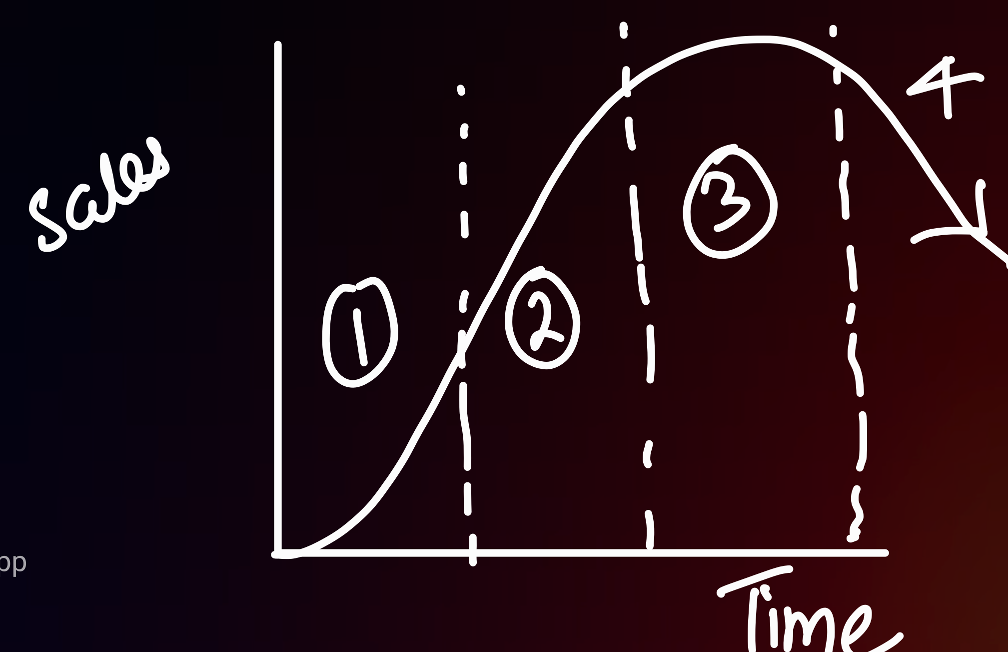
Product Development Process in Banking

A comprehensive guide to building and managing banking products



APP: https://iibf.info/app

What is a Product?

Any offering that provides satisfaction, utility, and the desired return to the customer

In banking, products range from simple accounts to complex financial solutions

Product Life Cycle

Every product moves through distinct stages over time

Introduction #1

Market entry

Growth #2

Rapid expansion

Maturity #3 Peak sales

Peak performance

Decline #4

Falling demand

Introduction Stage

Low Sales Volume

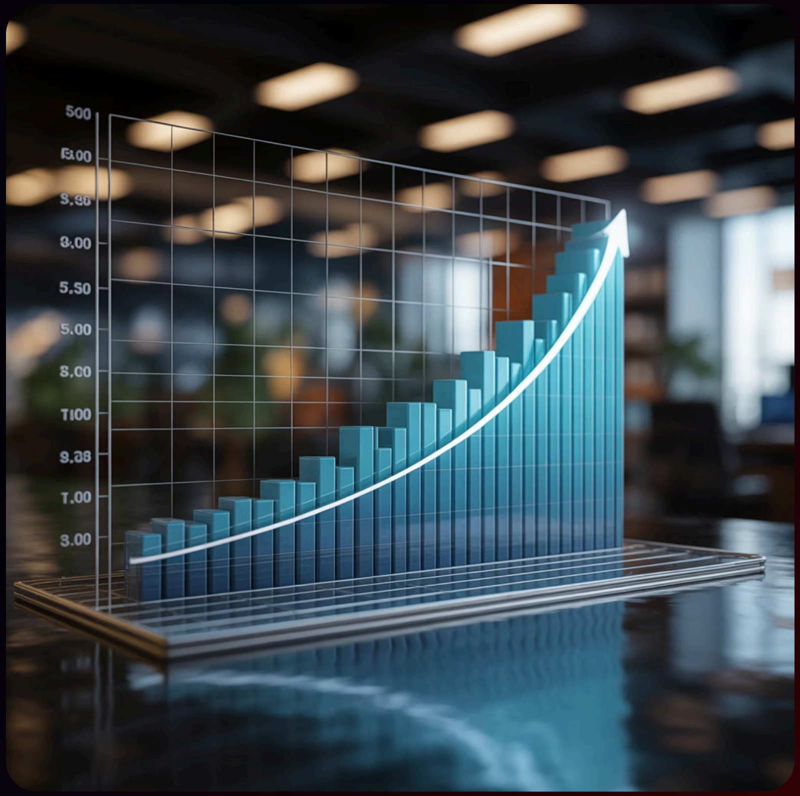
Limited market penetration in early phase

High Costs

Marketing and development expenses dominate

Negative Returns

Revenue insufficient to cover initial investment



Growth Stage

Rapid Sales Increase

Customer adoption accelerates significantly

Break-Even Achieved

Revenue begins to exceed costs

High Awareness

Product recognition reaches critical mass

Maturity Stage

Peak Performance

- Maximum sales and profitability
- Broad customer base established
- Market saturation approaching
- Competition intensifies

Decline Stage

Diminishing Appeal

Product no longer meets evolving customer needs

Falling Revenue

Both sales volume and profit margins decrease

Strategic Decision

Revitalise, maintain, or discontinue the product

Revitalisation Techniques

Strategies to extend product life and regain market relevance

Fine-Tune Features

Enhance existing functionality based on customer feedback

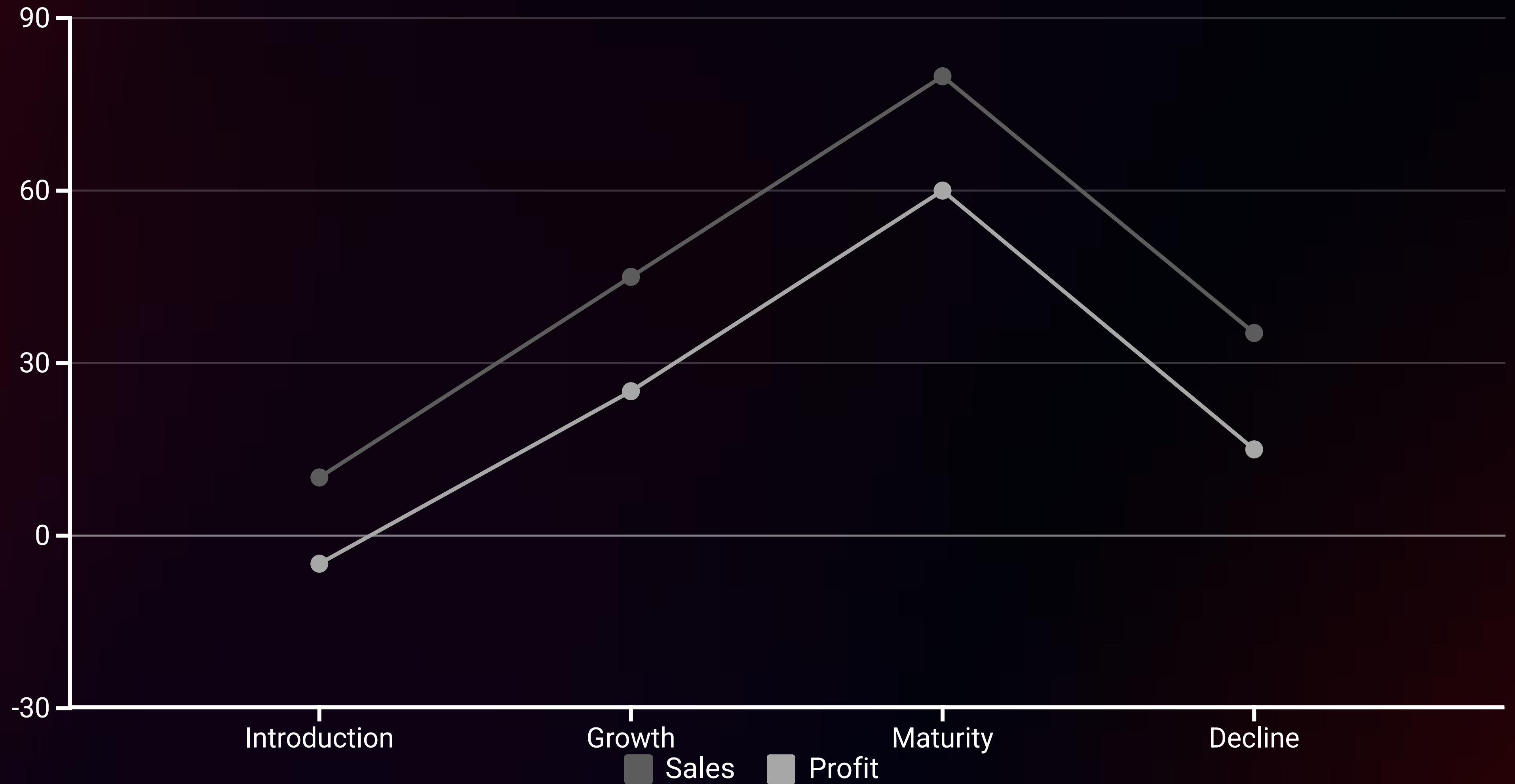
Add Value

Introduce new propositions and complementary services

Rebrand

Modify positioning or repackage offerings for new segments

Life Cycle Summary



Understanding these stages helps banks time their product investments and strategic interventions

Core Bank Products

Savings Accounts

Interest-bearing deposits for personal financial goals

Current Accounts

Transaction accounts designed for business operations

Term Deposits

Fixed-period investments with guaranteed returns

Cash Credit

Revolving credit facility for working capital needs

Retail Loans

Consumer lending for personal and home financing

Bank products

Core

Anyware

Define business type

eg

SF A/c

atm

NEFT

RTM

CHQ

core

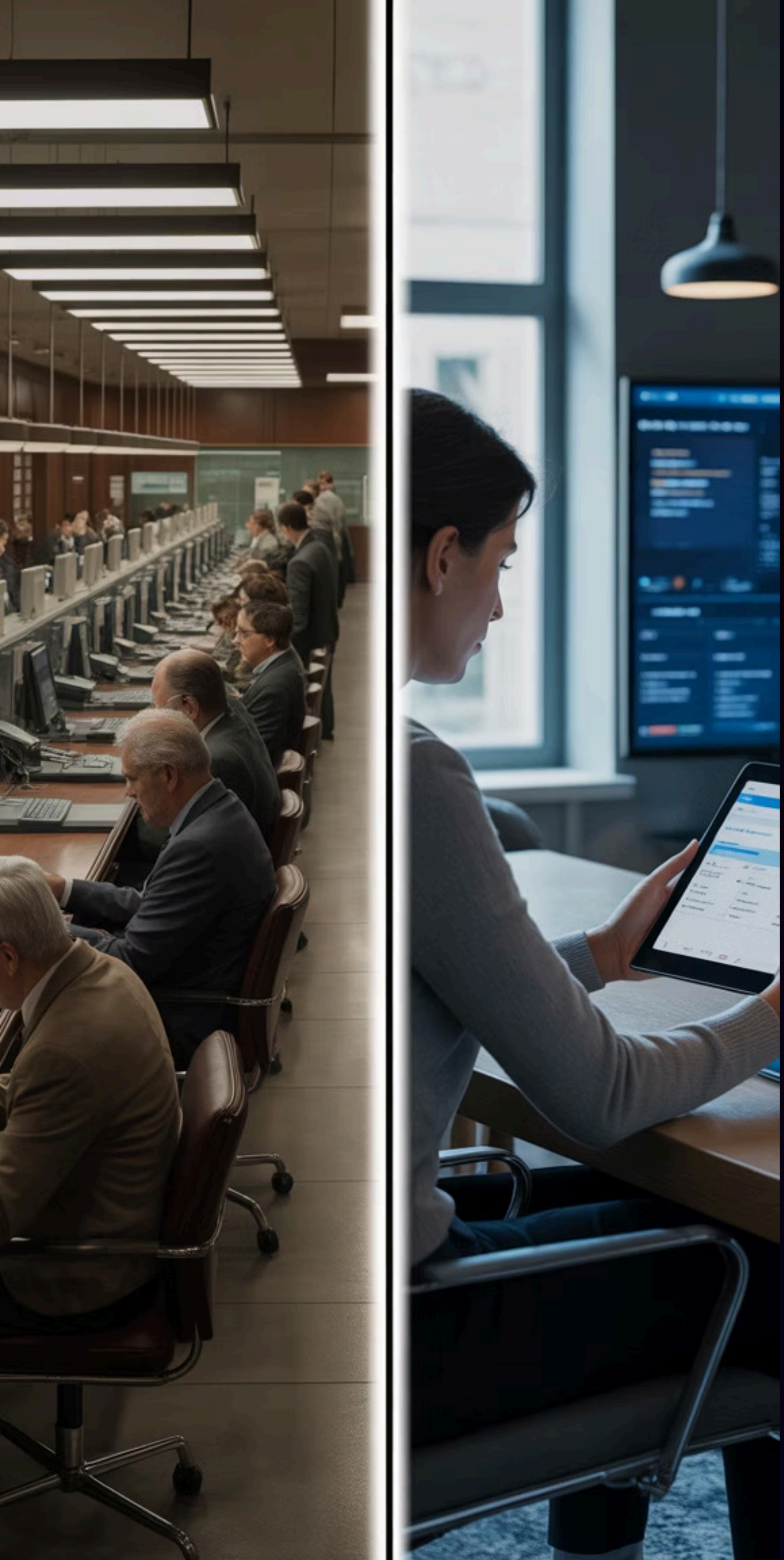
1 + 2

Augmented Products

Core + Additional Value

Enhanced offerings that combine basic banking with value-added services

- Internet and mobile banking platforms
- Integrated insurance coverage
- Investment advisory services
- Lifestyle benefits and rewards



Core vs Augmented Products

Core Product

Nature: Basic banking functionality

Example: Standard savings account

Value: Essential financial service

Augmented Product

Nature: Core plus value-added features

Example: Savings + mobile app + insurance

Value: Enhanced customer experience

Augmented Savings Example

Base Savings Account

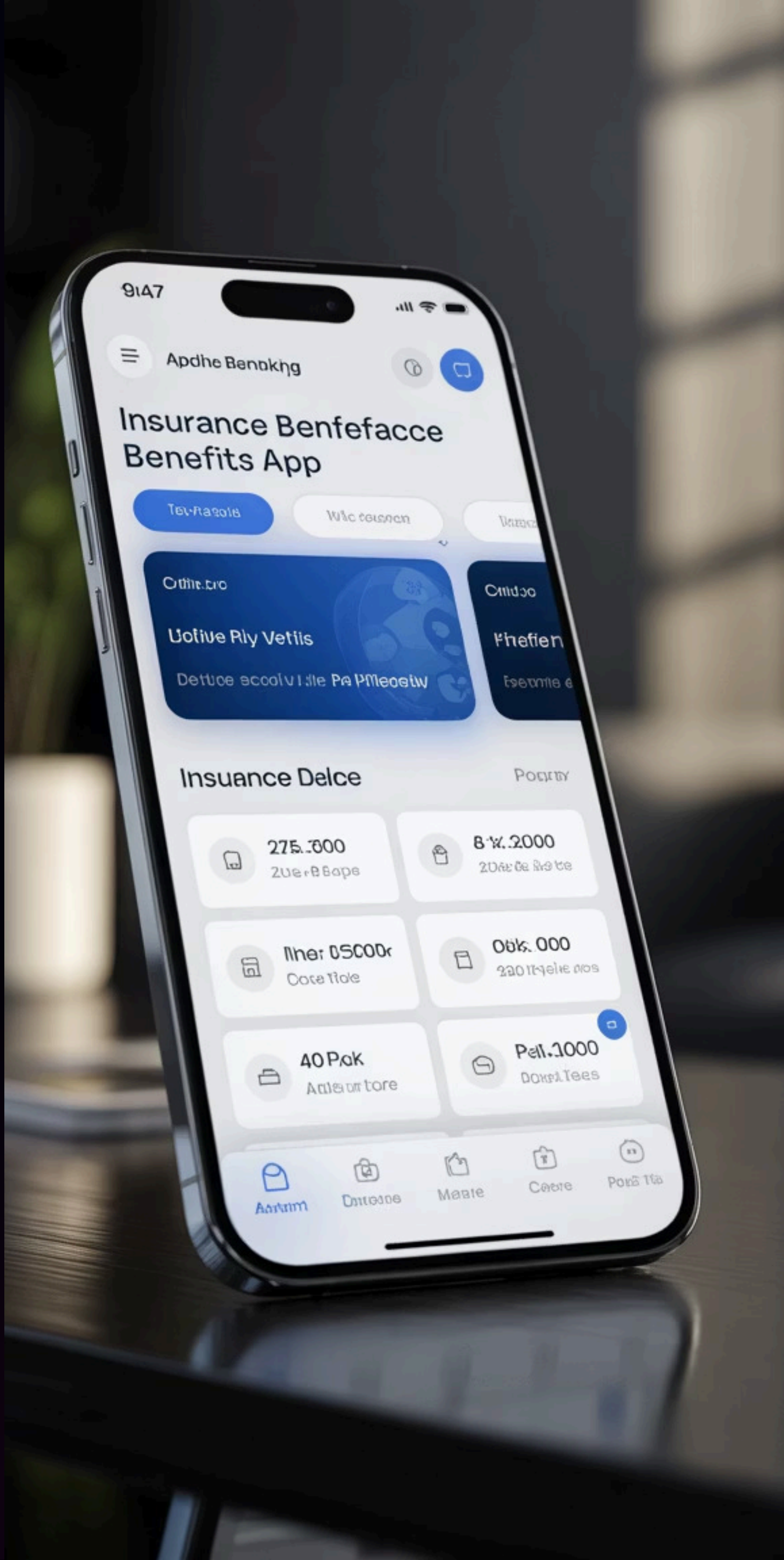
Interest-earning deposit with standard features

Mobile Banking

24/7 access, instant transfers, bill payments

Insurance Benefits

Complimentary life or accident coverage



Demand Deposits

CA + SA

RB products

Credit

Debit

Other

Maximum Liquidity

Funds available for immediate withdrawal without notice or penalty

Ideal for daily transactions and operational needs

Savings Deposits Features

Interest Earnings

Regular interest accrual on deposited funds

Safe Storage

Secure repository for long-term financial goals

Limited Withdrawals

Transaction restrictions to encourage saving behaviour

Basic Savings Bank Deposit Account

BSBDA

BSBDA Guidelines

No Minimum Balance

Financial inclusion without balance requirements

Four Withdrawals Monthly

Limited free transactions per month

No limit for Depositing

KYC/AML Compliance

Subject to regulatory verification norms

Single Account Limit

Cannot hold multiple savings accounts across banks

APP: https://iibf.info/app

Simple KYC

Small Accounts

Declare

Phone

T.I

12m + 12m

Designed for Low-Risk Individuals

For customers without standard identity documents

#1

Annual Credit Limit

Maximum ₹1 lakh per year

Monthly Withdrawal Cap #2

Up to ₹10,000 per month

Validity Period

12 to 24 months duration

Bal → At anytime ≤ 50000

OVD = 5 OVDs

Interest on Savings Accounts

upto
Bal → 1 Lakh

Uniform
int Rate

1. **October 2011**

   RBI deregulates savings interest rates

2. **Current Policy**

   Banks determine own rates

3. **Uniformity**

   Same rate across all branches

4. **Calculation**

   Interest computed on daily basis

Current Deposits

liability product

Business Banking

- Designed for commercial operations
- Unlimited transaction capability
- No interest paid on balances
- Cheque facility included

CASA = DD

Term Deposits

Fixed Tenure

Predetermined investment period with locked-in rates

Higher Interest

Premium rates compared to savings accounts

A safe investment avenue for guaranteed returns with minimal risk

7days to 120months

Fixed Deposit

1

Lump-Sum Investment

Single deposit for predetermined period

2

Fixed Returns

Guaranteed interest rate throughout tenure

3

Capital Security

Principal amount fully protected

Recurring Deposit

Systematic Savings

Monthly fixed deposits building towards a goal

Interest compounded periodically

Disciplined approach to wealth accumulation

PMLA — PMLR

KYC Guidelines

Section 35A, Banking Regulation Act

MT [ongoing]

Identity Verification	Risk Assessment	Regulatory Compliance
Confirm customer identity through valid documentation	Evaluate and categorise customer risk profiles	Mandatory anti-money laundering measure

Pillars
- CAP
- RM
- CIP

Customer Risk Management Framework

Customer Acceptance Policy (CAP) #1

Define eligible customer types and acceptance criteria

Risk Management (RM) #2

Categorise customers by risk level: low, medium, high

PEP

Customer Identification (CIP) #3

CKYCR

Verify identity, address, and other key details

Transaction Monitoring (MT) #4

Continuous surveillance for suspicious activity patterns

Account Opening Methods

Private & Foreign Banks

Centralised processing hubs handle all applications

Public Sector Banks

Branch-based or partial-centralised model

Credit Products Portfolio

Consumer Loans

Personal financing for individual needs

Mortgages

Home loan products for property purchase

Auto Loans

Vehicle financing solutions

Overdraft Facility

Short-term credit against collateral

Cash Credit

Revolving credit for working capital

Remittance & Fee-Based Services

NEFT & RTGS

Electronic fund transfer systems for domestic payments

Demand Drafts

Guaranteed payment instruments for secure transactions

Safe Deposit Lockers

Secure storage facilities for valuables and documents

Merchant Banking

Advisory and corporate finance services

Third-Party Distribution

Fee Income Diversification

Banks act as distribution partners for non-banking products

- Insurance policies (life and general)
- Mutual fund investments
- Pension schemes
- Wealth management products

New Product Development

Innovation

The systematic creation and introduction of new banking products and services to meet evolving customer needs

NPD Stages

Idea Generation #1 market research

Identify opportunities from multiple sources

Screening #2 evaluating → viability

Evaluate and shortlist viable concepts

Concept Development #3 development, → features, benefits → Testing

Refine product specifications and features

Business Analysis BAMA #4 financial viability

Assess financial viability and market potential

Development #5 Actual development → prototype

Build prototype and technical infrastructure

Testing #6 Market Testing

Pilot with select customers and refine

Commercialisation #7 final stage

Full market launch and scale-up

Idea Generation & Screening

Idea Generation

- Market research and customer insights
- Employee suggestions and feedback
- Competitive intelligence
- Technology trends

Screening Process

- Strategic alignment check
- Technical feasibility assessment
- Resource availability review
- Regulatory compliance verification

Concept, Business & Market Analysis

Concept Development

Develop detailed product concepts and test with target users

Refine value propositions based on feedback

Business Analysis

Analyse development costs, projected ROI, and break-even timeline

Evaluate pricing strategies and revenue models

Market Analysis

Study competitive landscape and market positioning

Identify target segments and size opportunities

Development to Launch

1 Product Design

Create detailed specifications and user experience flows

2 Prototype Build

Develop working model with core functionalities

3 User Testing

Gather feedback through beta programmes and pilots

4 Refinement

Iterate based on test results and regulatory requirements

5 Launch Preparation

Train sales teams and prepare marketing campaigns

6 Market Launch

Roll out product with full commercial support

Heterogenity

Tech → obsolete

Existing product

Idea to product challenge

Constraint: Customer Diversity

The Challenge

Varied needs across branches, geographies, and demographics

The Impact

Difficult to build universally appealing one-size-fits-all products

Banks must balance standardisation with customisation to serve diverse customer bases effectively

Staff mindset

Technology & Organisational Constraints

Rapid Obsolescence

Technology evolves faster than product lifecycles

Continuous investment required to stay current

Change Resistance

Staff reluctance to adopt new systems and processes

Cultural inertia slows innovation

Legacy Systems

Integration challenges with existing infrastructure

Technical debt limits agility

Idea-to-Product Conversion

Critical Challenges

- Technical and financial feasibility gaps
- Resource allocation constraints
- Cross-functional coordination needs
- Time-to-market pressures
- Regulatory approval delays

Product Management Objectives

Customer Satisfaction

Ensure products meet genuine customer needs and expectations

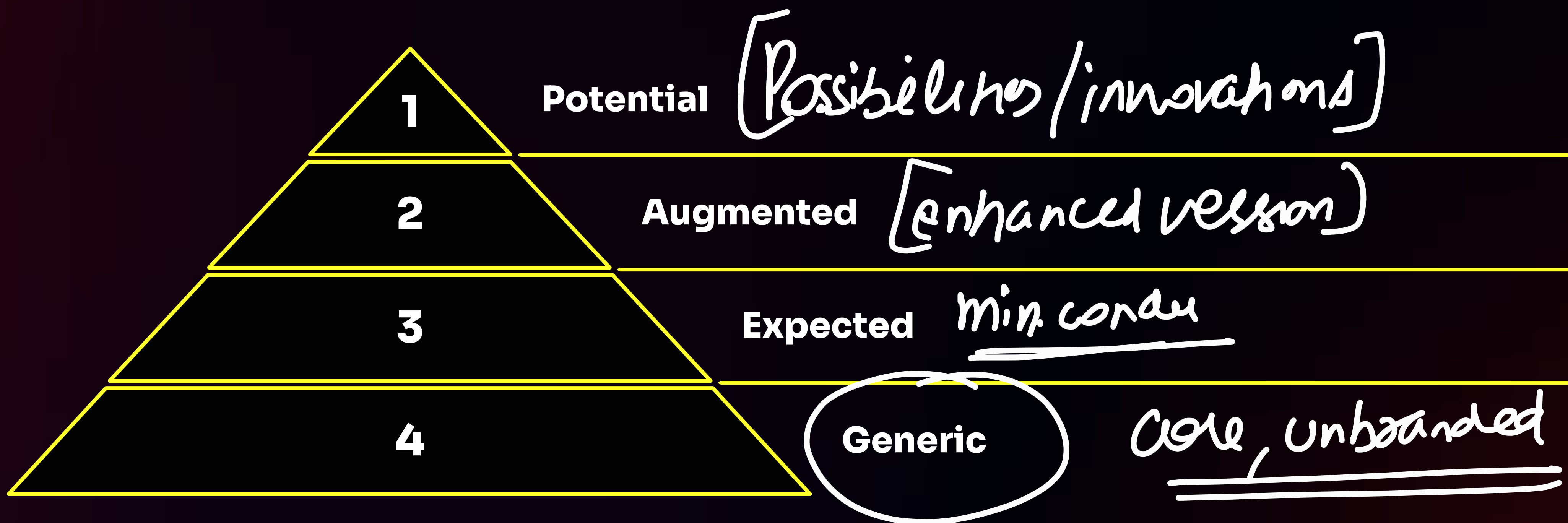
Business Growth

Drive revenue and profitability through effective product portfolio

Portfolio Balance

Maintain optimal mix across lifecycle stages and risk profiles

Product Classification



Generic

Basic essential features

Expected

Standard customer expectations

Augmented

Value-added enhancements

Potential

Future innovations

Product Policy Elements

gap

#1

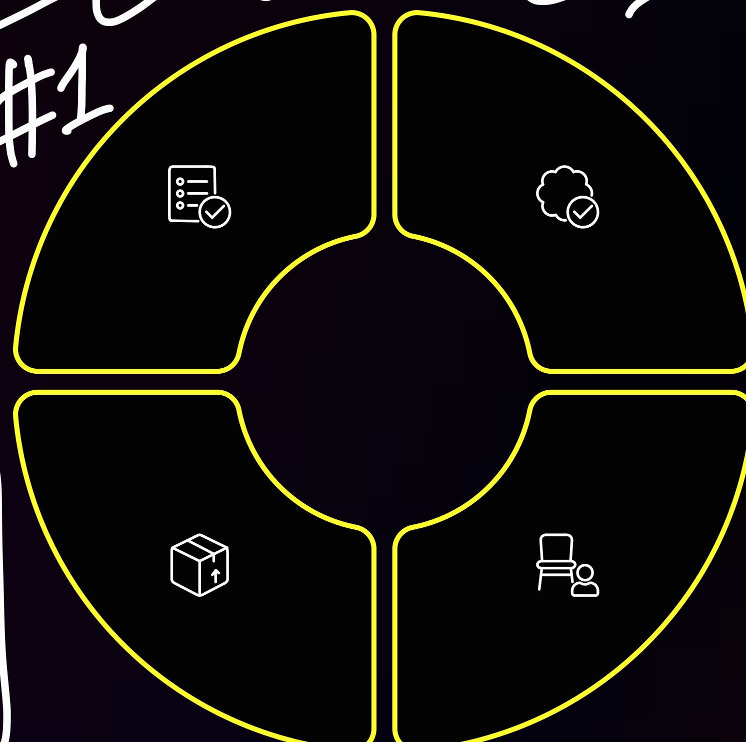
#2

Product Appraisal

Systematic evaluation of performance and viability

Differentiation

Creating distinctive features and competitive advantages



Packaging & Bundling

Combining products for enhanced value propositions

Positioning & Branding

Strategic market placement and identity building

save

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Jaiib update

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Driving Banking Growth Forward

Continuous Innovation	Customer Centricity
Embrace emerging technologies and evolving customer expectations	Place customer needs at the heart of every product decision

Lifecycle Management

Actively manage products through all stages for sustained success

Success in banking requires a balanced approach that combines strategic product development, customer focus, and continuous adaptation to market dynamics