

Enhancing Performance of Digital Channels is Key to Developing India Retail Banking Industry, 2017 Oracle J.D. Power India Retail Banking Study Finds

Use of Traditional Banking Channels Surpass Digital in India Retail Banking Industry
Customer Satisfaction with Banking in India Lagging Behind Key Global Markets

SINGAPORE: 3 July 2017 — Despite the impetus provided by demonetization, digital banking is not yet a pervasive experience in India. The branch continues to dominate banking channels, with 94% of retail banking customers having visited the branch/store at least once in the past 12 months, according to the 2017 Oracle J.D. Power India Retail Banking Study released today.

The study measures customer satisfaction across urban and rural India on the product and service provided by their main financial institution. The study measures overall satisfaction in five factors: account activities (39%); account information (18%); facility (17%); product offerings (14%); fees (12%). Overall customer satisfaction is measured on a 1,000-point scale.

“Most banking relationships still begin and continue at the branch,” said **Gordon Shields, senior director J.D. Power**. “However, there is great potential for banks to move more into the digital space.. Only 51% of retail banking customers have a reliable online banking experience with their main financial institution. If this is the alternative to in-person banking at the branch, a stronger emphasis must be placed on improving overall service. In fact, overall customer satisfaction with banking in India is lagging significantly behind other key markets at 672 index points, compared to the industry average score reported in other J.D. Power studies in China (806), the USA (793) and Australia (748), thus, underlining the need for banks in India to improve their overall service and offerings to a growing banking populace.”

While overall customer satisfaction with mobile banking is markedly higher (693) than with In-Person Branch interaction (676), only 9% of India retail banking customers use mobile banking for everyday transactions. It is vital that retail banks ensure that customers feel at ease with using digital banking channels.

“Amongst the 48% of customers who have yet to download a banking app, one-fourth state lack of security is a key reason for non-usage,” said Shields. “The success of digital banking rests clearly on its ability not only to engage with customers but to do so in a secure and trusted manner. Once such concerns are addressed, there is scope for huge improvement on this front. It is essential that content, user experience and security be revisited holistically as opposed to launching digital assets in a piecemeal manner.”

Fundamentally, communication is key to achieving higher customer satisfaction. Nearly three-fourths (73%) of customers believe their financial needs were not fully understood before they were offered new products, with only 7% having had fees and pricing of products explained. A stronger understanding of features and benefits of a main account can increase satisfaction by 100 points, with customers who do not or only partially understand product features (82%) less satisfied (659) than the 18% who completely understand the product features (759).

“As India embarks on its digitisation agenda, results on ground exhibit a contrary reality,” said **Kiran Kumar Kesavarapu, APAC leader, industry innovation advisors – financial services Oracle**. “A

large majority of India's urban retail banking consumers still prefer to go to a bank—our study estimates this to be as high as 94%. This, at a time, when digital banking is paving the way for a new economy and one that is going to be a dominant metric of success for the government, banks and citizens alike. We believe the issue lies in customer engagement models that Indian banks employ today and related security uncertainties when transacting online. This can be addressed easily and quickly.”

Following are additional key findings of the study:

- **Private banks outperform public banks:** Private banks are rated higher in overall satisfaction (680) than public banks (666). Private banking customers are more likely to recommend their bank to friends and relatives (89%) than public banks (86%).
- **Higher satisfaction drives loyalty and advocacy:** Highly satisfied customers are more likely to recommend their bank (94%) to friends and family than those who are less satisfied (76%). In addition, those who are less satisfied are more likely to switch to another bank. Almost one-fourth (23%) of less satisfied customers are more likely to switch to a different bank, compared with 18% of highly satisfied customers.
- **Opportunity to increase use and quality of mobile wallets:** Among the 78% of smartphone users, 42% use at least one mobile wallet, with more customers using non-banking apps as their main mobile wallet. Among mobile wallet users, almost half (48%) have experienced problems at least once when making a transaction with the app demonstrating the need for non-traditional banks to address their quality of service related to more complex products. Of the main mobile wallets, the vast majority (59%) use PayTM. Only 5% of customers say they use their Banking App as the main app.

About the Study

The 2017 Oracle J.D. Power India Retail Banking Study is based on in-person interviews with 5,368 retail banking customers conducted between February and April 2017. The study covers metro, urban, semi-urban and rural areas across 14 states in India, and includes both private and public banks.

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About J.D. Power in the Asia Pacific Region

J.D. Power has offices in Singapore, Bangkok, Kuala Lumpur, Beijing, Shanghai and Tokyo that conduct customer satisfaction research and provide consulting services in the automotive, information technology and finance industries in the Asia Pacific region. Together, the six offices bring the language of customer satisfaction to consumers and businesses in Australia, China, India, Indonesia, Japan, Malaysia, Philippines, Taiwan, Thailand and Vietnam. J. D. Power is a portfolio company of XIO Group, a global alternative investments firm headquartered in London, and is led by its four founders: Athene Li, Joseph Pacini, Murphy Qiao and Carsten Geyer. Information regarding J.D. Power and its products can be accessed through the Internet at india.jdpower.com.

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