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## RETAIL BANKING COMPETITIVENESS IN INDIA WITH REFERENCE TO KOTAK MAHINDRA BANK

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**ABSTRACT:** The retail banking industry in India is undergoing rapid transformation as a result of new regulations, enhanced technology, and changing consumer preferences. The rapid evolution of the market has given rise to competition from fintechs and other non-bank financial institutions. This paper examines the level of competition in the banking industry by utilizing Kotak Mahindra Bank as an illustration. The primary considerations include the production of innovative products, their digital distribution, the provision of exceptional customer service, the reduction of costs and risks, and the establishment of customer trust in the brand. The retail banking institutions that are most successful are those that have thoroughly planned product lines, efficient organizational structures, rigorous credit-risk procedures, and entirely digital platforms. Rapid product innovation, market segmentation, and technology are instrumental in the expansion of Kotak Mahindra Bank's client base and revenue. The findings indicate that Indian retail banks are sustaining a competitive advantage by virtue of their effective omnichannel distribution, data-driven customization, and wise credit management.

**Keywords:** *Kotak Mahindra Bank, fintech competition, digital banking, customer preferences, banking regulations, product innovation, digital distribution, customer service,*

### 1. INTRODUCTION

Savings accounts, loans, credit, and other payment methods are all accessible to customers of "retail banking," which is also known as "consumer banking." India has experienced substantial growth over the past two decades. The government-run economy in India has become more competitive as a result of the regulatory improvements implemented by the Reserve Bank of India (RBI), increased participation from private and international institutions, and related reforms. Innovative approaches to the production of products and the provision of customer service have been developed.

The development of technology has resulted in specific modifications. The relationship between banks and their consumers has undergone a transformation as a result of digital banking, mobile payments, partnerships with fintech companies, and other comparable developments. In the present day, consumers anticipate prompt and secure personalized assistance that is available around the clock. In order to remain relevant, educational institutions must adopt artificial intelligence, data analytics, and digital tools. Currently, the most stores or the lowest interest rates are insufficient to maintain a competitive edge. It is



essential to offer solace, stability, and new perspectives.

Open Banking, PMJDY, and UPI are among the government initiatives that have resulted in an increase in enrollment. Adaptability, digital technology, and a diverse product offering are prioritized by numerous private banks and fintechs. Nevertheless, public sector banks depend on their extensive customer bases and established reputations. In order to prosper in the contemporary economy, a bank must be financially stable, accommodate a diverse clientele, and incorporate technological advancements.

## 2. TYPES OF RETAIL BANKS

**Small Banks:** Their extensive branch network and diverse array of services have earned them widespread recognition in the region. Nevertheless, they possess a smaller market share and have a lower amount of savings.



**Large Banks:** These large institutions have a significant presence in major cities and recruit extensively from smaller banks. Another factor contributing to their popularity is their aesthetic appeal.

**Online Banks:** The sole method of conducting business with an online bank is through their website. Furthermore, their primary website is accessible to consumers worldwide. Online banking has become

the standard, and for good reason: it is a convenient option for individuals who are continually on the move.

### RETAIL BANKING IN INDIA

Individuals in India employ private banking in a manner that is significantly different from that of other countries.

Private banking in India distinguishes itself from its competitors by emphasizing the consumer.

#### Centric Approach:

In India's retail banking sector, customers' individual monetary requirements are prioritized. Our goal is to appeal to a diverse audience by providing a variety of products and services.

#### Financial Inclusion:

The fundamental banking products and services provided by their local banks are accessible to a significant number of Indians. This will enable a greater number of individuals, particularly those residing in rural or underserved areas, to access banks. The objective of Jan Dhan Yojana and comparable initiatives is to enhance participation in the national banking system.

#### Diverse Product Portfolio:

Retail banks in India provide a wide range of services, including credit, insurance, loans, investment opportunities, savings and checking accounts, and many more. Each individual is permitted to select the alternatives that are most compatible with their financial constraints and lifestyle.

#### Technology Integration:

Indian consumers have access to mobile banking, online banking, and automated teller machines (ATMs). New technology is enabling banking services to become more convenient, efficient, and accessible for consumers.



### **Branch Network:**

Branches that are connected: Retail banks in India maintain a substantial branch network, despite the rise of online banking alternatives. This is essential if you are interested in attracting clients in remote locations and satisfying those who prefer in-person interactions.

### **Personalized Services:**

The objective of retail banking is to accommodate the distinctive needs and preferences of each consumer. This category encompasses sponsored content, including advertisements, product endorsements, and personal financial advice.

### **Regulatory Compliance:**

Compliance with regulations is a critical component of Indian private banking. Regulatory bodies impose restrictions on banks' operations to ensure the security of financial transactions, protect consumers' money, and maintain economic stability. Programs that provide financial education: Retail banks in India frequently organize educational programs to enhance their customer service and inform them of the diverse banking services and products that are available to them. Additional information is furnished to facilitate the decision-making process.

### **Risk Management:**

In order to mitigate a variety of risks, such as fraud, credit, and business risk, retail banks implement numerous risk management strategies. This is essential for the financial security of the bank and the funds of its consumers.

### **Credit Assessment and Lending:**

Stores implement sophisticated credit rating systems to ascertain whether consumers are capable of fulfilling their

obligations. Lenders assess a borrower's ability to repay a loan by considering their income, credit history, and other pertinent factors.

### **Focus on Savings and Investments:**

Stores implement sophisticated credit rating systems to ascertain whether consumers are capable of fulfilling their obligations. Lenders assess a borrower's ability to repay a loan by considering their income, credit history, and other pertinent factors.

## **3. LITERATURE SURVEY**

Arrawatia, R., Misra, A., Dawar, V., & Maitra, D. (2022). The risk-adjusted Lerner index is employed in this investigation to evaluate the competitiveness of Indian banks. By analyzing panel data from 2000–2017, it is possible to observe the influence of market dominance and risk-taking on stability and success. They illustrate the persistent dominance of large banks in spite of the increased competition that has resulted from the relaxation of regulations. Risk assessment is essential because it offers a more comprehensive understanding of competitiveness than other methods. According to the research, individuals are more productive when there is healthy competition; however, pandemonium results when there is an excessive amount of a positive factor. The paper underscores the importance of establishing a compromise between systemic safety and competition. It offers legislators the necessary information to ensure that the economy remains robust and that the playing field is equitable.

Bhatnagar, Abhinna Baxi. (2024). This paper examines the subject of private



finance in India from the time of its independence until the present. Regulatory changes, technological advancements, and variations in consumer behavior are all potential threats to bank operations. Standard banking, interoperable payment mechanisms, and digital purses have all undergone significant changes. Businesses have become more competitive as a result of the introduction of new customer-centric innovations, which have enabled them to offer a greater variety of products and services. Nevertheless, the author contends that service delivery is undergoing a transformation as a result of financial partnerships and AI. The paper found that competition had a positive impact on accessibility, efficiency, and cost. Experts contend that success necessitates perpetual adaptability and innovation.

Jadaun, Ranjana; Singh, M. P.; & Cacal, D. M. (2023). This investigation investigates the extent of contentment with retail banking services offered by public and private banks in India. Using data from surveys and statistical analyses, the authors assess the quality, reliability, accessibility, and timeliness of services and technology. The data indicates that clients favor private banks because of their enhanced technological integration and prompter service. Numerous state institutions depend on customers who are either over the age of 65 or reside in rural areas to ensure their survival. The influence of digital media on public perceptions of brands appears to be more significant. This illustrates the significance of consistently delivering innovative solutions and surprising and gratifying customers to sustain a competitive

advantage. Staff training, enhanced complaint management, and technological engagement are among the recommendations.

Singh, Kirti. (2023). The Indian economy, the safety of institutions, and the expansion of digital financial services are among the numerous factors that are currently being investigated. This increases competition in the market by attracting more consumers and lowering prices, as indicated by data collected between 2014 and 2022. In contrast, earnings and hazards may be diminished during periods of intense competition. The findings indicate that a robust digital infrastructure and fair competition contribute to the improvement of reliability and stability. There is a widespread belief that the utilization of technology is facilitated by government initiatives like PMJDY and UPI. The author posits that educational technology and financial technology enterprises are advantageous to society as a whole. Enhanced competition is advantageous for all parties. Finally, in order to achieve long-term success, it is imperative to implement deliberate digital innovation and prudent risk management.

Ruparel, Khusbu & Sharma, Raj. (2022). This post examines the present state of Indian retail banks, as well as the challenges they have encountered in the past. Using secondary data, the authors illustrate the company's experiences with regulations, new technology, and reduced regulation. Mobile payment processing, internet banking, and personalized financial solutions are instances of this. Other subjects addressed include consumer retention, security, and competition among

NBFCs. The research indicates that the three most critical factors for success are the generation of innovative ideas, the reduction of expenses, and the establishment of trust with clients. It promotes parity between the market and government in order to maintain stability. It prioritizes adaptability and originality in order to preserve a competitive advantage.

#### **4. IMPACT OF GOVERNMENT POLICIES ON RETAIL BANKING IN INDIA**

##### **Promotion of Financial Inclusion through Government Schemes:**

The Pradhan Mantri Jan Dhan Yojana (PMJDY) offers the opportunity for millions of individuals who do not currently possess a bank account to establish one. Retail banks are capable of offering services that are more affordable and accessible as their client base expands. Consequently, financial institutions are shifting their focus from the maximization of profit to the promotion of growth for all.

##### **Digital India and Cashless Economy Push:**

The demonetization and Digital India strategy of 2016 facilitated the acceleration of digital payments. The directive directed banks to modernize their digital systems, improve mobile banking, and establish connections to UPI and BHIM. Retail banking has become increasingly competitive and technologically sophisticated as a result of these economic changes.

##### **RBI's Regulatory Framework for Consumer Protection:**

The Reserve Bank of India's rigorous regulations ensure fair funding, clarity, and complaint management. These regulations

have resulted in a more competitive and dependable financial industry. Customers also anticipate that their financial institutions will be accessible and accommodating.

##### **Interest Rate and Monetary Policy Impact:**

The amount of money that banks can borrow is influenced by the interest rates on CRR, SLR, and RBI swaps. The interest rates on deposits and loans are influenced by changes in these rates, which in turn affect the ability of banks to borrow money and their profits. This legislation guarantees the stability and expansion of retail institutions.

##### **Strengthening of Banking Infrastructure through Reforms:**

Measures implemented by the government, including recapitalization, bank mergers, and enhanced oversight, have contributed to the enhancement of public sector banks' stability. They are capable of competing with private companies and international firms due to their enhanced efficiency, superior customer service, and optimized technology.

##### **Expansion of Rural Banking and Microfinance:**

The Reserve Bank of India (RBI) has mandated that financial institutions establish branches in underserved rural areas and supports microfinance initiatives through legislation and policy. Small business proprietors and farmers will have the option of borrowing money. Retail banks in India are emphasizing rural regions as a means of expanding their consumer base and attracting new business.

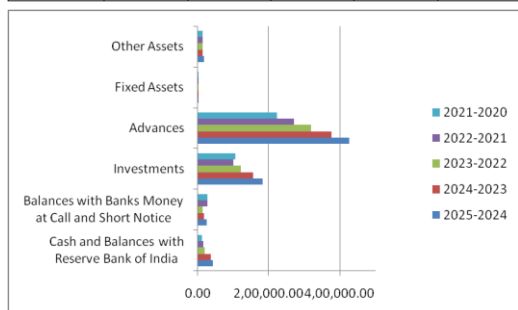
## **5. RESULTS**

## Customer Service & Satisfaction at Kotak Mahindra Bank

Dimension	Details	Observation
Overall Satisfaction	85% (Very Satisfied 63%, Satisfied 22%)	High customer satisfaction strengthens competitive position
Grievance Redressal	Structured policy with timely resolution	Ensures trust and customer retention
Employee Training	Continuous training for service-oriented competencies	Improves quality of customer interactions
Digital Experience	Mobile app, website, chatbots, WhatsApp banking	Enhances convenience, especially among tech-savvy customers
Feedback Mechanism	Collected via multiple channels	Supports continuous improvement

## ASSETS

ASSETS	2025-2024	2024-2023	2023-2022	2022-2021	2021-2020
Cash and Balances with Reserve Bank of India	41,699.20	36,252.04	19,965.56	16,026.22	12,493.61
Balances with Banks Money at Call and Short Notice	24,079.96	16,536.36	12,576.75	26,897.72	27,132.92
Investments	1,81,907.45	1,55,403.76	1,21,403.73	1,00,580.22	1,05,099.19
Advances	4,26,909.20	3,76,075.27	3,19,861.21	2,71,253.60	2,23,688.62
Fixed Assets	2,358.86	2,155.30	1,920.32	1,643.72	1,535.27
Other Assets	16,669.52	13,934.32	14,134.91	13,026.92	13,539.01
<b>Total Assets</b>	<b>6,93,624.18</b>	<b>6,00,357.05</b>	<b>4,89,862.48</b>	<b>4,29,428.40</b>	<b>3,83,488.62</b>

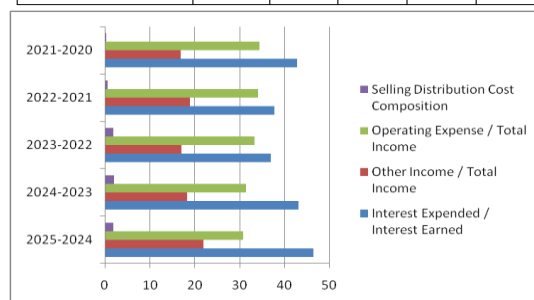


**INTERPRETATION:** Kotak Mahindra Bank's asset base will experience a substantial expansion in the years ahead. In 2021 and 2022, they will accumulate 3,83,488.62 cores, while in 2025 and 2024, they will accumulate 6,93,624.18 cores. It is likely that additional funding and expansion are necessary, as the majority of improvements have made significant progress. The company's liquidity is further demonstrated by an increase in both cash on hand and investments. It is evident that the bank is performing well

due to the continuously increasing asset value and the steadily improving financial situation.

## Profit And Loss Account Ratios

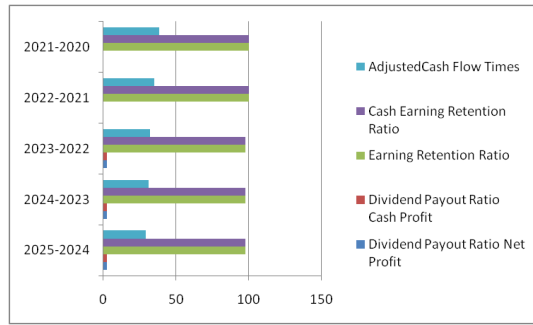
Profit And Loss Account Ratios	2025-2024	2024-2023	2023-2022	2022-2021	2021-2020
Interest Expended / Interest Earned	46.44	43.24	37.08	37.8	42.85
Other Income / Total Income	22.04	18.32	17.14	19.03	16.9
Operating Expense / Total Income	30.92	31.46	33.34	34.23	34.46
Selling Distribution Cost Composition	1.9	2.11	1.84	0.64	0.38



**INTERPRETATION:** Kotak Mahindra Bank's profit and loss statement demonstrates its proficiency in reducing expenditures and generating revenue through a variety of channels. The interest-to-principal-payment ratio increased from 42.85% in 2021–2022 to 43.04% in 2024–2025. Interest expenses have increased at a speedier pace than profits, despite the fact that they remain within acceptable limits. It is becoming increasingly essential to increase revenue from non-interest sources, as evidenced by the extra revenue to total income ratio increasing to 22.04%. An increase in cost efficacy is indicated by a decrease in the operating cost to revenue ratio. The bottom line is enhanced by reducing the costs of selling and transportation.

## Cash Flow Indicator Ratios

Cash Flow Indicator Ratios	2025-2024	2024-2023	2023-2022	2022-2021	2021-2020
Dividend Payout Ratio Net Profit	2.41	2.44	2.36	0	0
Dividend Payout Ratio	2.31	2.33	2.27	0	0



**INTERPRETATION:** Kotak Mahindra Bank effectively retains a substantial portion of its income and distributes dividends to its shareholders, as indicated by the cash flow index. Net and cash gains are typically distributed at a dividend rate of 2% to 2.5%. The fact that the bank is setting money aside is indicative of its intention to establish and maintain an adequate cash reserve for the future. A substantial portion of the funds will be reinvested, as the company's cash earnings and earnings retention exceed 97%. The corporation's adjusted cash flow times have been decreasing over time, despite the fact that they remain somewhat excessive. Its adept financial management is demonstrated by its robust cash flow in comparison to its debt.

## 6. CONCLUSION

Technology, consumer expectations, market dynamics, and legislation are among the numerous factors that influence retail banking competition in India. In order to adapt to the constantly evolving needs of their diverse clientele, banks must not only perform their responsibilities proficiently and in compliance with RBI regulations, but also consistently innovate. In order to enhance the consumer experience and encourage repeat business, it is essential to implement personalized items, data-driven strategies, and digital platforms. Nevertheless, banks can attract

a greater number of clients and earn their trust by forming strategic partnerships, educating individuals about money, and providing exceptional service. Customers are more confident in this challenging environment as a result of the industry's strict adherence to regulations, parsimonious expenditure, and exceptional risk management.

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