-awareness which is the most important aspect of emotional intelligence.

However, amidst all this turmoil India's Banking Industry has been amongst the few to maintain resilience. The tempo of development for the Indian banking industry has been remarkable over the past decade. It is evident from the higher pace of credit

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expansion; expanding profitability and productivity similar to banks in developed markets, lower incidence of non-performing assets and focus on financial inclusion have contributed to making Indian banking vibrant and strong. Indian banks have begun to revise their growth approach and re-evaluate the prospects on hand to keep the economy rolling. In this paper an attempt has been made to review various challenges which are likely to be faced by Indian banking industry with emotions.

2. Historical Background

Syndicate Bank was established in 1925 in Udupi, the abode of Lord Krishna in coastal Karnataka with a capital of Rs. 8000-/- by three visioners Sri Upendra Ananth Pai, a businessman, Sri Vaman Kudva an engineer and Dr. TMA Pai a physician - who shared a strong commitment to social welfare. Their objective was primarily to extend financial assistance to the local weavers who were crippled by a crisis in the handloom industry through mobilising small savings from the community. The Bank collected as low as 2 annas daily at the doorsteps of the depositers through its Agents under its Pigmy Deposit Scheme started in 1928. This scheme totally makes the relation and business with emotional intelligency. This Scheme is the Bank's Brand equity today and the Bank collects around Rs. 2 crore per day under the scheme. In other words we can say that the Pigmy Scheme and door to door collection not only the media to enhance the business but also develop financial inclusion.

Reserve Bank of India Act was passed in 1934 and Reserve Bank of India (RBI) was constituted as an apex body without major government ownership. Banking Regulations Act was passed in 1949. This regulation brought RBI under government control. Under the act, RBI got wide ranging powers for supervision and control of banks. The Act also vested licensing powers and the authority to conduct inspections in RBI.

Nationalisation of banks was to make them play the role of catalytic agents for economic growth. The Narasimha Committee report suggested wide ranging reforms for the banking sector in 1992 to introduce internationally accepted banking practices. The amendment of Banking Regulation Act in 1993 saw the entry of new private sector banks.

Banking industry is the back bone for growth of any economy. The journey of Indian Banking Industry has faced many waves of economic crisis. Recently, we have seen the economic crisis of US in 2008-09 and now the European crisis. The general scenario of the world economy is very critical.

It is the banking rules and regulation framework of India which has prevented it from the world economic crisis. In order to understand the challenges and opportunities of Indian Banking Industry, first of all, we need to understand the general scenario and structure of Indian Banking Industry.

2.1 General Banking Scenario in India

The general banking scenario in India has become very dynamic now-a-days. Before pre-liberalization era, the picture of Indian Banking was completely different as the Government of India initiated measures to play an active role in the economic life of the nation, and the Industrial Policy Resolution adopted by the government in 1948 envisaged a mixed economy. This resulted into greater involvement of the state in different segments of the economy including banking and finance.

The Reserve Bank of India was nationalized on January 1, 1949 under the terms of the Reserve Bank of India (Transfer to Public Ownership) Act, 1948. In 1949, the Banking Regulation Act was enacted which empowered the Reserve Bank of India (RBI) "to regulate, control, and inspect the banks in India". The Banking Regulation Act also provided that no new bank or branch of an existing bank could be opened without a license from the RBI, and no two banks could have common directors.

By the 1960s, the Indian banking industry had become an important tool to facilitate the speed of development of the Indian economy. The Government of India issued an ordinance and nationalised the 14 largest commercial banks with effect from the midnight of July 19, 1969. A second dose of nationalization of 6 more commercial banks followed in 1980. The stated reason for the nationalization was to give the government more control of credit delivery. With the second dose of nationalization, the Government of India controlled around 91% of the banking business of India. Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank. It was the only merger between nationalized banks and resulted in the reduction of the number of nationalised banks from 20 to 19. After this, until the 1990s, the nationalised banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy.

In the early 1990s, the then Narasimha Rao government embarked on a policy of liberalization, licensing a small number of private banks.

The next stage for the Indian banking has been set up with the proposed relaxation in the norms for Foreign Direct Investment, where all Foreign Investors in banks may be given voting rights which could exceed the present cap of 10%, at present it has gone up to 74% with some restrictions.

The new policy shook the Banking sector in India completely. Bankers, till this time, were used to the 4-6-4 method (Borrow at 4%; Lend at 6%; Go home at 4) of functioning. The new wave ushered in a modern outlook and tech-savvy methods of working for traditional banks. All this led to the retail boom in India. People not just demanded more from their banks but also received more. Emotional intelligence helps to become self aware and become conscious of actions and in control of them. If a tree represented a financial firm, robust internal and external relationships would be its roots. Without good roots, the tree wouldn't experience optimum growth and produce good fruit (results and profit). And emotional intelligence is essential to robust relationships.

All financial organizations, whether they operate within the actuarial, insurance, retail banking, risk or regulatory arena, are still hugely based on relationships. And long will they be, as this essential and personal aspect can't be substituted with technology.

3. Structure of Indian Banking Industry

Banking Industry in India functions under the sunshade of Reserve Bank of India - the regulatory, central bank. Banking Industry mainly consists of:

- Commercial Banks
- Co-operative Banks

The commercial banking structure in India consists of: Scheduled Commercial Banks Unscheduled Bank. Scheduled commercial Banks constitute those banks which have been included in the Second Schedule of Reserve Bank of India (RBI) Act, 1934.

RBI in turn includes only those banks in this schedule which satisfy the criteria laid down vide section 42 (60) of the Act. Some co-operative banks are scheduled commercial banks although not all co-operative banks are. Being a part of the second schedule confers some benefits to the bank in terms of access to accommodation by RBI during the times of liquidity constraints. At the same time, however, this status also subjects the bank certain conditions and obligation towards the reserve regulations of RBI.

For the purpose of assessment of performance of banks, the Reserve Bank of India categorise them as public sector banks, old private sector banks, new private sector banks and foreign banks.

3.1 Challenges Faced by Indian Banking Industry

Developing countries like India, still has a huge number of people who do not have access to banking services due to scattered and fragmented locations. But if we talk about those people who are availing banking services, their expectations are raising as the level of services are increasing due to the emergence of Information Technology and competition. Since, foreign banks are playing in Indian market, the number of services offered has increased and banks have laid emphasis on meeting the customer expectations. In the future, employers are going to require emotional intelligence from their workers, especially as these skills become more critical in a global, diverse workplace. Employees will have to participate in team building and use collaborative, emotional intelligence skills that enhance working on shared goals.

Now, the existing situation has created various challenges and opportunity for Indian Commercial Banks. In order to encounter the general scenario of banking industry we need to understand the challenges and opportunities lying with banking industry of India. Goleman knows emotional intelligence as a prerequisite of successful leadership and states that for various reasons, individuals with higher emotional intelligence use evolutionary behaviors more likely take retail banks and building societies as an example. The main graduate jobs are in branch management or relationship management – both of which involve immense interaction with colleagues or customers every day. Because of

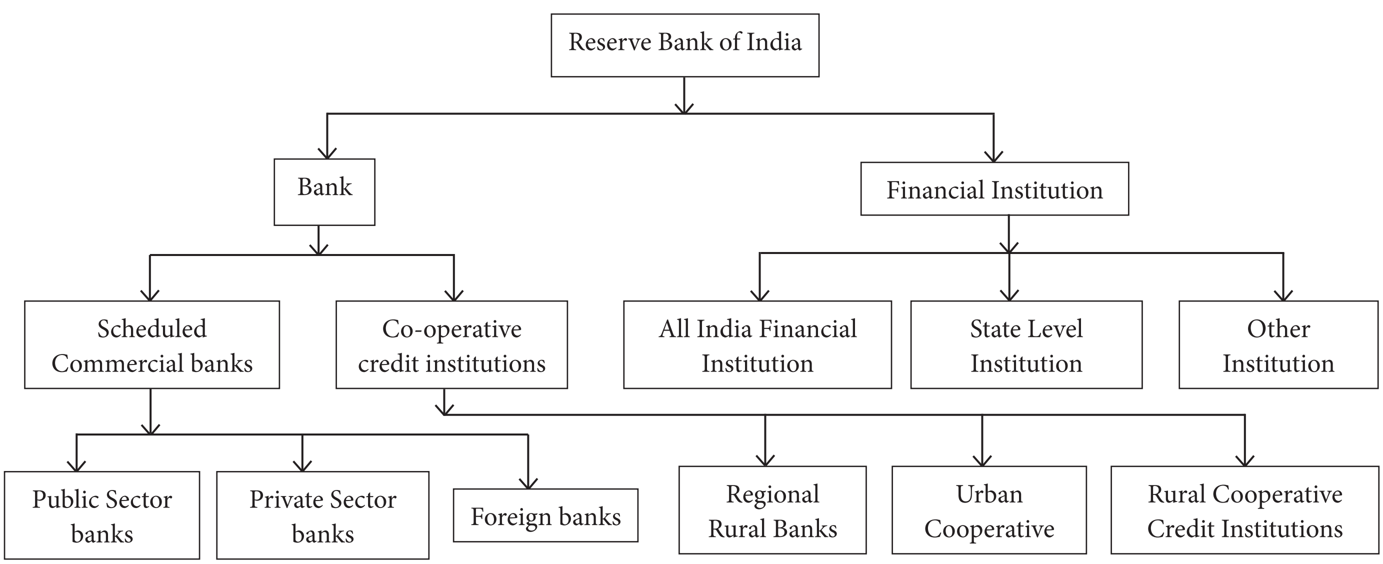

Figure 1. The commercial banking structure in India.

Table 1. Scheduled Commercial Banks Operating in India

Sl. No.	Nationalized Banks	Old Private Sector Banks	New Private Sector Banks	Foreign Banks
1	Allahabad Bank Ltd.	Catholic Syrian Bank Ltd.	Axis Bank Ltd.	Abu Dhabi Commercial Bank
2	Andhra Bank Ltd.	City Union Bank Ltd.	Development Credit Bank Ltd.	American Express Bank
3	Bank of Baroda Ltd.	Dhanalakshmi Ltd.	HDFC Bank Ltd.	Bank Internasional Indonesia
4	Bank of India Ltd.	Federal Bank Ltd	ICICI Bank Ltd.	Bank of America NA
5	Bank of Maharashtra Ltd.	ING Vysya Bank Ltd.	IndusInd Bank Ltd.	Bank of Ceylon
6	Canara Bank Ltd.	Jammu and Kashmir Bank Ltd.	Kotak Mahindra Bank Ltd.	Bank of Nova Scotia (Scotia Bank)
7	Central Bank of India Ltd.	Karnataka Bank Ltd.	Yes Bank Ltd.	Bank of Tokyo Mitsubishi UFJ
8	Corporation Ltd.	Karur Vysya Bank Ltd.		Barclays Bank PLC
9	Dena Bank	Lakshmi Vilas Bank Ltd.		BNP Paribas
10	IDBI Bank Ltd.	Nainital Bank Ltd.		Calyon Bank
11	Indian Bank	Ratnakar Bank Ltd.		Chinatrust Commercial Bank
12	Indian Overseas Bank Ltd.	SBI Commercial International Bank Ltd.		Citibank N.A.
13	Oriental Bank of Commerce Ltd.	South Indian Bank Ltd.		DBS Bank
14	Punjab and Sind Bank Ltd.	Tamilnad Mercantile Bank Ltd.		Deutsche Bank AG
15	Punjab National Bank Ltd.			HSBC
16	Syndicate Bank			JPMorgan Chase Bank
17	UCO Bank Ltd.			Krung Thai Bank
18	Union Bank of India Ltd.			Mashreq Bank psc
19	United Bank of India Ltd.			Mizuho Corporate Bank
20	Vijaya Bank Ltd.			Royal Bank of Scotland
21	State Bank of Bikaner and Jaipur Ltd.			Shinhan Bank
22	State Bank of Hyderabad Ltd.			Société Générale
23	State Bank of India Ltd.			Sonali Bank
24	State Bank of Mysore Ltd.			Standard Chartered Bank
25	State Bank of Patiyala Ltd.			State Bank of Mauritius
26	State Bank of Travankore			UBS
27				VTB

this Syndicate Bank says emotional intelligence is a skill its graduate recruits must have. 'A lot of our business is working with and leading people – if you're going to be successful with that you need emotional intelligence,' said Gregg.

3.1.1 Rural Market

Banking in India is generally fairly mature in terms of supply, product range and reach, even though reach in rural India still remains a challenge for the private sector and foreign banks. In terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance sheets relative to other banks in comparable economies in its region.

Consequently, we have seen some examples of inorganic growth strategy adopted by some nationalized and private sector banks to face upcoming challenges in banking industry of India. For example recently, ICICI Bank Ltd. merged the Bank of Rajasthan Ltd. in order to increase its reach in rural market and market share significantly. State Bank of India (SBI), the largest public sector bank in India has also adopted the same strategy to retain its position. It is in the process of acquiring its associates. Recently, SBI has merged State Bank of Indore in 2010.

3.1.2 Management of Risks

The growing competition increases the competitiveness among banks. But, existing global banking scenario is seriously posing threats for Indian banking industry. We have already witnessed the bankruptcy of some foreign banks.

According to Shrieves[1], there is a positive association between changes in risk and capital. Research studied the large sample of banks and results reveal that regulation was partially effective during the period covered. Moreover, it was concluded that changes in bank capital over the period studied was risk-based.

Wolgast[2], studied the Merger and acquisition activity among financial firms. The author focused bank supervisors in context with success of mergers, risk management, financial system stability and market liquidity. The study concluded that large institutions are able to maintain a superior level of risk management.

Al-Tamimi and Al-Mazr ooei (2007) examined the risk management practices and techniques in dealing with different types of risk. Moreover, they compared risk management practices between the two sets of banks. The study found the three most important types of risk i.e. commercial banks foreign exchange risk, followed by credit risk, and operating risk.

Sensarma and Jayadev (2009) used selected accounting ratios as risk management variables and attempted to gauge the overall risk management capability of banks. They used multivariate statistical techniques to summarize these accounting ratios. Moreover, the paper also analyzed the impact of these risk management scores on stock returns through regression analysis. Researchers found that Indian banks' risk management capabilities have been improving over time. Returns on the banks' stocks appeared to be sensitive to risk management capability of banks. The study suggest that banks want to enhance shareholder wealth will have to focus on successfully managing various risks.

3.1.3 Growth of Banking

Zhao, Casu and Ferrari[3] used a balanced panel data set covering the period of 1992-2004 and employing a Data Envelopment Analysis (DEA)-based Malmquist Total Factor Productivity (TFP) index. The empirical study indicated that, after an initial adjustment phase, the Indian banking industry experienced sustained productivity growth, which was driven mainly by technological progress. Banks' ownership structure does not seem to matter as much as increased competition in TFP growth. Foreign banks appear to have acted as technological innovators when competition increased, which added to the competitive pressure in the banking market. Finally, our results also indicate an increase in risk-taking behaviour, along with the whole deregulation process.

It was found in the study of Goyal and Joshi[4] that small and local banks face difficulty in bearing the impact of global economy therefore, they need support and it is one of the reasons for merger. Some private banks used mergers as a strategic tool for expanding their horizons. There is huge potential in rural markets of India, which is not yet explored by the major banks. Therefore ICICI Bank Ltd. has used mergers as their expansion strategy in rural market. They are successful in making their presence in rural India. It strengthens their network across geographical boundary, improves customer base and market share.

3.1.4 Market Discipline and Transparency

According to Fernando[5] transparency and disclosure norms as part of internationally accepted corporate governance practices are assuming greater importance in the emerging environment. Banks are expected to be more responsive and accountable to the investors. Banks have to disclose in their balance sheets a plethora of information on the maturity profiles of assets and liabilities, lending to sensitive sectors, movements in NPAs, capital, provisions, shareholdings of the government, value of investment in India and abroad, operating and profitability indicators, the total investments made in the equity share, units of mutual funds, bonds, debentures, aggregate advances against shares and so on.

4. Human Resource Management

Gelade and Ivery[6] examined relationships between Human Resource Management (HRM), work climate, and organizational performance in the branch network of a retail bank. Significant correlations were found between work climate, human resource practices, and business performance. The results showed that the correlations between climate and performance cannot be explained by their common dependence on HRM factors, and that the data are consistent with a mediation model in which the effects of HRM practices on business performance are partially mediated by work climate. Of the entire recruitment process, the assessment centre will likely be where your emotional intelligence is mainly tested. For example, you'll be observed during group exercises and informal meetings/conversations with assessors, graduate employees and the other candidates.It's essential that you listen carefully to what other people say throughout the day and consider how they may be feeling. During a group exercise, for instance, don't steal everyone's thunder because you want to show how much you know. Be the one who pays close attention, picks up on cues and responds accordingly.

Bartel[7] studied the relationship between human resource management and establishment performance of employees on the manufacturing sector. Using a unique longitudinal dataset collected through site visits to branch operations of a large bank, the author extends his research to the service sector. Because branch managers had considerable discretion in managing their operations and employees, the HRM environment could vary across branches. Site visits provided specific examples of managerial practices that affected branch performance. An analysis of responses to the bank's employee attitude survey that controls for unobserved branch and manager characteristics shows a positive relationship between branch performance and employees' satisfaction with the quality of performance evaluation, feedback, and recognition at the branch - the "incentives" dimension of a high-performance work system. In some fixed effects specifications, satisfaction with the quality of communications at the branch was also important

5. Global Banking

It is practically and fundamentally impossible for any nation to exclude itself from world economy. Therefore, for sustainable development, one has to adopt integration process in the form of liberalization and globalization as India spread the red carpet for foreign firms in 1991. The impact of globalization becomes challenges for the domestic enterprises as they are bound to compete with global players.

If we look at the Indian Banking Industry, then we find that there are 36 foreign banks operating in India, which becomes a major challenge for Nationalized and private sector banks. These foreign banks are large in size, technically advanced and having presence in global market, which gives more and better options and services to Indian traders.

6. Financial Inclusion

Financial inclusion has become a necessity in today's business environment. Whatever is produced by business houses, that has to be under the check from various perspectives like environmental concerns, corporate governance, social and ethical issues. Apart from it to bridge the gap between rich and poor, the poor people of the country should be given proper attention to improve their economic condition.

Dev[8] stated that financial inclusion is significant from the point of view of living conditions of poor people, farmers, rural non-farm enterprises and other vulnerable groups. Financial inclusion, in terms of access to credit from formal institutions to various social groups. Apart from formal banking institutions, which should look at inclusion both as a business opportunity and social responsibility, the author conclude that role of the self-help group movement and microfinance institutions is important to improve financial inclusion. The study emotional intelligence at work place suggested that this requires new regulatory procedures and de-politicisation of the financial system.

7. Employees' Retention

The banking industry has transformed rapidly in the last ten years, shifting from transactional and customer service-oriented to an increasingly aggressive environment, where competition for revenue is on top priority. Long-time banking employees are becoming disenchanted with the industry and are often resistant to perform up to new expectations. The diminishing employee morale results in decreased revenue. Due to the intrinsically close ties between staff and clients, losing those employees completely can mean the loss of valuable customer relationships. The retail banking industry is concerned about employee retention from all levels: from tellers to executives to customer service representatives because competition is always moving in to hire them away.

The competition to retain key employees is intense. Top-level executives and HR departments spend large amounts of time, effort, and money trying to figure out how to keep their people from leaving.

U. Sekaran[9] studied a sample of 250 bank employees, this study traced the paths to the job satisfaction of employees at the workplace through the quality of life factors of job involvement and sense of competence. Results indicated that personal, job, and organizational climate factors influenced the ego investment or job involvement of people in their jobs, which in turn influenced the intra-psychic reward of sense of competence that they experienced, which then directly influenced employees' job satisfaction.

Mitchell, Holtom, Lee and Graske[10] asserted in their study that people often leave for reasons unrelated to their jobs. In many cases, unexpected events or shocks are the cause. Employees also often stay because of attachments and their sense of fit, both on the job and in their community.

The survey was on nine basic parameters like career and personal growth, company prestige, training, financial compensation and benefits and merit based performance evaluation. It was concluded that the biggest challenge for organizations is that when new employees appointed, it is difficult to merge them in organizational culture. Each organization has its own unique culture and most often, when brought together, these cultures clash. When there is no retention, employees point to issues such as identity, communication problems, human resources problems, ego clashes, and intergroup conflicts, which all fall under the category of "cultural differences".

8. Customer Retention

Levesque and McDougall[12] investigated the major determinants of customer satisfaction and future intentions in the retail bank sector. They identified the determinants which include service quality dimensions (e.g. getting it right the first time), service features (e.g. competitive interest rates), service problems, service recovery and products used. It was found, in particular, that service problems and the bank's service recovery ability have a major impact on customer satisfaction and intentions to switch.

Clark[13] studied the impact of customer-employee relationships on customer retention rates in a major UK retail bank. He revealed that employee and customer perceptions of service quality are related to customer retention rates and that employee and customer perceptions of service quality are related to each other.

Clark[14] examined the relationship between employees' perceptions of organizational climate and customer retention in a specific service setting, viz. a major UK retail bank. Employees' perceptions of the practices and procedures in relation to customer care at their branch were investigated using a case study approach. The findings revealed that there is a relationship between employees' perceptions of organizational climate and customer retention at a micro-organizational level. He suggested that organizational climate can be subdivided into five climate themes and that, within each climate theme, there are several dimensions that are critical to customer retention.

Hansemark and Albinsson[15] explored how the employees of a company experience the concepts of customer satisfaction and retention. They used phenomenological method, allowing the informants' own interpretations to be discovered. Satisfaction was discussed from three perspectives: definition of the concept, how to recognise when a customer is satisfied, and how to enhance satisfaction. The informants' experience pertaining to these three categories varied, and a total of seven ways to define, recognise or enhance satisfaction were discovered. These were: service, feeling, chemistry, relationship and confidence, dialogue, complaints and retention. All except the first two of these categories of experience were found to enhance retention, implying that the informants have found that strategies for enhancing both satisfaction and retention are similar. The strongest connection between retention and satisfaction strategies turned out to be in terms of relationship and confidence.

9. Environmental Concerns

It is quite clear from the recently formed Copenhagen Climate Council (CCC) that there is a severe need for environmental awareness among all the countries of the world. CCC published Thought Leadership Series on Climate Change which is a collection of inspirational, concise and clearly argued pieces from some of the world's most renowned thinkers and business leaders on climate change. The objective of the pieces is to assist in enhancing the public and political awareness of the actions that could have a significant impact on global emissions growth and to disseminate the message that it is time to act. The Thought Leadership Series was aimed at explaining and spreading awareness of the key elements in the business and policy response to the climate problem. The rationale for the Thought Leadership Series was to change the focus of people.

10. Social and Ethical Aspects

There are some banks, which proactively undertake the responsibility to bear the social and ethical aspects of banking. This is a challenge for commercial banks to consider the aspects in their working. Apart from profit maximization, commercial banks are supposed to support those organizations, which have some social concerns.

Benedikter[16] defines Social Banks as "banks with a conscience". They focus on investing in community, providing opportunities to the disadvantaged, and supporting social, environmental, and ethical agendas. Social banks try to invest their money only in endeavours that promote the greater good of society, instead of those, which generate private profit just for a few. He has also explained the main difference between mainstream banks and social banks that mainstream banks are in most cases focused solely on the principle of profit maximization whereas, social banking implements the triple principle of profit-people-planet .

Goyal and Joshi[17] have concluded in their study on social and ethical aspects of Banking Industry that Banks can project themselves as a socially and ethically oriented organization by disbursement of loans merely to those organizations, which has social, ethical and environmental concerns.

11. Conclusion

Over the years, it has been observed that clouds of trepidation and drops of growth are two important phenomena of market, which frequently changes in different sets of conditions. The pre and post liberalization era has witnessed various environmental changes which directly affects the aforesaid phenomena. It is evident that post liberalization era has spread new colors of growth in India, but simultaneously it has also posed some challenges.

Observation during working time we can understand the value of emotional intelligence to enhance business and customer satisfaction with cool and calm manner even customer behaves rudely with these examples from work, interests or your personal life that show you have emotional intelligence as well as other skills being sought by the organisation.This type of example could accentuate, for instance, your team working, communication and problem-solving skills, and your emotional intelligence. And this type of example is practical because it both covers multiple competency-related questions that could be asked during the interview and highlights several of your strengths.

Perhaps at branch you were asked to work in a group (team working) to produce a short documentary, and a team member was struggling to fulfil her responsibility but didn't inform other members of the team. Of the group members, only you were able to sense (emotional intelligence) that something was wrong, and you organised an informal chat with her (communication) to help find a solution to the issue (problem solving).

This article discusses the various challenges and opportunities like rural market, transparency, customer expectations, management of risks, and growth in banking sector, human factor, global banking, environmental concern, social, ethical issues, and employee and customer retentions. Banks are striving to combat the competition. The competition from global banks and technological innovation has compelled the banks to rethink their policies and strategies.

12. Suggestions

As per the above discussion, we can say that the biggest challenge for banking industry is to serve the mass market of India. Companies have shifted their focus from product to customer. The better we understand our customers, the more successful we will be in meeting their needs. In order to mitigate above mentioned challenges Indian banks must cut their cost of their services. Another aspect to encounter the challenges is product differentiation. Apart from traditional banking services, Indian banks must adopt some product innovation so that they can compete in gamut of competition. Technology up gradation is an inevitable aspect to face challenges.

The level of consumer awareness is significantly higher as compared to previous years. Now-a-days they need internet banking, mobile banking and ATM services.

Expansion of branch size in order to increase market share is another tool to combat competitors. Therefore, Indian nationalized and private sector banks must spread their wings towards global markets as some of them have already done it. Indian banks are trustworthy brands in Indian market; therefore, these banks must utilize their brand equity as it is a valuable asset for them.

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