Overview of Your industry

Q1)Major competitive traits of the industry

##### .1) Outperformers build resilience

High performers take a comprehensive approach to risk mitigation to protect the business and boost returns. Outstanding banks know how to harness the power of technology and data innovation to make better decisions about risk – or[**partner with those that do**](https://www.ey.com/en_gl/managed-services/why-collaboration-is-the-best-way-to-combat-financial-crime)**.** And they are constantly on alert to new risks, particularly those that may damage their reputation.

##### .2) Outperformers control cost

The best banks have highly efficient processes. As most are large with sizable networks, this kind of efficiency can only result from an organizational mindset that empowers individual employees to make the right decisions without explicit guidance from management. In short, the entire organization must come together.

##### .3) Outperformers are customer-centric

Many outperforming banks identify a clear customer segment and plan their entire strategy around understanding and meeting the needs of these target customers. Virtually every significant decision is geared to this goal – from developing and marketing products, allocating investments in capital and ensuring that all management behavior is driven by a focus on the customer.

Q2) What are important matrices of that industry?

1. [**Return on Assets Return on**](https://www.slideshare.net/johnmaxfield376/the-10-most-important-banking-metrics) Equity Efficiency Ratio Net Interest Margin NPL Ratio Book Value per Share Loans to Deposits Ratio NCO Ratio Tier 1 Common Capital Price to Book Value Ratio The 10 Most Important BANKING METRICS (Click on the arrow below to view slideshow)
2. [**Return on Equity: This is**](https://www.slideshare.net/johnmaxfield376/the-10-most-important-banking-metrics/2-Return_on_Equity_This_is) the most important metric in all of bank investing. It measures profitability by dividing a bank’s net income by its shareholders’ equity; the higher the number, the greater the return. Normally, you want to see a figure in excess of 10%, which is generally assumed to mark the threshold between long-term value creation and destruction. Slideshow by John J. Maxfield, The Motley Fool
3. [**Return on Assets: This number**](https://www.slideshare.net/johnmaxfield376/the-10-most-important-banking-metrics/3-Return_on_Assets_This_number) is similar to return on equity but it doesn’t reflect the impact of a bank’s leverage. Because banks are typically leveraged by a factor of 10 to 1, in order to generate a 10% return on equity, a bank must earn the equivalent of at least 1% on its assets. This has long been one of the bank industry’s most commonly cited benchmarks. Slideshow by John J. Maxfield, The Motley Fool
4. [**Net Interest Margin: A bank**](https://www.slideshare.net/johnmaxfield376/the-10-most-important-banking-metrics/4-Net_Interest_Margin_A_bank) is a leveraged fund that borrows money at low short-term rates and then invests the funds into higher interest-earning assets. By doing so, a bank earns “net interest income.” If you divide this by a bank’s earning assets, you get its net interest margin, which shows how much the business yields on its invested assets. Slideshow by John J. Maxfield, The Motley Fool
5. [**Efficiency Ratio: Warren Buffett has**](https://www.slideshare.net/johnmaxfield376/the-10-most-important-banking-metrics/5-Efficiency_Ratio_Warren_Buffett_has) intimated in the past that there are two ways a bank can generate outsized returns, one of which is to be a “very low-cost operator.” A bank’s success at managing expenses is gauged by the efficiency ratio, which divides a bank’s operating expenses by its net revenue -- lower is better. Ideally, you’re looking for ratios under 60%. Slideshow by John J. Maxfield, The Motley Fool

Q3) Is the industry cyclic in nature?

Cyclical stocks are issued by companies whose businesses and stock prices tend to follow the business cycle. They generally perform very well during economic expansions but typically underperform during recessions as sales drop.

First, interest rates tend to fall during recessions. Since the primary business model of banks is to lend money and make a profit, lower interest rates tend to lead to falling profits. For example, if a bank's average auto loan interest rate is 5%, it's going to make considerably more than if the average rate is 3%, all other factors being equal.

Second, and more important, unemployment tends to rise during recessions, and more consumers run into financial trouble. In recessions, consumers often have difficulty paying their bills, and this can lead to a surge in loan losses for banks.

However, the longer answer is that every bank is different. Consumer banking (taking in deposits and lending money) is highly cyclical, and this is especially true for banks that specialize in riskier forms of lending such as credit cards. On the other hand, investment banking tends to do even *better* during turbulent times, so banks that have large investment banking operations tend to see profits hold up quite well. For example, **Goldman Sachs** ([NYSE:GS](https://www.fool.com/quote/nyse/the-goldman-sachs-group-inc/gs/)), which focuses on investment banking, saw some of its best quarterly profits *ever* during the COVID-19 pandemic.

Q4) How does the industry generate revenue? Is the industry dependent on debt or is it capital intensive?

Diversified banks make money in a variety of different ways; however, at the core, banks are considered [lenders](https://corporatefinanceinstitute.com/resources/knowledge/credit/lender/). Banks generally make money by borrowing money from depositors and compensating them with a certain interest rate. The banks will lend the money out to borrowers, charging the borrowers a higher interest rate, and profiting off the interest rate spread.

However, broadly speaking, the money-generating business of banks can be broken down into the following:

1. Interest income
2. Capital markets income
3. Fee-based income

Q5) Are there any government regulations related to this specific industry?

The Indian banking sector is regulated by the Reserve Bank of India Act 1934 (RBI Act) and the Banking Regulation Act 1949 (BR Act). The Reserve Bank of India (RBI), India’s central bank, issues various guidelines, notifications and policies from time to time to regulate the banking sector. In addition, the Foreign Exchange Management Act 1999 (FEMA) regulates cross-border exchange transactions by Indian entities, including banks.

RBI Act

The RBI Act was enacted to establish and set out functions of the RBI. It grants the RBI powers to regulate the monetary policy of India and lays down the constitution, incorporation, capital, management, business and functions of the RBI.

BR Act

The BR Act provides a framework for supervision and regulation of all banks. It also gives the RBI the power to grant licences to banks and regulate their business operation.

FEMA

FEMA is the primary exchange control legislation in India. FEMA and the rules made thereunder regulate cross-border activities of banks. These are administered by the RBI.

Industry trends

Q1) What is the estimated size of the industry in money and products sold?

The market capitalization of the global banking sector was 7.4 trillion euros in the second quarter of 2021. Market cap is the number of shares in a company multiplied by the price per share.

The Indian banking system consists of 12 public sector banks, 22 private sector banks, 44 foreign banks, 43 regional rural banks, 1,484 urban cooperative banks and 96,000 rural cooperative banks in addition to cooperative credit institutions. Total assets across the banking sector (including public, private sector and foreign banks) increased to US$ 2.52 trillion in FY20.

Q2) What are the major trends in the industry?

* Digitization.
* With the rapid growth of technology, digital services became an indispensable part of banking operations as these institutions needed to keep up with the changes and introduce innovations that made services convenient. In India, the initial phase of digitization began in the 1980s when information technology was used to perform basic functions like customer service, bookkeeping, etc. Gradually core banking solutions were also adopted to improve customer experience. The main shift came during the 1990s when liberalization opened the Indian market to the global world. Private and international banks which came into operation boosted technological changes in the banking sector. Features like online banking, IMPS (Immediate Payment Service), RTGS (Real Time Gross Settlement), telebanking enabled customers to avail banking facilities from anywhere.
* Mobile Banking.
* Almost a decade back, even though digital services came into the picture, it was only done through desktop computers which means the customer must be at home or at a place with a computer and internet connection. But the vast penetration of smartphones created a need among customers to avail banking services on their mobile phones. Cheap data charges also contributed towards the increase in usage of mobile banking.
* Unified Payment Interface (UPI) .
* UPI is a trend that emerged in the last couple of years and it is revolutionizing the way we pay and receive money. Transactions can be done within seconds using this interface. Goggle Pay and BHIM (Government of India) are two major interfaces among numerous other services that enable easy payment even if you are out of physical cash.
* Blockchain.
* Blockchain is a robust technology that is still in the development phase. Security is a major factor as far as digital services are concerned. Despite technical advances, fraud practices are still a challenge in the digital domain. Blockchain is the answer to these challenges. Like the way in which it operates, there is no scope for any malpractices in it. The technology works on computer science, data structures and cryptography
* Artificial Intelligence (AI) Robots.
* Many private and nationalized banks have started to make use of chatbots or Artificial Intelligence (AI) robots for assistance in customer support. The practice is still in its initial stage but will definitely evolve and make the entrance to the general public in the near future. Chatbots are one of the emerging trends that are estimated to grow.
* Fintech Companies.
* Fintech or financial technology is indeed a disrupting force in the sector. Due to the changing landscapes in the Indian financial sector, many companies have emerged to be a significant part of this ecosystem. Fintech companies specialise in developing technology solutions that help companies to manage the financial aspects of their business, like new softwares, applications, processes as well as business models. Investments made on Fintech companies have increased drastically in the past decade making it a multi-billion dollar industry globally.
* Digital-only Banks.
* Digital-only banks operate only through IT platforms which can be accessed using mobile phones, laptops or tablets. Digital-only banks operate in a paperless and branchless model and seem to overtake the traditional system of banks in the future. These banks provide high-speed banking facility at a low transaction charge. These virtual banks are an ideal choice for the current fast-paced world.

Q3) Will the size of the industry grow, or contract based on the major trends of the industry?

I expect the industry will be completely moving away from brick-and-mortar buildings. So much banking happens online and over the phone now that there’s a reduced need to have a lot of brick-and-mortar operating spaces, which are expensive to both purchase and maintain. The banking industry is ever-competitive, and reducing these operating costs is an area I believe many operators will consider so they can provide a better value to the customer. Banking Industry will grow because larger firms are implementing newer technology and they are evolving and adapting to the younger consumer base.

Banking institutes are implementing the following to evolve:

* Digitization.
* Mobile Banking.
* Unified Payment Interface (UPI) .
* Blockchain.

Q4) What is the sensitivity of banking industry?

Banking as an institute relies on trust and credit, so it is very sensitive to global issues and stock market fluctuations as whenever there is a state of panic people aren’t willing to borrow as much and people also want to withdraw their money back from the banks. So, banks lose their primary source of income by utilising interest spread.

Consumers/Buyers/Potential costumers

Q1) Types of customers and their distribution in terms of income/ethnicity/age/income/sex?

Broadly speaking, the kinds of customers of a bank are:

#### **1. Corporations**

#### **2. Institutions (“Buy Side” Fund Managers)**

#### **3. Investment Banks (“Sell Side”)**

#### **4. Public Accounting Firms**

Q2) What is the size of the population on the market? And how much of it is covered?

Globally, 69 percent of adults – 3.8 billion people – now have an account at a bank or mobile money provider, a crucial step in escaping poverty.

Q3) Where are the potential customers?

Potential customers can be anyone having an income and wanting to open and invest in a bank account. Potential customers can also be high net worth individuals wanting to invest on the stock market through the brokerage service provided by the bank.

Q4) What is the Bargaining Power of Buyers?

The banking industry relies heavily on the bargaining power of consumers. Some have more power than others. For instance, individual consumers, especially those in the [retail banking](https://www.investopedia.com/terms/r/retailbanking.asp) marketplace, have relatively little bargaining power. That's because the loss of a single account basically has minimal to no impact on the company's [bottom line](https://www.investopedia.com/terms/b/bottomline.asp). Consider what effect Mr. Jones has on the bank when he decides to close his account. On the whole, the loss of his account won't bother the bank too much.

But the bargaining power of large groups of customers is greater because the bank cannot afford to suffer mass defections of depositors. Corporate clients and [high-net-worth individuals](https://www.investopedia.com/terms/h/hnwi.asp) (HNWI) also have greater bargaining power since the loss of sizable accounts and sources of revenue can more substantially affect the bank's profitability.

Q5) How much industry depends on foreign customers?

Experts pointed out that foreign banks do not really depend upon term deposits for funds and it is typically the high net-worth individuals (HNIs) who park their money.

“Given the kind of minimum balances some of these banks have, they are not meant for everybody”. Moreover, in terms of lending, it is mostly to the high-end corporates and therefore these banks have a limited canvas, although they dominate the non-fund-based market.

Key players

Q1) How many key players exist there ? How is the internal competition in the industry?

### **Four Key Players in the Primary Market**

#### **1. Corporations**

In the capital markets, corporations behave as operating businesses that require capital to grow and run their operations. These corporations can vary in industry, size, and geographical location. Careers at corporations that relate to the markets include [corporate development](https://corporatefinanceinstitute.com/resources/careers/jobs/corporate-development-guide/), [investor relations](https://corporatefinanceinstitute.com/resources/careers/jobs/role-of-investor-relations/), and financial planning and analysis ([FP&A](https://corporatefinanceinstitute.com/resources/careers/jobs/financial-planning-and-analysis-fpa/)).

#### **2. Institutions (“Buy Side” Fund Managers)**

Institutions consist of [fund managers](https://www.ft.com/fund-management), institutional investors, and retail investors. These investment managers provide capital to corporations that need the money to grow and operate their businesses. In return for their capital, corporations issue debt or equity to the institutions in the forms of bond and shares, respectively. The exchange of capital and debt or equity completes the cycle of the two key players in the capital markets.

#### **3. Investment Banks (“Sell Side”)**

Acting as an intermediary, [investment banks](https://corporatefinanceinstitute.com/resources/careers/jobs/what-is-investment-banking/) are hired to facilitate deals between corporations and institutions. The job of investment banks is to connect institutional investors with corporionss, based on risk and return expectations, and investment styles. Careers in investment banking involve extensive [financial modeling](https://corporatefinanceinstitute.com/resources/knowledge/modeling/what-is-financial-modeling/) and [valuation analysis](https://corporatefinanceinstitute.com/resources/knowledge/valuation/valuation-methods/).

#### **4. Public Accounting Firms**

Depending on their divisions, public accounting firms can engage in multiple roles in the primary market. These roles include financial reporting, auditing financial statements, taxes, consulting on accounting systems, M&A advisory, and capital raising. Therefore, public accounting firms are usually hired by corporations for their accounting and [advisory services](https://corporatefinanceinstitute.com/resources/careers/map/accounting-careers/transaction-advisory-career-profile/).

### **Key Players in the Secondary Market**

#### **1. Buyers and Sellers**

In the secondary market, fund managers or any investors who wish to purchase securities or debts will have to locate a seller. Transactions are facilitated through a central marketplace, including a stock exchange or Over The Counter (OTC).

#### **2. Investment Banks**

While investment banks facilitate the issuance of bonds and shares in the primary market, they expedite the sales and trading of issued debts and equities between buyers and sellers in the secondary market. Investment banks provide [equity research](https://corporatefinanceinstitute.com/resources/careers/jobs/equity-research-overview/) coverage on each stock’s upside potential, downside risk, and rationale to help buyers and sellers make a judgment. Moreover, investment banks sell and trade securities on behalf of the clients to maximize their profits.

Competition within banks:

The relatively low [switching costs](https://www.investopedia.com/terms/s/switchingcosts.asp) from one bank to another intensifies the importance of competition from within the industry, especially in the retail and commercial banking spheres. It doesn't cost much—in most cases, nothing at all—to close an account at one bank and open a new account at another one. And to sweeten the pot, major banks extend offers to draw customers away from their rivals.

Q2) Who are the existing key players? How long are they in the industry? How much market share do they have?

1. [JPMorgan Chase](https://en.wikipedia.org/wiki/JPMorgan_Chase) JP morgan and co 129 years Chase bank 222 years JP morgan Chase 20 years since merger ; 9.3% market share in investment banking
2. [Goldman Sachs](https://en.wikipedia.org/wiki/Goldman_Sachs) 152 years ; 9.2% market share in investment banking
3. [BofA Securities](https://en.wikipedia.org/wiki/BofA_Securities) 117 years; 7.4% in investment banking in 2011
4. [Morgan Stanley](https://en.wikipedia.org/wiki/Morgan_Stanley) 90 years;
5. [Citigroup](https://en.wikipedia.org/wiki/Citigroup) 209 years; **8 per cent** share of the foreign exchange market.
6. [UBS](https://en.wikipedia.org/wiki/UBS) 160 years ;
7. [Credit Suisse](https://en.wikipedia.org/wiki/Credit_Suisse) 165 years

Q3) Threat of new entrants?

The threat of new entrants from within the financial industry is relatively small. It isn't easy for a new bank to enter the [market](https://www.investopedia.com/terms/m/market.asp) and try to compete on the same level as JPMorgan. In fact, a new competitor would face a number of significant obstacles, notably the massive amount of capital required, the length of time needed to establish a significant [brand identity](https://www.investopedia.com/terms/b/brand-identity.asp), and the cumbersome government regulations that apply to the operation of banks.

Q4) Competition from foreign competitors/ other industries?

While brand new entrants may not be much of a threat, JPMorgan does have to brace for some competition from already established banks in other countries. For instance, the company must keep an eye out for major banks in [developing economies](https://www.investopedia.com/terms/e/emergingmarketeconomy.asp) such as China that will eventually compete on an international scale.

Suppliers

Q1) Who are the major suppliers there?

There are two main suppliers for a bank. The first group comprises of depositors who supply the primary resource of capital, while the second is its employees, also known as the resource of labor.

Q2) Bargaining power of Suppliers?

The threat from individual depositors is minimal, just the way it is with the bargaining power of consumers. Major corporate [customers](https://www.investopedia.com/terms/c/customer.asp), HNWIs, and large groups of depositors, though, tend to be a big threat.

When it comes to the bargaining power of suppliers of labour, individual employees have little bargaining power unless they're major executive employees. Banks must address their overall bargaining power by offering an attractive salary and benefits package to retain the best employees.

Q3) Is it difficult for your suppliers to enter your market, selling directly to your customers?

Banking is one of the easiest industry to enter as a supplier, particularly as a depositor. It is very easy to open an account, given you have all the necessary documents and a healthy credit score.

Also, most banks have a very low minimum deposit making it more enticing and simpler for depositors. The entire procedure can be done online too in some cases.

Q4) What is the portion of your business with them from their whole business? How much is the supplier dependent on your industry?

The percentage of banking industry’s business with a supplier varies from person to person depending on their investment choices and economic status. For instance, lesser economically well-off people are more likely to invest a huge portion of their income into savings accounts and such because of the lesser risk. On the other hand, high net worth individuals diversify their investments into different assets and securities.

The supplier is dependent on the bank in the form that investors depend for safe-keeping and interest and the employees depend on them in the form of salary.

Q5) Can industry easily switch to substitute products from other suppliers?

Banking industry relies on trust and credit so other than depositors and employees they cannot switch to any other supplier if confidence in the institution dwindles.

Products

Q1) what are the types of products and services offered?

The different products and services in a bank can be broadly classified into:

* Retail Banking:-

[Deposits](https://www.mbaknol.com/business-finance/different-modes-of-acceptance-of-deposits-by-commercial-banks/)

[Loans](https://www.mbaknol.com/business-finance/different-modes-of-granting-loans-by-commercial-banks/), Cash Credit and Overdraft

Negotiating for Loans and advances

Remittances

Book-Keeping (maintaining all accounting records)

Receiving all kinds of bonds valuable for safe keeping

* Trade Finance.

Issuing and confirming of [letter of credit](https://www.mbaknol.com/international-finance/letter-of-credit/).

Drawing, accepting, [discounting](https://www.mbaknol.com/investment-management/commercial-bills-market-or-discount-market/), buying, selling, collecting of [bills of exchange](https://www.mbaknol.com/mercantile-law/what-is-a-bill-of-exchange/), [promissory notes](https://www.mbaknol.com/mercantile-law/defenition-and-features-of-promissory-note/), [drafts](https://www.mbaknol.com/business-finance/meaning-and-definition-of-bank-draft/), [bill of lading](https://www.mbaknol.com/international-finance/export-bills-of-exchange/) and other securities.

* Treasury Operations.

Buying and selling of bullion, [Foreign exchange](https://www.mbaknol.com/international-business/foreign-exchange-department-of-banks/).

Acquiring, holding, [underwriting](https://www.mbaknol.com/financial-management/future-flow-securitization/) and dealing in [shares](https://www.mbaknol.com/financial-management/capital-sources-for-business-equity-shares/), [debentures](https://www.mbaknol.com/financial-management/capital-sources-for-business-debentures/), etc.

Purchasing and selling of [bonds](https://www.mbaknol.com/business-finance/bonds-and-debentures/) and securities on behalf of constituents.

Retail Banking and Trade finance operations are conducted at the branch level while the wholesale banking operations, which cover treasury operations, are at the head office or a designated branch.

Apart from the above-mentioned functions of the bank, the bank provides a whole lot of other services like investment counselling for individuals, short-term funds management and portfolio management for individuals and companies.

Some other products offered by banks are:-

.1.) Credit cards

.2.) Debit cards

.3.) Automated teller machine

.4.) **Electronic Funds Transfer (EFT):** Many modern banks have computerized their cheque handling process with computer networks and other electronic equipment’s. These banks are dispensing with the use of paper cheques. The system called [electronic fund transfer (EFT)](https://www.mbaknol.com/business-finance/structured-financial-messaging-solution-sfms-safety-system-for-electronic-transfer-of-funds-in-india/) automatically transfers money from one account to another. This system facilitates speedier transfer of funds electronically from any branch to any other branch. In this system the sender and the receiver of funds may be located in different cities and may even bank with different banks. Funds transfer within the same city is also permitted. The scheme has been in operation since February 7, 1996, in India. The other important type of facility in the EFT system is automated clearing houses. These are the computer centers that handle the bills meant for deposits and the bills meant for payment. In big companies pay is not disbursed by issued cheques or issuing cash. The payment office directs the computer to credit an employee’s account with the person’s pay.

.5.) **Demat:** Demat is short for [de-materialisation of shares](https://www.mbaknol.com/business-finance/the-concept-of-dematerialisation-of-securities/). In short, Demat is a process where at the customer’s request the physical stock is converted into electronic entries in the depository system. In January 1998 [SEBI (Securities and Exchange Board of India)](https://www.mbaknol.com/financial-management/securities-and-exchange-board-of-india-sebi/) initiated DEMAT ACCOUNT System to regulate and to improve stock investing. As on date, to trade on shares it has become compulsory to have a share demat account and all trades take place through demat. One needs to open a Demat Account with any of the branches of the bank. After opening an account with any bank, by filling the demat request form one can handover the securities. The rest will be taken care by the bank and the customer will receive credit of shares as soon as it is confirmed by the Company/Register and Transfer Agent. There is no physical movement of share certification any more. Any buying or selling of shares is done via electronic transfers.

* If the investor wants to sell his shares, he has to place an order with his broker and give a “Delivery Instruction” to his DP (Depository Participant). The DP will debit hi s account with the number of shares sold by him.
* If one wants to buy shares, he has to inform his broker about his Depository Account Number so that the shares bought by him are credited in to his account.
* Payment for the electronic shares bought or sold is to be made in the same way as in the case of physical securities.

Q2) Are there any substitute products on the marketplace? How substitute products affect the marketplace?

The threat of substitute products has increased in the banking industry, as companies outside the industry have begun to offer specialized financial services that were traditionally only available from banks. [PayPal](https://www.investopedia.com/terms/p/paypal.asp) and Apple Pay, prepaid debit cards, and online [peer-to-peer lenders](https://www.investopedia.com/terms/p/peer-to-peer-lending.asp) (P2P) such as Prosper.com or LendingClub.com offer a multitude of options that cost JPMorgan—and other major banks—a considerable amount of revenue.

Digital currencies are soaking up more and more money from the traditional monetary system. Financial solutions built within the decentralized financial ecosystem—such as digital lending, arbitrage trading, digital financing solutions such as STOs and ICOs, and the tokenization of assets—are directly attacking the traditional revenue streams of banks and taking business away from them

Q3) What are the crucial factors from which threat of substitution stems from?

## People prefer online payment methods because of convenience and tech companies like apple and Google are trusted the same way people trust them with their data. P2P lending Companies offer their services to match borrowers with investors online, which allows for lower overhead and makes operations much cheaper than traditional financial institutions (such as banks). This allows for higher returns for investors and lower interest rates for borrowers. Of course, there’s always risk involved as borrowers can [default on the loans](https://www.bondora.com/blog/what-happens-if-loan-defaults/) (aka stop making payments).

## As a generation that came of age during the financial crisis—and graduated from university when jobs were scarce and student debt was high—it’s no wonder millennials are massively distrusting of traditional financial institutions. Interest rates from traditional banks are painfully low, so the option to invest in a CD or in bonds isn’t that appealing to those looking to save. More and more consumer-finance startups are popping up as the financial and economic landscape continues to shift, and more and more young people are choosing to find alternative investment methods that don’t include—or wholly rely upon—traditional banking.

## Not only do millennials tend to distrust banks, but they find their services and financial systems to be inefficient and outdated—thus, not applicable to many modern-day situations. As a generation that has grown up in the digital age, young people are inherently more tech-driven than previous generations. That said, it’s obvious that they then are more favorably drawn toward tech-driven industries and services.

## Young people are less risk-averse and favor higher returns

So how does JPMorgan keep up? The bank has initiatives that include a division that focuses on small business lending. It also established Chase Pay, its own [digital wallet](https://www.investopedia.com/terms/d/digital-wallet.asp) service.