

# Diversified Income Strategies of Banking Business

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## INTRODUCTION

The Indian financial system is at the heart of the economy. Banks, as the key in the system are significant to economic growth and also contributed to development of our country. The banks are channels in the payment system with a range from cash to negotiable instrument to electronic payments. This way banks helps businessmen, households, governments etc to connect to the financial system. The money accepted by the bank for lending either for short term or for long term tenure from public. For that purpose they have to pay interest and receiving income as interest from loans and advances. This interest is the main source of income to all types of banking businesses. So banks are maintaining their loans and advances in good condition to receive regular interest income.

As far as the term deposits of banks are considered, they have to pay regular interest income without any fail. It means interest expended is a routine expenditure for the banks. But in the case of advances are considered there may be some defaulters. This will result in the shortage of income for banks and financial institutions on interest received. As the interest income coming downwards it will reflect in Profit and Loss Account and future of banking business.

Whenever these types of income shortages are familiar in banks, they have to compel to generate various incomes other than interest income. This will lead to create different types of bank charges from bank's end. Then only they can withstand in the banking market.

## OBJECTIVES OF STUDY

- To understand the diversified income strategies of banks
- To understand the profit level of commercial banks

- To evaluate the income earning capacity of various banks
- To analyse the profits with their income
- To compare the interest income and interest expended

## Statement of Problem

During 2018-19 and 2019-20, 19 nationalized banks including State Bank of India and IDBI Banks are reported huge losses in their Financial Statements. Indian Bank and Vijaya Bank made profits during these periods. From this analysis we can understand that the need for increasing the other incomes. As the banks' regular income does not match with expenses, they may try to increase the other sources of income.

## Scope of the study

As the NPA items are increasing, the banks have two types of shortages in their profits. Firstly, the regular income of interest on loan advances and secondly, provision for the above mentioned NPA items. This way the profits of banks are going downward and sometimes it will reach to loss.

## Sources of other Income to Banks

- Average Monthly Balance
- ATM Usage Fee
- ATM Transaction Fee
- Cheque Book issue charges
- Cheque Return charges
- Cheque Book Lost Charges
- Cash counting charges
- Account Statement charges
- Loan Syndication Charges
- Loan Renewal Charges
- Commission on Letter of Credit
- Locker Rent
- Agency Services Fee
- Interest on outside Investment
- Income from Insurance Business

- Income from Mutual Funds
- Income from Merchant Banking
- Income from Underwriting

The problems of NPA s can be overcome by the income generated from other sources. It means that, the bank has to create other sources of income for recovering from losses or to reduce losses. Now day's major banks are concentrated on this type of enhancement of other incomes.