Indian Banking: Non-Interest Income – Trends, Issues and Strategies in the Liberalized and Globalized World

* *Dr. R.K. Uppal*
** *Ms. Rimpi Kaur*

INTRODUCTION

Before 1991, the country was caught into a deep economic crisis. In fact, the origin of the crisis is directly attributable to the cavalier macro-management of the economy during the 1980s, which led to:

(i) Growing fiscal deficits due to the widening gap between the revenue and expenditure of the government.

(ii) Large current account deficits in balance of payments, which were financed by borrowing from abroad.

(iii) Mounting inflationary pressure etc.

The financial sector also became the cause and effect for these crisis due to its doldrum financial position. Banking sector is the heart of the financial sector and hence of the economy. It also affects the economic position of the country. The major deficiencies causing these crises were:

(i) Highly regulated business by the RBI.

(ii) Some banks especially public sector banks were incurring losses continuously year after year.

(iii) Concentration of loans/advances was in urban and rich sector of the economy.

(iv) High SLR and CRR

(v) Loosing confidence of the customers.

(vi) Increasing NPAs due to more political interference.

(vii) Customer services were very poor.

(viii) Outdated technology

In response to the crisis situation, the government decided to introduce economic reforms. The financial sector reforms were the major part of this package. The Government of India initiated the process of economic reforms in 1991. A committee headed by Mr. M. Narasimham was constituted to evaluate the performance of financial sector and then make recommendations accordingly. As banking system formed the most dominant segment of the financial system accounting for 80 pc of the funds flowing through it, the reforms were crucial to the banking industry. The committee derived its first report in 1991 with various recommendations: comprising reduction in SLR and CRR, deregulation of interest rates, free entry of private and foreign banks, prudential and capital adequacy norms etc. These measures were heading towards a truly competitive and well-structured banking system resilient from an international prospective.

The committee observed that still there was a need to further improve these reforms because banks were bogged down by the pressure of low profits, high risks, customer dissatisfaction, lack of updated technology, etc. Then the committee was again constituted under the chairmanship of Mr. M. Narasimham. It submitted its second report in 1998 with some new recommendations, which were the landmark for banking sector and improved the performance of the banks.

After the implementation of these reforms, the banking sector started to give good results in their performance. Banking was perhaps one sector that was more deeply touched by the process of liberalization, globalization and privatization accompanied with technological advancements. As the result of these reforms, liberalization, deregulation of interest rates and free entry of private and foreign banks have made the banking sector more competitive in the domestic as well as world market. To meet this competition the banking sector was required to be reoriented to be tuned with the international norms and practices.

In order to meet the challenges of global competition, banks have started to restructure their business. The banking sectors reforms especially deregulation of interest rates have totally changed the income structure of the banking

* *Head, Dept. of Economics,* D.A.V. College, Malout (Punjab).
** *Research Scholar & Project Fellow in UGC sponsored MRP,* D.A.V. College, Malout (Punjab).

sector. The banks have started to enter in the financial market with almost daily innovative products/services to capture maximum market share and then earn maximum profits. They have started to diversify their bank activities into fee-based activities that earn fee rather than interest. The banks are giving considerable attention to non-interest income due to the following reasons:

(i) As interest is by far the most important cost and also income of banks, but due to the deregulation of interest rates, now rates are decided by market forces, which resulted in continuous decrease in interest rates due to the cutthroat competition in the financial market. Due to this trend of falling rate of interest, interest income of the banks is continuously deteriorating day by day, resulting in lower profitability. To offset this reduction in interest income, banks have started to emphasis more on fee-based activities.

(ii) Continuous increase in income from sources of non-interest income, also attract the banks to go for fee-based activities.

As the profitability of banks has come under pressure in recent years due to the reducing share of interest income, fee-based income has greatly increased its contribution to bank profit. Fee-based earning is the conglomerate of income from various items. However, three heads namely exchange and brokerage, exchange transactions and sale of investments account for over 85 pc of non-interest income of the banks, whereas it forms hardly 15 pc of the total income. Non-interest income is a setoff against the non-interest expenses and net expenditure is treated as a burden, cost of financial intermediation and hence, determines the profits and profitability of banks. Hence, all the banks are eager to go for fee-based activities to a large extent with various sources of income. At present, the banking sector income is divided into two major parts i.e. interest income and non-interest income. The structure of income is given below:

Structure of Income of the Banks

(a) INTEREST INCOME
- Interest/ Discount
- Income on Investment
- Balance with RBI & other Inter Banks
- Others

(b) OTHER INCOME
- Commission, Exchange &Brokerage
- Sale of Investment
- Revaluation of Invest
- Sale of Land Building
- Exchange Transaction
- Income Earned by Dividends
- Misc. Income
- Lease Rental

It is therefore, important to examine to what extent fee-based income contributes to total income. These days, banks are competing on the basis of fee-based activities by launching innovative products/services.

The paper examines the variability of each source of income as well as the correlation between the profitability and non-interest income. For this purpose, the paper is divided into six sections. Section II reviews the related studies. Section III discusses the objectives, hypothesis of the study and describes the database and research methodology. Section IV analyzes the results, whereas section V suggests some possible strategies to increase the non-interest income the last part concludes the paper.

II

REVIEW OF THE LITERATURE

It appears to be conventional wisdom that non-interest income is more stable than interest income and that fee-based activities reduce bank risk via diversification. Various economists have given their views regarding these results. The following are some related studies witnessing the significance of fee-based income.

Aggeler and Feldman (1998) show in their study that while net interest income of the banks rose by 12 pc over the period of 1992-97, the bigger in bank earnings came from non-interest income. Non-interest income grew by 34 pc in this period-nearly three times fast as interest income.

Davis and Tuori studied the changing structure of the European Banks. They found that EU banks have not been able to increase their non-interest income sufficiently to offset falling interest income and gave some suggestions to improve it. They concluded that relation of non-interest income to profitability tends to be positive.

Mahadevan (2002) describes some major changes in the banks business occurring during the financial reforms period, affecting the profitability. He has given wide variety of strategies to increase non-interest income.

Nash (1993) found that credit Card lending specialization gives higher and more volatile returns than achieved by banks with conventional product mixes.

Rosie & Wood (2002) studied in their working paper the income structure of European Banking Sector with the help of time series and cross-sectional analysis. They concluded that non-interest income has increased but does not fully offset the reduction in the interest margin and non-interest income is much more volatile than interest income.

Walters (1994) in his study, found that the expansion of banks' activities reduces risk, with the main risk reduction gains arising from insurance rather than securities activities.

Young and Roland (1999) in their paper correlating product mix with earnings at commercial banks, consider three fundamental observations each of which shows that fee-based income need not be more stable than income from traditional banking activities.

III

OBJECTIVES

1. To study and analyze the variability of sources of income at group level and also at industry level.
2. To study the variability in the share of each component of non-interest income.
3. To examine the correlation between profitability and non-interest income.
4. To suggest some possible strategies to enhance the income from fee-based activities.

HYPOTHESIS

Profitability is highly and significantly correlated with non-interest income.

DATABASE AND RESEARCH METHODOLOGY

The paper is mainly concerned with the study of trends in non-interest income accompanying with that of interest income. For the purpose, the universe of the study is Indian banking industry and the RBI has classified it into five major bank groups namely:

G-I SBI & its Associates

G-II Nationalized Banks

G-III Old Private Sector Banks

G-IV New Private Sector Banks

G-V Foreign Banks

The RRBs are excluded from the present study. The time period for the study is taken as post-second reforms period (1998-2004). This time period is taken for the study because only during this time period, banks have started to focus more on non-interest income earning activities mainly due to the falling rate of interest, and new economic policy LPG became mature.

The hypothesis is tested at group and industry level. The average, standard deviation and co-efficient of variations are calculated to examine the variability in the income sources. All these statistical values are calculated with the help of SPSS 10.00 version.

DATABASE

The database used in this paper is IBA Bulletin, various issues of Performance Highlights from 1998-99 to 2003-04.

IV

RESULTS AND DISCUSSIONS

Interest Income as Percentage of Total Income: We conclude from Table-I that the share of interest income from total income of all the bank groups even of the industry in all the years under study has decreased. Share of interest income is the highest in public sector banks i.e. G-I & II line with industry's rate of 84.12 pc. G-V (foreign banks) and G-IV (new private sector banks) show sharp decrease in their share of interest income with the highest variations i.e. 5.5 pc and 5.63 pc respectively. The reason for maximum share of interest income in public sector banks is that people have more confidence in public sector banks as these are government undertakings which provide security and surety to their funds. On the other hand new private sector banks and foreign banks show the highest variations in terms of C.V. mainly because they are concentrating more on fee-based income hence show sharp reduction in their share of interest income.

Table I: Interest Income as Percentage of Total Income

(Percent)

Years	G-I	G-II	G-III	G-IV	G-V	All Banks
1998-99	85.61	89.47	88.15	85.57	80.61	87.24
1999-2000	85.81	88.37	85.05	81.91	79.16	86.24
2000-01	86.74	88.85	88.64	85.86	79.03	87.15
2001-02	86.56	85.50	79.71	79.25	74.85	84.07
2002-03	83.62	83.38	79.09	76.01	74.39	81.66
2003-04	78.93	79.97	78.99	75.94	69.09	78.38
Average	**84.54**	**85.92**	**83.27**	**80.76**	**76.19**	**84.12**
S.D.	**2.97**	**3.72**	**4.57**	**4.44**	**4.29**	**3.53**
C.V. (%)	**3.51**	**4.33**	**5.49**	**5.50**	**5.63**	**4.20**

Source: Performance Highlights of IBA, Various Issues (1998-99 to 2003-04)

Note: G-I SBI & its Associates, G-II Nationalized Banks, G-III Old Private Sector Banks, G-IV New Private sector Banks and G-V Foreign Banks

Non-Interest Income as Percentage of Total Income: Table-II shows that share of non-interest income from total income has been continuously increasing in all the bank groups in all the years under study except the year 2000-01. Non-interest income has sharply increased in new private sector banks and foreign banks i.e. it has almost doubled as compared to that of public sector banks (G-I & II), because these bank groups are always ready to provide innovative products/services with attractive packages that help them to earn more non-interest income. Industry also shows good increase i.e. from 12.76 pc in 1998-99 to 21.62 pc in 2003-04 with 22.23 pc variations.

Table II: Non-Interest Income as Percentage of Total Income

(Percent)

Years	G-I	G-II	G-III	G-IV	G-V	All Banks
1998-99	14.39	10.53	11.85	14.43	19.39	12.76
1999-2000	14.19	11.63	14.95	18.09	20.84	13.76
2000-01	13.26	11.15	11.36	14.14	20.97	12.85
2001-02	13.44	14.50	20.29	20.75	25.15	15.93
2002-03	16.38	16.62	20.91	23.99	25.61	18.34
2003-04	21.07	20.03	21.01	24.06	30.91	21.62
Average	**15.46**	**14.08**	**16.73**	**19.24**	**23.81**	**15.88**
S.D.	**2.97**	**3.72**	**4.57**	**4.44**	**4.29**	**3.53**
C.V. (%)	**19.21**	**26.42**	**27.32**	**23.08**	**18.02**	**22.23**

Source: Same as in Table I

Commission, Exchange & Brokerage as Percentage of Non-Interest Income: Table-III shows that share of income from commission, exchange & brokerage from the non-interest income is decreasing in case of G-I & II but fluctuating in G-III, IV & V resulting in fluctuating rate at industry level. Share of this source of income on an average is the highest in G-I i.e. 60.14 pc followed by G-V with 48.60 pc as industry shows 40.66 pc share. Fluctuations are maximum in G-III i.e. 37.25 pc C.V. The main reason for decreasing share of this source is decrease in fee of this source to attract more and more customers.

Table III: Commission, Exchange & Brokerage as Percentage of Non-Interest Income

(Percent)

Years	G-I	G-II	G-III	G-IV	G-V	All Banks
1998-99	73.38	49.58	44.12	39.16	59.96	58.18
1999-2000	70.71	43.29	36.39	33.23	54.55	51.97
2000-01	67.27	42.83	47.40	51.74	51.06	52.40
2001-02	61.74	29.46	21.88	31.59	38.93	18.14
2002-03	49.27	25.22	21.66	27.83	46.53	33.52
2003-04	38.46	20.99	21.71	36.06	40.58	29.76
Average	**60.14**	**35.23**	**32.19**	**36.60**	**48.60**	**40.66**
S.D.	**13.63**	**11.53**	**11.99**	**8.36**	**8.16**	**15.81**
C.V. (%)	**22.66**	**32.73**	**37.25**	**22.84**	**16.79**	**38.88**

Source: Same as in Table I.

Income from Sales on Investment as Percentage of Non-Interest Income: From Table-IV we may conclude that the share of income from sales of investment from non-interest income is increasing in case of G-I & II at excellent growth rate, almost 22 times and 6 times respectively. On the other hand, other bank groups, even industry show fluctuations in their share of this source of income. On an average, it is the highest in G-III i.e. 41.11 pc followed by G-II where industry shows 28.93 pc share in this income with maximum fluctuations i.e. 58.14 pc. G-V shows the least share in this income i.e. only 15.37 pc. Fluctuations are the highest in G-I i.e. 83.25 pc.

Table IV: Income from Sales on Investment as Percentage of Non-Interest Income

(Percent)

Years	G-I	G-II	G-III	G-IV	G-V	All Banks
1998-99	2.11	9.14	11.75	18.58	4.63	6.73
1999-2000	9.30	22.52	33.72	37.42	10.78	18.75
2000-01	10.73	23.64	16.68	19.98	13.77	17.56
2001-02	17.18	47.24	62.58	54.15	31.44	39.59
2002-03	33.42	54.54	62.14	27.38	16.40	41.81
2003-04	45.07	61.04	59.79	39.38	15.19	49.15
Average	**19.64**	**36.35**	**41.11**	**32.82**	**15.37**	**28.93**
S.D.	**16.35**	**20.75**	**23.52**	**13.54**	**8.93**	**16.82**
C.V. (%)	**83.25**	**57.08**	**57.21**	**41.26**	**58.10**	**58.14**

Source: Same as in Table I

Income from Exchange Transactions as Percentage of Non-Interest Income: From Table-V, it is evident that the share of income from exchange transactions is sharply decreasing in all the years in all the bank groups even in the industry. Only G-V shows an increase from 33.21 pc in 1998-99 to 34.04 pc in 2003-04 with fluctuating rate in other years. On an average, share of this source is the highest in G-V i.e. 28.54 pc followed by G-IV where industry shows 12.97 pc share. The main reason for the highest share of this income in G-V is their attractive policies to provide innovative services related to this source of income.

Table V: Income from Exchange Transactions as Percentage of Non-Interest Income

(Percent)

Years	G-I	G-II	G-III	G-IV	G-V	All Banks
1998-99	16.88	18.89	16.94	46.08	33.21	21.36
1999-2000	9.84	13.46	8.79	22.09	26.67	14.30
2000-01	8.41	12.95	9.42	12.54	27.94	13.53
2001-02	9.12	9.50	5.09	6.59	20.52	10.24
2002-03	7.97	7.82	5.21	2.84	28.83	8.93
2003-04	6.33	6.94	5.08	7.34	34.04	9.45
Average	**9.76**	**11.59**	**8.42**	**16.25**	**28.54**	**12.97**
S.D.	**3.69**	**4.44**	**4.61**	**16.06**	**4.91**	**4.66**
C.V. (%)	**37.81**	**38.31**	**54.75**	**98.83**	**17.20**	**35.93**

Source: Same as in Table I

Net Profits as Percentage of Working Funds: Table-VI depicts that net profit as percentage of working funds known as profitability is continuously increasing in all the studied years except 2000-01 and in all the bank groups except G-IV which shows decrease in its profitability. It is interesting to note that even profitability of G-IV is decreasing but still this group shows good rate of profitability i.e. 0.83 pc on an average which places this group at the third position in Indian banking industry. Profitability increased in 2003-04 with the highest in G-II & III almost 3 times and 2 times as compared to G-I. On an average it is the highest in G-V i.e. 1.11 pc followed by G-III, whereas industry shows 0.75 pc rate of profitability. The reason for the highest profitability in G-V is their increasing share of non-interest income.

Table VI: Net Profits as Percentage of Working Funds

(Percent)

Years	G-I	G-II	G-III	G-IV	G-V	All Banks
1998-99	0.51	0.37	0.48	1.05	0.77	0.48
1999-2000	0.80	0.44	0.84	0.97	1.17	0.66
2000-01	0.55	0.33	0.62	0.81	0.92	0.50
2001-02	0.77	0.69	1.08	0.41	0.73	0.71
2002-03	0.91	0.98	1.17	0.90	1.56	1.00
2003-04	1.02	1.19	1.16	0.84	1.50	1.12
Average	**0.76**	**0.67**	**0.89**	**0.83**	**1.11**	**0.75**
S.D.	**0.20**	**0.35**	**0.29**	**0.22**	**0.36**	**0.26**
C.V. (%)	**26.32**	**52.24**	**32.58**	**26.51**	**32.43**	**34.67**

Source: Same as in Table I

Co-efficient of Correlation between Profitability and Non-Interest Income: In Table-VII we examine the correlation between profitability and non-interest income. It shows significant and positive in case of G-II & III even in case of industry. In G-I & V both are correlated positively but insignificantly whereas G-IV shows negative but insignificant correlation between both the parameters. R-Square, which tells us the extent of change in the dependent variable with the change in independent variable, is the highest in G-II i.e. 98 pc followed by G-III with 95.20 pc where industry shows this value as 95.40 pc. It is the least in case of G-IV i.e. only 7.6 pc.

Table-VII: Co-efficient of Correlation between Profitability and Non-Interest Income

Bank Groups	Co-efficient of Correlation (r)	R-Square (Percent)
G-I	0.763	58.30
G-II	0.990**	98.00
G-III	0.976**	95.20
G-IV	-0.276	7.60
G-V	0.636	40.50
All Banks	0.977**	95.40

*Note: ** Co-efficient of Correlation is significant at 0.01 level*

EMERGING ISSUES

Major issues, arising from the above analysis, need to be considered immediately are:

1. Decreasing share of interest income from total income due to fall in interest rate.
2. Tremendous increase in non-interest income from total income.
3. Profitability of PSBs declined due to decrease in interest income but not increase in non-interest income as in the case of new private sector and foreign banks.
4. How to increase the non-interest income in the regime of falling rate of interest to maintain the profitability in the liberalized and globalized environment.

V

STRATEGIES TO ENHANCE THE NON-INTEREST INCOME

The banks should reduce the CEB fee to attract more and more customers. As this source comprises of various services and help to earn fee, they should make some attractive policies, which may help to convince the customers to avail these services. Side by side, they can earn more from other activities except CEB, if banks proved to attract customers to avail other services of the banks also.

If policies of the banks are poor, it may be harmful for them because rather than earn more it may result in losses. For earning more from CEB and other sources of non-interest income, following strategies are suggested separately for possible sources of non-interest income.

REMITTANCE OF FUNDS

Banks are suitable for remittance of funds from one place to another through mass instruments like mail transfer, telegraphic transfer, bank drafts, travelers cheques, EFT etc. Customers are required to pay a small fee for utilizing these facilities that become a source of income for banks either in the form of commission or any other fee based source.

STRATEGIES FOR INCREASING REMITTANCE OF BUSINESS

1. Offer excellent customer service at the counter.
2. Appoint tellers in heavy draft business branches for receiving cash and issuing drafts. They may be authorized even to sign the drafts.
3. Open branches in areas having large inflow and outflow of drafts.
4. Create links with educational institutions to accept their bank drafts for fee collection, donation etc. also with hotels, restaurants and supermarkets to motivate them to accept their traveler cheques.
5. Issue and encash bank drafts electronically to save the time and to provide the accurate results.
6. Extend business hours in the selected branches for issuing drafts.
7. Obtain standing instructions from customers to issue mail transfers/drafts.
8. Charge higher commission for issuing drafts of large amount.
9. Give concession to the customers who give sizeable draft business during the year.

SAFE CUSTODY OF VALUABLES

Banks, well equipped with safe and strong rooms, can accept valuables for safe custody and can earn good income.

STRATEGIES TO ENHANCE THIS BUSINESS

1. *Increase* in rent for lockers will never affect the customers because the rich class mostly uses lockers and normally utility of money is less for the rich class.
2. To use the locker facilities, banks should fix minimum amount required to be maintained in their saving accounts.
3. Banks should advertise the availability of lockers and safe custodies.
4. Banks should provide concession for the lockers and safe custody to those customers who have more deposits in their current accounts.
5. Lockers can be installed at extension counters also.
6. Vacant lockers should be hired out and rent to be collected within the stipulated date.
7. Facility of nominations, use of lockers in the off time should be given to the customers.

MERCHANT BANKING

It offers tremendous scope for the banks to increase their income, as today it is a core competitive activity.

STRATEGIES TO ENHANCE THIS BUSINESS

1. Recruit persons having requisite skills.
2. Identify existing staff and give specialized training on merchant banking.
3. Merchant banking cells can be introduced in related branches having potential for such business.
4. More power to Zonal offices/Regional offices to decide the fee to be charged for holding merchant banking activities.

LETTER OF CREDIT AND LETTER OF GUARANTEE

Banks lend their creditworthiness to the beneficiaries by issuing LCs and LGs to get commission from the customers for these facilities. These facilities add to risk exposure, so should be extended to effective/potential parties only.

STRATEGIES TO ENHANCE THIS BUSINESS

1. Loaning power for granting the above facilities should be enhanced at the field level. It will fulfill the needs of the borrowers and will save the time.

2. Banks should offer PLR to borrowers to give the banks substantial non-fund business.
3. A bank officer may be posted at commercial centers to exclusively canvass non-fund business.
4. Banks should create links with intermediaries to convince/attract the potential customers to use LCs and LGs.

BILL BUSINESS

Collection of outstation and inward cheques and bills is an important source of non-interest income. If a bank purchases the bills, it can earn a substantial non-interest income.

STRATEGIES TO ENHANCE THIS BUSINESS

1. Branches, situated in mandi areas (business centers), should approach the traders to canvass bill business.
2. Bill and cheque clearance should be made timely, safely and immediately.
3. Regular follow-up is required with their sister branches for quick realization of the procedures of the bills.
4. In e-age banks should obtain standing instructions from the customers for bill/cheque clearance electronically.
5. Approved transport operators, if contacted by the banks, can enhance this income.

GOVERNMENT BUSINESS

When a bank hold government business, it can get commission from the RBI. Government business may be in the form of payment of pensions, collection of taxes. Many banks are providing such facilities and getting a substantial income from this source.

STRATEGIES TO ENHANCE THIS BUSINESS

1. List of retiring persons should be collected from government departments/railways/defense departments and efforts should be made to canvass their pension. The banks should respect the old citizens and provide some attractive facilities. Recently some state governments are providing old-age pension, banks should try to offer such facilities to get commission from such a facility.
2. The efficient staff should be appointed to provide facilities of pension.
3. The banks should create their links with the various departments to get income from this source.

EXCHANGE TRANSACTIONS

Remuneration from exchange transaction is a major source of non-interest income for the banks. It depends upon the quantum of export profits which further depends on the export and import turnover along with the exchange rates of the currencies.

STRATEGIES TO ENHANCE THIS BUSINESS

1. Branches should encourage the exporter/importers to book forward contracts, which give ample scope for improving this income.
2. All the potential officers should be given permission for trading in currencies.
3. Banks should create links with DGFT/ECGC to ascertain the list of importers/exporters in their command areas.
4. Banks should give concession to the importers/exporters in issuing the drafts, LCs, LGs etc. and some other concessions.

ISSUANCE OF STOCK INVESTMENT

Stock investment is the non-negotiable instrument used to subscribe capital in the primary capital market. The investor deposits the application money in his de-mat account and gets interest till the allotment of shares/debentures by the company.

STRATEGIES TO ENHANCE THIS BUSINESS

1. Banks should distribute the pamphlets to popularize the de-mat services.
2. Banks should give concession in the fee charged for the de-mat services to potential customers.
3. Banks should create links with the stock brokers to procure the list of investors who can directly contact the banks to sell their stock invest.
4. More branches should be added to provide facilities of these services.

MISCELLANEOUS NON-INTEREST- INCOME

1. Service charges for credit cards should be increased at least to a bearable extent.
2. Banks should collect ledger-folio charges from current account holders.
3. Banks should collect processing fee for fresh/enhancement/renewal of limit.
4. Banks should collect incidental charges for not maintaining minimum balance in current and saving account.
5. Banks should charge nominal fee for the collection of local cheques to at least cover the cost incurred for clearing business.

FUTURE AREAS OF RESEARCH

On the basis of review of literature and research, we suggest following areas for further comprehensive research:

- Component-wise study of non-interest income.
- To study the scope of non-interest activities for the rural sector of India.
- Non-interest income from the new service providers likes e-channels.
- Directional relationship of non-interest income with profitability.

IMPLICATIONS OF THE STUDY

On the basis of this study, one thing is evident. If we want to adopt deregulation, then it is necessary to diversify non-interest income activities for the survival of banks, particularly in the period when global banks are entering in developing countries. The competitive strategies and policies are necessary to enhance non-interest income competitively.

VI

CONCLUSION

We may conclude from this paper that the share of interest income from total income is continuously decreasing whereas the share of non-interest income is substationally increasing due to liberalized policies of the banks. The major issue/challenge for the banks in the pressure of decreasing interest income is how to enhance the non-interest income to offset this reduction in interest income to maintain the profitability and to meet the liberalized and globalized policies. It is necessary for the banks to adopt suitable and effective strategies to enhance the non-interest income. There is a tremendous scope for the banks to enhance their non-interest income.

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