

# Reality bites foreign banks' retail dreams

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**IT'S NOT EASY** servicing the retail segment in India — and in past few years, several foreign banks have woken up to that reality.

Consider this: Citibank has operated in India for over 120 years, yet in 2021 it chose to exit the retail business. Similarly, reports suggest that Deutsche Bank, present in India for 45 years, is now planning to exit this segment, drawing interest from Kotak Mahindra Bank, Federal Bank, and RBL Bank. Even Standard Chartered Bank is sharpening its focus on priority clients with deeper relationships rather than credit-only customers, as outlined by CEO PD Singh.

Bankers see this as part of a broader strategic rethink by western lenders on the economics of India's low-margin retail market. As one senior banking official put it, "Their retreat is not a reflection of India's potential, but rather of a structural mismatch between their global operating models and the realities of India's hyper-competitive, technology-driven retail banking ecosystem."

While Deutsche Bank declined to comment, Standard Chartered Bank stated that it remains firmly committed to expanding its Retail Banking, Wealth Management, and SME businesses in India. "Cross-border banking and wealth management

## REVISITING PLANS



remain the strategic cornerstones of our growth agenda, and our focus is on deepening multi-product client relationships and moving beyond single-product engagements," said a spokesperson of Standard Chartered Bank.

## Digital push

One of the biggest structural shifts has come from India's digital public infrastructure, which has fundamentally altered the economics of retail banking.

Deep Mukherjee, partner at Boston Consulting Group India, said, "A critical factor was the credit data ecosystem — arguably among the best in the world. Indian banks helped co-develop it, experimented with

and perfected it. Speed and meaningful innovation depended on empowered decision-making at the ground zero of the market."

He added that the ecosystem — ranging from credit bureaus to account aggregators enabling consented data, and UPI-driven payment trails — has expanded access to credit and financial inclusion, particularly for mature products like credit cards.

## Focus on the wealthy

Foreign banks also misread the scale and diversity of India's retail opportunity. Many adopted a narrow, premium-focused strategy, targeting affluent or niche segments. This constrained their ability to

build scale in a market where success depends on deep distribution, mass-market reach, and relentless cost optimisation.

Indian banks, meanwhile, built retail franchises starting with CASA and salary accounts before expanding credit in a disciplined manner — creating a structural advantage that foreign players struggled to replicate.

Karan Gupta, director & head of financial services at India Ratings, said, "US and European banks have been present in India for many years. Their retail strategy targeted selective, niche clients, which is why they could not compete or grow in the mass market."

As Hitendra Dave, CEO of HSBC India, recently noted,

"We want to be the natural banker to every affluent Indian, with focus on forex, payments and trade." The bank plans to expand distribution by opening 20 branches.

## Small contribution to global balance sheets

Global priorities have also influenced the retreat. For many multinational banks, India's retail business — while promising — remains relatively small compared to their global balance sheets. When global restructuring cycles begin, capital allocation reviews or profitability mandates, India's retail operations become easy candidates for divestment.

Karthik Srinivasan, senior vice president & head of financial sector ratings at ICRA, said, "The Indian retail business, while large in potential, remains relatively small compared to their global balance sheets. Exiting certain businesses in India is driven by global rejig and restructuring exercises."

Retail banking in India demands heavy upfront investments — branch expansion, technology upgrades, and sustained capital commitments. Many foreign banks are reluctant to deploy such long-term capital. Instead, Srinivasan noted, they are doubling down on wholesale banking, "where they can leverage their global networks to act as a bridge, sign off large cheques quickly and

facilitate cross-border business for multinational clients."

## Rise of new foreign players: Japan & UAE

Even as western banks scale down, a new wave of foreign participation is emerging — led by Japanese giants like Sumitomo Mitsui Banking Corporation and MUFG as well as UAE-based institutions such as Emirates NBD.

These players are not merely filling the gaps but expanding aggressively across both banking and NBFC platforms. Their strategies reflect long-term commitment, patient capital, and a willingness to invest across the full retail and SME opportunity. As Gupta highlights, "The Japanese are deep-pocketed, strategic and investing for the long term to execute this strategy."

UAE-based investors, meanwhile, are leveraging their strong regional niches and looking outward for growth. "The UAE-based investors have developed their niche and are now looking to explore other markets that have the potential to grow," Gupta said. Emirates NBD's expansion in India — from wholesale to retail and digital offerings — underscores this outward-looking ambition. These institutions increasingly view India not as a peripheral market, but as a core pillar of their Asia strategy.