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A Thesis

On

"A COMPARATIVE STUDY OF NON-FUND BASED INCOME OF SELECTED PUBLIC SECTOR BANKS & SELECTED PRIVATE SECTOR BANKS IN INDIA"

Submitted By:

Nilesh M. Marvaniya

For

Ph.D. Degree in Commerce

Under

The Faculty of Commerce

Saurashtra University

Rajkot

Guided By:

Dr. A. K. Chakrawal

Associate Professor

Department of Commerce

& Business Administration

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Rajkot- 360005

May- 2011

CERTIFICATE FROM THE GUIDE

This is to certify that the thesis entitled **"A Comparative Study of Non-Fund Based Income of Selected Public Sector Banks & Selected Private Sector Banks in India"** submitted by Mr. Nilesh M Marvaniya for the award of Ph.D. degree in the faculty of Commerce is based on the research work carried out by him under my guidance and supervision. To the best of my knowledge and beliefs, it is a standard piece of original research work done by him. He has devoted himself to the conduct of this research work under my guidance and supervision as per the stipulated norms of the Saurashtra University Rajkot and it has not been previously submitted to any other university for the award of any degree or diploma.

Date: 02/5/2011

Place: Rajkot

Dr. A.K. Chakrawal
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DECLARATION

I, the undersigned, Nilesh M. Marvaniya, a scholar of Doctor of Philosophy, Department of Commerce & Business Administration, Saurashtra University, Rajkot, registration No 4134, dated 28 February, 2009, hereby declare that the research work entitled " A Comparative Study of Non-fund Based Income of Selected Public Sector Banks & Selected Private sector Banks In India" is my own original work carried out under the guidance and supervision of Dr. A. K. Chakrawal, Associate Professor, Department of Commerce & Business Administration, Saurashtra University, Rajkot.

I, further, declare that no part of this research work either fully or partly has been submitted to any other University for any other degree and diploma.

Date: 02/5/2011

Place: Rajkot

Nilesh M. Marvaniya

Research Scholar of Ph.D.

ACKNOELEDGEMENT

After completion of my Master of Philosophy (M. Phil) in commerce faculty. I was contemplating to do some more intensive study in the field of Accounting and Finance. So I got registered myself as a Ph.D. Scholar under the guidance and supervision of Dr. A. K. Chakrawal, Associate Professor, Department of Commerce and Business Administration, Saurashtra University Rajkot. I selected topic entitled **"A Comparative Study of Non-Fund Based Income of Selected Public Sector Banks & Selected Private Sector Banks in India "**

For preparing of this thesis, I have been fortunate of receiving information, guidance, support from various learned person and institutes.

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Date: 02/5/2011

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PREFACE

India has over the last decades experienced different degree of responsive policies in the banking sector. Indian banking sector is an important constituent of the Indian financial system. The banking sector plays a vital role through promoting business in urban as well as in rural areas in recent years. Banking sector controls are inversely related to financial development because they are mainly based on traditional macroeconomics factor. The banking sector reforms in India were started as a follow up measures of the economic liberalization and financial sector reforms in the country. The banking sector being the life line of the economy was treated with utmost importance in the financial sector reforms. The reforms were aimed at to make the Indian banking industry more competitive, versatile, efficient and productive.

The reforms in the banking industry started in early 1990s have been continued till now and the Indian banks are changing towards modern banking system. Modernization in banking is changing banking services, products and operational methods of banking system in depends upon man force but modern banking is partially or totally machine and technology based banking. All these developments are leads to facilities to customer delight as well as operational efficiency of banks and reducing operational expenses of banking services. Information technology is considered as the key driver for the changes taking place of financial services industry and especially banking industry in India.

Bank can differ markedly in the sources of revenues. Some focus on business lending, some on household lending and some on fee-earning activities. Most banks are diversifying into fee-earning activities. Traditional fee-income has been very stable, but also traditionally it has been a small part of the earning stream of most banks.

In a market driven banking sector, competition is the most dynamic elements. Increasing competition is going to be the major problem for the banking sector will have to face. Due to market competition in Indian banking industry, the pattern of banking business is changing phenomenally. The major income of the bank is interest income. But now-a-days bank are also offering wide range services like, Shopping. Ticket booking, Fund transfer and also entered into mutual fund, insurance, financing export services. In present age banking sector provide a world class non-fund based facilities to the customer.

Researcher has selected 20 banks for this research study. Out of 20 banks, 10 are public sector banks and 10 are private sector banks. For this study researcher has used secondary data and for that annual reports of the year 2004-2008 and related websites. This research work has been carried out into six chapters. For the hypothesis testing Average, Standard Deviation, One Sampled T –Test, One Way and Two Way ANOVA are used for the conclusion.

Nilesh M. Marvaniya

Research Scholar of Ph.D.

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LIST OF ABBRIVIATION

Short Name	Full Name
AD	After Dominant
ADR	American Depositary Receipts
ANOVA	Analysis of Variances
ATM	Automatic Teller machine
BC	Before Christ
BOB	Bank of Baroda

BOI	Bank of India
BOR	Bank of Rajasthan
BSE	Bombay Stock Exchange
CA	Chartered Accountant
CAR	Capital Adequacy Ratio
CB	Canara Bank
CBDT	Central Board of Direct Taxes
CDSL	Central Depositary Services Ltd
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COB	Corporation Bank
CRR	Cash Reserve Ratio
CUB	City Union Bank
DB	Dena Bank
DB	Dhanlakshmi Bank
DD	Demand Draft
DEA	Data Envelopment Analysis
DP	Depositary Participants
EBPP	Electronic Bill Presentment Payment
FB	Federal Bank
FD	Fixed Deposit

HDFC	Housing Development Finance Corporation
HRM	Human Resource Management
HSBC	Hongkong Shanghai Banking Corporation
IAS	International Accounting Standards
ICFAI	The Institute of Chartered Financial Analysts of India
ICICI	Industrial Credit and Investment Corporation of India
IMF	International Monetary Fund
IOB	Indian Overseas Bank
IPO	Initial Public Offering
IRDA	Insurance Regulatory Development Authority
IT	Information and technology
KMB	Kotak Mahindra Bank
KVB	Karur Vysya Bank
LC	Letter of Credit
LIC	Life Insurance Corporation of India
LPG	Liberalization, Privatization and Globalization
MD	Managing Director
MO	Mail Order
MT	Mail Transfer
NBFC	Non Banking Financial Company
NBS	Non Banking Services

NBS	Nottingham Building Services
NEFT	National Electronic Fund Transfer
NPA	Non Performing Asset
NRE	Non resident External Account
NRI	Non Resident of India
NRO	Non Resident Rupee Ordinary Account
NRSR	Non Resident Rupee Account Scheme
NRVR	Non Resident Deposits Scheme
NSE	National Stock Exchange
NYSE	New York Stock Exchange
OBC	Oriental Bank of Commerce
OBU	Offshore Banking Unit
PAN	Permanent Account Number
PPF	Public Provident Fund
RBI	Reserve Bank of India
RTGS	Real Time Gross Settlement
SB	Subsidiary banks
SBBJ	State Bank of Bikaner and Jaipur
SBH	State Bank of Hyderabad
SBI	State Bank of India
SBS	State Bank of Saurashtra

SBT	State Bank of Travencor
SD	Standard deviation
SEBI	Securities Exchange and Board of India
SEWA	Self Employed Women Association
SIB	South Indian Bank
SLR	Statutory Liquidity Ratio
SME	Small and medium enterprise
SWIFT	Society For Worldwide Interbank Financial Telecommunication
TC	Traveler`s Cheque
TT	Telephonic Transfer
UBI	Union Bank of India
UK	United Kingdom
URL	Uniform Resource Locator
US	United State
UTI	Unit Trust of India
VAT	Value Added Tax
VB	Vijaya bank
VRS	Voluntary Retirement Scheme

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1.1 INTRODUCTION

"With the monetary system we have now, the careful saving of a lifetime can be wiped out in an eye blink"

Larry Parks, Executive Director, FAME

Could you imagine a world without banks? At first, this might sound like a great thought! But banks (and financial institutions) have become cornerstones of our economy for several reasons. They transfer risk, provide liquidity, facilitate both major and minor transactions and provide financial information for both individuals and businesses.

"Thank God, In Joy and Sorrow, to deposit and borrow, Banks are there Otherwise, The question would be funny, to keep and get money How and Where"

These words indicate the importance of bank. Banking system plays an important role in growth of economy. The banking sector is the lifeline of any modern economy. It is one of the important pillars of financial system, which plays a vital role in the success or failure of an economy. It is a well known fact that banks are one of the oldest financial intermediaries in the financial system. They play a crucial role in the mobilization of deposits from the disbursement of credit to various sectors of the economy. The banking system reflects the economic health of the country. The strength of the economy of any country basically hinges on the strength and efficiency of its financial system, which in turn depends on a sound and solvent banking system.

A Banking Sector performs three primary function in economy, the operation of the payment system, the mobilization of savings and the allocation of saving to investment products.[1]

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[1] Ahluvaliya Montek,S. " Economic Reforms in India since 1991:Has Gradualism Worked ? Journal of Economic Perspective 16(3) pp 67-88

Banking industry has been changed after reforms process. The Government has taken this sector in a basic priority and this service sector has been changed according to the need of present days. Banking sector reforms in India Strive to increase efficiency and profitability of the banking institutions as well as brought the existing banking institutions face to face with global competition in globalization process. Different type of banks differs from each other in terms of operations, efficiency, productivity, profitability and credit efficiency. Indian banking sector is an important constituent of the Indian Financial System. The banking sector plays a vital role through promoting business in urban as well as rural area in recent year, without a sound and effective banking system, India can not be considered as a healthy economy.[2]

1.2 ORIGIN OF THE WORD “BANK”

There seems no uniformity amongst the economist about the origin of the word “Bank“According to some authors the word “Bank”, itself is derived from the word “Bancus” or “Banque” that is a bench. The early bankers, the Jews in Lombardy, transacted their business on benches in the market place, when, a banker failed, his ‘Banco’ was broken up by the people; it was called ‘Bankrupt’. This etymology is however, ridiculed by mcleod on the ground that “The Italian Money changers as such were never called Banchier in the middle ages.”[3]It is generally said that the word "BANK" has been originated in Italy. In the middle of 12th century there was a great financial crisis in Italy due to war. To meet the war expenses, the government of that period a forced subscribed loan on citizens of the country at the interest of 5% per annum. Such loans were known as 'Compare', 'minto' etc. The most common name was "Monte'. In Germany the word 'Monte was named as 'Bank' or 'Banke'. According to some writers, the word 'Bank' has been derived from the word bank.

---

[2]Sheth, Neha “Banking Reforms In India: Problems and Prospects”
URL: Http;//ssrn.com/abstract, 15, May. 2010. 11:00 PM

[3] Rao Ramchandra: “Present Day Banking in India” 1st Edition, Page no – 88.

It is also said that the word 'bank' has been derived from the word 'Banco' which means a bench. The Jews money lenders in Italy used to transact their business sitting on benches at different market places. When any of them used to fail to meet his obligations, his 'Banco' or banch or bench would be broken by the angry creditors. The word 'Bankrupt' seems to be originated from broken Banco. Since, the banking system has been originated from money leading business; it is rightly argued that the word 'Bank' has been originated from the word "Banco'. Whatever be the origin of the word ‘Bank’ as Professor Ram Chandra Rao says, “It would trace the history of banking in Europe from the middle Ages.[4]

Today the word bank is used as a comprehensive term for a number of institutions carrying on certain kinds of financial business. In practice, the word 'Bank' means which borrows money from one class of people and again lends money to another class of people for interest or profit.

Actually meaning of bank is not specifies in any regulation or act. In India, different people have different type of meaning for bank. Normal salary earner knows means of bank that it is a saving institution, for current account holder or businessman knows bank as a financial institutions and many other. Bank is not for profit making, it creates saving activity in salary earner.

1.3 MEANING OF BANK

A Bank is an institution which accepts deposits from the general public and extends loans to the households, the firms and the government. Banks are those institutions which operate in money. Thus, they are money traders, with the process of development functions of banks are also increasing and diversifying now, the banks are not nearly the traders of money, they also create credit.

---

[4]Kaptan, S.S.: “Indian Banking in the Electronic Era” Published by SAROP & SONS, New Delhi – 2003 Page -2.

Their activities are increasing and diversifying. Hence it is very difficult to give a universally acceptable definition of bank.

1.4 DEFINITIONS OF BANK

Indian Banking Regulation act 1949 section 5 (1) (b) of the banking Regulation act 1949 Banking is defined as.

"Accepting for the purpose of the landing of investment of deposits of money from public repayable on demand or other wise and withdraw able by cheques, draft, order or otherwise."[5]

"Bank means a bench or table for changing money."[6]

-Greek History

"Bank is an establishment for custody of money received from or on Behalf of its customers. Its essential duty is to pay their drafts unit. Its profits arise from the use of the money left employed them."[7]

-Oxford Dictionary

"Bank is an institution which traders in money, establishment for money, as also for making loans and discounts and facilitating the transmission of remittances from one place to another."[8]

-Western's Dictionary

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[5] Kaptan S.S.: "Indian Banking in the Electronic Era" Published by SAROP & SONS, New Delhi – 2003 Page -2.

[6] ibid

[7] Desai, Vasant: "Indian Financial System" Himalaya Publishing House, 2005 Page 162.

[8] ibid

"Bank means the place when money is kept safely, open an account with any bank and make transaction with that bank is simply called as bank"

- Dictionary

"A bank is an establishment which makes to individuals such advances of money or other means of payment as may be required and safely made and to which individuals entrust money or means of payment when not required by them for use."[9]

- Pro. Kinely

"Bank as institutions which collects money from those who it to spare or who are saving it out of their income and lends out to those who required it"

Prof. Crowthers

A banker is defined as a person who carries on the business of banking, which is specified as conducting current accounts for his customers, paying cheques drawn on him, and collecting cheques for his customers.[10]

- English common law

"A Bankers is one who is the ordinary course of his business honors drawn upon him by person from and for whom he receives money on current account"

- Dr H. L. Hert

1.5 HISTORY OF BANKING

The first banks were probably the religious temples of the ancient world, and were probably established sometime during the third millennium B.C. Banks probably predated the invention of money. Deposits initially consisted of grain and later other goods including cattle, agricultural implements, and eventually

[9] Tannan, M.L.: "Banking Law and Practice in India", Indian Law house, Delhi, 2002, Page No. 2

[10] United Dominions Trust Ltd Vs Kirkwood, 1966, English Court of Appeal, 2 QB 431

Precious metals such as gold, in the form of easy-to-carry compressed plates. Temples and palaces were the safest places to store gold as they were constantly attended and well built. As sacred places, temples presented an extra deterrent to would-be thieves. There are extant records of loans from the 18th century BC in Babylon that were made by temple priests/monks to merchants. By the time of Hammurabi`s Code, banking was well enough developed to justify the promulgation of laws governing banking operations.[11]

Ancient Greece holds further evidence of banking. Greek temples, as well as private and civic entities, conducted financial transactions such as loans, deposits, currency exchange, and validation of coinage˙ There is evidence too of credit, whereby in return for a payment from a client, a moneylender in one Greek port would write a credit note for the client who could "cash" the note in another city, saving the client the danger of carting coinage with him on his journey. Pythius, who operated as a merchant banker throughout Asia Minor at the beginning of the 5th century B.C., is the first individual banker of whom we have records. Many of the early bankers in Greek city-states were “metics” or foreign residents.

The fourth century B.C. saw increased use of credit-based banking in the Mediterranean world. In Egypt, from early times, grain had been used as a form Money in addition to precious metals, and state granaries functioned as banks. When Egypt fell under the rule of a Greek dynasty, the Ptolemies (332-30 B.C.), the numerous scattered government granaries were transformed into a network of grain banks, centralized in Alexandria where the main accounts from all the state granary banks were recorded. This banking network functioned as a trade credit system in which payments were affected by transfer from one account to another without money passing.[12]

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[11] Giuseppe, F and Guido, L. Genoa and the history of finance: A series of firsts? 9 November 2004, (the book can be downloaded at www.giuseppefelloni.it)

[12] Edward Colen “Athenian Economy and Society: A Banking Perspective” Princeton, NJ: Princeton University Press, 1992

In the late third century B.C., the barren Aegean island of Delos, known for its magnificent harbor and famous temple of Apollo, became a prominent banking center. As in Egypt, cash transactions were replaced by real credit receipts and payments were made based on simple instructions with accounts kept for each client. With the defeat of its main rivals, Carthage and Corinth, by the Romans, the importance of Delos increased. Consequently it was natural that the bank of Delos should become the model most closely imitated by the banks of Rome.

Ancient Rome perfected the administrative aspect of banking and saw greater regulation of financial institutions and financial practices. Charging interest on loans and paying interest on deposits became more highly developed and competitive. The development of Roman banks was limited, however, by the Roman preference for cash transactions. During the reign of the Roman emperor Gallienus (260-268 AD), there was a temporary breakdown of the Roman banking system after the banks rejected the flakes of copper produced by his mints. With the ascent of Christianity, banking became subject to additional restrictions, as the charging of interest was seen as immoral. After the fall of Rome, banking was abandoned in Western Europe and did not revive until the time of the causal.

Ironically, the Papal bankers were the most successful of the Western world, though often goods taken in pawn were substituted for interest in the institution termed the Monte di Pieta When Pope John XXII (born Jacques d'Euse (1249 - 1334) was crowned in Lyon in 1316, he set up residency in Avignon. Civil war in Florence between the rival

Guelph and Ghibelline factions resulted in victory for a group of Guelph merchant families in the city. They took over papal banking monopolies from rivals in nearby Siena and Became tax collectors for the Pope throughout Europe. In 1306, Philip IV expelled Jews from France. In 1307 Philips had the Knights Templar arrested and had gotten hold of their wealth, which had become to serve as the unofficial treasury of France. In 1311 he expelled Italian bankers and collected their outstanding credit. In 1327, Avignon had 43 branches of Italian banking houses. In 1347, Edward III of England defaulted on loans. Later there was the bankruptcy of the Peruzzi (1374) and Bardi (1353). The accompanying growth of Italian banking in France was the start of the Lombard moneychangers in Europe, who moved from city to city along the busy pilgrim routes important for trade. Key cities in this period were Cahors, the birthplace of Pope John XXII, and Figeac. Perhaps it was because of these origins that the term *Lombard* is synonymous with *Cahorsin* in medieval Europe, and means 'pawnbroker'. Banca Monte dei Paschi di Siena SPA (MPS) Italy is the oldest surviving bank in the world.

After 1400, political forces turned against the methods of the Italian free enterprise bankers. In 1401, King Martin I of Aragon expelled them. In 1403, Henry IV of England prohibited them from taking profits in any way in his kingdom. In 1409, Flanders imprisoned and then expelled Genoese bankers. In 1410, all Italian merchants were expelled from Paris. In 1401, the Bank of Barcelona was founded. In 1407, the Bank of Saint George was founded in Genoa. This bank dominated business in the Mediterranean. In 1403 charging interest on loans was ruled legal in Florence despite the traditional Christian prohibition of usury. Italian banks such as the Lombards, who had agents in the main economic centres of Europe, had been making charges for loans. The lawyer and theologian Lorenzo di Antonio Ridolfi won a case which legalized interest payments by the Florentine government. In 1413, Giovanni di Bicci de'Medici appointed banker to the pope. In 1440, Gutenberg invents the modern printing press although Europe already knew of the use of paper money in China. The printing press design was subsequently modified, by Leonardo da Vinci among others, for use in minting coins nearly two centuries before printed banknotes were produced in the West.[13] by the 1390s silver was short all over Europe, except in Venice. The silver mines at Kutná Hora had begun to decline

[13] URL: Http://en.wikipedia.org/wiki/History of bank.asp/15, June 2010. 10:00 AM

in the 1370s, and finally closed down after being sacked by King Sigismund in 1422. By 1450 almost all of the mints of northwest Europe had closed down for lack of silver. The last money-changer in the major French port of Dieppe went out of business in 1446. In 1455 the Turks overran the Serbian silver mines, and in 1460 captured the last Bosnian mine. The last Venetian silver grosso was minted in 1462. Several Venetian Banks failed, and so did the Strozzi bank of Florence, the second largest in the city. Even the smallest of small change became scarce. Modern Western economic and financial history is usually traced back to the coffee houses of London. The London Royal Exchange was established in 1565. At that time moneychangers were already called bankers, though the term "bank" usually referred to their offices, and did not carry the meaning it does today. There was also a hierarchical order among professionals; at the top were the bankers who did business with heads of state, next were the city exchanges, and at the bottom were the pawn shops or "Lombard's. Some European cities today have a Lombard street where the pawn shop was located.

Again the origin of modern banking may be traced to the money dealers in Florence, who received money on deposit and were lenders of money in the 14th century, and the names of the Bardi, Acciajuoli, Peruzzi, Pitti and Medici soon became famous throughout, Europe, as bankers. At one time, Florence is said to have had eighty bankers, though it could boast of no public bank.[14] After the siege of Antwerp trade moved to Amsterdam. In 1609 the Amsterdamsche Wisselbank (Amsterdam Exchange Bank) was founded which made Amsterdam the financial centre of the world until the Industrial Revolution. Banking offices were usually located near centers of trade, and in the late 17th century, the largest centers for commerce were the ports of Amsterdam, London, and Hamburg. Individuals could participate in the lucrative East India trade by purchasing bills of credit from these banks, but the price they received for commodities was dependent on the ships returning (which often didn't happen on

[14] Tannan, M.L. "Banking Law and Practice in India", Indian Law house, Delhi, 2002, Page No. 2.

Time) and on the cargo they carried (which often wasn't according to plan). The commodities market was very volatile for this reason, and also because of the many wars that led to cargo seizures and loss of ships.

1.6 HISTORY OF BANKING IN INDIA

A. ANCIENT INDIA

The origin of banking in dates back to the Vedic period. There are repeated references in the Vedic literature to money lending which was quite common as a side business. Later, during the time of the Smritis, which followed the Vedic Period and the Epic age, banking become a full-time business and got diversified with bankers performing most of the functions of the present day. The Vaish community,who conducted banking business during this period. As far back as the second or third century A.D. Manu the great Hindu Jurist, devoted a section of his work to deposits and advances and laid down rules relating to rates of interest to be charged. Still later, that is during the Buddhist period, banking business was decentralized and become a matter of volition. Consequently, Brahmins and Kshatriyas, who were earlier not permitted to take to banking as their profession except under exceptionally rare circumstances, also took to it as their business. During this period banking became more specific and systematic and bills of exchange came in wide use. “Shresthis” or bankers influential in society and very often acted as royal treasurers.

From the ancient times in India, an indigenous banking system has prevailed. The businessmen called Shroffs, Seths, Sahukars, Mahajans, Chettis etc. had been carrying on the business of banking since ancient times. These indigenous bankers included very small money lenders to shroffs with huge businesses, who carried on the large and specialized business even greater than the business.[15]

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[15] URL http://www.gktoday.in/2010/04/featured-article-banking-history-of.html, 5 APRIL 2010

B. MUGHAL PERIOD

Mughal dynasty started with Babur ascending the throne of Agra in 1526 A.D. During Mughal period the indigenous bankers played a very important role in lending money and financing of foreign trade and commerce. They were also engaged in the profitable business of money changing. Banking business was, however particularly during the secular and settled reign of Emperor Akbar was gave the much needed political stability to the country. Every city, big or small had a 'Sheth' also known as a 'Shah' or 'Shroff', who performed a number of banking functions. He was respected by all parts of people as an important citizen. In Principal cities, besides shroffs, there was a 'Nagar Sheth' or 'Town Banker'. They were instrumental in changing funds from place to place and doing collection business mainly through Hundis. The Hundis were accepted mode of change of money for commercial transactions.[16]

C. BRITISH PERIOD

The seventeenth century witnessed the coming into India of the English traders. The English traders established their own agency houses at the port towns of Bombay, Calcutta and Madras. These agency houses, apart from engaging in trade and commerce, also carried on the banking business. The development of the means of transport and communication causing deflection of trade and commerce along new routes, changing the nature of trade activities in the country were the other factor which also contributed to the downfall of the indigenous bankers. Partly to fill the void caused by their downfall and partly to finance the growing financial requirements of English trade. The East India Company now came to favor the establishment of the banking institutions patterned after the Western style.[17]

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[16] URL: Http://www.gatewayfor India .com/History/Muslim-history. Htm 21 June 2010. 3:53 PM

[17] URL: Http://en.wikipedia.org/wiki/banking-in-India. Htp, 1, July 2010

The first Joint Stock Bank established in the country was the Bank of Hindustan founded in 1770 by the famous English agency house of M/s. Alexander and Company. The Bengal Bank and The Central Bank of India were established in 1785. The Bank of Bengal, the first of the three Presidency Banks was established in Calcutta in 1806 under the name of bank of Calcutta. It was renamed in 1809 on the grant of the charter as a Bank of Bengal. The two other presidency banks, namely the bank of Bombay and the Bank of Madras, were established in 1840 and 1843 respectively. After the Paper Currency Act of 1862, however the right of the note issue was taken away from them. The Presidency Banks had branches in important towns of the country. The banking crisis of 1913 to 1917 however brought out the serious deficiencies in the existing banking system in the country showing the need for effective co-ordination through the establishment of the Central Bank. After repeated efforts, the three presidency bank was fused into a single bank under the name of the Imperial Bank of India in 1921.

The bank was authorized to hold Government balances and manage public debt. It was not, however, given power to issue notes. The issuing of the currency continued to be close preserving of the Government of India. The branches of the bank were to work as clearing houses. It was mainly a commercial bank competing with other banks. The Imperial Bank of India was nationalized in 1955 by the SBI act.[18]

In the wake of the Swadeshi Movement, a number of banks with Indian management were established in the country. The Punjab National Bank Ltd. Was founded in 1895, The Bank of India Ltd in 1906, The Canara Bank Ltd. in 1906. The Indian Bank Ltd. in 1907, the Bank of Baroda Ltd. in 1908, and the Central Bank of India Ltd. in 1911.

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[18] The Evaluation of the State Bank of India (The Era of the Imperial Bank of India-1921-1955, Volume III

There have been a number of checks to progress to the Banking Industry in the form of bank failures during the last over 100 years. The series of bank crisis particularly during the time 1913–17, 1939–45 and 1948–53 wiped out many weak units. Loss in trade or industry affected their credit and solvency. It may however, be stated that one of the important reasons for the last banking crisis of 1948–53 was the partition of the country into India and Pakistan. Most of the depositors who were Hindus migrated from Pakistan to India while a major portion of the assets of the banks, which failed remained in Pakistan.

Although, Suggestions have been made from time to time that India ought to have a Central Bank. The Royal Commission on Indian currency and finance recommended that a Central Bank should be started in India so as to perfect her credit and currency organization. From 1927 to 1933, there was a proposal and constitutional reforms law process has been made. It was enacted in due course and became law on the 6th march 1934 and the Reserve Bank of India started functioning with effect from 1st April 1935. Banking regulation act was passed in 1949.[19]

1.7 BANKING AFTER INDEPENDENCE IN INDIA

A. FIRST PHASE: 1948 – 1969

The country inherited a banking system that was patterned on the British Banking System. There were many joint stock companies doing banking business and they were concentrating mostly in major cities. Even the financing activities of these banks were confined to the exports of Jute, Tea etc and traditional industries like textile and sugar. There was no uniform law governing banking activity. An immediate concern after the partition of the country was about bank branches located in Pakistan and steps were taken to close some of them as

[19] Deshai, Vasant: "Indian Financial System", Himalaya Publishing House, 2005, Page No. 481

desire by that country. In 1949, as many as 55 banks either went into liquidation or went out of banking business. Banking did not receive much attention of the policy makers and disjointed efforts were made towards the regulation of the banking industry.

B. SECOND PHASE: NATIONALIZATION ERA 1969 – 1990

After independence, India adopted a socialist pattern of society as its goal. This means in non technical language a society with wealth distributed as equitably as possible without making the country a totalitarian state. In 1955, the Imperial Bank of India was nationalized and its undertaking was taken over by State Bank of India. Its transformation into SBI has been effective from July 1, 1955.[20] there were 7 subsidiaries Banks. Their Associate Bank was 5960. The State Bank group including State Bank of Hyderabad, State Bank of Mysore, State Bank of Travancore, State Bank of Bikaner and Jaipur, State Bank of Indore, State Bank of Patiala and State Bank of Saurashtra.

As regards the scheduled banks, there were complaints that Indian Commercial Banks were directing their advances to the large and medium scale industries and big business houses and that the sectors demanding priority such as agriculture, small scale industries and exports were not receiving their due share. This was one of the chief reasons for imposition of social control by amending the banking regulation act, with effect from 1st February 1969. On 19th July 1969, 14 major banks were nationalized and taken over they were as under:

1. The Central Bank of India Ltd.
2. The Bank of India Ltd.
3. The Punjab National Bank Ltd.
4. The Bank of Baroda Ltd.

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[20] Pathak ,Bharti: "Indian Financial System" Pearson Education Pvt. Ltd. – 2004 Page – 401.

5. The United Commercial Bank Ltd.
6. The Canara Bank Ltd.
7. The United Bank of India Ltd.
8. The Dena Bank Ltd.
9. Syndicate Bank Ltd.
10. The Union Bank of India Ltd.
11. The Allahabad Bank Ltd.
12. The Indian Bank Ltd.
13. The Bank of Maharashtra Ltd.
14. The Indian Overseas Bank Ltd.

Each bank was having deposits of more than Rs. 50 crore and having among themselves aggregate deposits of Rs. 2632 crore with 4130 branches. On 15th April 1980, six more banks were nationalized. These banks were:

1. The Andhra Bank Ltd.
2. The Corporation Bank Ltd.
3. The New Bank of India Ltd.
4. The Oriental Bank of Commerce Ltd.
5. The Punjab & Sind Bank Ltd.
6. The Vijya Bank Ltd.

There were some effects and achievements of nationalized banks. However, there are some problems relating to NPAs, competition, competency, overstaffing, inefficiency etc. for the nationalized bank.[21]

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[21] Tannan M.L.:"Banking Law and Practice in India", Indian Law house, Delhi, 2002, Page No. 158,159,171.

D. THIRD PHASE: 1991 – 2002 ECONOMIC REFORMS

The Indian economic development takes place in the realistic world from 1991 "Liberalization, Privatization and Globalization" policy. As per "LPG" policy all restriction on the Indian economy was totally dissolved and the soundest phase for the Indian banking system adopt over here. This also changed the scenario of the macro economic world. The budget policy and suggestion provided by shri Dr Man Mohan Singh and the Governor of Reserve Bank of India. As per the guideline the segments for development is having various problem and so the importance of public sector cannot be ignored. The country is flooded with foreign banks and their ATM stations. Efforts are being put to give a satisfactory service to customers. Phone banking and net banking is introduced. The entire system became more convenient and swift. Time is given more importance than money

The financial system of India has shown a great deal of resilience. It is sheltered from any crisis triggered by any external macroeconomics shock as other East Asian Countries suffered. This is all due to a flexible exchange rate regime, the foreign reserves are high, the capital account is not yet fully convertible, and banks and their customers have limited foreign exchange exposure.

1.8 REFORMS IN BANKING SECTOR IN INDIA

Banking Sector reforms were initiated to upgrade the operating standard health and financial soundness of the banks. The Government of India setup the Narasimham Committee in 1991, to examine all aspects relating to structure, organization and functioning of the Indian banking system the recommendations of the committee aimed at creating at competitive and efficient banking system. Another committee which is Khan Committee was instituted by RBI in December, 1997 to examine the harmonization of the role and operations of development financial institutions and banks. It submitted its report in 1998. The major recommendations were a gradual more towards universal banking, exploring the possibility of gain full merger as between banks, banks and financial institutions.

Then the Verma Committee was established this committee recommended the need for greater use of IT even in the weak public sector banks, restructuring of weak banks but not merging them with strong banks, VRS for at least 25% of the staff. The Banking Sector reforms aimed at improving the policy frame work, financial health and institutional infrastructure, there two phase of the banking reforms. Narasimham Committee provided the blue print for the initial reforms in banking sector following the balance of payment crisis in 1991.[22]

PHASE I: NARASIMHAM COMMITTEE (1991)

- Deregulation of the interest rate structure.
- Progressive reduction in pre-emptive reserves.
- Liberalization of the branch expansion policy.
- Introduction of prudential norms.
- Decline the emphasis laid on directed credit and phasing out the confessional rate of interest to priority sector.
- Deregulation of the entry norms for private sector banks and foreign banks.
- Permitting public and private sector banks to access the capital market.
- Setting up to asset reconstruction fund.
- Constituting the special debt recovery tribunals.
- Freedom to appoint chief executive and officers of the banks.
- Changes in the institutions of the board.
- Bringing NBFC, under the ambit of regulatory framework.

[22] Demetriades and Luinted: " Reports on Trends and Progress of Banking in India- RBI" 1997, pp320

PHASE II: NARASIMHAM COMMITTEE II (April 1998)

(I) CAPITAL ADEQUACY:

- Minimum capital to risk asset ratio be increased from the existing 8 percent to 10 percent by 2002.
- 100 percent of fixed income portfolio marked to market by 2001.
- 5 percent market risk weight for fixed income securities and open foreign exchange position limits.
- Commercial risk weight (100%) to government guaranteed.

(II) ASSET QUALITY

- Banks should aim to reduce gross NPAs to 3% and net NPA to zero percent by 2002.
- Directed credit obligations to be decline from 40 percent to 10 percent.
- Government guaranteed irregular accounts to be classified as NPAs and provide for.
- 90 day overdue norms to be applied for cash based income recognition.

(III) SYSTEMS AND METHODS

- Banks to start recruitment from market.
- Overstaffing to be dealt with by redeployment and right sizing via VRS.
- Public sector banks to be given flexibility in remuneration structure.
- Introduce a new technology.

(IV) INDUSTRY STRUCTURE

- Only two categories of financial sector players to emerge. Banks and non Bank finance companies.
- Mergers to be driven by market and business considerations.
- Feeble banks should be converted into narrow banks.
- Entry of new private sector banks and foreign banks to continue.
- Banks to be given greater functional autonomy & minimum government Shareholding 33 percent for State Bank of India, 51 percent for other Public Sector Banks.

(V) REGULATION AND SUPERVISION

- Board for financial regulation and supervision to be constituted with statutory Powers.
- Greater emphasis on public disclosure as opposed to disclosure to regulators.
- Banking regulation and supervision to be progressively de linked from monetary policy[23]

(VI) LEGAL AMENDMENTS

- Broad range of legal reforms to facilitate recovery of problem loans.
- Introduction of laws governing electronic fund transfer.
- Many of the important recommendations of Narasimham Committee II have been accepted and are under implementation the second generation banking reforms concentrate on strengthening the foundation of the banking system by structure technological up graduation and human resource development.[24]

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[23] Http://www.allbankingsolutions.com/bankreforms1.htm, 18 July, 2010. 10.00 PM

[24] Pathak Bharti: “Indian Financial System”, Pearson Education Pvt. Ltd., 2004 Page no – 409-418.

1.9 TYPES OF BANKS

In 1935, 'The State Bank of India Act, was passed, accordingly, 'The Imperial Bank of India' was nationalized and State Bank of India emerged with the objective of extension of banking facilities on a large scale, specifically rural and semi – urban area and for various of the public purposes. In 1969, fourteen major Indian Commercial Banks were nationalized and in 1980, six more were added on to constitute the public sector banks. Commercial Banks in India are classified in Scheduled Bank and Non Scheduled Banks. Scheduled Banks are including nationalized Bank, SBI and its subsidiaries, private sector banks and foreign banks. Non Scheduled Banks are those included in the second Scheduled of the RBI Act, 1934.

1. SCHEDULED BANKS

The second scheduled of RBI act, create a list of banks which are described as "Scheduled Banks" In the terms of section 42 (6) of RBI act, 1934, the required amount is only Rs. 5 Lakh. The Scheduled Banks enjoy several privileges. It means that scheduled banks carries safety and prestige value compared to non scheduled banks. It is entailed to receive refinance facility as applicable.

2. NATIONALIZED BANKS

The nationalized banks include 14 banks nationalized on 19th July, 1969 and the 6 more nationalized on 15th April, 1980. They are also scheduled banks, after this nationalization the governments try to implement various welfare schemes.

3. NON SCHEDULED BANKS

The commercial banks not included in the 2nd schedule of the RBI act are known as non scheduled banks. They are not entitled to facilities like refinance and rediscounting of bills etc, from RBI. They are engaged in lending money discounting and collection bills and various agency services. They insist higher security for loans.[25]

4. OLD PRIVATE BANKS

These banks all registered under Companies Act, 1956. Basic difference between Co-operative bank and Private Banks is its aim. Co-operative banks work for its member and private banks are work for own profit.

5. NEW PRIVATE BANKS

These banks lead the market of Indian banking business in very short period because of its variety of services and approach to handle customer and also because of long working hours and speed of services. This is also registered under the Company Act 1956. Between old and new private banks there is wide difference.

6. FOREIGN BANKS

Foreign Banks mean multi-countries bank. In case of Indian foreign banks are such banks which open its branch office in India and their head office are outside of India. E.g. HSBC Bank, City Bank, Standard Chartered Bank etc.

8. CO-OPERATIVE BANKS

Co-operative Banks another component of the Indian bank with the enactment of the Co-operative Credit Societies were sated owing to the increasing demand of Co-operative Credit, a new Act of the 1994, which provide for the increasing demand of Co-operative Central banks by a union of primary credit societies or by a union of primary credit socialites and individuals.

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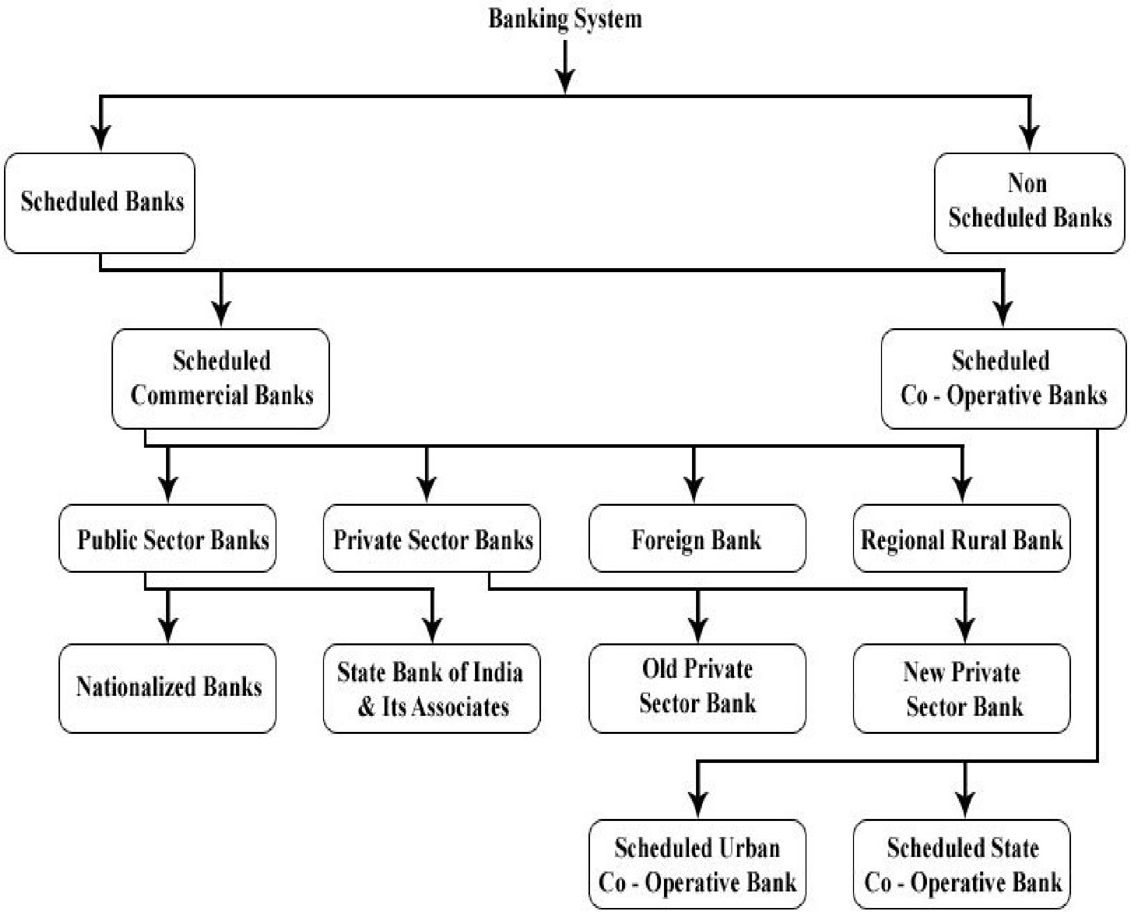
[25] ibid, Page No-19

1.10 INDIAN BANKING STRUCTURE

The structure of Indian banking system that developed during the pre-independence period was without any purposive control and direction. There were no comprehensive banking laws except the Bank Charter Act 1876 which regulated the three presiding bank and the Indian Companies Act 1913 provided some safe guards against bank failures.

BANKING STRUCTURE IN INDIA



Source- RBI Report on Trend and Progress of Banking in India 2000-0

1.11 ROLE OF RESERVE BANK OF INDIA

The Reserve Bank of India (**RBI)** is the central banking system of India and controls the monetary policy of the Rupee as well as currency reserves. The institution was established on 1 April 1935 during the British Raj in accordance with the provisions of the Reserve Bank of India Act, 1934 and plays an important part in the development strategy of the government. It is a member bank of the Asian Clearing Union. The Reserve Bank of India was constituted under the reserve Bank of India Act, 1934 to regulate the issue of bank notes and the maintenance of reserves with a view to securing the monetary stability in India and generally to operate the currency and credit system of the country to its advantage.[26]

The central bank was founded in 1935 to respond to economic troubles after the First World War. The Reserve Bank of India was set up on the recommendations of the **Hilton Young Commission**. The commission submitted its report in the year 1926, though the bank was not set up for another nine years. The Preamble of the Reserve Bank of India describes the basic functions of the Reserve Bank as to regulate the issue of bank notes, to keep reserves with a view to securing monetary stability in India and generally to operate the currency and credit system in the best interests of the country. The Central Office of the Reserve Bank was initially established in Kolkata, Bengal but was permanently moved to Mumbai in 1937. The Reserve Bank continued to act as the central bank for Myanmar till Japanese occupation of Burma and later up to April 1947, though Burma seceded from the Indian Union in 1937. After partition, the Reserve Bank served as the central bank for Pakistan until June 1948 when the State Bank of Pakistan commenced operations. Though originally set up as a shareholders' bank, the RBI has been fully owned by the government of India since its nationalization in 1949.

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[26]Indian Institute of Banking & finance, "Banking Product and Service", Taxman Publication, July 2004, Page – 10.

Between 1950 and 1960, the Indian government developed a centrally planned economic policy and focused on the agricultural sector. The administration nationalized commercial banks and established, based on the *Banking Companies Act*, 1949 (later called *Banking Regulation Act*) a central Bank regulation as part of the RBI. Furthermore, the central bank was ordered to support the economic plan with loans. As a result of bank crashes, the reserve bank was requested to establish and monitor a deposit insurance system. It should restore the trust in the national bank system and was initialized on 7 December 1961. The Indian government founded funds to promote the economy and used the slogan Developing Banking. The Gandhi administration and their successors restructured the national bank market and nationalized a lot of institutes. As a result, the RBI had to play the central part of control and support of this public banking sector.

Between 1969 and 1980 the Indian government nationalized 20 banks. The regulation of the economy and especially the financial sector was reinforced by the Gandhi administration and their successors in the 1970s and 1980s. The central bank became the central player and increased its policies for a lot of tasks like interests, reserve ratio and visible deposits. The measures aimed at better economic development and had a huge effect on the company policy of the institutes. The banks lent money in selected sectors, like agri-business and small trade companies.[27]

The branch was forced to establish two new offices in the country for every newly established office in a town. The oil crises in 1973 resulted in increasing inflation, and the RBI restricted monetary policy to reduce the effects. A lot of committees analyzed the Indian economy between 1985 and 1991. Their results had an effect on the RBI. The *Board for Industrial and Financial Reconstruction*, the *Indira Gandhi Institute of Development Research* and the *Security & Exchange Board of*

[27] Mukharjee, Ananya: “Corporate Governance Reforms in India” Journal of Business Ethics, Vol-37, May 2002, pp 253

India investigated the national economy as a whole, and the security and exchange board proposed better methods for more effective markets and the protection of investor interests. The Indian financial market was a leading example for so-called "financial repression" (Mackinnon and Shaw). The *Discount and Finance House of India* began its operations on the monetary market in April 1988; the *National Housing Bank*, founded in July 1988, was forced to invest in the property market and a new financial law improved the versatility of direct deposit by more security measures and liberalization.

The national economy came down in July 1991 and the Indian rupee was devalued. The currency lost 18% relative to the US dollar, and the *Narsimahmam Committee* advised restructuring the financial sector by a temporal reduced reserve ratio as well as the statutory liquidity ratio. New guidelines were published in 1993 to establish a private banking sector. This turning point should reinforce the market and was often called neo-liberal The central bank deregulated bank interests and some sectors of the financial market like the trust and property markets.

The National Stock Exchange of India took the trade on in June 1994 and the RBI allowed nationalized banks in July to interact with the capital market to reinforce their capital base. The central bank founded a subsidiary company—the *Bharatiya Reserve Bank Note Mudran Limited*—in February 1995 to produce banknotes. The *Foreign Exchange Management Act* from 1999 came into force in June 2000. It should improve the foreign exchange market, international investments in India and transactions. The RBI promoted the development of the financial market in the last years, allowed online banking in 2001 and established a new payment system in 2004 - 2005 (National Electronic Fund Transfer). The *Security Printing & Minting Corporation of India Ltd.*, a merger of nine institutions, was founded in 2006 and produces banknotes and coins.[28]

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[28] Ray Amal, K. “ India`s Social Development in Decade of Reforms: 1990-1991/199-2000” Social Indicator Research , Vol-87, July 2008, pp 410

1.12 FUNCTION OF RESERVE BANK OF INDIA

As a central bank, the Reserve Bank has significant powers and duties to perform. For smooth and speedy progress of the Indian Financial System, it has to perform some important tasks. Among others it includes maintaining monetary and financial stability, to develop and maintain stable payment system, to promote and develop financial infrastructure and to regulate or control the financial institutions.

[A] TRADTIONAL FUNCTIONS.

Traditional functions are those functions which every central bank of each nation performs all over the world. Basically these functions are in line with the objectives with which the bank is set up. It includes fundamental functions of the Central Bank. They comprise the following tasks.

(i) ISSUE OF THE CURRENCY NOTES

The RBI has the sole right or authority or monopoly of issuing currency notes except one rupee note and coins of smaller denomination. These currency notes are legal tender issued by the RBI. Currently it is in denominations of Rs. 2, 5, 10, 20, 50, 100, 500, and 1,000. The RBI has powers not only to issue and withdraw but even to exchange these currency notes for other denominations. It issues these notes against the security of gold bullion, foreign securities, rupee coins, exchange bills and promissory notes and government of India bonds.

(ii) **BANKER TO THE BANKS**

The RBI being an apex monitory institution has obligatory powers to guide, help and direct other commercial banks in the country. The RBI can control the volumes of banks reserves and allow other banks to create credit in that proportion. Every commercial bank has to maintain a part of their reserves with its parent's viz. the RBI. Similarly in need or in urgency these banks approach the RBI for fund. Thus it is called as the lender of the last resort.

(iii) **BANKER TO THE GOVERNMENT**

The RBI being the apex monitory body has to work as an agent of the central and state governments. It performs various banking function such as to accept deposits, taxes and make payments on behalf of the government. It works as a representative of the government even at the international level. It maintains government accounts, provides financial advice to the government. It manages government public debts and maintains foreign exchange reserves on behalf of the government. It provides overdraft facility to the government when it faces financial crunch.

(iv) **EXCHANGE RATE MANAGEMENT**

It is an essential function of the RBI. In order to maintain stability in the external value of rupee, it has to prepare domestic policies in that direction. Also it needs to prepare and implement the foreign exchange rate policy which will help in attaining the exchange rate stability. In order to maintain the exchange rate stability it has to bring demand and supply of the foreign currency (U.S Dollar) close to each other.

(v) **CREDIT CONTROL FUNCTION**

Commercial bank in the country creates credit according to the demand in the economy. But if this credit creation is unchecked or unregulated then it leads the economy into inflationary cycles. On the other credit creation is below the required limit then it harms the growth of the economy. As a central bank of the nation the RBI has to look for growth with price stability.

(VII) **SUPERVISORY FUNCTION**

The RBI has been endowed with vast powers for supervising the banking system in the country. It has powers to issue license for setting up new banks, to open new braches, to decide minimum reserves, to inspect functioning of commercial banks in India and abroad, and to guide and direct the commercial banks in India.

[B] DEVELOPMENTAL FUNCTIONS

Along with the routine traditional functions, central banks especially in the developing country like India have to perform numerous functions. These functions are country specific functions and can change according to the requirements of that country. The RBI has been performing as a promoter of the financial system since its inception. Some of the major development functions of the RBI are maintained below.[29]

(i) DEVELOPMENT OF THE FINANCIAL SYSTEM

The financial system comprises the financial institutions, financial markets and financial instruments. The sound and efficient financial system is a precondition of the rapid economic development of the nation. The RBI has encouraged establishment of main banking and non-banking institutions to cater to the credit requirements of diverse sectors of the economy.

(ii) DEVELOPMENT OF AGRICULTURE

In an agrarian economy like ours, the RBI has to provide special attention for the credit need of agriculture and allied activities. It has successfully rendered service in this direction by increasing the flow of credit to this sector. It has earlier the Agriculture Refinance and Development Corporation (ARDC) to look after the credit, National Bank for Agriculture and Rural Development (NABARD) and Regional Rural Banks (RRBs).

(iii) PROVISION OF INDUSTRIAL FINANCE

Rapid industrial growth is the key to faster economic development. In this regard,

[29] URL/Http://Finance India market.com/investment. In-India/RBI.Htm, 17, June 2010

the adequate and timely availability of credit to small, medium and large industry is very significant. In this regard the RBI has always been instrumental in setting up special financial institutions such as ICICI Ltd. IDBI, SIDBI and EXIM BANK etc.

(iv) PROVISIONS OF TRAINING

The RBI has always tried to provide essential training to the staff of the banking industry. The RBI has set up the bankers' training colleges at several places. National Institute of Bank Management i.e NIBM, Bankers Staff College i.e BSC and College of Agriculture Banking i.e CAB are few to mention.

(v) COLLECTION OF DATA

Being the apex monetary authority of the country, the RBI collects process and disseminates statistical data on several topics. It includes interest rate, inflation, savings and investments etc. This data proves to be quite useful for researchers and policy makers.

(vi) PUBLICATION OF THE REPORTS

The Reserve Bank has its separate publication division. This division collects and publishes data on several sectors of the economy. The reports and bulletins are regularly published by the RBI. It includes RBI weekly reports, RBI Annual Report, Report on Trend and Progress of Commercial Banks India., etc. This information is made available to the public also at cheaper rates.

(vii) PROMOTION OF THE BANKING HABITS

As an apex organization, the RBI always tries to promote the banking habits in the country. It institutionalizes savings and takes measures for an expansion of the banking network. It has set up many institutions such as the Deposit Insurance Corporation-1962, UTI-1964, IDBI-1964, NABARD-1982, NHB-1988, etc. These organizations develop and promote banking habits among the people.

During economic reforms it has taken many initiatives for encouraging and promoting banking in India.

(viii) PROMOTION OF EXPORT THROUGH RE-FINANCE

The RBI always tries to encourage the facilities for providing finance for foreign trade especially exports from India. The Export-Import Bank of India (EXIM Bank India) and the Export Credit Guarantee Corporation of India (ECGC) are supported by refinancing their lending for export purpose.

[C] SUPERVISORY FUNCTIONS

The reserve bank also performs many supervisory functions. It has authority to regulate and administer the entire banking and financial system. Some of its supervisory functions are given below.

(i) GRANTING LICENSE TO THE BANKS

The RBI grants license to banks for carrying its business. License is also given for opening extension counters, new branches, even to close down existing branches.

(ii) BANK INSPECTION

The RBI grants license to banks working as per the directives and in a prudent manner without undue risk. In addition to this it can ask for periodical information from banks on various components of assets and liabilities.

(iii) CONTROL OVER NBFIS

The Non-Bank Financial Institutions are not influenced by the working of a monitory policy. However RBI has a right to issue directives to the NBFIs from time to time regarding their functioning. Through periodic inspection, it can control the NBFIs.

(iv) IMPLEMENTATION OF THE DEPOSIT INSURANCE SCHEME

The RBI has set up the Deposit Insurance Guarantee Corporation in order to protect the deposits of small depositors. All bank deposits below Rs. One lakh are insured with this corporation. The RBI work to implement the Deposit Insurance Scheme in case of a bank failure.[30]

1.13 TRADITIONAL BANKING FUNCTIONS

In very general terms, the traditional functions of a commercial bank can be classified under following main heads:

1. RECEIVING OF MONEY ON DEPOSIT :

This is the most important function of banks, as it is largely by means of deposits that a bank prepares the basis for several other activities. The money power of a bank, by which it helps largely the business community and other customers, depends considerably upon the amounts it can borrow by way of deposits. The deposits of a bank can take the form of fixed, savings or current deposits.

2. LENDING OF MONEY

This function is not only very important but is the chief source of profit for banks. By lending money banks place funds at the disposal of the borrower, in exchange for a promise of payment at a future date, enabling the borrowers to carry on their

Business/productive activities and meet their other requirements. Banks thus, help their clients to meet their needs with the money lent to them and return the money with interest as per agreed terms. The advances of a bank can take the form of loans, cash, credits, bills purchase / discount facilities.[31]

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[30]URL: http://kalyan-city.blogspot.com/2010/09/functions-of-reserve-bank-of-india-rbi.html

[31] Dr. Bhattacharya, K. M. And Agarwal, O. P. “Basics of Banking and Finance Published by Himalaya Publishing House, 2006 Page – 20.

3. TRANSFERRING MONEY FROM PLACE TO PLACE

This function is also one of the important functions of banks. Banks allow the facilities of transfer of funds by issuing demand drafts, Telegraphic / Telephonic Transfers, Mail Transfer etc.

4. MISCELLANEOUS FUNCTIONS:

Safe custody of valuables, issue of various forms of credits e.g. letters of credit, traveler's cheques and furnishing guarantees on behalf of customers and providing fee based services are also important functions performed by banks.

1.14 FUNCTIONS OF COMMERCIAL BANKS

[A] PRIMARY FUNCTION

(i) ACCEPTANCE OF DEPOSITS

An important function of commercial banks is to attract deposit from the public. Those people who have cash account and want their safety; they deposit that amount of banks. Commercial banks accept deposits every class and source and take responsibility to repay the deposit in the same currency whenever they are demanded by depositors.

(ii) LENDING

Another function of commercial banks is to make loans and advance out of the deposit receive in various forms. Bank Apply the accumulated public deposits to productive uses by way of loans and advances, overdraft and cash credits against approved securities.

(iii) INVESTMENTS

Now-a-days commercial banks are also involved in Investment. Generally investment means long term and medium term investments.

[2] SECONDARY FUNCTIONS

(i) AGENCY SERVICES

1) Collection and Payment of Cheques
2) Standing Instruction
3) Acting as correspondence
4) Collecting of bills- electricity, gas, WASA, telephone etc.
5) Purchase and Sales of stocks/ share-act as a banker to issue

(ii) MISCELLANEOUS OR GENERAL SERVICES

1) Safe Custody
2) Lockers-trustee
3) Remittance facilities –DD, TT, MT and
4) Advisory services
5) Providing Credit reports
6) Opening L/C
7) Demand in Forex/ Travers Cheque only Authorized Dealer branches
8) Complete service in Foreign Trade
9) Other Services: Debit Card, Credit Card, On-line banking SMS banking
10) Creation of Credit: a multiplier effect, Deposit creates credit and credit creates deposits – derivative deposit.

Beside these activities, commercial bank may perform further tasks; all its activities are guided by its authority for the betterment of the company or for society.[32]

[32] URL http://bbamba.info/Articles/Business/Functions-of-Commercial-Banks.html, 25 July, 2010

1.15 CHALLENGES IN BANKING SECTOR

There has been considerable widening and deepening of the Indian financial system in the recent years. The enhanced role of the Banking sector in the Indian Economy, the increasing levels of deregulation and the increasing levels of competition have placed numerous demands on our Banks. The adverse consequences of malfunction of the Banking system could be more severe than in the past. Hence, focus of RBI, the regulator & supervisor of Indian Banking system is at ensuring greater financial stability. While operating in this highly demanding environment, the banking system is exposed to various risks & challenges few of them are discussed as under:

1. IMPROVING RISK MANAGEMENT SYSTEM

RBI had issued guidelines on asset liability management and Risk Management Systems in Banks in 1999 and Guidance Notes on Credit Risk Management and Market Risk Management in October 2002 and the Guidance note on Operational Risk Management in 2005. Though Basel II focuses significantly on risks it implementation cannot be seen as an end in itself. The current business environment demands an integrated approach to risk management. It is no longer sufficient to manage each Risk Independently. Banks in India are moving from the individual segment system to an enterprise wide Risk Management System. This is placing greater demands on the Risk Management skills in Banks and has brought to the forefront, the need for capacity building, while the first priority would be risk integrating across the entire Bank, the desirability of Risk aggregation across the Group will also need attention. Banks would be required to allocate significant resources towards this objective over the next few years.

2. RURAL COVERAGE

Indian local banks specially state bank groups having a good coverage and many branches in rural areas. But that is quite lacking technical enhancement.

The services available at cities are specifically not available to rural branches, which are necessary if banks want to compete now a day.

3. TECHNOLOGICAL PROBLEMS

That is true that Indian banks were already started computerized workings and so many other technological up gradation done but is this sufficient? In metro cities Indian local banks are having good comparable technology but that cannot be supported and comparable by the whole network of other cities and village branches.

1. **CORPORATE GOVERNANCE**

Banks not only accept and deploy large amount of uncollateralized public funds in fiduciary capacity, but they also leverage such funds through credit creation. Banks are also important for smooth functioning of the payment system. Profit motive cannot be the sole criterion for business decisions. It is a significant challenge to banks where the priorities and incentives might not be well balanced by the operation of sound principles of Corporate Governance. If the internal imbalances are not re-balanced immediately, the correction may evolve through external forces and may be painful and costly to all stakeholders. The focus, therefore, should be on enhancing and fortifying operation of the principles of sound Corporate Governance.

2. **CUSTOMER SERVICES**

There are concerns in regard to the Banking practices that tend to exclude vast sections of population, in particular pensioners, self employed and those employed in unorganized sector. Banks are expected to oblige to provide Banking services to all segments of the population, on equitable basis. Further, the consumers interests are at times not accorded full protection and their grievances are not properly attended to by Banks. Banks are expected to encourage greater degree of financial inclusion in the country setting up of a mechanism for ensuring fair treatment of consumers; and effective redressed of customer grievances.

3. BRANCH BANKING

Traditionally Banks have been looking to expansion of their Branch Network to increase their Business. The new private sector banks as well as the foreign banks have been able to achieve business expansion through other means. Banks are examining the potential benefits that may accrue by tapping the agency arrangement route and the outsourcing route. While proceeding in this direction banks ought not to lose sight of the new risks that they might be assuming in outsourcing. Hence they have to put in place appropriate strategies and systems for managing these new risks.

4. COMPETITION

With the ever increasing pace and extent of globalization of the Indian economy and the systematic opening up of the Indian Banking System to global competition, banks need to equip themselves to operate in the increasingly competitive Environment. This will make it imperative for Banks to enhance their systems and procedures to international standards and also simultaneously fortify their financial positions.

8. TRANSPARANCY AND DISCLOSURES

In order to bring about meaningful disclosure of the true financial position of banks to enable the users of financial statements to study and have a meaningful comparison of their positions, a series of measures were initiated by RBI. It covered a No. of aspects such as capital adequacy, asset quality, profitability, country risk exposure, risk exposures in derivatives, segment reporting and related party disclosures etc.

With a view to moving closer towards international best practices and International Accounting Standards and the disclosure need under pillar 3 of Basel II, RBI has proposed enhanced disclosures of certain qualitative aspects.

Banks are required to formulate a formal disclosure policy that addresses the banks' approach for determining what disclosures it will make and the internal controls over the disclosure process[33]

9. KNOWN YOUR CUSTOMER GUIDELINES

The guidelines were revisited in the context of the recommendations made by the financial action task force on Anti Money Laundering Standards and on Combating Financing of Terrorism. Compliance with these standards both by the banks/financial institutions and the country has become necessary for international financial relationships. Compliance with this requirement is a significant challenge to the entire banking industry to fortify itself against misuse by anti social persons / entities and thus project a picture of solidarity and financial integrity of the Indian Banking system to the international community.[34]

1.16 PROBLEM AND PROSPECT OF BANKING IN INDIA

During the post reform period and due to the situation of Liberalization, Privatization and Globalization, Indian banking sector is facing some problems and challenges. These are as under

a. Low Profitability and Productivity
b. Lack of Integrity
c. Increase of Administrative Expenses
d. Survival of loss making branches
e. Scandals
f. Lack of Professional Behavior

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[33] Narendra Jadhav: "Challenges to Indian Banking Published by Macmillan India Limited, 1996, Page No. 54.

[34] Dr. Bhattacharya,K. M. and Agarwal, O.P. "Basics of Banking and Finance Published by Himalaya Publishing House, 2006, Page– 54.

g. Lack of professional and friendly approaches with customer
h. Non-performing Assets
i. Customer oriented market
j. Problem of customer satisfaction
k. Depression period running over the country
l. Managing work force
m. Management of technological advancement

However banks have some prospects in present environment. By converting threats into opportunities, the bank can have better advantages these opportunities are as under.

1. Offering of innovative products
2. Door to door service approach
3. Customer relationship management
4. Professional approaches
5. Managerial excellence
6. Marketing and technological advancement
7. Customized and cyber services
8. Branch expansion
9. Deposit Mobilization
10. NPA management
11. Asset reconstruction
12. Motivational HRM policies
13. Change in lending process
14. Merger and acquisition
15. Total quality management concept

1.17 BANKING PRODUCT PORTFOLIO

1. DEPOSITS

There are many products in retail banking like Fixed Deposit, Savings Account, Current Account, Recurring Account, NRI Account, Corporate Salary Account, Free Demat Account, Kid's Account, Senior Citizen Scheme, Cheque Facilities, Overdraft Facilities, Free Demand Draft Facilities, Locker Facilities, Cash Credit Facilities, etc. They are listed and explained as follows:

(i) FIXED DEPOSIT

The deposit with the bank for a period, which is specified at the time of making the deposit, is known as fixed deposit. Such deposits are also known as FD or term deposit . FD is repayable on the expiry of a specified period. The rate of interest and other terms and conditions on which the banks accepted FD were regulated by the RBI, in section 21 and 35Aof the Banking Regulation Act 1949.Each bank has prescribed their own rate of interest and has also permitted higher rates on deposits above a specified amount. RBI has also permitted the banks to formulate FD schemes specially meant for senior citizen with higher interest than normal.

(ii) SAVING ACCOUNT

Saving bank account is meant for the people who wish to save a part of their current income to meet their future needs and they can also earn in interest on their savings. The rate of interest payable on by the banks on deposits maintained in savings account is prescribed by RBI.

Now-a-days the fixed deposit is also linked with saving account. Whenever there is excess of balance in saving account it will automatically transfer into Fixed deposit and if there is shortfall of funds in savings account, by issuing cheque the money is transferred from fixed deposit to saving account. Different banks give different name to this product.

(iii) CURRENT ACCOUNT

A current account is an active and running account, which may be operated upon any number of times during a working day. There is no restriction on the number and the amount of withdrawals from a current account. Current account, suit the requirements of a big businessmen, joint stock companies, institutions, public authorities and public corporation etc.

(iv) RECURRING DEPOSIT

A variant of the saving bank a/c is the recurring deposit or cumulative deposit a/c introduced by banks in recent years. Here, a depositor is required to deposit an amount chosen by him. The rate of interest on the recurring deposit account is higher than as compared to the interest on the saving account. Banks open such accounts for periods ranging from 1 to 10 years. There curing deposit account can be opened by any number of persons, more than one person jointly or severally, by a guardian in the name of a minor and even by a minor.

(v) NRI ACCOUNT

NRI accounts are maintained by banks in rupees as well as in foreign currency.
Four types of Rupee account can be open in the names of NRI:

a. Non Resident Rupee Ordinary Account (NRO)
b. Non Resident External Account (NRE)
c. Non Resident (Non Reportable Deposit Scheme) (NRNR)
d. Non Resident (special)Rupee Account Scheme (NRSR)[35]

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[35] URL: Http://www.sendmoney.org/different type of bank account php, 22, July, 2010. 3:35 PM

Apart from this, foreign currency account is the account in foreign currency. The account can be open normally in US Dollar, Pound Sterling, and Euro. The accounts of NRIs are Indian millennium deposit, Resident foreign currency, housing finance scheme for NRI investment schemes.

(vi) CORPORATE SALARY ACCOUNT

Corporate Salary account is a new product by certain private sector banks, foreign banks and recently by some public sector banks also. Under this account salary is deposited in the account of the employees by debiting the account of employer. The only thing required is the account number of the employees and the amount to be paid them as salary. In certain cases the minimum balance required is zero. All other facilities available in savings a/c is also available in corporate salary account

(vii) KID'S ACCOUNT (MINOR ACCOUNT)

Children are invited as customer by certain banks. Under this, Account is opened in the name of kids by parents or guardians. The features of kid's account are free personalized cheque book which can be used as a gift cheque, internet banking, investment services etc.

(viii) SENIOR CITIZENSHIP SCHEME :

Senior citizens can open an account and on that account they can get interest rate somewhat more than the normal rate of interest. This is due to some social responsibilities of banks towards aged persons whose earnings are mainly on the interest rate.

2. LOANS AND ADVANCES

The main business of the banking company is lending of funds to the constituents, mainly traders, business and industrial enterprises. The major portion of a bank's funds is employed by way of loans and advances, which is the most profitable employment of its funds. There are three main principles of bank lending that have been followed by the commercial banks and they are safety, liquidity, and profitability. Banks grant loans for different periods like short term, medium term, and long term and also for different purpose.

(i) PERSONAL LOANS

This is one of the major loans provided by the banks to the individuals. There the borrower can use for his/her personal purpose. This may be related to his/her business purpose. The amount of loan is depended on the income of the borrower and his/her capacity to repay the loan.

(ii) HOUSING LOANS

NHB is the wholly own subsidiary of the RBI which control and regulate whole industry as per the guidance and information. The purpose of loan is mainly for purchase, extension, renovation, and land development.

(iii) EDUCATION LOANS

Loans are given for education in country as well as abroad.

(iv) VEHICAL LOANS

Loans are given for purchase of scooter, auto-rickshaw, car, bikes etc. Low interest rates, increasing income levels of people are the factors for growth in this sector. Even for second hand car finance is available.

(v) PREFESSIONAL LOANS

Loans are given to doctor, C.A, Architect, Engineer or Management Consultant. Here the loan repayment is normally done in the form of equated monthly.

(vi) CONSUMER DURABLE LOANS

Under this, loans are given for acquisition of T.V, Cell phones, A.C, Washing Machines, Fridge and other items.

(vii) LOANS AGAINST SHARES AND SECURITIE

Finance against shares is given by banks for different uses. Now-a-days finance against shares are given mostly in demat shares. A margin of 50% is normally accepted by the bank on market value. For these loans the documents required are normally DP notes, letter of continuing security, pledge form, power of attorney. This loan can be used for business or personal purpose.

1.18. RETAIL BANKING SERVICES

1. CREDIT CARDS

A credit card is an instrument, which provides immediate credit facilities to its holder to avail variety of goods and services at the merchant outlets. It is made of plastic and hence popularly called as Plastic Money. Such cards are issued by bank to persons with minimum income ranging between RS 50000 and RS 100000 per annum and are accepted by a variety of business establishments which are notified by the card issuing bank. Some banks insist on the cardholder being their customers while others do not. Few banks do not charge any fee for issuing credit cards while others impose an initial enrolment fee and annual fee also. If the amount is not paid within the time duration the bank charges a flat interest of 2.5%.Leading Indian Banks such as: SBI, BOB, Canara Bank, ICICI, HDFC and a few foreign banks like CITIBANK, Standard Chartered etc are the important issuers of credit card in India.

2. DEBIT CARDS

It is a new product introduced in India by Citibank a few years ago in association with MasterCard. A debit card facilitates purchases or payments by the cardholder .It debit money from the account of the cardholder during a transaction. This implies that the cardholder can spend only if his account permits.[36]

3. NET BANKING

This facilitates the customers to do all their banking operations from their home by using the internet facility. With Net Banking one can carry out all banking and shopping transactions safely and with total confidentiality. With Net Banking one can easily perform various functions:

a. Check Account Balance
b. Download Account Statement
c. Request for a stop payment of a cheque.
d. Request for a new cheque book.
e. Access demats account
f. Transfer funds.
g. Facilitate bill Payments.
h. Pay Credit Card dues instantly.

4. MOBILE BANKING

Using mobile banking facility one can –

a. Check Balance
b. Check last three transactions.
c. Request for a statement
d. Request for a cheque book.
e. Enquire on a cheque status.

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[36] URL: Http://www.hdfcbank.com/debit cards- lending.htm, 22, July. 2010, 10:00 PM

f. Instruct stock cheque payment.

g. View FD details.

h. Transfer funds.

i. Pay Utility Bills.

5. PHONE BANKING

It helps to conduct a wide range of banking transactions from the comfort of one's home or office. Using phone banking facility one can:

a. Check Balance

b. Check last three transactions.

c. Request for a cheque book.

d. Transfer funds.

e. Enquire on a cheque status, and much more.

6. ANYWHERE BANKING

One can deposit or withdraw cash from any branch of a Particular bank all over the country up to a prescribed limit. One can also transfer funds.

7. AUTOMATED TELLER MACHINES (ATM)

ATMs feature user-friendly graphic screens with easy to follow instructions. The ATMs Interact with customers in their local language for increased convenience .ICICI Bank's ATM network is one of the largest and most widespread ATM network in India. Following are the features available on ATMs which can be accessed from any whereat anytime:

a. Cash Withdrawal

b. Cash Deposit

c. Balance Enquiry

d. Cheque Book Request

e. Transaction at various merchant establishments[37]

8. SMART CARD

The smart card, a latest additional to the world of banking and information technology has emerged as the largest volume driven end-product in the world due to its data portability, security and convenience. Smart Card is similar in size to today's plastic payment card; it has a memory chip embedded in it. The chip stores electronic data and programmes that are protected by advanced security features. When coupled with a reader, the smart card has the processing power to serve many different applications. As an access-control device, smart Cards make personal and business data available only to appropriate users. To ensure the confidentiality of all banking service, smart cards have mechanisms offering a high degree of security. These mechanisms are based on private and public key cryptography combined with a digital certificate, one of the most advanced security techniques currently available. In fact, it is possible to connect to the web banking service without a smart card.

1.19. BANKING SERVICES

In this changing scenario, the role of banks is very important for the growth and development of customers as well as economy. Banking Sector is offering traditional and other service as under:

- Regular Saving and current accounts
- Regular fixed deposits
- ATM services
- Credit cards
- Demat cards

[37] **URL**: Http://www.gii.in/India/Hidtory of ATM, 23, July. 2010. 11:00 A.M

- Student banking
- Special NRI Services
- Home loan, Vehicle loan
- Tele and internet banking
- Online trading
- Business multiplies A/Cs
- Insurance
- Relief bonds & mutual fund
- Loans against shares
- Retail banking
- Special deposit scheme
- Senior citizen – special deposit scheme
- Other facilities for customers.

1.20 INNOVATIVE STRATEGY FOR THE SUCCESS

Innovative strategy is not a new word today, to being in current market with increasing market share need some extraordinary workout. As per our opinion these following strategy can help banks to sustain and can increase their market share.

A. DEVELOPING CUSTOMIZED SERVICES

Top management should focus on customer expectation and demands of existing customer and new target audience. By customer survey and employee's suggestion bank should introduce new innovative / customized services to create a loyal customer and that loyal customer will base to stand in tuff competition. Also allocate some additional power to branch manager to create and provide a unique service for their customer as per local needs.

B. IMPROVE RURAL NETWORK

In India, rural banking have its own advantages due to its own characteristics, like need of village people, micro finance, small savings etc., debit cards, credit cards, ATM. and micro finance and many more services are demanding a special attention. Moreover "India is living in village" that sentence create and idea of potential customer

C. MERGER AND CONSOLIDATION

The smaller banks with firm financials as well as the large ones with weak income statements would be the obvious targets for the larger and better compatible banks. The pressure on capital structure in particular is expected to trigger a phase of consolidation in The Banking Industry. This trend already started in India ex. Punjab National Bank and Centurion Bank merged and now it's Centurion Bank of Punjab ltd.

C. FLEXIBILITY IN OPERATION

For flexibility in operation banks should give certain operational freedom to its branches to face certain situation let us see example or Types of loans and relative documentation of loans should be less complicated like, to a get personal loans how can a farmer (non IT payer) can show IT returns? Other relative property documents hold be considered. In short this point focuses on bank should decrease inflexibility with security.[38]

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[38]Dr.Ajmera: –"Enhancing Banking Competitiveness through Innovative Strategies" - UGC – National Seminar on Global Competitiveness of Indian industries and opportunities and threats on 19th Feb 2007

1.21 ONLINE BANKING

HISTORY

The precursor for the modern home online banking services were the distance banking services over electronic media from the early 1980s. The term online became popular in the late '80s and referred to the use of a terminal, keyboard and TV (or monitor) to access the banking system using a phone line. ‘Home banking’ can also refer to the use of a numeric keypad to send tones down a phone line with instructions to the bank. Online services started in New York in 1981 when four of the city’s major banks (Citibank, Chase Manhattan, Chemical and Manufacturers Hanover) offered home banking services using the videotex system. Because of the commercial failure of videotex these banking services never became popular except in France where the use of videotex (Minitel) was subsidised by the telecom provider and the UK, where the Prestel system was used.

The UK's first home online banking services was set up by Bank of Scotland for customers of the Nottingham Building Society (NBS) in 1983[3]. The system used was based on the UK's Prestel system and used a computer, such as the BBC Micro, or keyboard (Tandata Td1400) connected to the telephone system and television set. The system (known as 'Home link') allowed on-line viewing of statements, bank transfers and bill payments. In order to make bank transfers and bill payments, a written instruction giving details of the intended recipient had to be sent to the NBS who set the details up on the Home link system.[39] Typical recipients were gas, electricity and telephone companies and accounts with other banks. Details of payments to be made were input into the NBS system by the account holder via Prestel. A cheque was then sent by NBS to the payee and an advice giving details of the payment was sent to the account holder. BACS was later used to transfer the payment directly. Stanford Federal Credit Union was

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[39] Ceonin, Mary.J. “Banking and Finance on the Internet” Publisher John Wiley and Sons, 1997

the first financial institution to offer online internet banking services to all of its members in October 1994. Today, many banks are internet only banks. Unlike their predecessors, these internet only banks do not maintain brick and mortar bank branches. Instead, they typically differentiate themselves by offering better interest rates and online banking features.

MEANING

Online banking (or Internet banking) allows customers to conduct financial transactions on a secure website operated by their retail or virtual bank, credit union or building society

FEATURES

Online banking solutions have many features and capabilities in common, but traditionally also have some that are application specific

A. TRANSACTIONAL

(e.g., performing a financial transaction such as an account to account transfer, paying a bill, wire transfer and applications apply for a loan, new account, etc.)

- Electronic Bill Presentment and Payment - EBPP
- Funds transfer between a customer's own checking and savings accounts, or to another customer's account
- Investment purchase or sale
- Loan applications and transactions, such as repayments of enrolments

B. NON-TRANSACTIONAL

(e.g., online statements, check links, co browsing, chat)

- Bank statements
- Financial Institution Administration -
- Support of multiple users having varying levels of authority

- Transaction approval process
- Wire transfer

1.22. INTRODUCTION TO RESEARCH PROBLEM

1.22.1. INTRODUCTION

The financial sector reforms in India are an integral part of the overall program of economic reforms aimed at improving productivity and efficiency. The financial sector reforms in India are now about seventeen years old an appropriate time to make a medium term appraisal. Moreover having initiated fundamental changes, the financial sector, particularly the banking sector is now under an obligation to demonstrate the efficiency of the reforms undertaken so far. Especially banking sector gives a new vision to Indian economy. Banking industry is a part of the changing business paradigms across the globe. Banking sector plays a very important role in the growth of Indian economy. Banking sector is one of largest contributing forces to the growth of economy.

In a market driven banking sector, competition is the most dynamic elements. Increasing competition is going to be the major problem for the banking sector will have to face. Due to market competition in Indian banking industry, the pattern of banking business is changing phenomenally. Continuous exploration of scope in market would demand a brilliant focus on emerging opportunities and convert that opportunities into competitive strength that calls for the competitive strategy. Moreover banks have to provide a world class services to the customer to their door. Due to this type of quality services and facilities, income is increasing day to day.[40]The major income of the bank is interest income. But now-a-days bank are also offering wide range services like, Shopping. Ticket

[40] URL/Http://www.expressindia.com/Surekha Sute, 26, July 2010, 4:00 PM

booking, Fund transfer and also entered into mutual fund, insurance, financing export services. In present age banking sector provide a world class non-fund based facilities to the customer. Due to providing this type of facilities, non-fund based income is increasing day by day. So, non-fund based is an interesting area for the researcher.

1.22.2 TITLE OF THE PROBLEM

My research topic is on the basis of Indian banking industry. Now-a-days in India, banking sector plays a very important role in the growth of Indian economy. Indian banking industry have been running and working successfully and providing a world class services to the customer at their door. I have to study all these aspect very deeply and clearly which is related to fund based income and non-fund based income. And then I got proper idea of my research. My topic is on the basis of…

"A Comparative Study of Non-Fund Based Income of Selected Public Sector Banks & Selected Private Sector Banks in India"

1.22.3. DATA COLLECTION

The data collection is very important task for the researcher for the researcher study. This research study is mainly based on secondary data. The secondary data shall be collected from the records, documents, related subject matter and related websites. Besides, the researcher shall collect and analyze published data as per the requirement.

As such the universe of this research study is restricted with the reference to selected banks, which are providing services in India. So, researcher has selected 10 public sector banks and 10 private sector banks. The data regarding selected banks have been obtained and collected from the annual report of the banks and related websites.

1.22.4. CONCEPT OF NON-FUND BASED INCOME

Banks are among the main participants of the financial system in India. Banks also perform certain activities which are ancillary to this business of accepting deposits or lending. There are major two types of income for the banks like, Fund based income and Non-fund Based income.

FUND BASED INCOME

Fund based income means those income which are generating from certain activities which are ancillary to this business of accepting deposits or lending.

NON-FUND BASED INCOME

Non-fund based income is such income which are deriving from non-fund facilities provided by the banks.[41]

COMPONENTS OF NON-FUND BASED INCOME

Components of this income, like,

Commission

Exchanges

Brokerage

Rental Income

Income on sale of Investment

Income on sale of premises

Dividend from others

Other recourses

1.22. 5. REVIEW OF LITERATURE

Review of literature is supposed to show that you understand how your project

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[41] URL: Http://www.CaclubIndia.com/experts/fund-non-fund based income.asp 26, July 2010

Fits into the grand scheme of things in your subject. For this research study, I have read and referred some related researches has been conducted in the past, are as under.

1. Prof. Singh,Y.P Prof. Seth A.K. & Prof. Rajput Bhawna have written an article on "Non-Interest Income and Risk Adjusted Performance of Commercial Banks in India" In this research study the researcher tried examine the link between the revenue portfolio and risk adjusted performance of banks in Indian context. Traditionally it is believed that earning from non-interest income generating revenue are more stable than loan based earning and the increases focus on these activities overall revenue and profitability volatility via diversification effects.[42]

2. Dr. Kim Hawtrey has written an article on "Bank's Non-Interest Income – An International Study" This study provides an international comparative survey of trends in banks interest and non-interest income and seeks to identify the factors shaping trends in banks income in recent years.

3. Mr. Kevin J Stiroh has conducted the research study on "Diversification in Banking: Is Non-Interest Income the Answer?" In this research study assesses potential diversification benefits in the U.S. banking industry for the steady shift towards activities that generate fee income, trading revenue and other types of non-interest income.

4. **Mr. Rosie, Smith and Geoffrey, Wood** have written an research article on "Non-Interest Income and Total Income Stability" In this research study some focuses on business lending, some on household lending and some on fee-earning activities. Banks can differ markedly in their sources of income. This paper examines the variability of interest and non-interest income, and their correlation.[43]

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[42] Prof. Singh ,Y.P, Prof. Seth A.K. & Prof. Rajput, Bhawna "Indian Journal of Finance and Research" Vol-6, year 2006-07

[43] Mr. Rosie, Smith and Geoffrey, Wood, Bank of England working paper series no-195, Cass Business School, Research Paper

1.22.6. SCOPE OF THE STUDY

The scope of this research study is as under.

FUNCTIONAL SCOPE

Functional scope of this study is to analyze non-fund based income of Indian banking industry.

GEOGRAPHICAL SCOPE

In this study researcher selected 20 banks, which are providing services in India. So, whole India is geographical criteria for this research study.

1.22.7 RESEARCH DESIGN

According to Claire Selltiz, "Research Design is the arrangement of the conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure " Architects 'Design' a plan before constructing a building baring well in mind the purpose for which the building is to be used. The architect takes decisions such as, how long the building will be, how many rooms it will have, how these rooms does all this before the actual construction begins. The proceeds in this manner because he wants to get a picture which helps him to visualize clearly the difficulties and inconveniences that would face in future. The research design is also same process. Well structured research design protect researcher against difficulties and inconveniences. In other words, decisions regarding what, where, when, how much, by what means concerning an inquiry or a research study constitute a research design. Research design is concern with turning the research question into a testing project.[44]

In, short, research design is nothing but it is a blue print of research.

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[44] URL: Http://www.mondofacto.com/facts/dictionary/Research+Design, 8, August, 2010, 5.00 PM

1.22.8 SAMPLE DESIGN

The researcher has selected 10 public sector banks and 10 private sector banks are listed in Indian stock exchanges.

PUBLIC SECTOR BANKS

Public Sector Banks are such banks which are generating funds through the public or institutions and 51 or more than 51% ownership of the government and managed by the government.
State Bank of India, Bank of India, Bank of Baroda, Canara Bank, Corporation Bank, Dena Bank, Indian Overseas Bank, Oriental Bank of Commerce, Union Bank of India and Vijaya bank.

PRIVATE SECTOR BANKS

Private Sector Banks are such banks which are generating funds through the public or institutions and 51 or more than 51% ownership of individual or Public institution and managed by private institution.
ICICI Bank, Bank of Rajasthan, HDFC Bank, Kotak Mahindra Bank, UTI(AXIS) Bank, Dhanlakshmi Bank , City Union Bank, South Indian Bank, Karur Vysya Bank and Federal Bank.

1.22.9. OBJECTIVE OF THE STUDY

Objective is a base for any work. The objectives determine the future and outcome of the research. No one work is started without any objectives. The present research work has also some objectives. The present research work has been under taken keeping in view the following objectives.

1. To study of non-fund based income of the selected banks.
2. To judge the future growth of non-fund based income.
3. To examine the contribution of non-fund based income in the financial

Efficiency an Pattern of services of the selected banks.

4. To examine the supportive role of non-fund based income in the Total income of the Selected banks.
5. To compare the non-fund based income among the selected banks.
6. To make a relative comparison of the non-fund based income of the selected banks.
7. To examine non-banking activity of banking sector in India.

1.22.10 HYPOTHESIS OF THE STUDY

In present study a comparative study of non-fund based income is based on some of the hypothesis which is explained as below.

1. There is no significant difference in Non-fund Based Income of Public Sector Banks.
2. There is no significant difference in Average Non-fund Based Income of Public Sector Banks.
3. There is no significant difference in Non-fund Based Income of Private Sector Banks.
4. There is no significant difference in Average Non-fund Based Income of Public Sector Banks.
5. There is no significant difference of Non-fund Based Income of Public Sector Banks and Private Sector Banks.

1.22.11. PERIOD OF THE STUDY

This research study covered the data of last five years of the functioning of the selected banks. A longer period could have been still better but due to time and resource constraints, the last five years not very short period has been taken for analyzing the data of research program. The study period is 5 years, starting from year 2004 to 2008.

1.22.12. SIGNIFICANCE OF THE STUDY

CONTRIBUTION TO THE KNOWLEDGE

1. Through this research study the knowledge of researcher particularly regarding statistical tools and technique and statistical test will improve.
2. The knowledge regarding non-fund based income will be improved.

CONTRIBUTION TO THE SOCIETY

1. Through this research study society will able to know the real situation of Non-fund based income of the banks.
2. Customer will be able to take proper decision regarding the selection of Services of the banks.
3. Society will be able to know the various types of non-banking facilities and services.

CONTRIBUTION TO THE INDUSTRY

1. Banking industry may be able to know the financial efficiency with the Help of non-fund based income.
2. Banking industry will try to improve their non-fund based income Through this research work.

1.22.13 STATISTICAL TECHNIQUES

The main base of the study is to analyzed non-fund based income of the selected banks. Verifying and testing this hypothesis, some techniques have been used. Here, mainly applied test or techniques are as under.

1. AVERAGE/MEAN

The most commonly used average is the arithmetic mean, briefly referred to as the mean. The mean can be found by adding all the variables and dividing it by total number of the years taken. It gives a brief picture of a large group which is represents and gives a basic of comparison with other groups**.**

2. THE STANDARD DEVIATION

The Standard deviation concept was introduced by Karl Pearson in 1823. It is by far the most important and widely used measure of studying dispersion. Standard deviation is also known as root mean square deviation for the reason that it is the square root of the mean of the square deviation from arithmetic mean.

3. T-TEST

T-test is based on T-Distribution and is considering an appropriate test for judging the significance of a sample mean. It can also be used for judging the significance of the Co-efficient of simple and partial Co-relations. The relevant test statistical is calculated from the sample data and then compared with its problem value based on T-distribution at a specified level of significance for concerning degree of freedom for accepting or rejecting the Null Hypothesis.

4. F-TEST

OR ANNOVA (ANALYSIS OF VARIANCES)

F-test is also known as ANOVA, means analysis of variances. Where the sample is subdivided amongst more than two groups at that time ANOVA used.

F = MSB/MSW

MSB = Mean Square between Groups

MSW = Mean Square within Groups[46]

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[46] Kothari,C.R."Research Methodology: Methods and Techniques" Wiley Eastern Ltd. p

5. TWO WAY ANOVA

Statistical test to examine the influence of two categorical independent variables on one continuous level dependent variable; can determine the main effect of contributions of each independent variable and the interaction effect.

1.22.14. LIMITATIONS OF THE STUDY

Every live and non-live factor has its own limitation, which restrict the usability of that factor. Each study cannot be free from limitations. Some limitations likewise, the limitation of time, areas, economic, efforts, scope as well as the method of the study. Some limitations for present research work are as under

1. Scope of this study is wider but sample size is limited to only 20 banks. From the 20 Banks, 10 are Public sector and 10 are Private sector banks are covered in this study only.

2. This research study based on secondary data collected from annual reports of various banks and related websites. The limitation of the secondary data and its findings depend entirely on the accuracy of such data.

3. The data, which is used for his study is based on annual report of the bank and secondary data collected from published reports from time to time. Therefore the quality of this research depends on quality and reliability of data published in annual reports.

4. Results of this research are confined and limited to the selected banks.

5. The study is limited to five years (2004 to 2008) only.

6. In this research only selected public and private sector banks are covered. Co-operative banks and foreign banks are working in India could not covered. So, it is very difficult to come proper conclusion regarding whole banking sector.

1.22.15. PLAN OF THE STUDY

The entire research study will be present in six chapters.

1. INTRODUCTION

In this chapter, Meaning and Definition of the Bank, History and evolution of banking in the world. History of banking in India, Development of banks in India, Banking system in India, Functions of bank, Types of banks, Role of banks in the growth of Indian economy, Present scenario of banking in India, Global challenges in banking sector in India, Innovative services provided by the banks in India and introduction to research problem are included.

2. REVIEW OF LITERATURE

In this chapter, Introduction and profile of the researcher briefly mentioned previous research conducted by them.

3. NON-FUND BASED INCOME

In this chapter, Meaning and definition of income, Types of income, Meaning and Definition of Fund Based Income, Meaning and Definition of Non-Fund Based Income briefly mentioned.

4. PROFILE OF SAMPALED BANK

In this chapter, brief profiles of 20 sampled banks are described. From the 20 banks, 10 are Public Sector Banks and 10 are Private Sector Banks.

5. ANALYTICAL STUDY OF NON-FUND BASED INCOME OF BANKS

As the title state, this chapter covers the analysis of the results obtained with the started research methodology. Various statistical tools and techniques are used. Comparison, Analysis and deep study has been done and at last result should be received. This chapter also covers the broader hypothesis testing and the conclusion drawn on the basis of the analysis.

6. FINDINGS, SUGGESTIONS AND CONCLUSION

This chapter covers major findings and suggestions for the Non-Fund Based Income. So, we can say that this chapter provides solid and useful information to the banking industry. And at last conclusion of this research study will be included.

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2.1 INTRODUCTION

The financial sector reforms in India are an integral part of the overall program of economic reforms aimed at improving productivity and efficiency. The financial sector reforms in India are now about seventeen years old an appropriate time to make a medium term appraisal. Moreover having initiated fundamental changes, the financial sector, particularly the banking sector is now under an obligation to demonstrate the efficiency of the reforms undertaken so far. Especially banking sector gives a new vision to Indian economy. Banking industry is a part of the changing business paradigms across the globe. Banking sector plays a very important role in the growth of Indian economy. Banking sector is one of largest contributing forces to the growth of economy.

In a market driven banking sector, competition is the most dynamic elements. Due to market competition in Indian banking industry, the pattern of banking business is changing phenomenally. Continuous exploration of scope in market would demand a brilliant focus on emerging opportunities and convert that opportunities into competitive strength that calls for the competitive strategy. The major income of the bank is interest income. But now-a-days bank are also offering wide range services like, Shopping. Ticket booking, Fund transfer and also entered into mutual fund, insurance, financing export services. In present age banking sector provide a world class non-fund based facilities to the customer.

A number of studies have been conducted in India and Abroad on banking sector, especially Non-Fund Based Income. An attempt is made here to brief review of various major or minor studies for the purpose of convenience on Non-Fund Based Income.

2. 2 PROFILE OF RESEARCHER

[1] Researcher: Ritu Basu, Pablo Druck and David Marston

Title: *"Bank Consolidation and Performance: The Argentine Experience"*

Published: IMF Working Paper No. WP/04/149

Year: August, 2004

Finding and Suggestion

In this study the researchers examine a large panel of more than 100 banks from Argentina to study the effects of bank consolidation on performance between December 1995 and December 2000, a period of heavy bank consolidation and relative calm. Overall, we find a positive and significant effect of bank consolidation on bank performance. Bank returns increase with consolidation, and insolvency risk is reduced. Additionally, the study suggests that mergers and privatizations have a beneficial effect on bank returns. The effects of a bank acquisition on return on equity is, however, negative. Acquisitions do not seem to have any effect on risk-adjusted returns. The study also finds that a bank`s insolvency risk is reduced significantly through mergers and privatization and is unrelated to bank acquisitions.[1]

[2] Researcher: Mr. David Hauner and Shanaka Peiris

Title*: "Bank Efficiency and Competition in Low-Income Countries: The Case of Uganda"*

Published: *IMF Working Paper No. 05/240*

Year: December, 2005

Finding and Suggestion

In this study there is a concern that the state-dominated, inefficient, and fragile

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[1]Basu, Ritu, Druck, Pablo and Marston, David, Bank *Consolidation and Performance: The Argentine Experience"* Experience (August 2004). IMF Working Paper, Vol. pp. 1-33, 2004.

Banking systems in many low-income countries, especially in sub-Saharan Africa, are a major hindrance to economic growth. This paper systematically analyzes the impact of the far-reaching banking sector reforms undertaken in Uganda to improve competition and efficiency. Using models that have been previously used only in industrial countries, we find that the level of competition has increased significantly and has been associated with a rise in efficiency. Moreover, on average, larger banks and foreign-owned banks have become more efficient, while smaller banks have become less efficient in the face of increased competitive pressures.[2]

[3] Researcher: Mr. Chuling Chen

Title: *"Bank Efficiency in Sub-Saharan African Middle Income Countries"*

Published: IMF Working Paper No. 04/14

Year: January, 2009

Finding and Suggestion

In this study researcher used bank level data to study the efficiency of banks in Sub-Saharan African middle-income countries and provide possible explanations for the difference in the efficiency levels of banks. We find that banks, on average, could save 20-30 percent of their total costs if they were operating efficiently, and that foreign banks are more efficient than public banks and domestic private banks. Among the factors that could affect the efficiency levels are macroeconomic stability, depth of financial development, the degree of market competition, strong legal rights and contract laws, and better governance, including political stability and government effectiveness. Our findings point to the importance of policies that aim to build stronger institutions, promote more competition, and improve governance.

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[2] Hauner, David and Peiris, Shanaka, "Bank Efficiency and Competition in Low-Income Countries: The Case of Uganda" (December 2005). IMF Working Paper, Vol., pp. 1-31,

[4] Researcher: Amine Tarazi, Laetitia Lepetit, Emmanuelle Nys, and Philippe Rous

Title: *"Bank Income Structure and Risk: An Empirical Analysis of European Banks"*

Published: Journal of Banking and Finance, Forth coming

Year: January, 2007

Finding and Suggestion

The purpose of this paper is to investigate the relationship between bank risk and product diversification in the changing structure of the European banking industry. Based on a broad set of European banks for the period 1996-2002, our study first shows that banks expanding into non-interest income activities present higher risk and higher insolvency risk than banks which mainly supply loans. However, considering size effects and splitting non-interest activities into both trading activities and commission and fee activities we show that the positive link with risk is mostly accurate for small banks and essentially driven by commission and fee activities. A higher share of trading activities is never associated with higher risk and for small banks it implies, in some cases, lower asset and default risks.

[5] Researcher: Mr. Christos Staikouras, Geoffrey Wood and Rosie Denney

Title: *"Bank Non-Interest Income: A Source of Stability?"*

Published: Cass Business School Research Paper

Year: February, 2000

Finding and Suggestion

In the face of declining net interest margins, depository institutions have entered new product areas over the past two decades, moving from traditional lending to areas that generate non-interest revenues. The change is of importance for financial stability. The more unstable is a bank's earnings stream, the more risky the institution is. The aim of this paper is to examine whether the gradual move into fee-earning activities has reduced the variability of banking system profits. The conventional wisdom in the banking industry is that earnings from fee-based products are more stable than loan-based earnings, and that fee-based activities reduce bank risk via diversification. Our results, generally, do not support that view. However, there is the potential for diversification benefits in the case of German commercial banks, the UK buildings societies, and small German banks; although this appears to be quite limited since in all cases fee income is less stable.[3]

[6] Researcher: Mr. Robert De Young and Gary Whalen

Title: *"Banking Industry Consolidation: Efficiency Issues"*

Published: Jerome Levy Economics Institute Working Paper No. 110

Year: October, 1998

Finding and Suggestion

In this study Failures, intra-company mergers of affiliate banks, and inter-company mergers and acquisitions together account for the disappearance of more than 4000 bank charters since 1987. This process of consolidation is beneficial if it drives inefficient banking organizations from the market and if it facilitates increased efficiency in the banking organizations that survive. In this paper, we consider the findings reported in previous studies and present results from new research of our own in an attempt to determine the impact of consolidation on banking industry efficiency. New evidence presented here suggests that failed banks are significantly less efficient than their peers 5 to 6 years prior to failure and that this performance differential often becomes evident before the appearance of major loan Quality problems. Consistent with existing evidence, new evidence drawn from an event study indicates that intra-company consolidation is likely to have a small but significantly

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[3] Mr. Christos Staikouras, Geoffrey Wood and Rosie Denney *"Bank Non-Interest Income: A Source of Stability?"* Cass Business School Research Paper**,** February, 2000. Http://ssrn.com

Positive impact on holding company efficiency and profitability. Finally, both new and existing research on inter-company bank mergers finds that many of these transactions have a potential for efficiency gains that is not systematically exploited post merger, results that suggest a non-efficiency motivation for bank mergers. When considered together, the results presented here suggest that efficiency is a useful indicator of a bank's competitive viability, and the intra- and inter-company mergers, at least within states, afford demonstrate that regulatory restrictions on geographic expansion and organizational form impose costs on banks that should be consciously considered by policy makers.

[7] Researcher: Caroline Fohlin

Title: *"Banking Industry Structure, Competition, and Performance: Does Universality Matter?"*

Published: California Institute of Technology Social Science Working Paper No. 1078

Year: October, 2000

Finding and Suggestion

In this study by studying the German universal banking system in the pre-World War I period, in comparison with its American and British counterparts, this paper investigates whether universality (the combination of commercial and investment banking services) influences banking industry concentration, levels of market power, or financial performance of banks. The short answer is "no". First, given that the UK's specialized commercial banking sector was structured very similarly to the German universal industrial banking sector, and that neither system was extremely concentrated in the pre-war era, the paper argues that universality does not necessarily or uniquely. The empirical results, though contradictory to common wisdom about German universal banking, are easily motivated by the theoretical literature in industrial organization. These three sets of findings may assuage fears that deregulation in American banking could lead to excessive concentration and therefore collusive behavior. At the same time, the results may lower hopes of significant efficiency gains from broadening the scope of services.[4]

[8] Researcher: Mark A. Carlson and Kris James Michener

Title: *"Branch Banking, Bank Competition, and Financial Stability"*

Published: *NBER Working Paper No. W11291*

Year: May, 2005

Finding and Suggestion

In this paper it is often argued that branching stabilizes banking systems by facilitating diversification of bank Portfolios; however, previous empirical research on the Great Depression offers mixed support for this view. Analyses using state-level data find that states allowing branch banking had lower failure rates, while those examining individual banks find that branch banks were more likely to fail. We argue that an alternative hypothesis can reconcile these seemingly disparate findings. Using data on national banks from the 1920s and 1930s, we show that branch banking increases competition and forces weak banks to exit the banking system. This consolidation strengthens the system as a whole without necessarily strengthening the branch banks themselves. Our empirical results suggest that the effects that branching had on competition were quantitatively more important than geographical diversification for bank stability in the 1920s and 1930s.

[9] Researcher: Kevin J. Stiroh

Title: *"Diversification in Banking: Is Non interest Income the Answer?"*

Published: *FRB of New York Staff Report No. 154*

Year: November, 2002

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[4] Caroline,Fohlin. : *"Banking Industry Structure, Competition, and Performance: Does Universality Matter?"* California Institute of Technology Social Science Working Paper No. 1078

Finding and Suggestion

In this study The U.S. banking industry is steadily increasing its reliance on non traditional activities that generate fee income, trading revenue, and other types of non interest income. This paper assesses potential diversification benefits from this shift. At the aggregate level, declining volatility of net operating revenue reflects reduced volatility of net interest income, rather than diversification benefits from non interest income, which is quite volatile and has become more highly correlated with net interest income. At the bank level, growth rates of net interest income and noninterest income have also become more correlated in recent years. Finally, greater reliance on non interest income, particularly trading revenue, is associated with higher risk and lower risk-adjusted profits. These results suggest few obvious diversification benefits from the ongoing shift toward non interest income.[5]

[10] Researcher: Rosie Smith, Christos Staikouras and Geoffrey Wood

Title: *"Non-Interest Income and Total Income Stability"*

Published: *Bank of England Working Paper No. 198*

Year: August, 2003

Finding and Suggestion

In this studied Banks can differ markedly in their sources of income. Some focus on business lending, some on household lending, and some on fee-earning activities. Increasingly, however, most banks are diversifying into fee-earning activities. Such diversification is either justified (by the bank) or welcomed (by commentators), or both, as reducing the bank's exposure to risk. Diversification across various sources of earnings is welcomed for, it is claimed, and diversification reduces risk. Whether it does of course depends on how independent of each other the various earnings sources are. Traditionally fee

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[5] Kevin J. Stiroh. *"Diversification in Banking: Is Non interest Income the Answer?" FRB of New York Staff Report No. 154* November, 2002. Available at SSRN:Http://ssrn.com/abstract=334420

Income has been very stable; but, also traditionally, it has been a small part of the earnings stream of most banks. Has non-interest income remained stable, or at least uncorrelated with interest income, as banks have increased its importance in their earnings? This paper examines the variability of interest and non-interest income, and their correlation, for the banking systems of EU countries for the years 1994-98. It is found that the increased importance of non-interest income did, for most but not all categories of bank, stabilize profits in the European banking industry in those years. It is not, however, invariably more stable than interest income.

[11] Researcher: Prof. Singh, Y.P, Prof. Seth, A.K. & Prof. Rajput, Bhawna

Title: *"Non-Interest Income and Risk Adjusted Performance of Commercial Banks in India"*

Published: *Indian Journal of Finance and Research*

Year: 2006-07

Finding and Suggestion

In this research study the researcher tried examine the link between the revenue portfolio and risk adjusted performance of banks in Indian context. Traditionally it is believed that earning from non-interest income generating revenue are more stable than loan based earning and the increases focus on these activities overall revenue and profitability volatility via diversification effects.

[12] Researcher: Ramona Busch and Thomas Kick

Title: "*Income diversification in the German banking industry"*

Published: *Series 2: Banking and Financial Studies*

Year: November, 2009

Finding and Suggestion

In the last few years it has been possible to observe decreasing interest margins for German universal banks. At the same time, institutions increasingly moved part of their business from interest to fee-earning activities. This study analyzes the determinants of non-interest income and its impact on financial performance and the risk profile of German banks between 1995 and 2007. We find empirical evidence that for all German universal banks risk-adjusted returns on equity and total assets are positively affected by higher fee income activities. Additionally, for commercial banks we show that a strong engagement in fee-generating activities goes along with higher risk. In order to analyze possible cross-subsidization effects between interest and fee business we also examine how banks' expansion in fee-based services has affected their interest margin. For savings and commercial banks we find that institutions with a strong focus on fee business charge lower interest margins when credit risk is controlled.

[13] Researcher: Gunhild Berg

Title: *"Evaluating the Impacts of Micro saving: The* Case *of Sewa Bank in India"*

Published: *Journal of Economic Development, Vol- 35, No. 1*

Year: February, 2009

Finding and Suggestion

In This paper estimates the impact of participating in the savings program of SEWA Bank in India on household income and consumption. Contrary to micro credit, micro saving has not received much attention in the empirical literature yet which can be explained by a lack of reliable household data. The paper uses panel data to account for individual unobserved effects that can lead to substantial biases when not being controlled for. I find that when controlling for self-selection, no significant impacts of the program can be observed and that naive estimates, which do not account for selection biases, severely overstate program impacts.

[14] Researcher: Barry Williams and Gulasekaran Rajaguru

Title: *"The Chicken or the Egg? The Trade-Off between Bank Non Interest Income and Net Interest Margins"*

Published: *20th Australasian Finance & Banking Conference 2007 Paper*

Year: 2010

Finding and Suggestion

This study considers the time series relationship between bank non interest income and bank net interest margins in Australia using panel vector auto regressions. It is found that increases in bank noninterest income are being used to supplement decreases in net interest margins, but that the magnitude of the increase in noninterest income is smaller than the decrease in net interest margins. It is also found that increases in noninterest income pre-date declines in margin income, suggesting that Australian banks were pro-active in the process of disintermediation. The agency risks of increased bank noninterest income are explored from the perspectives of regulators, consumers, bank shareholders, borrowers and bank management**.**[6]

[15] Researcher: Ron J Feldman & Jason Schmidt

Title: **"***Non interest income: A potential for profits, risk reduction and some exaggerated claims"*

Published: Working Paper Series The Federal Reserve Bank of MINNEAPOLIS

Year: 1999

Finding and Suggestion

This is the first of a two-part series on no interest income; the next issue of the fed gazette will include an analysis of non interest income and Ninth District

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[6] Barry Williams and Gulasekaran Rajaguru, **:** *"The Chicken or the Egg? The Trade-Off between Bank Non Interest Income and Net Interest Margins"*

Banks Analysts regularly attribute record bank profitability in recent years to the significant growth of non interest income, the revenue that banks earn from areas outside their lending operations. In addition to its growth, no interest income over the last decade has been characterized by a shift in sources from charges on deposit accounts, for example, to fees for mortgage servicing or sales of mutual funds. These trends are partly explained by new technologies and opportunities available to banks, but the "unique features" of non interest income also explain them. Most importantly, banks that increase no interest income could reduce risk; the increased noninterest income could lead to more diversification. Of course, non interest income is no panacea and claims about its stability may be exaggerated.

[16] Researcher: Elyas, Elyasiani & Yong Wang. R

Title: *"Non-Interest Income Diversification and Information Asymmetry of Bank Holding Companies"*

Published: Working Paper Series , Temple University , 2008

Year: 2008

Finding and Suggestion

This Empirical studies show that investors do not value BHCs' pursuit of non-interest income generating activities and yet these activities have demonstrated a dramatic pace of growth in the recent decades. An interesting question is what factors drive the discontent of the investors with the diversification endeavors of the BHCs in non-interest income activities. This study examines the subject from the view point of information opaqueness, which is unique in the banking industry in terms of its intensity. We propose that increased diversification into non-interest income activities deepens information asymmetry, making BHCs more opaque and curtailing their value, as a result. Two important results are obtained in support of this proposition. First, analysts' forecasts are less accurate and more dispersed for the BHCs with greater diversity of non-interest income activities, indicating that these BHCs are less transparent. Second, stock market reactions to earning announcements by these BHCs signaling new information to the market are larger, indicating that more information is revealed to the market by each announcement. These findings indicate that increased diversity of non-interest income activities is associated with more severe information asymmetry between insiders and outsiders and, hence, a lower value.[7]

[17] Researcher: Trope, David

Title: *"Non-Interest Income CAN BANKS DO BETTER?*

Published: Journal of Banking and Financial Services

Year: April, 2000

Finding and Suggestion

In this study There is an assumption among bankers that all one needs to do to combat competitive pressures on bank margins is to diversify into fee-generating activity. By doing so, banks would generate higher levels of non-interest income, which would be sufficient to compensate for the reductions they have been experiencing in their net interest income. There may be a further assumption that non-interest income will not be as sensitive as net interest income to changing economic conditions, and that non-interest income in that way will help make a bank's overall income less variable. To reflect this, some banks have imposed specific targets for the level of non-interest income that ought to be earned. The target can be expressed as a ratio of non-interest income to total income (defined to be net of interest expense).

[18] Researcher: Sinh, Rupinder

Title: *"Maybank banks on non-interest income"*

Published: Straits Times articles

Year: January, 2006

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[7] Elyas,Elyasiani & Yong Wang. R *"Non-Interest Income Diversification and Information Asymmetry of Bank Holding Companies"* Working Paper Series, Temple University , 2008

Finding and Suggestion

In this study MALAYAN Banking Bhd (Maybank), Malaysia's largest banking group, expects its non-interest income to contribute one-third of its revenue in one to two years. Non-interest income comprises fees and service charges collected from customers for various products and services. Chief operating officer Datuk Johar Che Mat said to date; the bank is on track to achieving the target. For its third quarter to March 2006, it saw its non-interest income surging by RM378 million or 22.7 per cent.

[19] Researcher: Zhou Haowen & Wang Jing

Title: *"A Review of the Fluctuation of Non-interest Income of the Commercial Banks of Our Country from the Perspective of Portfolio Theory "*

Published: Economic Survey in China 2008

Year: 2008

Finding and Suggestion

The authors use portfolio theory to analyze the sample data of twelve commercial banks of our country in the years of 1999-2006 and find that strong fluctuation exists in non-interest income. Once diversified benefits decrease or disappear, strong fluctuation of non-interest income is sure to intensify the fluctuation of the whole income, which is not helpful for the healthy operation of commercial banks.

[20] Researcher: Wang, Zhijun

Title: *"Non-interest Income in EU Banking Sector"*

Published: Studies of International Finance

Year: 2007

Finding and Suggestion

With the advantage of unique banking regime, the non -interest income activities of EU banking have got great development since late 1980s.The development is manifested by the fact that ,the share of non -interest income in gross income is progressively increased ,the activity is of great variety. The EU banking non -interest income also has its own features as ,substitutive effect on interest income and stabilizing effect on banking profitability, the positive correlation with bank size and a certain degree of volatility.

[21] Researcher: Anjaly, Vijayakumar & Mercia Selva, Malar

Title: *“A Study on Impact of Non Interest Income on Bank’s Profitability for a New Generation Bank”*

Published: *SCMS Cochin*

Year: 2008-09

Finding and Suggestion

The major finding was that the rate of earning non- interest income is very low when compared with the interest income. The commission received from LC, DD etc formed the major chunk on non- interest income of the bank. It is suggested that the unviable loss making branches to be either merged with the nearest branches or closed abruptly to reduce the loss, lockers and be installed at extension counter also. The banks make use of use of the opportunity improve the cross selling and tapping the untapped opportunities in the retail segment. As retail income continues to grow there is an immense opportunity for the banks to raise fee based income.[8]

[22] Researcher: Zhou Haowen and Wang, Jing

Title: “A Study of Correlation between Non-interest Income and Interest Income of China's Commercial Bank”

Published: The Journal of Guangdog University of Finance

Year: January, 2001

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[8] URL: Http://hdl.handle.net/10562/144, 15, January, 2011, 9:90 AM

Finding and Suggestion

As improving their earning structure is one of the transformation strategic target, most commercial banks begin to increase non-interest income proportion. In order to rationalize the earning structure,it is important to develop non-interest income while declining the volatility of operating revenue through negative correlation between non-interest income and interest income .If non-interest income plays a diversifying role for bank revenue, then one would expect them to be negatively or only weakly correlated. This paper examines the relativity between non-interest income and interest income of 14 commercial banks in China from 1990 to 2006 in two ways: a cross-sectional correlation and a bank-specific correlation. The results suggest that bank manager should pay special attention to non-interest income and make non-interest income play a fluctuating role.

[23] Researcher: Xue, Hongjian

Title: "A Study of US Commercial Banks' Non-Interest Income"

Published: Study of International Finance, 2006

Year: 2006

Finding and Suggestion

In this study In the past 20years, income from investment banking, assets management, securitization, Insurance and other operational business of US Commercial banking industry has increased, and now the non-interest income accounts for more than 15.4% of net operational income. And big commercial banks accounted for 93.0% of the industry total non-interest income, increasing from 82.9% 20 years ago. In order to provide Chinese commercial banks at different phases with experience in developing off-balance sheet businesses, this paper analyzed the development and changes of non-interest income of US commercial banking industry, including its root cause, income structures, bank sizes and comprehensive influence.

[24] Researcher: Zheng Rongnian, Niu Muhong

Title: *"On the Relationship between Non-interest Business and Bank Features of the Commercial Banks in China"*

Published: Journal of Financial Research; 2007-09

Year: 2007-09

Finding and Suggestion

In recent years, China's commercial banks have experienced a decline in its traditional business of financing loans and the increase of noninterest income business. This paper observes the relationship between noninterest activities and bank features in Chinese banking sector by analyzing the data of 14 commercial banks from 1996 to 2005.The empirical analysis suggests that a negative relationship between noninterest activities and bank asset ,net interest margins, capital ratio, human resource ,and a positive relationship between non interest activities and credit risk.

[25] Researcher: Takoshi Kawanaka and Mamiko Yokoi-Arai

Title: *"Competition Policy in the Banking Sector of Asia"*

Published: *Financial Services Agency of Japan Discussion Paper*

Year: March, 2009

Finding and Suggestion

In this paper while the banking sector has not traditionally applied the competition policy strictly, the recent international trend is turning towards greater competition policy application. The uniqueness of banking has often inhibited countries from freely implementing the competition policy, but it is necessary to understand the backdrop of such considerations, and the context in which this has been changing. This paper looks at the manner in which competition policy has been limited in the banking sector, and how this was carried out. Relevant policy issues are discussed, before turning to the main topic of the paper, the Asian financial systems. In the research project of the FSA, the financial systems of several

Asian countries were examined to comprehend the extent of competition policy being applied to banks. This paper abridges the findings of this project and hopes to convey the issues that arise from the full or partial application of the competition policy to the banking sector.

[26] Researcher: Kenneth Spong and Richard J Sullivan

Title: *"Corporate Governance and Bank Performance"*

Published: SSRN Working paper Series

Year: September, 2007

Finding and Suggestion

This article provides an overview of research we have done on how different aspects of corporate governance influence bank performance. We use a random sample of state-chartered community banks in the Midwest and gather detailed information from bank examination reports on the ownership structure of these banks, the policymaking and operational responsibilities of their managers, and the wealth of key bank insiders. The sample banks have a wide range of management, ownership and board structures, thus providing a comprehensive look at various parts of the bank governance framework and the financial incentives that influence managers and owners. Among such incentives are the ownership of bank stock and the importance of this ownership to the overall financial wealth of prominent decision makers within each bank. We find that an ownership stake for hired managers can help improve bank performance, consistent with a reduction in principal-agent problems posited by financial theory. We also find that boards of directors are likely to have a more positive effect on community bank performance when directors have a significant financial interest in the bank. Finally, we find that the wealth and the financial positions of managers and directors significantly influence their own attitudes toward taking risk and their bank's risk-return trade-offs.[9]

[9] URL/Http://ssrn.com/ abstract= 1011068, 15, January 2011, 5:00 PM

[27] Researcher: Renee B. Adams and Hamid, Mehran

Title: *"Corporate Performance, Board Structure, and Their Determinants in the Banking Industry"*

Published: *FRB of New York Staff Report No. 330*

Year: June, 2008

Finding and Suggestion

The sub prime crisis highlights how little we know about the governance of banks. This paper addresses a long-standing gap in the literature by analyzing board governance using a sample of banking firm data that spans forty years. We examine the relationship between board structure (size and composition) and bank performance, as well as some determinants of board structure. We document that mergers and acquisitions activity influences bank board composition, and we provide new evidence that organizational structure is significantly related to bank board size. We argue that these factors may explain why banking firms with larger boards do not underperform their peers in terms of Tobin's Q. Our findings suggest caution in applying regulations motivated by research on the governance of non financial firms to banking firms. Since organizational structure is not specific to banks, our results suggest that it may be an important determinant for the boards of non financial firms with complex organizational structures such as business groups.[10]

[28] Researcher: Yoram, Landskroner and David Ruthenberg

Title: *"Diversification and Performance in Banking: The Israeli Case"*

Published: SSRN Working paper Series

Year: March, 2005

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[10] Renee B. Adams and Hamid, Mehran, *"Corporate Performance, Board Structure, and Their Determinants in the Banking Industry" FRB of New York Staff Report No. 330* , June, 2008

Finding and Suggestion

This paper analyzes performance and portfolio choice of banks' investments across business units using methodologies developed mainly for equity investments. The backgrounds to the paper are major recent developments in the financial services industry, mainly consolidation in the banking industry that raised the issue of efficiency gains due to diversification. The paper focuses on banks in Israel as an extended case study, using the fact that Israeli banks have operated as (limited) universal banks for a long time. The results suggest that there are gains to diversification and that risk adjusted performance is mostly consistent with optimal portfolio choice. Most of the previous research in this area has been done in the US. These studies necessarily focused on hypothetical combinations of different business activities because of the legal limits on US banks. Thus, this paper adds to the literature both by examining actual combinations and looking at another country.

[29] Researcher: Frances X. Frei and Patrick T. Harker

Title: *"Innovation in Retail Banking"*

Published: Financial Institution Center, working paper #97-48-B

Year: 1998

Finding and Suggestion

In this study How does a retail bank innovate? Traditional innovation literature would suggest that organizations innovate by getting new and/or improved products to market. However, in a service, the product is the process. Thus, innovation in banking lies more in process and organizational changes than in new product development in a traditional sense. This paper reviews a multi-year research effort on innovation and efficiency in retail banking, and discusses both the means by which innovation occurs along with the factors that make one institution better than another in innovation. Implications of these results to the study of the broader service sector will be drawn as well.

[30] Researcher: Sheng Hu and Wang Bing

Title: *"The Study on the Effect upon the Non-interest Income of Listed Commercial Banks in China"*

Published: Journal of Financial Research

Year: 2007

Finding and Suggestion

This article studied the Non-interest income using the annals data of 14 listed commercial banks in china from year 2003 to year 2007, and showed that the commercial banks in china country which have developed for many years have broken the situation that depended on the loan-to deposit poor to produce profit. And the Non-interest income has developed further, the production constructors have become more abundant, and the development could meet the needs of people's growing demands for financial service. At the same time, regression analysis showed that raising the proportion of Non-interest income is good to improve the performance of commercial banks.

[31] Researcher: Uppal, R. K.

Title: "A Survival Factor - Non-Interest Income of Banks in the Post Liberalized Era"

Published: SSRN Working paper Series

Year: 2007

Finding and Suggestion

The financial liberalization has changed the behavior of income of the commercial banks in India. Of late, banks have been increasingly diversifying into non-interest income activities as against traditional banking. In this context, this paper attempts to compare the behavior of interest and non-interest income of all scheduled commercial banks in India in the post-second banking sector reforms period. The paper analysis the contours of interest and non-interest income at bank level, bank group level and also at industry level. It further finds some glaring issues related to banks' income and suggests some appropriate strategies to increase non-interest income, which may be helpful to stabilize the total income of the banks in the emerging competition.

[32] Researcher: Li Fang Kang Chengdong

Title: "The Relationship between Net Interest Income and Non-interest Income: Views from the Growth, Fluctuation and Correlation"

Published: South China Finance

Year: February, 2008

Finding and Suggestion

In the past more than ten years the proportion of non-interest income in the gross income of American commercial banking industry has been continuously on the rise and the development of non-interest income business has brought about some far-reaching influences on American commercial banking industry.This paper makes a comparative study on net interest income and non-interest income of American commercial banking industry from the aspects of growth, fluctuation and correlation, with a view to gaining some helpful enlightenment to develop non-interest business for Chinese commercial banks.

[33] Researcher: Gaurav Sharma

Title *"Comparative Study of Non Interest Income of the Indian Banking Sector"*

Published: SSRN Working paper Series

Year: July, 2009

Finding and Suggestion

There are two broad sources of bank revenues:

1. Interest income.

2. Non-interest income.

Interest income is generated from what is known as “the spread”. The spread is the difference between the interest a bank earns on loans extended to customers, corporate etc and the interest paid to depositors for the use of their money. It is also earned from any securities that the banks own, such as treasury bills or bonds. Non-interest income is earned by providing a variety of services, such as trading of securities, assisting companies to issue new equity financing, securities commissions and wealth management, sale of land, building, profit and loss on revaluation of assets etc. As compared to the developed world, the Indian banking sector, apart from the relying on traditional sources of revenue like loan making are also focusing on the activities that generate fee income service charges, trading revenue, and other types of noninterest income. While noninterest income plays an important role in banking revenues in the developed world, its contribution to the total income of the Indian banking was 25% as on 31st March 2008.

[34] Researcher: Mishra, R. K. And Kiranma, J.

Title:” *E- Banking: A Case of India”*

Published: Journal of Public Administration

Year: 2009

Finding and Suggestion

Information technology is considered as the key driver for the changes taking place around the world. According to **Heikki,** the transformation from the traditional banking to e-banking has been a 'leap' change. The evolution of e-banking started from the use of Automatic Teller Machines (ATMs) and telephone banking (tele-banking), direct bill payment, electronic fund transfer and the revolutionary online banking.[11] The future of electronic banking would be more

[11]The ICFAI University Journal of Public Administration Vol-5, No-1, PP 55-65, 2000

interactive i.e., TV banking. Finland is the first country in the world to have taken a lead in e-banking. In India, ICICI Bank initiated banking services during 1997 under the brand name 'Infinity'. It has been forecasted that among all categories, online banking is the future of electronic financial transactions. The rise in e-commerce and internet in enhancing online security transformation and sensitive information has been the core reason for the penetration of online banking in everyday life. The shift towards the involvement of the customers in the financial service with the help of technology, especially internet, has helped in reducing costs of financial institutions as well as clients/customers who use the service at anytime and from virtually anywhere with access to an internet connection. The article presents an overview of e-banking, its evolution, and comparison of the internet banking facilities in Indian banks. The case study approach has been used to compare various banks for rendering different internet banking services to its customers.

[35] Researcher: Vyas, Ramkrishna and Dhade, Aruna

Title: *"A Study on the Impact of New Private Sector Banks on State Bank of India"*

Published: Journal of Bank Management

Year: August, 2007

Finding and Suggestion

In this paper Commercial banks, especially the dominant public sector banks, have been exposed to competition from the new banks set up in the private sector with the latest technology. This has created a need for the public sector banks to improve their business efficiency and volume, which is a good sign of competitive effectiveness.[12] Induced stiff competition in the banking sector, certainly raises some issues relating to the functioning of domestic banks. The study mainly focuses on the State Bank of India (SBI), the premier bank in the

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[12] The Icfai Journal of Bank Management, Vol. 6, No. 3, pp. 61-76, August 2007

Indian banking sector, as to what extent it has been affected by the entry of new private sector banks. The study applies the t-test for finding the significant difference in the performance of SBI before and after the entry of private sector banks, with the help of financial ratios selected as the parameters for ascertaining the changes in the business of SBI. The results indicate that the presence of new private sector banks does not pose any threat to SBI at the moment; however, the same cannot be said in the future. The SBI has a strong network as compared to these new banks, and its presence has been for more than hundreds of years in the region. These facts certainly have a major impact on the results of the study.

[36] Researcher: Christian Roland

Title: *"Banking Sector Liberalization in India"*

Published: Conference paper

Year: 2006

Finding and Suggestion

India has over the last decades experienced different degrees of repressive policies in the banking sector. This paper focuses on the changing intensity of three policies that are commonly associated with financial repression, namely interest rate controls, statutory pre-emotions and directed credit as well as the effects these policies had. The main findings are that the degree of financial repression has Steadily increased between 1960 and 1980, and then declined somewhat before rising to a new peak at the end of the 1980s. Since the start of the overall economic reforms in 1991, the level of financial repression has steadily declined. Despite the high degree of financial repression, no statistically significant negative effects on savings, capital formation and financial development could be established which is contrary to the predictions of the financial liberalization hypothesis.[13]

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[13] Indian Institute of Capital Markets 9th Capital Markets Conference paper

[37] Researcher: **B.S. Hundal, B.S. and Jain, Abhay**

Title: *"Adoption of Mobile Banking Services in India"*

Published: Journal of Systems Management

Year: May, 2006

Finding and Suggestion

Mobile banking, a new challenge, emerged when banking institutions began to consolidate their e-commerce activities. The recent advances in telecommunication have enabled the introduction of mobile banking services, which can be seen as an innovation in the financial services industry. Innovation adoption literature suggests that the perceived innovation attributes are the most important determinants of consumers' adoption decisions. This paper evaluates the applicability of Rogers' (1995) innovation attributes constructs in analyzing the adoption of mobile banking. The data was collected in India during January-August, 2005, and includes 222 survey responses. The article articulates the stimulating and Inhibiting attributes in the adoption of mobile Banking services and outlines some managerial implications.[14]

[38] Researcher: Gupta, Abhay

Title: *"Comparing Bank Lending Channel in India and Pakistan"*

Published: SSRN Paper Series

Year: 2007

Finding and Suggestion

This paper investigates the presence and significance of bank lending channel of the monetary policy transmission in India and Pakistan using the Structural Vector Auto Regression (SVAR) approach. The results of econometric analysis support the presence of a significant bank lending channel in these countries.

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[14] The ICFAI Journal of Systems Management No-2, PP 63-72 May 2006

Changes in the monetary policy instruments affect the credit variable (private sector claims) which in turn transmits the shocks to the real side of the economy, i.e. output and prices. The output returns back to initial level in long run, while the effect of monetary policy changes on prices are persistent. I also find that compared to the bank lending in other developing countries the channel in these countries is different and more vital. Another finding is that apart from interest rates, money also seems to play an important role in these economies and its shocks are significantly transmitted to the real macroeconomic activities through changes in the credit variable.

[39] Researcher: Shingla, Harish Kumar

Title: *"Financial Performance of Banks in India"*

Published: Journal of Bank Management

Year: February, 2008

Finding and Suggestion

The present study was undertaken to examine and understand how financial management plays a crucial role in the growth of banking. It is concerned with examining the profitability position of the selected sixteen banks (BANKEX-based) for a period of five years (2000-01 to 2006-2007). The study reveals that the profitability position was reasonable during the period of study when compared with the previous years. Return on the study when compared with the previous years. Return on Investment proved that the overall profitability and the position of selected banks were sustained at a moderate rate. With respect to debt equity position, it was evident that the companies were maintaining 1:1 ratio, though at one point of time it was very high. Interest coverage ratio was continuously increasing, which indicated the company's ability to meet the interest obligations. Capital adequacy ratio was constant over a period of time.[15] during the study period, it was observed that the return on net worth had a

[15]The ICFAI Journal of Bank Management, Vol. 7, No. 1, pp. 50-62, February 2008

Negative correlation with the debt equity ratio. Interest income to working funds also had a negative association with interest coverage ratio and the Non-Performing Assets (NPA) to net advances was negatively correlated with interest coverage ratio.

[40] Researcher: Dr. Bhayani, S. J.

Title: *"Performance of the New Indian Private Sector Banks: A Comparative Study"*

Published: Journal of Management Research

Year: November 2006

Finding and Suggestion

This Paper emphasis on the broad objective of the banking sector reforms in India has been to increase efficiency and profitability of the banks. For this purpose, the banking sector has been opened for new private sector banks. As a result, various new private sector banks have started their banking business. In this paper, the author analyzes the performance of new private sector banks through the help of the CAMEL model. For the purpose, four leading private sector banks - ICICI, HDFC, UTI and IDBI - have been taken as sample. After making an analysis of the CAMEL parameters, the author has assigned ranks to all the banks according to their performance in various parameters of CAMEL, and then he assigns them overall ranking. The findings of the study reveal that the aggregate performance of IDBI is the best among all the banks, followed by UTI.[16]

[41] Researcher: Geetika, Nanda, Tanuj and Ashwani Kr. Upadhyay

Title: "Internet Banking in India: Issues and Prospects"

Published: Tax Note

Year: 2009

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[16] Icfaian Journal of Management Research, Vol. 5, No. 11, pp. 53-70, November 2006

Finding and Suggestion

This paper discusses the concept of Internet Banking, perception of Internet bank customers, non-customers and issues of major concern in Internet banking. The state of Internet banking in India has been explored using various concepts like E-banking continuum, and gap analysis related to the various services and the security features offered. In order to have a clear and focussed insight about the perceptions of users (and non-users) about Internet banking a survey was conducted. The findings of the survey provide valuable insights into concern for security, reasons for lower penetration, and likeliness of adoption, which have been used to make useful recommendations[17]

[42] Researcher: Maudos, Joaquin and Solisa , Liliana

Title: "*The determinants of net interest income in the Mexican banking System: an integrated model*"

Published: Tax Note

Year: 2009

Finding and Suggestion

This paper analyzes net interest income in the Mexican banking system over the period 1993-2005. Taking as reference the seminal work by Ho and Saunders (1981) and subsequent extensions by other authors, our study models the net interest margin simultaneously including operating costs and diversification and specialization as determinants of the margin. The results referring to the Mexican case show that its high margins can be explained mainly by average operating costs and by market power. Although non-interest income has increased in recent years, its economic impact is low.[18]

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[17]Tax Note Vol-125 No-7 Page No 185 2009

[18]The IFCAI Journal of Bank Management Vol-12, No-2, Page No 47-61 May 2008

[43] Researcher: Jonathan Zhu and Brett R Dick

Title: "US-Sources Interest Income from Lending Business"

Published: Tax Note Vol-125

Year: November, 2009

Finding and Suggestion

A Recent Chief Counsel Memorandum held that US-Sources Interest Income of a foreign corporation is income effectively connected with that corporation's lending business. This article evaluates the analysis of the memorandum and concludes that its position is incorrect under current law.

[44] Researcher: Berger, Allen. N.

Title: *"International Comparisons of Banking Efficiency"*

Published: SSRN Paper series

Year: August, 2007

Finding and Suggestion

In this study the banking industry around the globe has been transformed in recent years by unprecedented consolidation and cross-border activities. However, international consolidation has been considerably less than might have been expected in developed nations - such as long-term members of the EU - where barriers to entry have been significantly lowered. In contrast, foreign-owned banks have generally achieved much higher penetration in developing nations. We investigate the extent to which these differences may be related to bank efficiency concerns by reviewing and critiquing over based on the use of a common efficient frontier, (2) comparisons of bank efficiencies in different nations using nation-specific frontiers, and (3) comparisons of efficiencies of foreign-owned versus 100 studies that compare bank efficiencies across nations. The studies are in three distinct categories: (1) comparisons of bank efficiencies in different nations. Domestically owned banks within the same nation using the same nation-specific frontier. The research - particularly the findings in the third category - is generally consistent with the hypothesis that efficiency differences help to explain the consolidation patterns. The efficiency disadvantages of foreign-owned banks relative to domestically owned banks tend to outweigh the efficiency advantages in developed nations on average, and this situation is generally reversed in developing nations, with notable exceptions to both findings. We also stress the need for further research in this area.

[45] Researcher: Kumbhar, Vijay Maruti

Title: *"Evaluating the Impacts of Micro saving: The* Case *of SEWA Bank in India"*

Published: *SSRN Paper Series,*

Year: September, 2009

Finding and Suggestion

This Paper the Indian banks are changing towards modern banking system. Modernization in banking is changing banking services, products and operational methods of banking. Traditional banking system in depends up on man force but modern banking is partially or totally machine and technology based banking. All these developments are lead to facilities to customers delight as well as operational efficiency of banks and reducing operational expenses of banking services.

[46] Researcher: Wang Yong Zhang Yan Tong Fei

Title: *"On the Dilemma and Countermeasures of Non - interest Business of Commercial Bank in China"*

Published: *Journal of Financial Research*

Year: October, 2006

Finding and Suggestion

With the rapid development of financial market in China and its acceleration of opening to the outside world, the competition for commercial banks is becoming increasingly intensified, and non - interest business becomes an important competitive field for all commercial banks. This paper aims at current issues in non - interest business development of the commercial banks in China and further analyzes the roots of the problems. And some countermeasures are put forward finally.

[47] Researcher: Basanta, Kalita

Title: *"Post 1991 Banking Sector Reforms in India : Policies and Impacts"*

Published: *SSRN Paper Series*

Year: January, 2008

Finding and Suggestion

In this study the banking sector reforms in India were started as a follow up measures of the economic liberalization and financial sector reforms in the country. The banking sector being the life line of the economy was treated with utmost importance in the financial sector reforms. The reforms were aimed at to make the Indian banking industry more competitive, versatile, efficient, and productive, to follow international accounting standard and to free from the government's control. The reforms in the banking industry started in the early 1990s have been continued till now. The paper makes an effort to first gather the major reforms measures and policies regarding the banking industry by the govt. of India and the Central Bank of India (i.e. Reserve Bank of India) during the last fifteen years. Secondly, the paper will try to study the major impacts of those reforms upon the banking industry. A positive responds is seen in the field of enhancing the role of market forces, regarding prudential regulations norms, introduction of CAMELS supervisory rating system, reduction of NPAs and regarding the up gradation of technology. But at the same time the reform has failed to bring up a banking system which is at par with the international level and still the Indian banking sector is mainly controlled by the govt. as public sector banks being the leader in all the spheres of the banking network in the country.

[48] Researcher: Prakash, A and Ghosh, Saibal

Title: "*Competition in Indian Banking"*

Published: *IMF Working Paper No. 05/141*

Year: March, 2006

Finding and Suggestion

It is widely perceived that competition in the Indian banking sector has increased since the inception of the financial sector reforms in 1992. Using annual data on scheduled commercial banks for the period 1996-2004, the paper evaluates the validity of this claim in the Indian context. The empirical evidence reveals that the Indian banking system operates under competitive conditions and earns revenues as if under monopolistic competition.[19]

[49] Researcher: Sajita, Kalpana Chandraprakash

Title: *"Current Observations of* Role *of Banking in India"*

Published: *SSRN Paper Series*

Year: October, 2006

Finding and Suggestion

In this study Banking sector controls are inversely related to financial development because they are mainly based on traditional macroeconomic factors. Data from the Reserve Bank of India indicate that this negative relationship can be partly neutralized by direct monitoring of banking sector controls and evaluating the causality by using dynamic financial and economic models. Since Scheduled Commercial Banks, in India, have nearly three-fourth of the total financial assets of all financial institutions, they have a cardinal role to play in the development process of the economy.[20]

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[19] Prakash, A and Ghosh, Saibal "*Competition in Indian Banking" IMF Working Paper No. 05/141*

[20] URL: http://ssrn.com/abstract=1360555

[50] Researcher: **Arun, T.G. and Turner, J.D.**

Title:"*Public Sector Banks in India: Rationale and Prerequisites for Reform"*

Published: *Annals of Public and Co-operative Economics,*

Year: 2002

Finding and Suggestion

This paper contributes to the debate on public sector banks by suggesting several rationales for government ownership of banks in India. The paper then proceeds to argue that due to high economic costs, the current public sector banking system is unsustainable. Although a policy of wider private ownership was introduced in the 1990s, it is suggested that there are several prerequisites to be met before such a reform can be more fully implemented. It is argued that these prerequisites arise from the rationales for government ownership, and they include a credible bank regulatory regime, and government promotion of co-operative banks and credit unions.[21]

[51] Researcher: Chowdary, Prasad and Srinivasa Rao, K.S.

Title: *"Private Sector Banks in India - A SWOT Analysis"*

Published: *The IUP Journal of Bank Management*

Year: February, 2005

Finding and Suggestion

In this paper the financial reforms launched during the early 1990s have dramatically changed the banking scenario in the country. New prudential norms, such as capital adequacy prescriptions, identification of bad debts, provision requirements, etc., were enforced; and interest rates were deregulated. As a sequel to these reforms, new private sector banks were allowed entry into the market. Many of these new private sector banks have brought with them state-of-

[21]*Annals of Public and Cooperative Economics, Vol. 73, No. 1, 2002 pp. 89-109, 2002*

art technology for business processing and service delivery, besides being efficient in catering to the customers' demands. Yet, the failure of Global Trust Bank made Indian depositors to question the sustainability of private banks. Against this backdrop, this article attempts to undertake SWOT analysis and other appropriate statistical techniques, to rank 30 private sector banks from the financial data collected for the three years - 2002, 2003 and 2004. The study has, Using four parameters - efficiency, financial strength.[22]

[52] Researcher: **Craigwell, Roland, Maxwell and Chenelle**

Title: *"Non-interest income and financial performance at commercial banks in Barbados"*

Published: *Saving and Development,*

Year: 2006

Finding and Suggestion

This study discusses the trends in non-interest income at commercial banks in Barbados between 1985 and 2001, as well as investigates the determinants of non-interest income and its impact on commercial bank financial performance. This paper reveals that the incidence of non-interest income in Barbados declined over the period contrary to the findings in Jamaica and Trinidad and Tobago as well as the wider developed world. A review of the literature and a panel data regression model confirm that the result for Barbados may be attributed to an absence of some of the factors that were pinnacle to the generation of non-interest income in developing countries, such as deregulation and technological change, especially for the developing loan securitization and credit scoring. The empirical evidence supports bank characteristics and the ATM technology as the most influential factors shaping the trend of non-interest income in the banking industry in Barbados and suggests that non-interest income is positively related.

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[22]Chowdary, Prasad and Srinivasa Rao, K.S. *"Private Sector Banks in India - A SWOT Analysis" The IUP Journal of Bank Management,* February, 2005

[53] Researcher: Rice, Tara & Young, De Robert

Title:"*Non interest Income and Financial Performance at U.S. Commercial Banks"*

Published: *Financial Review-39*

Year: 2004

Finding and Suggestion

Non interest income now accounts for over 40% of operating income in the U.S. commercial banking industry. This paper demonstrates a number of empirical links between bank non interest income, business strategies, market conditions, technological change, and financial performance between 1989 and 2001. The results indicate that well-managed banks expand more slowly into non interest activities, and that marginal increases in noninterest income are associated with poorer risk-return tradeoffs on average. These findings suggest that noninterest income is coexisting with, rather than replacing, interest income from the intermediation activities that remain banks' core financial services function.[23]

[54] Researcher: Chakrabarti, Rajesh.

Title: Banking in India - Reforms and Reorganization

Published: *SSRN* Working Paper Series

Year: January, 2005

Finding and Suggestion

The banking industry in India is undergoing a transformation since the beginning of liberalization. Interest rates have declined considerably but there is evidence of under-lending by the banks. The "social" objectives of banking measured in terms of rural credit are, expectedly, taking a back seat. The performance of the banks has improved slightly over time with the public sector banks doing the worst among all banks. The banking sector as a whole and particularly the public sector banks still suffer from considerable NPAs, but the situation has improved over

[23] Financial Review Vol-39 pp 101-127 2004

time. New legal developments like the SARFAESI Act provide new options to banks in their struggle against NPAs. The adoption of Basel-II norms however imply new challenges for Indian banks as well as regulators. Over time, the Indian banking industry has become more competitive and less concentrated. The new private sector banks have been the most efficient though the recent collapse of Global Trust bank has raised issues about efficiency and regulatory effectiveness.

[55] Researcher: Maudos, Joaquin, Fernandez de Guevara, Juan

Title: "Factors Explaining the Interest Margin in the Banking Sectors of the European Union"

Published: *MPRA Paper, Library of Munich*

Year: September, 2003

Finding and Suggestion

This study analyses the interest margin in the principal European banking sectors (Germany, France, the United Kingdom, Italy and Spain) in the period 1993-2000 using a panel of 15,888 observations, identifying the fundamental elements affecting this margin. Our starting point is the methodology developed in the original study by Ho and Saunders (1981) and later extensions, but widened to take banks' operating costs explicitly into account. Also, unlike the usual practice in the literature, a direct measure of the degree of competition (Lerner index) in the different markets is used. The results show that the fall of margins in the European banking system is compatible with a relaxation of the competitive conditions (increase in market power and concentration), as this effect has been counteracted by a reduction of interest rate risk, credit risk, and operating costs.

[56] Researcher: Raje Pradip

Title: "Where Did India Miss a Turn in Banking Reform? Is There a Comeback?"

Published: *Research paper, University of Pennsylvania*

Year: December, 2000

Finding and Suggestion

Caprio (1996) raised the issue of widespread disappointment with Banking reform in most African and transition economies, suggesting something was amiss in the reform model. He argued that it is not just having any regulatory framework, but rather one both attuned to the institutions and structure of the economy and that encourages prudent behavior, which is important to the overall success of reforms. this paper argues regulatory reform alone cannot deliver results unless the banks are restructured simultaneously. Regulatory reform introduces a new set of incentives. Unless banks are equipped with the necessary coping mechanisms, they will fail to work the new incentives into a viable and efficient business model. Lack of adequate bank restructuring is the second part of Caprio's missing model. Failure to attend to restructuring issues inherently amounts to a perverse sequencing of reforms. The Indian Banking reform experience (1992-2000) is discussed in detail to illustrate (i) why focus on regulatory reform often misses the restructuring issues and (ii) the consequences thereof.

[57] Researcher: Biswas, Nigamananda

Title: “Banking Sector in India: Challenges Ahead”

Published: Southern Economist

Year: November, 2009

Finding and Suggestion

Banking sector reforms in India has undergone a profound transformation over the years particularly after the post liberalization period. The changed operating environment underpinned by globalization, privatization, deregulation (since 1991) and advancement in information technology, has resulted intense competitive pressures. Banking sector has responded to these challenges by diversifying through organic growth of existing businesses. This has exposed the Banking sector to newer risks and posed numerous serious challenges. The present paper has made an attempt to highlight the challenges faced by the Banking sector in India and also suggested some measures to survive in the competitive market

[58] Researcher: Dr. Agarwal, H.N.

Title: *"A Portrait of Nationalized Bank- a Study with reference to their social Obligation"*

Published: Inter India Publication, New Delhi.

Year: 1994

Finding and Suggestion

The study recommended that providing more branch offices to the public particularly in semi-urban and rural areas providing greater credit facilities to the public as well as to the priority sector. Helping

A. Generation and maintenances of employment opportunities in the country.
B. Financing the Government securities and popularization the bill from credits.

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6. “ Bank Income Diversity and Systemic Risk” ECB Financial Stability Review June 2007

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8. ICRA- Indian Banking Industry, New Delhi

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2. Journal of Internet Banking and Commerce
3. Journal of Bank Research
4. Journal of Banking and Finance
5. Journal of Money, Credit and Banking
6. Journal of Financial Economics
7. Journal of Financial Services Research
8. Journal of International Banking Regulation
9. Journal of Economics
10. Journal of Finance
11. International Research Journal of Finance and Economics
12. The IUP Journal of Bank Management
13. Journal of Bank Management
14. Journal of Management Research
15. Journal of System Management
16. Journal of Public Administration

3.1 INTRODUCTION

Banks can differ markedly in their sources of income. Some focus on business lending, some on household lending and some on fee-earning activities. Increasingly,however most banks are diversifying into fee-earning activities. Diversification across various sources of earning is welcomed for, it is claimed diversification reduce risk, whether it does not course depends on how independent of each other the various earnings sources are. During the 1990s, the Indian banking sector witnessed more reforms than most other Indian economy.

In the face of declining net interest margin depository institutions have entered new product areas over the past two decades, moving from traditional lending to areas that generate non-interest revenues. The change is of importance for financial stability. The more unstable is a bank's earnings stream, the more risky the institution is. The conventional wisdom in the banking industry is that earnings from fee-based products are more stable than loan fee-based activities reduce bank risk via diversification. As compared to the development world, the Indian banking sector apart from the relaying on traditional sources of revenue like, loan making are also focusing on the activities that generate fee income service changes, trading revenue and other types of non-interest income. Now-a-days non-interest income plays an important role in banking revenue in the development world.

3.2 CONCEPT OF INCOME

Edmond Wilson's good quotation about income. "There is nothing more demoralizing than a small but adequate income." Generally the income refers with the financial gain accruing over a given period of time. Some definitions of income are as under.

1. “Money earned through employment and investment.”

In Simple Word.

2. **“**Income is the sum of all the wages, salaries, profits, interests payments, rents and other forms of earnings received... in a given period of time.[1]

3. “Regular payments derived from an investment. This can be interest from cash, dividends from shares or rent from property.”

In Simple Word.

4. “Income refers to consumption opportunity gained by an entity within a specified time frame, which is generally expressed in monetary terms.”

By- Wikipedia

5. “Income is the flow of revenues accruing to a person or nation from labor services and from ownership of land and capital.”[2]

According to an Economic Aspect

6. “Income is increases in economic benefits during the accounting period in the form of inflows or enhancements of aspects of decreases of liabilities that results in increases in equity, other than that relation to contributions from equity participants.”

International Accounting Standards Board.

7. “ Income means

(A) Money earned during an accounting period those results in an increase in total assets.

(B) Items such as rents, interests, gifts and commission.

(C) Revenues arising from sales of goods and services.

(D) Excess of revenues over expenses and losses for an accounting period.

Accounting Dictionary

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[1] Case, K. & Fair, R. *Principles of Economics*. Upper Saddle River, NJ: Pearson Education. pp. 54. 2007

[2] D. Usher . "Real Income," *The New Palgrave: A Dictionary of Economics*, v. 4, pp 104–05, 1987

8. “The amount of money received during a period of time in exchange for labor or services from the sale of goods or property or as a profit from financial investments”[3]

9. “Money received by a person or organization because of efforts or from return on Investments.”

Investment Dictionary

3.3 TYPES OF BANK INCOME

There are two broad sources of bank income or revenues. One is Interest Income or Fund Based Income and second is, Non-Interest Income or Non-fund Based Income.

3.3.1 INTEREST INCOME/ FUND BASED INCOME

Banks sometimes keep their cash in short term deposit investment such as certificates of deposits with maturities up to twelve month, saving account and money market funds. The cash placed in these accounts earn interest for the business, which is recorded on the income statement as interest income. For others such as an insurance company and financial institutions that generates profit by investing the money it holds for policyholders into interest paying bonds, it is a crucial part of the business.

MEANING

1. “Interest income is generated over the life of loans that have been securitized in structures requiring financing treatment (as opposed to sale treatment) for accounting purposes; loans held for investment; loans held for sale; and loans held for securitization.

Britannica Encyclopedia

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[3]New Dictionary of Cultural Literacy, Third Edition, Houghton Mifflin Harcourt Publishing Company

2. “Interest income is generated from what is known as ‘the spread ‘. The spread is the difference between the interests a bank earns on loans extended to customers. Corporate etc and the interest paid to depositors for the use of their money. It is also earned from any securities that the banks own such as treasury bills or bonds.”[4]

COMPONENTS OF INTEREST/FUND BASED INCOME

Main components of Interest/ Fund Based Income are as under.

3.3.1.1 INCOME FROM LENDING OF MONEY

Generally lending of money refers with disposing of the money or property with the expectation that the same thing will be returned. In other word lending of money is the transfer of securities to a borrower (usually so the borrower can pay back a short term liability), in return for a fee. The borrower agrees to replace them in due course with identical securities and the lender risks/returns of the securities in the meantime.

3.3.1.2 INCOME FROM INVESTMENT (SLR)

Every bank is required to maintain at the close of business every day, a minimum proportion of their net demand and time liabilities as liquid assets in the form of cash gold and un-encumbered approved securities. The ratio of liquid assets to demand and time liabilities is known as Statutory Liquidity Ratio (SLR). An increase in SLR also restricts the bank’s leverage position to pump more money into the economy.

3.3.2 NON-INTEREST INCOME/NON-FUND BASED INCOME

In the face of declining net interest margins, depository institutions have entered new product areas over the past two decades, moving from traditional lending to

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[4]URL: Http:// www.investmentworld.com/6844/ interest-income. Html, 25, July, 2010, 10:00 AM

Areas that generate Non-fund Based Income. The change is of importance for financial stability. The more unstable is a bank's earning stream, the more risky the institution is. The conventional wisdom in the banking industry is that earnings from fee-based products are more stable than loan-based earnings and those fee-based activities reduce bank risk via diversifications.

MEANING

1. "Non-Fund Based Income is earned by providing a variety of services, such as trading of securities, assisting companies to issue new equity financing, securities commissions and wealth management, sale of land, building, profit and loss on revaluation of assets etc."[5]

2. "Bank and creditor income derived primarily from fees. Examples of non-interest income include deposit and transaction fees, insufficient funds (NSF) fees, annual fees, monthly account service charges; inactivity fees, check and deposit slip fees, etc. Institutions charge fees that provide non-interest income as a way of generating revenue and ensuring liquidity in the event of increased default rates"

COMPONENTS OF NON- INTEREST/NON- FUND BASED INCOME

Main components of Non-Interest/Non-Fund Based Income are as under.

3.3.2.1 INCOME ON REMITTANCE OF BUSINESS

Apart from accepting deposits and lending money, Banks also carry out, on behalf of their customers the act of transfer of money - both domestic and foreign. - From one place to another. This activity is known as "remittance business". Banks issue Demand Drafts, Banker's Cheques, and Money Orders

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[5] URL: Http:/www.Blurtit.com/97844808. Html, 15, July, 10:30 AM

Etc. for transferring the money. Banks also have the facility of quick transfer of money also know as Telegraphic Transfer. For Example, In Remittance business, Bank 'A' at a place 'a' accepts money from customer 'C' and makes arrangement for payment of the same amount of money to either the customer 'C' or his "order" i.e. a person or entity, designated by 'C' as the recipient, through either a Branch of Bank 'A' or any other entity at place 'b'. In return for having rendered this service, the Banks charge a pre-decided sum known as exchange or commission or service charge. This sum can differ from bank to bank. This also differs depending upon the mode of transfer and the time available for affecting the transfer of money. Faster the mode of transfer , higher the charges.

3.3.2.1.1 CHEQUE

A **cheque**, also spelled **check**, is a negotiable instrument, instructing a financial institution to pay a specific amount of a specific currency from a specified demand account held in the maker/depositor's name with that institution. Both the maker and payee may be natural persons or legal entities.Technically, a cheque is a negotiable instrument [6] instructing a financial institution to pay a specific amount of a specific currency from a specified demand account held in the drawer/depositor's name with that institution. Both the drawer and payee may be natural persons or legal entities. Specifically, cheques are order instruments, as reflected in the formula "Pay to the order of..."—they are not in general payable simply to the bearer (as bearer instruments are), but rather the payee must endorse the cheque, possibly specifying by order to *whom* it should be paid. In 1881, the Negotiable Instruments Act (NI Act) was enacted in India, formalizing the usage and characteristics of instruments like the cheque, the bill of exchange and promissory note. The NI Act provided a legal framework for non-cash paper payment instruments in India.[7]

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[6] Oxford English Dictionaries. London: Oxford University Press. 2009. pp. 350.

[7] ibid.

3.3.2.1.2 TRAVELER`S CHEQUE

A Traveler`s Cheque is a printed piece of paper that you sign and use as money when are travelling. It can be replaced if it is lost or stolen. The Traveler`s Cheque issued by a financial institution which functions as cash but is protected against loss or theft. Traveller's cheques are useful when travelling, especially in case of overseas travel when not all credit and scurried by a person will be accepted. A charge or commission is usually incurred when a person exchanges cash for traveller's cheque though some issuers provide them free of charge.[8]

3.3.2.1.3 DEMAND DRAFT

A **demand draft**, also known as a remotely created check or a tele-check, is a check created by a seller with a buyer' checking account number on it, but without the buyer's signature. Instead and in place of the signature, the check has verbiage such as "authorized by depositor (the buyer), lack of endorsement guaranteed by XYZ Bank. The seller deposits the check into his or her Bank Account and the check then clears out of the buyer's account.A demand draft or "DD" is an instrument most banks in India use for effecting transfer of money. It is a Negotiable Instrument. A method used by individuals to make transfer payments from one bank account to another. Demand drafts are marketed as a relatively secure method for cashing checks. The major difference between demand drafts and normal checks is that demand drafts do not require a signature in order to be cashed.[9]

3.3.2.1.4 MAIL TRANSFER/ MAIL ORDERS

This is the mode used when you wish to transfer money from your account in Center 'A' to either your own account in Center 'B' or to somebody else's account. In this mode of transfer, you are required to fill in an application form similar to the

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[8] URL: http://www.investorwords.com/5055/travelers_check.html#ixzz1JUAkh6Bq 15, May 2010

[9] URL: http://www.law.cornell.edu/ucc/1/1-201.html#signed_1-201 Retrieved on July 2010

One for DD, sign a charge slip or give a cheque for the amount to be transferred plus exchange and collect a receipt. The Bank will, on its own, send an order to its branch at center 'B' to deposit the said amount in the account number designated by you.

3.3.2.1.5 RTGS

Real time gross settlement systems (RTGS) are a funds transfer mechanism where transfer of money takes place from one bank to another on a "real time" and on "gross" basis. Settlement in "real time" means payment transaction is not subjected to any waiting period. The transactions are settled as soon as they are processed. "Gross settlement" means the transaction is settled on one to one basis without bunching with any other transaction. Once processed, payments are final and irrevocable.[10]

3.3.2.1.6 NEFT

National Electronic Fund Transfer (NEFT) is a nation-wide system that facilitates individuals to electronically transfer funds from any bank branch to any other bank branch in the country. NEFT is an application development to facilitate customers to transfer funds from one bank account to another bank account. It is an efficient, secure, economical, and reliable and expenditure system of fund transfer between banks.[11]

3.3.2.1.7 SWIFT

The Society for Worldwide Interbank Financial Telecommunication ("SWIFT") operates a worldwide financial messaging network which exchanges messages between banks and other financial institutions. SWIFT also markets software and services to financial institutions, much of it for use on the

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[10] URL: Http:// en.wikipedia.org/wiki/Indian-settlement system, 10, June 2010 11:00 AM

[11] URL: http://www.rbi.org.in/scripts/FAQView.aspx?Id=60, 10 June, 2010 11: 15 AM

SWIFT Net Network The majority of international interbank messages use the SWIFT network. As of September 2010, SWIFT linked more than 9,000 financial institutions in 209 countries and territories, who were exchanging an average of over 15 million messages per day. SWIFT transports financial messages in a highly secure way, but does not hold accounts for its members and does not perform any form of clearing or settlement.

SWIFT does not facilitate funds transfer, rather, it sends payment orders, which must be settled via correspondent accounts that the institutions have with each other. Each financial institution, to exchange banking transactions, must have a banking relationship by either being a bank or affiliating itself with one (or more) so as to enjoy that particular business features.[12]

3.3.2.2 INCOME FROM THIRD PARTY PRODUCT

Commission or income earned on selling other companies' products (or third-party distribution business) is emerging as a new revenue source for many banks. Although the fee amounts are still small, they are a valuable contribution to diversifying revenue streams, increasing the mix of non-interest income and also improve profits.

3.3.2.2.1 MUTUAL FUNDS

In simple word Mutual Fund means an investment company that pools the money of a large group of investors and purchases a variety of securities to achieve a specific investment objective. In other word Mutual Fund means a diversified portfolio of securities invested on behalf of a group of investors and professionally managed. Individual investors own a percentage of the value of the fund represented by the number of units they purchased and thus share in any gains or losses of the fund.

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[12] URL:http://en.wikipedia.org/wiki/Society_for_Worldwide_Interbank_Financial_Telecommu. 17, July 2010, 2:30 PM

Individual investors own a percentage of the value of the fund represented by the number of units they purchased and thus share in any gains or losses of the fund.

3.3.2.2.2 LIFE INSURANCE PRODUCTS

Here bank earned revenue through the selling of life insurance product on behalf of insurance company. The participation by the bank's customers shall be purely on a voluntary basis. The contract of insurance is between the insurer and the insured and not between the bank and the insured.

3.3.2.2.3 NON-LIFE INSURANCE PRODUCTS.

Non-life insurance means general insurance. General insurance or non-life insurance policies, including automobile and homeowners policies, provide payments depending on the loss from a particular financial event. General insurance typically comprises any insurance that is not determined to be life insurance it is called property and casualty insurance. The contract of insurance is between the insurer and the insured and not between the bank and the insured.

3.3.2.2.4 ISSUED THE CREDIT CARD TO THE CUSTOMER

A credit card is part of a system of payments named after the small plastic card issued to users of the system. It is a card entitling its holder to buy goods and services based on the holder's promise to pay for these goods and services. Credit cards are issued after an account has been approved by the credit provider, after which cardholders can use it to make purchases at merchants accepting that card.

3.3.2.2.5 INWARD MONEY REMITTANCE BY UAE EXCHANGE & FINANCIAL SERVICES LTD

As the name indicates we are in to financial services. Our core areas of strength include Inward Remittance and Money Changing. We also provide Travel &

Ticketing, Insurance and Package Tour Services and have an IT & Engineering Division.

3.3.2.3 INCOME ON CONTINGENT LIABILITY

A contingent liability is a liability which may or may not arise in the future depending on the happening or non happening of an event.

A contingent liability is a potential liability…it depends on a future event occurring or not occurring. For example, if a parent guarantees a daughter's first car loan, the parent has a contingent liability. If the daughter makes her car payments and pays off the loan, the parent will have no liability. If the daughter fails to make the payments, the parent will have a liability.

3.3.2.3.1 LETTER OF CREDIT

A Letter of credit means a document issued by a bank that guarantees the payment of a customer's draft; substitutes the bank's credit for the customer's credit A letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase. A standard, commercial letter of credit (LC) is a document issued mostly by a financial institution, used primarily in trade finance, which usually provides an irrevocable payment undertaking.

3.3.2.3.2 BANK GUARANTEE

A guarantee from a lending institution ensuring that the liabilities of a debtor will be met. In other words, if the debtor fails to settle a debt, the bank will cover it. A bank guarantee enables the customer (debtor) to acquire goods, buy equipment, or draw down loans, and thereby expand business activity.[13]

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[13] URL: http://www.investopedia.com/terms/b/bankguarantee.asp 18, July 2010, 5: 50 PM

3.3.2.4 INCOME ON GOVERNMENT BUSINESS

In present age apart from rendering all other Personal banking services to its customers/public, every bank in India also works as Agency Bank for undertaking various types of Govt. Business viz.

Pension Payment
Collection of PPF and Payment of PPF
Collection of Government Bonds
Collection of Senior Citizen Deposits
Collection of Various Taxes, like CBDT, Indirect tax Excise and VAT
Receipts/payments work of Postal/Railways
Treasury/Sub-Treasury business
Franking of Stamps of various documents
Collection of Stamp Duty

3.3.2.5 INCOME ON WEALTH MANAGEMENT

Wealth management is an investment advisory discipline that incorporates financial planning, investment portfolio management and a number of aggregated financial services. High net worth individuals, small business owners and families who desire the assistance of a credentialed financial advisory specialist call upon wealth managers to coordinate retail banking, estate planning, legal resources, tax professionals and investment management. Wealth management can be provided by large corporate entities, independent financial advisers or multi-licensed portfolio managers whose services are designed to focus on high-net worth customers. Large banks and large brokerage houses create segmentation marketing-strategies to sell both proprietary and nonproprietary products and services to investors designated as potential high net-worth customers. Independent wealth managers use their experience in estate planning, risk management, and their affiliations with tax and legal specialists, to manage the diverse holdings of high net worth clients. Banks and brokerage firms use advisory talent pools to aggregate these same services.

3.3.2.5.1 INCOME FROM THIRD PARTY PRODUCT

Commission or income earned on selling other companies' products (or third-party distribution business) is emerging as a new revenue source for many banks. Although the fee amounts are still small, they are a valuable contribution to diversifying revenue streams, increasing the mix of non-interest income and also improve profits. Third party products like...

1. Mutual Funds
2. Life Insurance Products
3. Non-Life Insurance Products

3.3.2.5.2 STOCKS & STOCKS TRADING

Income from stocks and stocks trading are the component of wealth management. Now-a-days banks are offering Stock broker & commodity brokers engaged in offering, share broking services, commodity trading services, online commodity trading services, e-commodity trading services and share trading services.

3.3.2.5.3 EQUITY LINKED INVESTMENT

Equity linked products are structured investment tools which enable you to generate yields through investing in stock options. Therefore, the return is based on the performance of a single stock, or in some case, a basket of stocks, or a stock index. Since the products are closely related to the performance of listed stocks, the risks involved resemble investment in the underlying stocks. By investing in an equity linked product, you agree to purchase or sell listed stocks at a future date for an agreed price. The number of shares or the financial gain and loss customers will receive at maturity depends on the price performance of the stocks selected.

3.3.2.5.3 STRUCTURED SAVING PRODUCTS

Structured products are synthetic investment instruments specially created to meet specific needs that cannot be met from the standardized financial instruments available in the markets. Structured products can be used: as an alternative to a direct investment; as part of the asset allocation process to reduce risk exposure of a portfolio; or to utilize the current market trend.

Interest in these investments has been growing in recent years and high net worth investors now use structured products as way of portfolio diversification. Structured products are also available at the mass retail level - particularly in Europe, where national post offices, and even supermarkets, sell investments on these to their customers.

1. Flow through share limited partnership
2. Funds of income Trusts
3. Funds of Hedge Funds
4. Highly yield bond portfolios
5. Covered call writing
6. Split share corporations

3.3.2.5.5 STRUCTURED INVESTMENT PRODUCTS & DERIVATIVES

A structured investment product combines two products into one, offering return potential on one or both of the products involved. One product is generally a money market account that pays a fixed rate periodically and the other is put into an option that offers a variable rate of return. This allows the structured investment product to produce a return even when the markets fall.

Uncertain economic times, a structured investment product protects your capital investment and provides you with earning opportunity. In fact, structured investment products are fixed-term investments, meaning you get to decide the minimum and maximum earning potential of the product you choose. In some cases, the rate is linked to an underlying benchmark, such as interest rates, commodities or foreign exchange markets.

3.3.2.5.6 FOREIGN EXCHANGE

Banks generated the revenue from foreign exchange transaction**.** Here difference between forward exchange contract transaction and actual Transaction. Foreign exchange refers with the system by which the type of money used in one country is exchanged for another country's money, making international trade easier.

3.3.2.5.7 INCOME FROM ALTERNATIVE INVESTMENT PRODUCTS

Alternatives are typically investments that aim to generate alpha, driven by manager skill through the use of a wide range of unconventional instruments, not available in traditional markets. They provide diversification and may enhance portfolios by improving returns and lowering risk. In addition, their low correlation with traditional asset classes (such as equities and bonds) means that alternative investments may help preserve capital when traditional markets fall in value. Product like….

1. Hedge Funds
2. Private Equity
3. Real Estate

3.3.2.5.8 SOLD OF PRECIOUS METALS

Banks are also generated the income from selling of precious metals like silver and gold coins.

3.3.2.6 INCOME FROM OTHER SOURCES

3.3.2.6.1 DEMAT ACCOUNT

Demat account is a safe and convenient means of holding securities just like a bank account is for funds. Today, practically 99.9% settlement (of shares) takes place on demat mode only. Thus, it is advisable to have a Beneficiary Owner (BO) account to trade at the exchanges.

The term Demat, in India, refers to a dematerialized account for individual Indian citizens to trade in listed stocks or debentures, required for investors by The Securities Exchange Board of India (SEBI). In a demat account, shares and securities are held electronically instead of the investor taking physical possession of certificates. A Demat Account is opened by the investor while registering with an investment broker (or sub broker). The Demat account number is quoted for all transactions to enable electronic settlements of trades to take place.[14]

Access to the Demat account requires an internet password and a transaction password as well as initiating and confirming transfers or purchases of securities. Purchases and sales of securities on the Demat account are automatically made once transactions are executed and completed.

3.3.2.6.2 DIPOSITORY PARTICIPANTS ACCOUNT

DP means Depository Participant of CDSL (Central Depository Services (India) Limited). A DP account is necessary if you intend to hold your securities and/or trade in the electronic form. The DP account must be opened by you with a Depository Participant, which may or may not be your broker.

In India, a Depository Participant (DP) is described as an agent of the depository. They are the intermediaries between the depository and the investors. The

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[14] URL: Http://www.en.wikipedia.org/wiki/Demat-account. Htm 15 , April 2011, 3:00 PM

Relationship between the DPs and the depository is governed by an agreement made between the two under the Depositories Act. In a strictly legal sense, a DP is an entity who is registered as such with SEBI under the subsecton 1A of Section 12 of the SEBI Act. As per the provisions of this Act, a DP can offer depository-related services only after obtaining a certificate of registration from SEBI. SEBI (D&P) Regulations, 1996 prescribe a minimum net worth of Rs. 50 lakh for stockbrokers, R&T agents and non-banking finance companies (NBFC), for granting them a certificate of registration to act as DPs. If a stockbroker seeks to act as a DP in more than one depository, he should comply with the specified net worth criterion separately for each such depository. No minimum net worth criterion has been prescribed for other categories of DPs; however, depositories can fix a higher net worth criterion for their DPs.

3.3.2.6.3 OTHER SOURCES

Banks are generated income from other sources like, Incidental Charges, profit on sale of investment and recovery in prudential Wright off Account.

3.4 FOUR COMPONENT OF NON-FUND BASED INCOME

Name of Non-Fund Based Income	Example
Fiduciary Income	- Administering Investment for others - Gross Income from services rendered by the bank`s trust
Service charges on Deposit Account	- Maintenance of Deposits Account - Failure to meet minimum balance

	- excess check writing - Withdrawals from non-transaction Account - Early withdraw or closure fee - Dormant Account - Extensive activity - ATM Usage - Bounced Check Charges and other fee
Trading Revenue	- Net gain or loss from trading cash instrument - Off balance sheet derivatives contracts - Sales of assets and other financial instruments - Revaluation to carrying value of assets and reliabilities due to marking to market - Revaluation of interest rate - Foreign Exchange - Equity Derivatives - Commodity and other contract due to marking to Market - Incidental Income related to purchase and sale of assets and liabilities
Fee and Other Income	- Service Charges - commission - Safe Deposit Boxes

	- Insurance Sales - Bank Draft - Money Order - Bill Collection - Saving bond Redemption - Execution of acceptances and letters of credit - Mortgage Servicing Fees - Notary - Consulting and Advisory Services - Credit Card Fees - Merchant Credit and Charges - Rental Fees - Loan Commitment Fees - Net Gain on Sales of Real Estate - Foreign Transaction

Source: Consolidated Report of Condition and Income, Call Report

3.3.2.8 CONCLUSION

Non-interest income` is derived from the execution/processing business, the advisory business and any principal business that does not appear on the balance sheet. Financial institutions that wish to maximize execution/processing income depend on volume and efficiency for profits. To be successful, the trade center and the back office must be well coordinated and function in an efficient manner. In the face of declining net interest margins, depository institutions have entered new product areas moving from traditional lending to areas that generate non-interest revenues.

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4.1 PUBLIC SECTOR BANKS

4.1.1 STATE BANK OF INDIA

The roots of the State Bank of India rest in the first decade of 19th century, when the bank of Calcutta, later renamed the Bank of Bengal was established on 2 June, 1806. The Bank of Bengal and two other Presidency banks, namely, the Bank of Bombay (incorporated on 15 April 1840) and the Bank of Madras (incorporated on 1 July 1843). All three Presidency banks were incorporated as Joint Stock Companies, and were the result of the Royal Charters. These three banks received the exclusive right to issue paper currency in 1861 with the Paper Currency Act, a right they retained until the formation of the Reserve Bank of India. The Presidency banks amalgamated on 27 January 1921 and the reorganized banking entity took as its name Imperial Bank of India. The Imperial Bank of India continued to remain a joint stock company.

Pursuant to the provisions of the State Bank of India Act (1955), the Reserve Bank of India, which is India’s Central Bank, acquired a controlling interest in the Imperial Bank of India. On 30 April 1955 the Imperial Bank of India became the State Bank of India. The Government of India recently acquired the Reserve Bank of India's stake in SBI so as to remove any conflict of interest because the RBI is the country's banking regulatory authority. SBI has acquired local banks in rescues. For instance, in 1985, it acquired Bank of Cochin in Kerala, which had 120 branches. SBI was the acquirer as its affiliate State Bank of Travancore already had an extensive network in Kerala. The State bank of India is the 29th most reputed company in the world according to Forbes.[1] Also SBI is the only bank to get featured in coveted 'top 10 brands of India' list in an annual survey conducted by Brand Finance and The Economic Times in 2010.[2]

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[1]"World's Most Reputable Companies: The Rankings". Forbes.com. Retrieved 2010-08- 20.

[2]"India's top 10 brands". Business.rediff.com. Retrieved 26 Oct 2010.

State Bank of India is the largest of the *Big Four Banks* of India, along with ICICI Bank, Punjab National Bank and Canara Bank — its main competitors.

Key dates of History

1806: The Bank of Calcutta is established as the first Western-type bank.

1809: The bank receives a charter from the imperial government and changes its name to Bank of Bengal.

1840: A sister bank, Bank of Bombay, is formed.

1843: Another sister bank is formed: Bank of Madras, which, together with Bank of Bengal and Bank of Bombay become known as the presidency banks, which had the right to issue currency in their regions.

1861: The Presidency Banks Act takes away currency issuing privileges but offers incentives to begin rapid expansion, and the three banks open nearly 50 branches among them by the mid-1870s.

1876: The creation of Central Treasuries ends the expansion phase of the presidency banks.

1921: The presidency banks are merged to form a single entity, Imperial Bank of India.

1955: The nationalization of Imperial Bank of India results in the formation of the State Bank of India, which then becomes a primary factor behind the country's industrial, agricultural, and rural development.

1969: The Indian government establishes a monopoly over the banking sector.[3]

State Bank of India (SBI) is that country's largest commercial bank. The government-controlled bank--the Indian government maintains a stake of nearly 60 percent in SBI through the central Reserve Bank of India--also operates the world's largest branch network, with more than 13,500 branch offices throughout India, staffed by nearly 220,000 employees. SBI is also present worldwide, with seven international subsidiaries in the United States, Canada, Nepal, Bhutan,

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[3] "The 20 largest companies in India - Rediff.com Business". Rediff.com. Retrieved 2010-12-21.Economic

Nigeria, Mauritius, and the United Kingdom, and more than 50 branch offices in 30 countries. Long an arm of the Indian government's infrastructure, agricultural, and industrial development policies, SBI has been forced to revamp its operations since competition was introduced into the country's commercial banking system. As part of that effort, SBI has been rolling out its own network of automated teller machines, as well as developing anytime-anywhere banking services through Internet and other technologies. SBI also has taken advantage of the deregulation of the Indian banking sector to enter the banc assurance, assets management, and securities brokering sectors. In addition, SBI has been working on reigning in its branch network, reducing its payroll, and strengthening its loan portfolio.[4]

SBI COMPANIES

- SBI Capital Markets Ltd
- SBI Mutual Fund (A Trust)
- SBI Factors and Commercial Services Ltd
- SBI DFHI Ltd
- SBI Cards and Payment Services Pvt Ltd
- SBI Life Insurance Co-Ltd (Banc assurance)
- SBI Funds Management Pvt Ltd
- SBI Canada
- SBI Gilts Ltd
- SBI Home Finance Ltd
- SBI Securities Ltd

THE SUBSIDIARIES OF SBI TILL THE DATE

In 1959 the Government passed the State Bank of India (Subsidiary Banks) Act, enabling the State Bank of India to take over eight former State-associated banks

[4] Times (26-August-2010). "State Bank of Indore branches to become SBI units from Aug 26 : SBI". *The Times Of India*.

as its subsidiaries. On 13 September, 2008, State Bank of Saurashtra. One of its Associate Banks merged with State Bank of India.

- State Bank of Saurashtra(Merged in SBI)
- State Bank of Indore
- State Bank of Bikaner and Jaipur
- State Bank of Hyderabad
- State Bank of Mysore
- State bank of Patiala
- State Bank of Travancore.

4.1.1.1 STATE BANK OF SAURASHTRA (MERGED IN SBI)

State Bank of Saurashtra (SBS) is one of the Associate Banks of State Bank of India (Now with State Bank of India) . The history of the establishment of SBS can be traced back to pre-independence period. Prior to 1948, the region of Saurashtra (a part of the present day Gujarat), consisted many small, medium and large princely states. The larger states of Saurashtra included Bhavnagar, Rajkot and Porbandar, while Palitana and Vadia were its smaller states. These states established their own Darbar (palace). Out of the Darbars, the oldest one was Bhavnagar Darbar Bank, founded in 1902.

The Darbar banks were established to cater to the needs of the governments of their respective princely states. Local savings were deposited in the banks. The banks of the princely states were amalgamated, when the state of Saurashtra was established in 1948. The Bhavnagar Darbar Bank came to be known as the State Bank of Saurashtra in 1950, under Saurashtra State Bank (Amalgamation) Ordinance, 1950. On 1 July 1950, the other four Darbar Banks, including Rajkot State Bank, Porbandar State Bank, Palitana Darbar Bank and Vadia State Bank, became the branches of State Bank of Saurashtra.[5]

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[5] URL: Http:// En.Wikipedia.org/wiki/State-bank of –saurashtra.Htm. December, 2010 11:00 PM

BRANCHES

After the formation of a separate state of Gujarat in 1960, SBS started its main area of operation from Saurashtra, which then became a part of Gujarat. It was in the same year, when State Bank of India took over State Bank of Saurashtra, under the State Bank of India (Subsidiary Banks) Act, 1959. By this time, SBS had 24 branches. SBS became one of the seven Associate Banks of SBI, with which it was merged with it on 13 August 2008. At the time of the merger, SBS had a network of 423 branches spread over 15 states and the Union Territory of Daman and Diu.

4.1.1.2 STATE BANK OF INDORE

State Bank of Indore popularly known as Indore Bank in Malwa Region, originally known as Bank of Indore Ltd. was incorporated under a special charter of His Highness Maharaja Tukojirao Holker-III, the then ruler of this region. In terms of State Bank of India (Subsidiary Banks) Act, 1959 the Bank of Indore Ltd. became a subsidiary of State Bank of India i.e. 1st January 1960 and was renamed as State Bank of Indore The Bank acquired business of The Bank of Dewas Ltd. in 1962 and The Dewas Senior Bank Ltd. in 1965 and was up-graded to class 'A' category bank in 1971. Ever since the Bank has been making steady progress and at the end of Mar. 2009, the business turnover has crossed Rs.50000 crore.

Originally known as the Bank of Indore Ltd, the State bank of Indore is a nationalized bank of India. The State bank of Indore is popularly known as Indore Bank in Malwa Region and it is a subsidiary body of the State bank of India. The economy of Indore is an expanding one and the State bank of Indore is an integral part of that growth. The State bank of Indore operates with certain objectives in mind, these include:

1. The State bank of Indore wants to maintain its position as a premier financial institution of Indore and serve their customers well.

2. The State bank of Indore contributes to all the facets of banking operations including, developmental, traditional and innovative
3. The State bank of Indore wants to secure its position as an important part of the State bank group.[6]

4.1.1.3 STATE BANK OF BIKANER AND JAIPUR

It came into existence on 1963. It comprised what earlier were two banks, State Bank of Bikaner (established in 1944) and State Bank of Jaipur (established in 1943). The Bank has been made a subsidiary of the State Bank of India under the State Bank of India (Subsidiary Bank) Act, 1959 in 1960. On April 25, 1966 SBBJ took over Govind Bank Pvt. Ltd., Mathura. Currently, SBBJ has over 848 branches, mostly located in the state of Rajasthan, India.. Its branch network out of Rajasthan covers all the major business centers of India. In 1997, the Bank entered in the capital market with a maiden IPO with 13,60,000 shares at a premium of Rs 440 per share.

In 1984 in Ganganagar district Regional Rural Bank as the name Ganganagar Kshetriya Gramin Bank is opened by SBBJ. Then in 1985 in Bikaner district the Bikaner Kshetriya Gramin Bank had been opened. Later Marwar gramin bank opened in the same way for Pali Jalore and Sirohi districts. Later on 12 June 2006 these all three banks Ganganagar Kshetriya Gramin Bank, Bikaner Kshetriya Gramin Bank and Marwar Gramin Bank merged and made one bank as MGB Gramin Bank, which having headquarter in Pali.

4.1.1.4 STATE BANK OF HYDERABAD

The bank originated as the central bank of the erstwhile Nizam state under the name, *Hyderabad State Bank*. It was established in 1942, during the reign of the last Nizam of Hyderabad, Mir Osman Ali Khan. The bank also managed

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[6] URL: Http:// www.enwikipedia.org/wiki/State_Bank-Of- Indore.htm, , 11, November 2010

the Osmania Sikka, the currency of Hyderabad state, which had the distinction of having its own currency during British rule. The first branch of Hyderabad State Bank opened at Gun foundry, Hyderabad on April 5, 1942.

In 1956, the bank absorbed, by merger, the Mercantile Bank of Hyderabad, which Raja Pannalal Pitti had founded in 1935. (Other accounts give year of founding as 1946 and that of merger as 1952).

Hyderabad State Bank was renamed State Bank of Hyderabad in 1956, and its entire share capital was vested with the Reserve Bank of India. Later, after the Subsidiary Banks Act was passed in 1959, it and the other banks of the princely states became subsidiaries of SBI. SBH was the first subsidiary of State Bank of India.

State Bank of Hyderabad (SBH) is an associate bank of State Bank of India (SBI), and is one of the scheduled banks in India. The Bank's Head Office is situated at Gun foundry Area, in Hyderabad, India. SBH has over 1031 branches and about 12,800 employees. Assets are in excess of Rupees 767 billion.[7]

4.1.1.5 STATE BANK OF MYSORE

State Bank of Mysore was established in the year 1913 as Bank of Mysore Ltd. under the patronage of the erstwhile Govt. of Mysore, at the instance of the banking committee headed by the great Engineer-Statesman, Late Dr. Sir M.Visweswaraiah (Bharat Ratna). Subsequently, in March 1960, the Bank became an Associate of State Bank of India.State Bank of India holds 92.33% of shares. The Bank's shares are listed in Bangalore, Chennai, and Mumbai stock exchanges.

Bengaluru,Mysore,Mangalore,Mandya,Hassan,Shimoga,Davanegere,Bellary,Tumkur,Kolar,Chennai,Coimbatore,Hyderabad,Mumbai and New Delhi. The bank's

[7]Avinandan Mukherjee and Prithwiraj Nath. 2005. "An empirical assessment of comparative approaches to service quality measurement", *Journal of Services Marketing* 19 (3), 174-184.

Turnover in the year 2008-2009 was around US$10 Billion and Profit about US$65 Million. Bank has a network of 654 branches and 20 extension counters spread across the country. The bank has 6 specialized SSI branches, 4 Industrial Finance branches, 3 Corporate Accounts Branches, 4 specialized Personal Banking Branches, 10 Agricultural Development Branches, 3 Treasury branches, 1 Asset Recovery Branch and 7 Service Branches, offering wide range of services to the customers. Bank has 319 ATM's networked with the State Bank Groups' over 8400 ATMs for the convenience of the customer.[8]

4.1.1.6 STATE BANK OF PATIALA

The rich heritage of State Bank of Patiala dates back to the year 1917, when it was founded by Late His Highness Bhupinder Singh, Maharaja of erstwhile Patiala state, with one branch by the name of 'Chowk Fort, Patiala' to begin with. The Bank, then known as the 'Patiala State Bank' was state owned and setup for the explicit purpose of fostering growth of agriculture, trade and industry. The constitution, scope and operations of the Bank underwent a sea change with the formation of the Patiala and east Punjab States Union (PEPSU) in 1948.The Bank was then reorganized and brought under the control of Reserve Bank of India.[9]

It was christened as the Bank of Patiala. Another milestone in history of the Bank was its becoming a subsidiary of the State Bank of India on 1st April,1960 when it was named as the State Bank of Patiala and since then it has grown significantly both in size and volume of business. During these glorious years, the Bank has been playing an important role in banking sphere. The business of State Bank of Patiala has grown manifold since its establishment. Recent records say that State Bank of Patiala is networked by its 830 service outlets. There are as many as 750 branches of SBP, spread across the major cities of India, out of

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[8] URL: Http://www.en.wikipedia.org/wiki/state_bank_of_Mysore.htm,12 December, 2010, 1:15 PM

[9] URL: Http://www.en.wikipedia.org/wiki/state_bank_of_patiala.htm, 5 December, 2010, 1:00 PM

which, the majority of branches are located in its home State, Haryana, Himachal Pradesh, Rajasthan, Jammu & Kashmir, Delhi and Chandigarh. The Bank provides easy access to money to its customers through its ATMs spread over 16 states of India.

4.1.1.7 STATE BANK OF TRAVANCORE

The bank was established in 1945 as the Travancore Bank Ltd, at the initiative of C.P. Ramaswami Iyer, then Divan of Travancore. Following violent resentment against the dictatorial rule of Sir. C.P.Ramaswamy Iyer, the bank no longer credits his role. Instead, the Bank now credits the Maharaja of Travancore as the founder, though the Raja had little to do with the founding. Although the Travancore government put up only 25% of the capital, the bank undertook government treasury work and foreign exchange business, apart from its general banking business. Its registered office was at Madras. In 1960, it became a subsidiary of State Bank of India under the *SBI subsidiary Banks Act,1959*, enacted by the Parliament of India. Between 1959 and 1965, SBT has taken over numerous small, private banks in Kerala. [10]

- 1959: SBT acquired the assets and liabilities of Indo-Mercantile Bank, which Sri Popatlal Goverdhan Lalan had helped found in Cochin. in 1937.
- 1961: SBT took over Travancore Forward Bank, Kottayam Orient Bankand Bank of New India (est. 1944) after the Reserve Bank of India put the banks under moratorium.
- 1963: SBT took over Vasudeva Vilasom Bank.
- 1964: SBT took over Cochin Nayar Bank (est. 1929) and Latin Christian Bank after the Reserve Bank of India put the banks under moratorium. It also acquired Champakulam Catholic Bank.

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[10] URL: http://en.wikipedia.org/wiki/State_Bank_of_Travancore.htm , 11, April, 2011 at 11:00 AM

4.1.2 BANK OF INDIA

Bank of India was founded on 7th September, 1906 by a group of eminent businessmen from Mumbai. The Bank was under private ownership and control till July 1969 when it was nationalized along with 13 other banks.

Beginning with one office in Mumbai, with a paid-up capital of Rs.50 lakh and 50 employees, the Bank has made a rapid growth over the years and blossomed into a mighty institution with a strong national presence and sizable international operations. In business volume, the Bank occupies a premier position among the nationalized banks.

- 1906: Founded with Head Office in Mumbai.
- 1921: BoI entered into an agreement with the Bombay Stock Exchange to manage its clearing house.
- 1946: BoI opened a branch in London, the first Indian bank to do so. This was also the first post-WWII overseas branch of any Indian bank.
- 1950: BoI opened branches in Tokyo and Osaka .
- 1951: BoI opened a branch in Singapore.
- 1953: BoI opened a branch in Kenya and another in Uganda.
- 1953 or 54: BoI opened a branch in Aden.
- 1955: BoI opened a branch in Tanganyika.
- 1960: BoI opened a branch in Hong Kong.
- 1962: BoI opened a branch in Nigeria.
- 1967: The Government of Tanzania nationalized BoI's operations in Tanzania and folded them into the government-owned National Commercial Bank , together with those of Bank of Baroda and several other foreign banks.
- 1969: The Government of India nationalized the 14 top banks, including Bank of India. In the same year, the People's Democratic Republic of Yemen nationalized BoI's branch in Aden, and the Nigerian and Ugandan governments forced BoI to incorporate its branches in those countries.

- 1970: National Bank of Southern Yemen incorporated BoI's branch in Yemen, together with those of all the other banks in the country; this is now National Bank of Yemen. BoI was the only Indian bank in the country.
- 1972: BoI sold its Uganda operation to Bank of Baroda.
- 1973: BoI opened a rep in Jakarta.
- 1974: BoI opened a branch in Paris. This was the first branch of an Indian bank in Europe.
- 1976: The Nigerian government acquired 60% of the shares in Bank of India (Nigeria).
- 1978: BoI opened a branch in New York.
- 1970s: BoI opened an agency in San Francisco.
- 1980: Bank of India (Nigeria) Ltd, changed its name to Allied Bank of Nigeria.
- 1986: BoI acquired Parayur Central Bank (Karur Central Bank or Parur Central Bank) in Kerala in a rescue.
- 1987: BoI took over the three UK branches of Central Bank of India (CBI). CBI had been caught up in the Sethia fraud and default and the Reserve Bank of India required it to transfer its branches.
- 2003: BoI opened a representative office in Shenzhen.
- 2005: BoI opened a representative office in Vietnam.
- 2006: BoI plans to upgrade the Shenzen and Vietnam representative offices to branches, and to open representative offices in Beijing, Doha, and Johnnesburg. In addition, BoI plans to establish a branch in Antwerp and a subsidiary in Dar-es-sallam, marking its return to Tanzania after 37 years.
- 2007: BoI acquired 76 percent of Indonesia-based P. T Bank Swadesi. [11]

The Bank has 3021 branches in India spread over all states/ union territories including 136 specialised branches. These branches are controlled through 48

[11] URL: http://en.wikipedia.org/wiki/Bank_of_India.Htm 15, April, 2011 10:00 AM

Zonal Offices . There are 28 branches/ offices (including three representative offices) abroad. The Bank came out with its maiden public issue in 1997 and follow on Qualified Institutions Placement in February 2008. Total number of shareholders as on 31/03/2009 is 2, 35589.

4.1.3 BANK OF BARODA

Prior to independence from the British Rule, the ancient India was ruled by princely states, scattered over the width and breadth of the large Indian nation. The Maharajas of the inner States of colonial India contributed to the welfare of their respective regions as well as the Indian nation as a whole. Their vision and foresight in founding various financial, charitable, social and philanthropic organizations during their time is still cherished by any one going into the history of modern India and its achievements in every walk of life.

The Maharaja of Baroda, a princely state of British India, by name Sir Sayyajirao Gaekwad III, had the same vision in establishing a bank for servicing the public at large and the citizens of Baroda State, a Guajarati population in particular. On 20th July 1908, Bank of Baroda was established under the rules of Companies Act 1897, in a small building at Baroda, by the Maharaja with a paid up capital of Rs.10 lakhs. The guidelines set by the Maharaja for the bank was to serve the people of the State of Baroda as well as the neighboring regions with money lending, saving, transmission and encouraging the development of arts, science, commerce and trade for the people. Even during the worst financial disaster caused by the First World War, during the period 1913 to 1917, when as many as 87 banks closed their shutters, Bank of India survived the turbulence with its clear vision, ethical standards and financial prudence to grow from strength to strength. There were heroes to sustain the development of this bank to its present glory, from ordinary people as customers and the heirs of the Royal family of Baroda.

The success story of the Bank of Baroda is studded with many a leaps and strides it made in the International presence, apart from establishing branches all over the Indian nation, by acquisition of already popular banking entities, as also commencing new commercial banking establishments, in the unique Gujarathi style. During the years of 1908 to 2007 (and the century year being round the corner) Bank of Baroda's growth owes to the excellence in rendering financial products and services to the national and international population. Countries beginning from America to Zambia, in the alphabetical order have been enjoying the services of Bank of Baroda as of today. A brief statistics will reveal the magnitude of growth Bank of India has achieved today : fifth largest bank in India; total assets over 1,78,000 crores; number of offices and branches 2800; more than 1000 ATMs, notwithstanding affiliates, subsidiaries and delivery channels all over the world.[12]

In its international expansion, the Bank of Baroda followed the Indian diasporas, especially that of the Gujaratis. It has significant international presence with a network of 72 offices in 25 countries, six subsidiaries, and four representative offices.

- 1908: Maharaja Sayajirao Gaekwad- III set up Bank of Baroda (BOB).
- 1910: BOB established its first branch in Ahmedabad.
- 1953: BOB established a branch in Mombasa and another in Kampala.
- 1954: BOB opened a branch in Nairobi.
- 1956: BOB opened a branch in Dar-es- Sallam.
- 1957: BOB established a branch in London.
- 1959: BOB acquired Hind Bank.
- 1961: BOB merged in New Citizen Bank of India. This merger helped it
- 1962: BOB opened a branch in Mauritius.
- 1963: BOB acquired Surat Banking Corporation in Surat, Gujarat

[12] "India's International Bank - About Us". Bank of Baroda. Retrieved 2010-07-16

- 1964: BOB acquired two banks, Umbergaon People’s Bank in southern Gujarat and Tamil Nadu Central Bank in Tamil Nadu state.
- 1964: BOB lost its branch in Narayanjanj (East Pakistan) due to the Indo-Pakistan war. It is unclear when BOB had opened the branch.
- 1965: BOB opened a branch in Guyana.
- 1967: The Tanzanian government nationalized BOB’s three branches there and transferred their operations to the Tanzanian government- owned National Banking Corporation.
- 1969: The Government of India nationalized 14 top banks, including BOB.
- 2006: BOB established an Offshrore Banking Unit (OBU) in Singapore.
- 2007: In its centenary year, BOB's total business crossed 2.09 lakh crores, its branches crossed 1000, and its global customer base 29 million people.
- 2008: BOB opened a branch in Guangzhou, China (02/08/2008).
- 2009: Bank of Baroda registered with the Reserve Bank of New Zealand. it to trade as a bank in New Zealand (2009/09/01)[13]

4.1.4 CANARA BANK

In 1906 the late Sri. Ammembal Subba Rao Pai philanthropist, established the *Canara Bank Hindu Permanent Fund* in Manglore India. The bank changed its name to Canara Bank Limited in 1910 when it incorporated. In 1958, the Reserve Bank of India ordered Canara Bank to acquire G. Raghumathmul Bank, in Hyderabad. This bank had been established in 1870, and had converted to a limited company in 1925. At the time of the acquisition the bank had five branches.

The Government of India nationalized Canara Bank, along with 13 other major commercial banks of India, on 19 July 1969. In 1983, Canara Bank opened its first overseas office, a branch in London. In 1985, Canara Bank acquired

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[13] URL: http://en.wikipedia.org/wiki/Bank_of_Baroda, 25, March 2011

Lakshmi Commercial Bank in a rescue.

Significant Milestones

1 July 1906 Canara Hindu Permanent Fund Ltd. formally registered with a capital of 2000 shares of Rs.50/- each, with 4 employees.[14]

1910: Canara Hindu Permanent Fund renamed as Canara Bank Limited

1969:14 major banks in the country, including Canara Bank, nationalized on July

1976:1000th branch inaugurated

1983: Overseas branch at London inaugurated Cancard (the Bank's credit card) launched

1984: Merger with the Laksmi Commercial Bank Limited

1985: Commissioning of Indo Hong Kong International Finance Limited

1987: Canbank Mutual Fund & Canfin Homes launched

1989: Canbank Venture Capital Fund started

1989-90: Canbank Factors Limited, the factoring subsidiary launched

1992-93: Became the first Bank to articulate and adopt the directive principles of "Good Banking".

1995-96: Became the first Bank to be conferred with ISO 9002 certification for one of its branches in Bangalore

2001-02: Opened a 'Mahila Banking Branch', first of its kind at Bangalore, for catering exclusively to the financial requirements of women clientele.

2002-03: Maiden IPO of the Bank

2003-04: Launched Internet & Mobile Banking Services

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[14] Pagdi, Raghavendra rao. 1987. Short History of Banking in Hyderabad District, 1879-1950. In M. Radhakrishna Sarma, K.D> Abhyankar, and V.G. Bilolikar, eds. *History of Hyderabad District, 1879-1950AD (Yugabda 4981-5052)*. (Hyderabad: Bharatiya Itihasa Sankalana Samiti), Vol. 2, pp.85-87.

2004-05: 100% Branch computerization

2005-06: Entered 100th Year in Banking Service Launched Core Banking Solution in select branches Number One Position in Aggregate Business among Nationalized Banks

2006-07: Retained Number One Position in Aggregate Business among Nationalized Banks. Signed MoUs for Commissioning Two JVs in Insurance and Asset Management with international majors viz., HSBC (Asia Pacific) Holding and Robeco Groep N.V respectively

2007-08: Launching of New Brand Identity Incorporation of Insurance and Asset Management JVs Launching of 'Online Trading' portal launching of a 'Call Centre' Switchover to Basel II New Capital Adequacy Framework

2008-09: The Bank crossed the coveted Rs. 3 lakh crore in aggregate business the Bank's 3rd foreign branch at Shanghai commissioned

4.1.5 CORPORATION BANK

Corporation Bank, the oldest banking Institution in the erstwhile undivided Dakshina Kannada District of Karnataka and one of the oldest banks in India, was founded in 12th March 1906 in the Temple Town of Udupi by a small group of philanthropists led by Khan Bahadur Haji Abdulla Haji Kasim Saheb Bahadur. The need to start this bank was felt because there was no such facility at Udupi, an important trading centre next to Mangalore in D.K. District. The indigenous banking was largely in the hands of a few rich private individuals and something had to be done to provide relief to the common man from the clutches of the money lenders who held full sway. The first branch of a modern bank established in the district was the Bank of Madras one of the three Presidency Banks, which set up its office in Mangalore in 1868 largely to cater to the business needs of a few British firms dealing in export of plantation products. Its agent used to visit

Udupi once a fortnight or so, to do banking. Money remittances had to be made only through postal medium.

"The Canara Banking Corporation (Udupi) Ltd.", as the institution was called then, started functioning as a ‘Nidhi' with a humble beginning. The initial capital was Rs.5000/- and at the end of the first day, its resources stood at 38 Rupees – 13 Annas and 2 Pies. The setting up of the Canara Banking Corporation Ltd. seems to have given a fillip to co-operative Banking and also to regular banking elsewhere in the district. Between 1909 and 1917, six co-operative banks came into being and during the decade immediately after the First World War (1914-18) South Kanara gave birth to as many as eight banks. It is to the credit of this Bank that despite two world wars, economic depression and stiff competition, the Bank not only quite survived, but also made satisfactory progress.[15]

Having been started at Udupi, the Bank first branched out by opening a branch at Kundapur in 1923. The second branch of the Bank was opened in Mangalore at Car Street in 1926. The Bank stepped into Kodagu District in 1934 by opening its seventh branch in Madikeri. In 1937, the Bank was included in the second schedule of Reserve Bank of India Act, 1934. In 1939, the Bank's name changed from "Canara Banking Corporation (Udupi) Ltd." to "Canara Banking Corporation Ltd." The Bank graduated into a Regional Bank in 1945 when the total number of its branches stood at 28. In the year 1961, it took over ‘Bank of Citizens, Balgaum, In the same year, the Bank's Administration Office shifted from Udupi to Mangalore.

The second change in the name of the Bank occurred in 1972, from ‘Canara Banking Corporation Ltd'. to ‘Corporation Bank Limited.' The Bank was nationalised in 1980 along with 5 other private sector banks. After Nationallization, the pace of growth of the Bank accelerated and it made all-round progress. Started as a common man's bank, it changed with the times to meet the aspirations of the people but never swerved from its motto- "Sarve Janah

[15] URL: http://en.wikipedia.org/wiki/Corporation_Bank 3 APRIL 2011, 6:30 PM

Sukhino Bhavantu" meaning Prosperity for All. It endeavored and succeeded in striking a right balance between traditional values and innovative approach, personalized service and professional outlook and commercial considerations and public concern. One of the unique achievements of the Bank is that it has been paying dividend continuously for the last 98 years since its inception. Today, with the most modern technology-driven products and services and nationwide branches & ATMs , Corporation Bank stands tall among the Public Sector Banks in the country and is hailed as one among the well-managed Public Sector Banks with excellent track record in all the key parameters of banking. The Bank has the second largest ATM network in the public sector.

Corporation Bank completed 100 years of existence on 12 March 2006. The Centenary celebrations were launched by Shri V. Leeladhar, Deputy Governor, Reserve Bank of India with the Bank's Foundation Day lecture on 12 March 2005.As a part of the Bank's centenary celebrations, a number of programmes and projects were planned and executed. As a first step, the Bank has launched the Corp Kissan Card - debit card tied up with VISA international,, to enable the farmers make timely purchases for agricultural operations.at Yeshwantpur-Malur in Kolar District on 13 March 2005. A modern public library was dedicated to the citizens of Mangalore in DK District, the birth place of the Bank by Shri P. Chidambaram, Hon'ble Union Finance Minister on 2 March 2006. The library building also houses a Numismatic Museum and a multipurpose hall for intellectual activities. The Bank has also set up libraries in 25 villages and given away scholarship to 100 meritorious students of such villages for the pursuit of their higher education. Such libraries will be set up in 75 more villages in a phased manner. Corporation Bank - A Corporate Journey, the history of the Bank and Haji Abdullah Saheb a biography of the Bank's Founder President have been published on the occasion of the valedictory function of the Bank's Centenary Celebrations.

4.1.6 DENA BANK

Dena Bank was founded by the family of Devkaran Nanjee under the name Devkaran Nanjee Banking Company Ltd. It found its new name, **Dena Bank Ltd.** when it was incorporated as a Public Company in Dec 1939. It is one of the most prestigious banks of India having a good market share. Dena Bank was nationalized (and therefore dropped the 'Ltd.' from its name) in 1969 along with 13 other banks in India. Dena Bank was one of the six Public Sector Banks which had been chosen by the World Bank in the year 1995 for granting a loan of Rs. 72.3 Crores under Financial Sector Development project. Also, it is one of the few banks which have been given a loan by the World Bank for technological advancement and training. Dena Bank has maintained a strong technological infrastructure with state-of-the-art IT innovations and solutions implemented at its branches and back-end. 100% branches of the bank have been fully computerized, and the bank has established its own network called “DENANET” to ensure seamless connectivity and smooth workflow all the way through its banking process. DENANET is comprised of VSATs, leased lines, dial-up lines and ISDN backups, and is completely integrated with the Indian Financial Network (INFINET) of the Reserve Bank of India (RBI). Dena Bank offers a host of Regular Banking Services to its customers, including Personal Baking Services comprising of Deposit, Loan and Investment Services, Priority and Small & Medium Enterprises (SME) services, International Baking Services, Corporate Banking Services and a host of other Value Added Services.

Dena Bank one of the premier public sector banks, has introduced Dena Smart Card, to facilitate anywhere banking. Dena Bank is the first bank to launch this unique customer friendly product. It is for the first time in India that a Bank is using Smart Card for storing account details.[16]

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[16] "Welcome to Dena Bank - Your trusted family bank!". Denabank.com. Retrieved 2011-02-02.

4.1.7 INDIAN OVERSEAS BANK

1937: Shri. M. Ct .M. Chidambaram Chettyar establishes the Indian Overseas Bank (IOB) to encourage overseas banking and foreign exchange operations. IOB started up simultaneously at three branches, one each in Karaikudi, Madras (Chennai) and Rangoon (Yangan) . It then quickly opened a branch in Penang and another in Singapore. The bank served the Nattukottai Chettiars who were a mercantile class that at the time had spread from Chettinad in Tamilnadu state to Ceylon(Sri Lanka) Burma (Myanmar), Malaya, Singapore,, Java, Sumatra and Saigon. As a result, from the beginning IOB specialized in foreign exchange and overseas banking (see below).

1960s: The banking sector in India was consolidating by the merger of weak private sector banks with the stronger ones; IOB absorbed five banks, including Kulitali Bank (est. 1933). 1969: The Government of India nationalized IOB. At one point, probably before nationalization, IOB had twenty of its eighty branches located overseas. After nationalization it, like all the nationalized banks, turned inward, emphasizing the opening of branches in rural India.[17]

1988-89: IOB acquired Bank of Tamil Nadu in a rescue. 2000: IOB engaged in an Initial Public Offering (IPO) that brought the government's share in the bank's equity down to 75%. Indian Overseas Bank (IOB) has tied up with Dabur-All State Insurance to market the joint venture's life insurance products.Indian Overseas Bank, the first public sector bank to introduce anywhere banking at its 129 branches in the four metros, is extending the connectivity to another 100 branches in Hyderabad, Bangalore, Ahmedabad and Ludhiana.Indian Overseas Bank has inked a memorandum of understanding with Tata Motors for extending loans. This is for the purchase of commercial transport vehicles. As per a release, loans under this MoU will be extended without any processing charges.

[17] URL: http://en.wikipedia.org/wiki/Indian_Overseas_Bank.Htm 7, April, 2011 4:52 PM

4.1.8 ORIENTAL BANK OF COMMERCE

Oriental Bank of Commerce, established on 19 February, 1943, in Lahore (then a city of British, India and currently in Pakistan), , is one of the Public Sector Banks in India.[18] Oriental Bank of Commerce made a modest beginning under its Founding Father, Late Rai Bahadur Lala Sohan Lal, the first Chairman of the Bank.Within four years of coming into existence, the Bank had to face the holocaust of partition. Branches in the newly formed Pakistan had to be closed down and the Registered Office had to be shifted from Lahore to Amritsar. Late lala Karam Chand Thapar, the then Chairman of the Bank, in a unique gesture honoured the commitments made to the depositors from Pakistan and paid every rupee to its departing customers. The foundation of customer service thus laid has ever since remained Oriental Bank's prime philosophy and has been nurtured well as a legacy by all its successors, year after year. The Bank has witnessed many ups and downs since its establishment. It has seen many upheavals in the 66 years of its existence and on every trying situation; it has emerged successful. The period of 1970-76 is said to be the most challenging phase in the history of the Bank. At one time profit plummeted to Rs.175, that prompted the owner of the bank, the Thapar House, to sell / close the bank. Then employees and leaders of the Bank came forward to rescue the Bank. The owners were moved and had to change their decision of selling the bank and in turn they decided to improve the position of the bank with the active cooperation and support of all the employees. Their efforts bore fruits and performance of the bank improved significantly. This was the turning point in the history of the bank. The bank was nationalized on 15th April, 1980. At that time total working of the bank was Rs.483 crores having 19th position among the 20 nationalized banks. Within a decade, the bank could turn over a new leaf to come out as the most efficient and best performing bank of the country. Today our Bank has progressed on several fronts, such as crossing the Business Mix mark of Rs.1.50 lacs crores,

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[18] "OBC Performance Annual Report 2010". OBC. Retrieved 6 September 2010.

achievement of 100%CBS, reorienting of lending strategy through Large & Mid Corporates and establishment of new wings viz., Rural Development and Retail & Priority Sector. The Bank has to its utmost credit lowest staff cost with highest productivity in the whole of banking industry. But today there is stiff competition in the industry and challenges are at every front. OBC's Grameen Project aims to reduce poverty & to identify the reasons which are responsible for the failure or success. OBC is implementing a Grameen Project in Dehradun District (UP) and Hanumangarh District (Rajasthan). This Scheme has a unique feature of disbursing small loans, ranging from Rs. 75 onwards. The OBC has various Agriculture Loan Schemes for farmers, such as, Composite Credit Scheme for Agricultural Leading, Overdraft Facility to Farmers, Advance against Warehouse Receipts to Farmers & Purchase of Land for Agriculture Purposes.

On 13 April 1997 at the occasion of Baisakhi, OBC launched another unique scheme, 'The Comprehensive Village Development Programme' in three villages of Punjab. After the success of this scheme in these villages, the Bank extended the programme to more villages. Today, it covers 10 villages in Punjab, 4 in Haryana and 1 in Rajasthan. This programme focuses on providing a comprehensive and integrated package, which offers finance to the villagers to women. Under this scheme bank provide various loans to women, such as, Oriented Mahila Vikas Yojana, Scheme for Professional & self Employed Women, Scheme for Beauty Parlor/ Boutiques/ Saloons/Tailoring, Scheme for Financing Working Women, etc.

4.1.9 UNION BANK OF INDIA

1919 UBI was registered on November 11, 1919 as a limited company in Mumbai. It was inaugurated by Mahatma Gandhi.[19] Union Bank of India was

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[19] URL:http://www.bseindia.com/bseplus/StockReach/AdvanceStockReach.aspx?scripcode=532477

inaugurated by Mahatma Gandhi and the Bank started its operations in 1920. Union Bank of India is a Public Sector Unit consisting of 60.85% Share Capital held by the_Government of India._1947 UBI had only 4 branches - 3 in Mumbai and in Saurashtra , all concentrated in key trade centres. 1975 The Government nationalized UBI. At the time of its nationalization, UBI had 240 branches in 28 states. After nationalization, UBI merged in Belgaum Bank, a private sector bank established in 1930. 1985 UBI merged in Miraj State Bank, established in 1929. 1999 UBI acquired Sikkim Bank in a rescue at the request of the Reserve Bank of India. after the discovery of extensive irregularities at the non-scheduled bank. Sikkim Bank had eight branches located in the North-east, which was attractive to UBI. 2007 UBI opened representative offices in Abu Dhabi, United Arab Emirates, and Shanghai, Peoples Republic of China. 2008 UBI opened a branch in Hong Kong, its first branch outside India. . Union Bank of India (UBI) is one of India's largest state-run banks and is also listed on the Forbes 2000.

The Bank's principal activities are to provide Commercial Banking Services which include Merchant Banking, Direct Finance, Infrastructure Finance, Venture Capital Fund, Advisory, Trusteeship, Forex, Treasury and other related financial services. The Bank operates through 2082 Branches In India. In addition to the Regular Banking Facilities provided by Union Bank Of India, customers can also avail a variety of other services like Cash Management Service, Insurance, Mutual Funds, Demat from the Bank. Over the years Union Bank Of India has earned the reputation of being a Techno-Savvy Bank and is one of the front runners amongst public sector bank in the field of technology. The Bank has launched multiple Electronic Delivery Channels and has installed nearly 423 networked ATMs.

4.1.10 VIJAYA BANK

Vijaya Bank, a medium sized bank with presence across India was founded on 23 October 1931 by the late Shri A.B. Shetty and other enterprising farmers in

Manglore, Karnataka in India.. The objective of the founders was essentially to promote banking habits, thrift and entrepreneurship among the farming community of Dakshina Kannada district in Karnataka State. The bank became a scheduled Bank in 1958.Vijaya Bank steadily grew into a large All India bank, with nine smaller banks merging with it during the 1963-68. The credit for this merger as well as growth goes to late Shri M.Sunder Ram Shetty, who was then the Chief Executive of the bank. The bank was nationalised on 15 April 1980.

Vijaya Bank grew steadily by merging nine smaller banks into it between 1963-68. Shri M.Sunder Ram Shetty, who was then the Chief Executive of the bank is largely credited with these mergers. The bank was nationalized on 15, April, 1980. The bank has built a network of 1065 branches,45 Extension Counters and 352 ATMs as at 03.01.2009, that span all 28 states and 4 union territories in the country. The Bank has chosen Finacle from Infosys as centralized banking solution. In line with the prevailing trends, the bank has been giving greater thrust towards technological up gradation of its operations. The bank has network of 1101 branches, 43 Extension Counters and 364 ATMs. [As at 31.03.2009] All 1101 branches, 37 extension counters, 12 service branches are functioning on CBS platform, and at 703 centers, covering 100 % of Bank's business. Realizing your constantly evolving and diverse needs, the bank has diversified too. Entering several new areas such as credit card, merchant banking, hire purchase and leasing, and electronic remittance services. 1031 - Branches /offices are under RTGS and 1030 - Branches / offices are under NEFT Vijaya Bank is one among the few banks in the country to take up principal membership of VISA International and MasterCard International. The driving force behind Vijaya Bank's every initiative has been its 12107 strong dedicated workforce.

In line with the prevailing trends, the bank has been giving greater thrust towards technological upgrading of its operations. The bank has network of 1158 branches, 46 extension counters and 435 ATMs.

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[20] URL: http://en.wikipedia.org/wiki/Vijaya_Bank.4, April 2011, 5:

4.2 PRIVATE SECTOR BANKS IN INDIA

Profiles of 10 Private Sector Banks are as under.

4.2.1 ICICI BANK

1955 The Industrial Credit and Investment Corporation of India Limited (ICICI) was incorporated at the initiative of World Bank, the Government of India and representatives of Indian industry, with the objective of creating a development financial institution for providing medium-term and long-term project financing to Indian businesses. 1994 ICICI established Banking Corporation as a banking subsidiary. Formerly Industrial Credit and Investment Corporation of India. Later, ICICI Banking Corporation was renamed as 'ICICI Bank Limited'. ICICI founded a separate legal entity, ICICI Bank, to undertake normal banking operations - taking deposits, credit cards, car loans etc.[21]

2001 ICICI acquired Bank of Madura (est. 1943). Bank of Madura was a Chettiar bank, and had acquired Chettinad Mercantile Bank (est. 1933) and Illanji Bank (established 1904) in the 1960s.

2002. Boards of Directors of ICICI and ICICI Bank approved the reverse merger of ICICI. ICICI Personal Finance Services Ltd and ICICI Capital Services Ltd into ICICI Bank. After receiving all necessary regulatory approvals, ICICI integrated the group's financing and banking operations, both wholesale and retail, into a single entity. Also in 2002, ICICI Bank bought the Shimla and Darjeeling branches that Standard Chartered Bank had inherited when it acquired Grindlays Bank. ICICI started its international expansion by opening representative offices in New York and London.

2003 ICICI opened subsidiaries in Canada and the United Kingdom (UK), and in the UK it established an alliance with Lloyds TSB. It also opened an Offshore

[21] URL: http://en.wikipedia.org/wiki/ICICI_Bank.Htm, 16, April 2011. 4:32 PM

Banking Unit (OBU) in Singapore and representative offices in Dubai and Shanghai.

2004. ICICI opens a rep office in Bangladesh to tap the extensive trade between that country, India and South Africa. 2005 ICICI acquired Investitsionno-Kreditny Bank (IKB), a Russia bank with about US$4mn in assets, head office in Balabonova in the Kaluga region, and with a branch in Moscow. ICICI renamed the bank ICICI Bank Eurasia. Also, ICICI established a branch in Dubai International Financial Centre and in Hong Kong. 2006 ICICI Bank UK opened a branch in Antwerp, in Belguim. ICICI opened representative offices in Bangkok, Jakarta and Kuala Lumpur.

2007 ICICI amalgamated **Sangli Bank**, which was headquartered in Sangli in Maharashtra State, and which had 158 branches in Maharashtra and another 31 in Karnataka State. Sangli Bank had been founded in 1916 and was particularly strong in rural areas. ICICI also received permission from the government of Qatar to open a branch in Doha.

ICICI Bank (formerly Industrial Credit and Investment Corporation of India)) is a major banking and financial services organization in India. It is the second largest bank in Indiaand the largest private sector bank in India by market capitalization. The bank also has a network of 2,016 branches (as on 31 March 2010) and about 5,219 ATMs in India and presence in 18 countries**,** [22] as well as some 24 million customers (at the end of July 2007). ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and specialization subsidiaries and affiliates in the areas of investment banking, life and non-life insurance, venture capital and asset management. (These data are dynamic.) ICICI Bank is also the largest issuer of credit cards in India. ICICI Bank's shares are listed on the stock exchanges at BSE, NSE, Kolkata and Vadodara (formerly Baroda) ; its ADRs trade on the New York Stock Exchange (NYSE).

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[22] ICICI PruLife. "Icici Prudential-Fact Sheet". Iciciprulife.com. Retrieved 2010-07-16.

The Bank is expanding in overseas markets and has the largest international balance sheet among Indian banks. ICICI Bank now has wholly owned subsidiaries, branches and representatives offices in 19 countries, including an offshore unit in Mumbai. This includes wholly owned subsidiaries in Canada, Russia and the UK (the subsidiary through which the Hi SAVE savings brand[5] is operated), offshore banking units in Bahrain and Singapore, an advisory branch in Dubai, branches in Belgium, Hong Kong and Sri Lanka, and representative offices in Bangladesh, China, Malaysia, Indonesia, South Africa, Thailand, the United Arab Emirates and USA. Overseas, the Bank is targeting the NRI (Non-Resident Indian) population in particular. ICICI reported a 1.15% rise in net profit to ₹1,014.21 crore on a 1.29% increase in total income to ₹9,712.31 crore in Q2 September 2008 over Q2 September 2007. The bank's CASA ratio increased to 30% in 2008 from 25% in 2007.[6][7]

4.2.2 HDFC BANK

Housing Development Finance Corporation Limited, more popularly known as HDFC Bank Ltd, was established in the year 1994, as a part of the liberalization of the Indian Banking Industry by Reserve Bank of India (RBI). It was one of the first banks to receive an 'in principle' approval from RBI, for setting up a bank in the private sector. The bank was incorporated with the name 'HDFC Bank Limited', with its registered office in Mumbai. The following year, it started its operations as a Scheduled Commercial Bank. Today, the bank boasts of as many as 1412 branches and over 3275 ATMs across India.

Amalgamations

In 2002, HDFC Bank witnessed its merger with Times Bank Limited (a private sector bank promoted by Bennett, Coleman & Co. / Times Group). With this, HDFC and Times became the first two private banks in the New Generation Private Sector Banks to have gone through a merger. In 2008, RBI approved the amalgamation of Centurion Bank of Punjab with HDFC Bank. With this, the

Deposits of the merged entity became Rs. 1,22,000 crore, while the Advances were Rs. 89,000 crore and Balance Sheet size was Rs. 1,63,000 crore.

Tech-Savvy

HDFC Bank has always prided itself on a highly automated environment, be it in terms of information technology or communication systems. All the braches of the bank boast of online connectivity with the other, ensuring speedy funds transfer for the clients. At the same time, the bank's branch network and Automated Teller Machines (ATMs) allow multi-branch access to retail clients. The bank makes use of its up-to-date technology, along with market position and expertise, to create a competitive advantage and build market Share

Capital Structure.

At present, HDFC Bank boasts of an authorized capital of Rs 550 crore (Rs5.5 billion), of this the paid-up amount is Rs 424.6 crore (Rs.4.2 billion). In terms of equity share, the HDFC Group holds 19.4%. Foreign Institutional Investors (FIIs) have around 28% of the equity and about 17.6% is held by the ADS Depository (in respect of the bank's American Depository Shares (ADS) Issue). The bank has about 570,000 shareholders. Its shares find a listing on the Stock Exchange, Mumbai and National Stock Exchange, while its American Depository Shares are listed on the New York Stock Exchange (NYSE), under the symbol 'HDB'.

Retail banking services

The objective of the Retail Bank is to provide its target market customers a full range of financial products and banking services, giving the customer a one-stop window for all his/her banking requirements. The products are backed by world-class service and delivered to customers through the growing branch network, as well as through alternative delivery channels like ATMs, Phone Banking, Net Banking and Mobile Banking. HDFC Bank was the first bank in India to launch an International Debit Card in association with VISA (VISA Electron) and issues the

Master card Maestro debit card as well. The Bank launched its credit card business in late 2001. By March 2009, the bank had a total card base (debit and credit cards) of over 13 million. The Bank is also one of the leading players in the "merchant acquiring" business with over 70,000

Wholesale banking services

blue-chip manufacturing companies in the Indian corp to small & mid-sized corporates and agri-based businesses. For these customers, the Bank provides a wide range of commercial and transactional banking services, including working capital finance, trade services, transactional services, cash management, etc. The bank is also a leading provider of for it's to corporate customers, mutual funds, stock exchange members and banks.[23]

4.2.3 BANK OF RAJASTHAN

It was set up at Udaipur in 1943 with an initial capital of Rs.10.00 lacs. An eminent Industrialist Late Seth Shri Govind Ram Seksaria was the founder Chairman. It was classified as the Scheduled Bank in 1948. The Bank also established a rural (Gramin) bank Mewar Anchlik Gramin Bank in Udaipur District in Rajasthan on 26th January, 1983.The bank's central office is located at Jaipur, while registered office is in Udaipur. Presently the bank has 463 branches·The Bank is engaged in the activities of accepting deposits, advances, treasury investment management, international banking, export credit, merchant banking, lending to priority sector etc. Kali Mohan Bhattacharya has joined Bank of Rajasthan as managing director. The Bank has tied up with Infosys Technologies for revamping its InfoTech Infrastructure, which will allow the bank to fully

[23] Share Manthan : http://www.sharemanthan.in/index.php/indian-companies/54-banking/2149-hdfc-bank

Computerize 50 branches, Besides paving the way for a into internet banking and other e-commerce services to customers.

Bank of Rajasthan Ltd plans tie-ups with Bajaj Allianz and Tata AIG for Distributing general insurance and life insurance products respectively. The board of directors of the bank has recently approved the bank's entry into insurance Distributorship and the letters of intention (LoIs) were being signed with these two Companies in this regard, said Mr. K.M. Bhattacharya.Introduces a new scheme called 'gaadi-bangla scheme' to provide loan to buy house and car. Implements a comprehensive IT infrastructure called Net Services Software

Developed By Novell Software Ltd. Receives RBI permission to start its new eight branches and three extension counters. Devyani Foods acquires 14% equity stake in the bank. Navin Tayal resigns from the Directorship of Bank of Rajasthan. Bank of Rajasthan Ltd has informed that RBI has approved the appointment of Mr. Pravin Kumar Tayal as part-time Chairman of the Bank for a period of 2 years August 10, 2002 on honorary basis. Signs a memorandum of understanding with Bajaj Allianz General Insurance Company to act as its exclusive corporate agent in Rajasthan Bank of Rajasthan Ltd has informed BSE that members at their AGM of the Bank passed resolution regarding appointment of Mr Saurabh Tayal2. Mr Ajay Gupta.Signs a MoU with Birla Sun Life Insurance for distributing Insurance Products. Corporation Bank ties up with the bank for sharing the teller machine networks. The Hon'ble High Court, Jaipur has approved the scheme of merger of Rajasthan Bank Financial Services Ltd into the Bank Promoters shifted their shares to their own private corporate companies. NOBO blames the CEO & MD of the bank for illegally purchasing shares worth Rs.9 crfor Rs.1.2cr. Members approve for the delisting of the company from 3 stock exchanges.

SEBI bans Mr Pravin Kumar Tayal , Chairman of the bank and two other directors of KSIL, Mr Navin K Tayal and Mr Sanjay K Tayal from accessing the capital market for 2 years. UTI enters into ATM sharing venture by joining hands with the bank.

Bank of Baroda signs MoU with the bank to issue co-branded international Visa Electron DebitCard. Hon'ble High Court, Jaipur approved the scheme of merger of Rajasthan Bank Financial Services Ltd into the Bank. BoR set up Corp office in Mumbai Delists from M.P. Stock Exchange with effect from September 10, 2004. Bank of Rajasthan Ltd in a tie-up with Visa International is coming out with credit card in month's time. BoR forges alliance with SBI for ATM sharing Bank of Rajasthan Ltd has appointed Shri Vipual Dhirajlal Mehta and Shri K G Kurian as Directors of the Bank w.e.f. October 27, 2006.

Bank of Rajasthan Ltd has informed that Shri. Sekhar Bhatnagar and Shri. A Madhavan have been appointed as Additional Directors on the Board of the Bank by the Reserve Bank of India w.e.f. September 26, 2007 for a period not exceeding three years. The Company has issued Bonus Shares in the Ratio of 1:4. Bank of Rajasthan Ltd has informed that the Board of Directors in its meeting held on January 23, 2008 co-opted Shri. S B Mathur as an additional Director on the Board of the Bank subject to approval of Reserve Bank of India. The Company has issued Bonus Shares in the Ratio of 1:5.

Bank of Rajasthan Ltd has appointed Shri M. Ravindra Vikram, Chartered Accountant, and Shri V. Seshadri, Ex-General Manager, Bank of Baroda as Additional Directors on the Board of the Bank of Rajasthan Ltd. for a period of two years with effect from December 14, 2009.

Merger with ICICI Bank

RBI was critical of BOR's promoters not reducing their holdings in the company. BOR has been merged with ICICI Bank; ICICI paid Rs.3000 Crores for it. Each 118 shares of BOR will be converted into 25 shares of ICICI Bank.[24]

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[24] TNN, May 18, 2010, 11.47pm IST (2010-05-18). "BoR to be merged with ICICI - India Business - Business - The Times of India". Timesofindia.indiatimes.com. Retrieved 2010-08-20.

4.2.4 DHANLAKSHMI BANK

Year events 1927 - The Dhanalakshmi Bank Limited [DBLs] was incorporated. It took banking business of all kinds. 1991 - 2,30,000 shares issued. 1992 - The Bank opened a branch at Veerappan Chatram. It also opened an Extension Counter Hyderabad; Our Extension Counter at Nanthencode, Trivandrum was upgraded to a full fledged branch. On 22nd April, the bank opened a branch at Peelamedu. 3,50,000 shares issued to the public.

1993 - Modernization has begun in the Bank with the inauguration of EDP Section in the Central Office on 28-01-'93. Computer support has been extended to all the three Regional Offices also. Computer supported banking will be introduced in several selected branches during the course of year 1993-'94. Some of the branches will be provided with on-line computer facilities. Efforts are also on to build up in house expertise in software development.

1994 - Rights equity shares issued at a prem. of Rs 25 per share.

1995 - The Bank has co-managed 5 issues, participated in 60 public issues in the capacity of Bankers to the Issue & extended underwriting support to 104 Public Issues.The Bank has entered in the field of project appraisal. Requests for 26 bridge loans were also entertained. New branches of bank were opened at Chevarambalam [Kozhikode Dist.s], Ponnani [Malappuram Dist.s] & Muvattupuzha [Ernakulam Dist.s]. 80,00,000 No. of equity shares of Rs 10 each issued at a prem. of Rs 40 per share.

1996 - The bank had offered 80 lacs equity shares of Rs.10/- each at a premium of Rs.40/- on each share aggregating to Rs.40 crores. The bank entered into leasing business.New branches of bank were opened at Karur [Tamilnadus], Dasarahalli [Bangalores], Chembur Mumbai [Maharashtras], T. Nagar Chennai [Tamilnadus] & Valancherry [Keralas]. 82,35,545 No. of equity shares of Rs 10 each issued at a prem. of Rs 40 per share allotted through public issue.

1997 - The bank is celebrating the 70th year of service to the nation. The Bank corporate philosophy is `service to the poor and needy'.The Bank opened five more branches during the year at Surat, Ahmedabad, Fort Mumbai, Service Branch at Chennai & Industrial Finance Branch at Kochi. The Bank also opened five Extension Counters including the one at Guruvayur.11 branches were fully computerised during the year thereby totalling the fully computerised branches to 26. Back offices of five branches were also computerised. The Investment Information & Credit Rating Agency has rated the bank bond issue with a `LA' rating , indicating adequate safety. The Trichur-based Dhanalakshmi Bank has been granted a full-fledged foreign exchange licence by Reserve Bank of India [RBIs].The bank had made a public issue of 80,00,000 equity shares of Rs.10 each at a premium of Rs.40 per share in February, 1996. Prior to the public issue, the shares of bank were spread over 18,000 shareholders.

1998 - Dhanalakshmi Bank has launched two new deposit schemes -- Dhanam Plus & Dhanam Double Plus -- in Bangalore. The bank had offered 82 lakh shares at a premium of Rs. 40 per share through the public issue.1999 - DHANALAKSHMI Bank, which has computerised 70 per cent of its business transactions, is now globally accessible on the Internet & can be visited at http://www.dhanbank.com, an official release from the bank has said.

2000 - The new rates for domestic deposits had become effective April 22 & for NRE/NRNR deposits from May 1.The Kerala-based Dhanalakshmi Bank has received clearance from the RBI to allot shares on a pro rata basis to the subscribers of its public issue held in 1996.The Bank has opened seven-day banking in select branches in Thiruvananthapuram, Ernakulam & Bangalore.

2001 Dhanalakshmi Bank inaugurated its first ATM Centre in Chennai at Anna Nagar on August 23 Dhanalakshmi Bank has opens its first ATM in Bangalore

2002 -Dhanalakshmi Bank introduces new home loan scheme called Dhanam platinum jubilee home loan advantage The Dhanlakshmi Bank Ltd has fixed

February 16, 2002 as the record date for purpose of issue of four equity shares of Rs 10/- each at a premium of Rs 5/- per share on rights basis for every three existing equity shares held.Ties up with MetLife India to distribute life insurance products of MetLife India

2003 -Dhanalakshmi Bank sets up 3 branches in Thrissur -Unveils co-branded product DhanLife with MetLife India, makes foray into insurance ties up with United India Insurance Co. in order to market insurance products via all the bank branches Mr B Muthuswamy, Managing Director & CEO has resigned & the charge handed over to Mr K A Menon, Executive Director. Dhanalakshmi Bank inaugurates its Mumbai Treasury Department on Oct 29 Dhanalakshmi Bank has taken over a 18,000 square feet property of Pentasoft Technologies under Securitisation Act

2009 Dhanalakshmi Bank has appointed Mr Bipin Kabra as Chief Financial Officer [CFOs], who has over 16 years of experience in financial services industry. His past assignments include stints in ICICI as well as SBI & Reliance group. Prior to joining the Dhanalakshmi Bank, he was associated with Zee group. He has spent considerable period in banking, insurance, merchant banking & treasury.[25]

4.2.5 CITY UNION BANK

The bank, 'The Kumbakonam Bank Limited' as it was then called was incorporated as a limited company on 31st October,1904. The first Memorandum of Association was signed by twenty devoted and prominent citizens of Kumbakonam including Sarvashri R. Santhanam Iyer, S.Krishna Iyer, V.Krishnaswami Iyengar and T.S.Raghavachariar. Shri T.S.Raghavachariar was the First Agent of the Bank. In 1908, he was succeeded by Shri R. Santhanam

[25] URL: http://en.wikipedia.org/wiki/Dhanlaxmi_Bank.Htm 15, April, 2011, 9:35 PM

Iyer who became the Secretary of the bank under the amended Articles of Association which created the office of a Secretary to be in charge of the Bank's Management in the place of the Agent, which post he held till his death in 1926. He was succeeded by Shri. S. Mahalinga Iyer as Secretary who subsequently became the First full-time Managing Director of the bank in tune with the amendment of Articles in 1929. He held the position of Secretary from 1926 to 1929 and that of Managing Director from 1929 to 1963.

The bank in the beginning preferred the role of a regional bank and slowly but steadily built for itself a place in the Delta District Thanjavur. The first Branch of the Bank was opened at Mannargudi on 24th January 1930. Thereafter, branches were opened at Nagapattinam, Sannanallur, Ayyampet, Tirukattupalli, Tiruvarur, Manapparai, Mayuram and Porayar within a span of twenty five years. The Bank was included in the Second Schedule of Reserve Bank of India Act,1934, on 22nd March 1945. From July,1977 to September,1979 the bank has opened ten more branches including those at George Town (Madras), Mount Road (Madras), Tirunelveli and Karaikudi. The first branch outside the state of Tamilnadu was opened at Sultanpet, Bangalore in Karnataka in September,1980. Branches were also opened at the twin cities of Hyderabad and Secunderabad in Andhrapradesh. In tune with the national image attached to the Bank, the Bank's name was changed to 'City Union Bank Limited' with effect from December,1987. To provide value added services, the Bank has entered into Memoranda of understanding with Life Insurance Corporation of India and National Insurance Company Limited for selling insurance products. The Bank has been accorded license by Insurance Regulatory Authority of India [IRDA] to act as Corporate Agent.The Bank has obtained License to function as Depository Participant under National Securities Depository Ltd., The Bank is having a network of 202 Branches spread in different parts of our Country as on 01/02/2009.[26]

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[26] URL: http://en.wikipedia.org/wiki/City_Union_Bank.Htm. 15, July, 2010. 11:32 AM

4.2.6 FEDERAL BANK

1931 - The Bank was incorporated in 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province by a small group of local citizens. It embarked on a phase of sustained growth under the leadership of K.P. Hormist. The bank along with six other banks co-promoted Bharat Overseas Bank Ltd.

1949 - The Board of Directors of the Bank was reconstituted and fresh Articles of Association were adopted and the Bank was renamed as The Federal Bank Limited.

1996 - The Company undertook as 3 year Information Technology Strategic Plan 2000 for automating its branches in a phased programme.

1997 - The bank has developed Fed soft the automation software package in-house which is being used by 40 branches. An Automatic Teller Machine (ATM) was installed at the Vile Parle branch in Mumbai during the year. The bank is the second largest private sector bank with a network of more than 360 branches which till recently was restricted to the southern States. The Federal Bank Limited, the largest scheduled bank in Kerala, had developed its own computer software named Fed Soft.

2000 - Federal Bank is to foray into internet banking and E-commerce in the month April. The Bank will be he first among the old private sector banks in the country to diversify into internet banking. The Bank has entered into marketing pacts with some commercial agencies for its E-commerce business.

2003. Unveils Anywhere Banking provides the convenience of doing transactions from 300-plus interconnected branches ICICI Bank divests 0.31% stake in Federal Bank. Federal Bank cuts Home loan interest rates. Federal Bank is a major Indian commercial bank in the private sector, headquartered at Aluva, Kochi, Kerala.[27]

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[27] Federal Bank's operating profit up 25 per cent The Hindu, Jan 26, 2007

4.2.7 KARUR VYSYA BANK

Karur Vysya Bank is a privately held Indian bank; headquartered in Karur in Tamil Nadu It was set up in 1916 by M.A. Venkatrma Chettiar and Athi Krishna Chettiar. The Karur Vysya Bank limited popularly savings habit and to provide financial assistance to traders and small agriculturists in and around Karur, a textile town in Tamil Nadu. The Bank is professionally managed and guided by the Board of Directors drawn from different fields with vision, experience, and knowledge and business acumen.

Though it had inherited a regional flavour to start with, it has now spread its wings far wide with over 285 branches in 13 States and 2 Union Territories. The Bank has been conducting its affairs with meticulous care to be in conformance with all prudential norms and exacting statutory KVB is one of the early banks to adhere to the norm of Capital Adequacy Ratio stipulated by RBI right from its introduction. The Bank has been maintaining a healthy Capital Adequacy Ratio of over 15% as against the mandatory norm of 9% prescribed by the RBI, which will take care of future asset growth.

The bank has 300 branches — about 45 of them are in rural areas. The bank has installed 275 ATMs across the country so far. All the branches are powered with CBS — Core Banking Solution. The bank also offers Internet banking and Mobile Banking facilities to its customers.

4.2.8 KOTAK MAHINDRA BANK

Kotak Mahindra Bank is one of India's leading financial private banking institutions. It offers banking solutions that covers almost every sphere of life. Some of its financial services include commercial banking, stock broking, mutual

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[28] URL: http://en.wikipedia.org/wiki/Karur_Vysya_Bank.Html, 15, March, 2011 11:00 AM

funds, life insurance and investment banking. Established under the brand of Kotak Mahindra Finance Ltd in 1984, it was given the license to carry on with banking business by the Reserve Bank of India in February 2003. It is the first company in the Indian banking history to convert to be converted from a private financial institution to a bank. Within a small span of 6 years, the bank has spread it wings in several sphere of finances. Presently, spread in 82 cities in India, the bank caters to the needs of its 5.9 million customers spread throughout the length and breadth of country and even abroad. By the end of FY 2007-2008, the Kotak Mahindra Bank had about 178 branches spread all over the country and it plans to add some more branches by the end of FY 2010. Kotak Mahindra Finance Ltd. is the first company in the Indian banking history to convert to a bank. Today it has more than 20,000 employees and Rs. 10,000 crore in revenue.[29]

The entire Kotak Mahindra group has a net worth of over Rs. 6,327 crore and at the end of FYP 2007-2008,it was reported that the consolidated profit of Kotak Mahindra Bank individually was Rs 991.2 crore which was 84% higher than the consolidated profit of Rs 538.2 crore in FY07. Kotak Mahindra Bank has 75 ATMs at 41 locations in the country which are 24x7 accessible. Before the free transactions facility of RBI was made mandatory to all the ATM operating banks in India from April 1, 2009, Kotak Mahindra Bank had underwent under a treaty with the HDFC Bank to provide free network free of cost to most of its customers through its 1335 ATMs spread in the country to ensure customers.

Kotak Mahindra Bank: Facilities and Customer Care

The facilities of Kotak Mahindra Bank are wide spread. It's banking sector acts as a central platform for customer relationships across the entire Kotak Mahindra group's various businesses. The bank marks its presence in the commercial vehicles, retail finance, corporate banking and treasury and housing finance

[29] "Corporate News Kotak's new challenges". *Hindustan Times, Mumbai*. January 28, 2011.

segments. It offers you several facilities like personal banking, commercial banking, insurance and investment banking. Apart from traditional facilities like deposits accounts, savings account, current account, term deposits, personal loans, home loans the bank has spread its wing in the investment services by providing its customer facilities like Demat, mutual fund and insurance. The bank has also opted for net banking, mobile banking and phone banking for convenience customers.

4.2.9 SOUTH INDIAN BANK

South Indian Bank Limited (SIB) is a private sector bank headquartered at Thrissur in Kerala, India. It is headed by Dr. V A Joseph, Managing Director & CEO of the bank. South Indian Bank has 580 branches and 3 extension counters spread across more than 26 states and union territories in India. It has set up 375 ATMs all over India

1929 - South Indian Bank was established at Trichur, Kerala State. The Bank transacts general banking business of every description. The bank was selected by RBI to open and operate a currency chest on its behalf. This facility was to help the bank to reduce considerably their cash holdings.

1963 - The Bank took over the assets and liabilities of the Kshemavilasam Banking Co., Ltd., Trichur, and the Ambat Bank Private Ltd., Chittur, Cochin.

2000 - Credit Rating and Information Services of India has downgraded the ratings assigned to the Bank to `BBB-' from `BBB+'.

2001 - The Bank has launched its comprehensive and centralized banking solution, Sibertech, which will run on Finacle platform provided by Infosys Technologies of Bangalore. The South Indian Bank one of the leading private sector banks in Kerala, has entered into new alliances with three exchange houses in the Gulf.

2004- SIB introduces life insurance product. SIB inks pact with Dubai exchange house. South Indian Bank kicks off RTGS operations. SIB partners with Al Razouki.

2005 -South Indian Bank ties up with Bahrain Financing

2006 -Franklin Templeton inks pact with SIB. SIB to roll out co-branded Citi credit card The South Indian Bank Ltd. has appointed Dr N.J. Kurian as an Additional Director on the Board of Directors of the Bank at the Board Meeting held on May 23, 2007 pursuant to section 260 of the Companies Act, 1956. South Indian Bank has 580 branches and 3 extension counters spread across more than 26 states and union territories in India. It has set up 375 ATMs all over India[30]

Milestones

- First among the private sector banks in Kerala to become a scheduled bank in 1946.
- First bank in the private sector in India to open a Currency Chest in April 1992.
- First private sector bank to open a NRI branch in November 1992.
- First bank in the private sector to start an Industrial Finance Branch in March 1993.
- First among the private sector banks in Kerala to open an "Overseas Branch" in June 1993.
- First bank in Kerala to develop an in-house, a fully integrated branch automation software.
- First Kerala based bank to implement Core Banking System.
- Third largest branch network among Private Sector banks in India.

In the current year 2010-11, the bank is planning to add 60 more branches throughout India which aims in having presence in all the states of India. The current growth plan of the bank is to establish 750 branches, 750 ATMs and 75000 crores of business by the end of financial year 2013.

[30] "South Indian Bank net profit up by 35%". Chennai, India: The Hindu. 2010-01-17. Retrieved 2010-02-15.

4.2.10 AXIS (UTI) BANK

Axis Bank was formed as UTI when it was incorporated in 1994 when Government of India allowed private players in the banking sector. The bank was sponsored together by the administrator of the specified undertaking of the Unit Trust of India, Life Insurance Corporation of India (LIC) and General Insurance Corporation ltd. and its subsidiaries namely National insurance company ltd., the New India Assurance Company, the Oriental Insurance Corporation and United Insurance Company Ltd. However, the name of UTI was changed because of the disagreement on terms and conditions of the bank authority over certain stipulations including royalty charged over the name from UTI AMC. The bank also wanted to have a new name from its pan-Indian as well as international business perspective. So, From July 30,2007 onwards the UTI bank was named as Axis Bank Set up with a capital of Rs. 115 crore- with UTI contributing Rs. 100 crore, LIC contributing Rs. 7.5 crore and GIC and its four subsidiaries contributing Rs. 1.5 crores, the bank came in operation with its first registered office at Ahmedabad . Today, Axis Bank has more than 726 branch offices and Extension Counters spread over 341 cities, towns and villages of the country. Presently, the authorized share capital of Axis Bank is Rs. 300 Crores and the paid up share capital is Rs. 232.86 Crores. The Axis bank is currently capitalized with Rs. 282.65 Crores with a public holding of 57.05% apart from the promoters. The
FY 2009 shows a net profit of Rs. 500.86 crore up by 63.24% yoy over the Net Profit of Rs. 306.83 crores for the thirdquarter of last year.

Axis Bank its customers with all kinds of facilities that should be provided by a modern Bank. As on the year ended March 31, 2009 the Bank had a total income of Rs. 13,745.04 crores and a net profit of Rs 1,812.93 crores. Axis Bank is the first bank in the country to provide a secure debit card-based payment service over IVR.[31]

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[31] "Axis Bank Launches 'AXIS CALL & PAY on atom'". 24 February 2010. Retrieved 25 February 2010.

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5.1 INTRODUCTION

The financial sector reforms undertaken in India from 1991 onwards were basically to ensure the safety and soundness of financial institutions and at the same time making the banking system strong, efficient, functionally diverse and competitive. T he banking industry in any economy provides its financial backbone. The new millennium has brought along challenges and opportunities in the various fields of economic activities including banking. The entry of various private sector and foreign banks exposed the inefficiencies in the public sector banks. Banking sector plays a vital role in growth of Indian economy. This is one of the components of Indian financial system. Entry of private and foreign banks in the segment has provided healthy competition and is likely to bring more operational efficiency into the sector. Banks are also coping and adapting with time and are trying to become one-stop financial Supermarkets. The market focus is shifting from mass banking products to class banking with the introduction of value added and customized products.

In a market driven banking sector, competition is the most dynamic elements. Bank can differ markedly in their sources. Some focus on business lending, some on household lending and some on fee-earning activities. Increasing competition is going to be the major problem for the banking sector will have to face. Due to market competition in Indian banking industry, the pattern of banking business is changing phenomenally. The major income of the bank is interest income. But now-a-days bank are also offering wide range services like, Shopping. Ticket booking, Fund transfer and also entered into mutual fund, insurance, financing export services. In present age banking sector provide a world class non-fund based facilities to the customer. To survive in this modern market every bank implements so many new innovative ideas, strategies, and advanced technologies. This study emphases on the Non-fund Based Income of selected public sector banks and private sector banks for the period of five years from the year 2004 to 2008.

5.2 NON FUND BASED INCOME OF PUBLIC SECTOR BANKS

5.2.1 STATE BANK OF INDIA

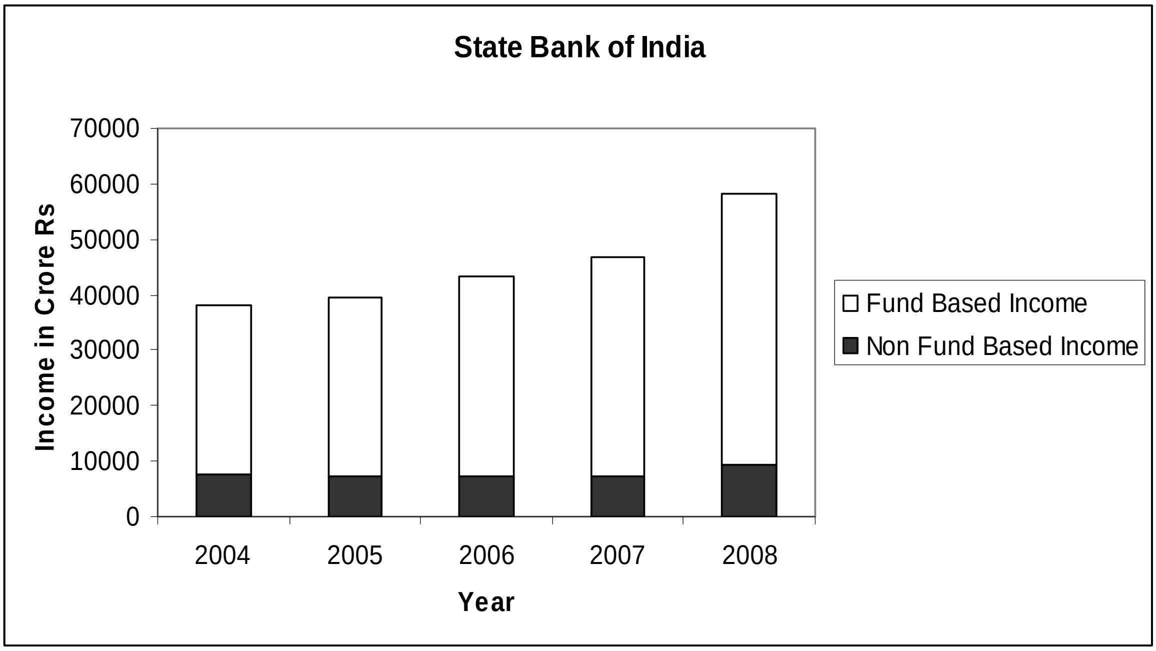
Table- 5.1

Year	Non fund Based Income(Crore)	Fund Based Income(Crore)	Total Income (Crore)
2004	7612.67	30460.49	38073.16
2005	7119.90	32428.00	39547.90
2006	7388.69	35794.93	43183.62
2007	7446.76	39491.03	46937.79
2008	9398.43	48950.31	58348.74
Average	7793.29	37424.95	45218.24

(Sources: Money Control.com)

The above table shows the Non-fund Based Income of State Bank of India from the year 2004 to 2008. Non-fund Based income was highest Rs 9398.43 Crore in Year 2008, and it was lowest Rs 7119.90 crore in the year 2005. After year 2005, non fund based income representing continuous increasing trend in year to year. The Average Non fund based income is Rs 7793.29 Crore. only 2008 income was higher than average Non fund based income.

Chart-5.1



5.2.2 BANK OF INDIA

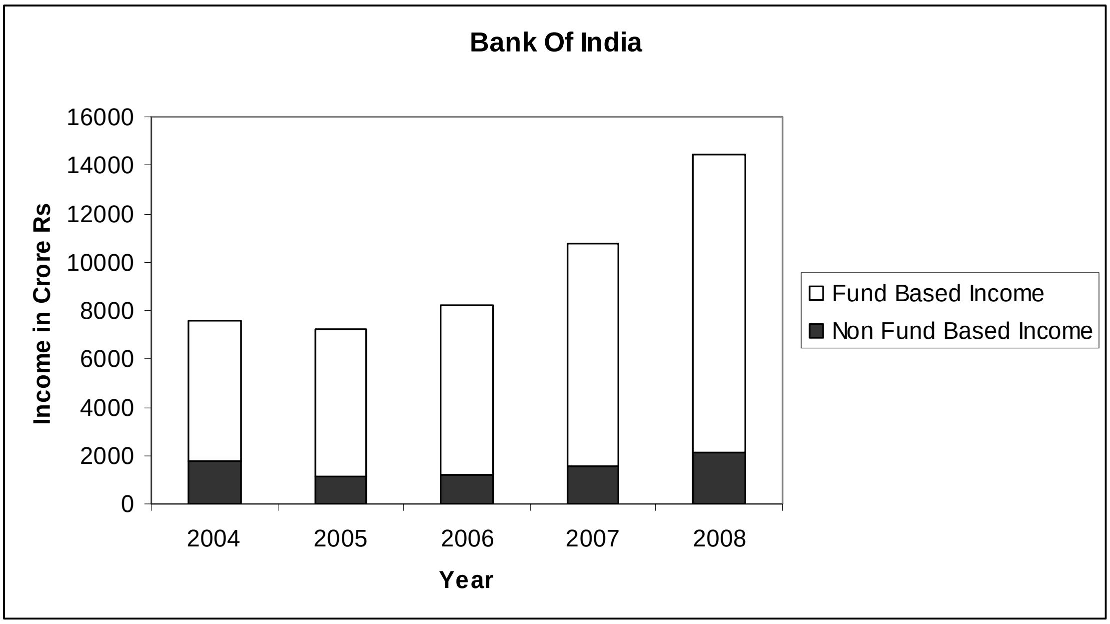
Table-5.2

Year	Non fund Based Income(Crore)	Fund Based Income(Crore)	Total Income (Crore)
2004	1791.99	5795.90	7587.89
2005	1155.80	6031.53	7187.33
2006	1184.38	7028.70	8213.08
2007	1562.95	9180.33	10743.28
2008	2116.93	12355.22	14472.15
Average	1562.41	8078.37	9640.75

(Sources: Money Control.com)

The above table shows the Non-fund Based Income of Bank of India from the year 2004 to 2008. Non-fund Based income was highest Rs 2116.93 Crore in Year 2008, and it was lowest Rs 1155.80 crore in the year 2005. After year 2005, non fund based income representing continuous increasing trend in year to year. The Average Non fund based income is Rs 1562.41 Crore. Non fund based income of Year 2004 and 2008 was higher than average Non fund based income.

Chart-5.2



5.2.3 BANK OF BARODA

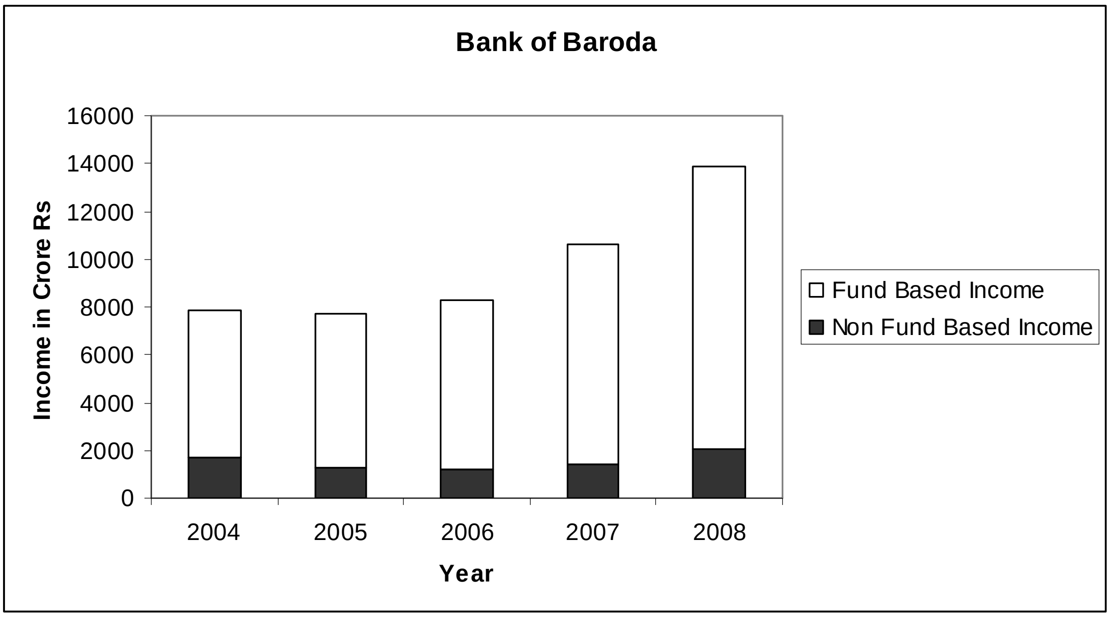
Table-5.3

Year	Non fund Based Income(Crore)	Fund Based Income(Crore)	Total Income (Crore)
2004	1719.01	6147.07	7866.08
2005	1304.83	6431.42	7736.25
2006	1191.69	7100.00	8291.69
2007	1381.79	9212.64	10594.43
2008	2051.04	11813.48	13864.52
Average	1529.67	8140.92	9670.59

(Sources: Money Control.com)

The above table shows the Non-fund Based Income of Bank of Baroda from the year 2004 to 2008. Non-fund Based income was highest Rs 2051.04 Crore in Year 2008, and it was lowest Rs 1191.69 crore in the year 2006. Non-fund based income represents mix trends The Average Non fund based income is Rs 1529.67 Crore. Non fund based income of Year 2004 and 2008 was higher than average Non fund based income.

Chart-5.3



5.2.4 CANARA BANK

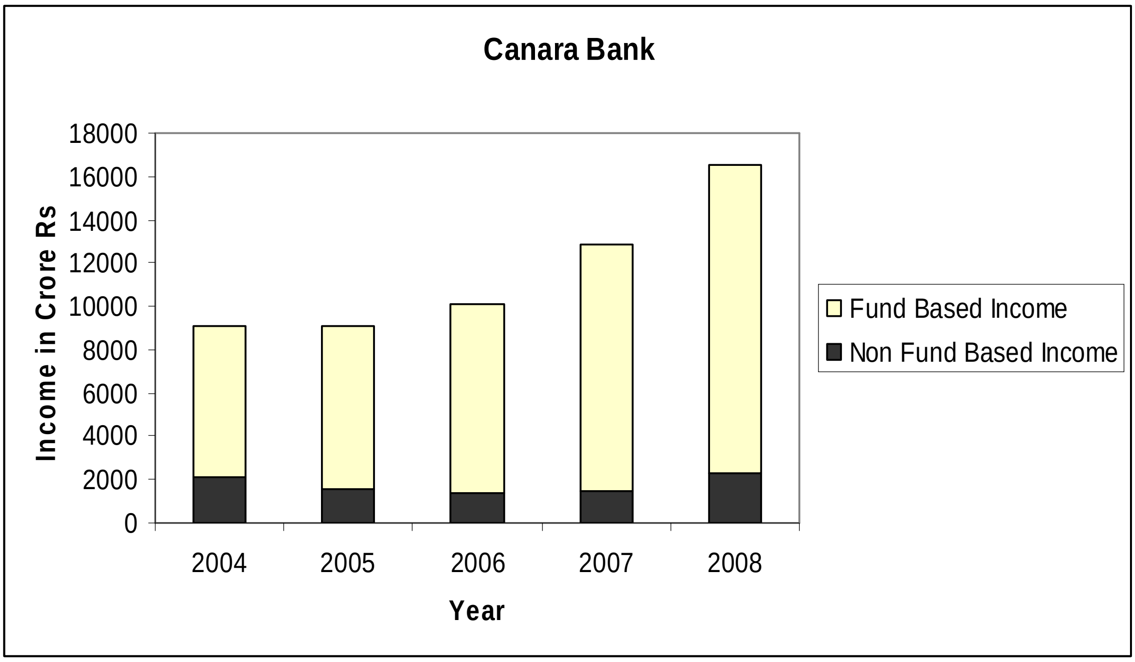
Table-5.4

Year	Non fund Based Income(Crore)	Fund Based Income(Crore)	Total Income (Crore)
2004	2072.91	7006.92	9079.83
2005	1543.83	7571.97	9115.80
2006	1377.51	8711.51	10089.02
2007	1511.80	11364.56	12876.36
2008	2308.31	14200.74	16509.05
Average	1762.87	9771.14	11534.01

(Sources: Money Control.com)

The above table shows the Non-fund Based Income of Canara Bank from the year 2004 to 2008. Non-fund Based income was highest Rs 2308.31 Crore in Year 2008, and it was lowest Rs 1377.51 crore in the year 2006. Non-fund based income represents mix trends. The Average Non fund based income is Rs 1762.87 Crore. Non fund based income of Year 2004 and 2008 was higher than average Non fund based income.

Chart-5.4



5.2.5 CORPORATION BANK

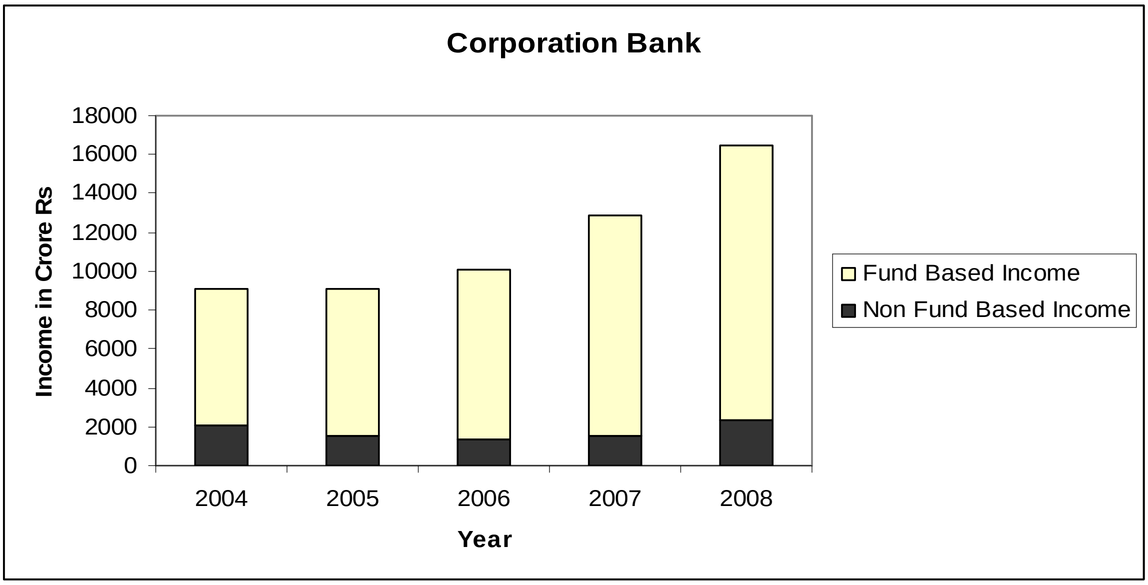
Table-5.5

Year	Non fund Based Income(Crore)	Fund Based Income(Crore)	Total Income (Crore)
2004	474.52	2201.17	2675.69
2005	498.31	2249.80	2748.11
2006	498.04	2626.47	3124.51
2007	524.67	3430.16	3954.83
2008	569.70	4516.55	5086.25
Average	513.09	3004.83	3517.92

(Sources: Money Control.com)

The above table shows the Non-fund Based Income of Corporation Bank from the year 2004 to 2008. Non-fund Based income was highest Rs 569.70 Crore in Year 2008, and it was lowest Rs 474.52 crore in the year 2004. Non-fund based income represents mix trends. The Average Non Fund based income is Rs 513.09 Crore. Non fund based income of Year 2007 and 2008 was higher than average Non fund based income.

Chart-5.5



5.2.6 DENA BANK

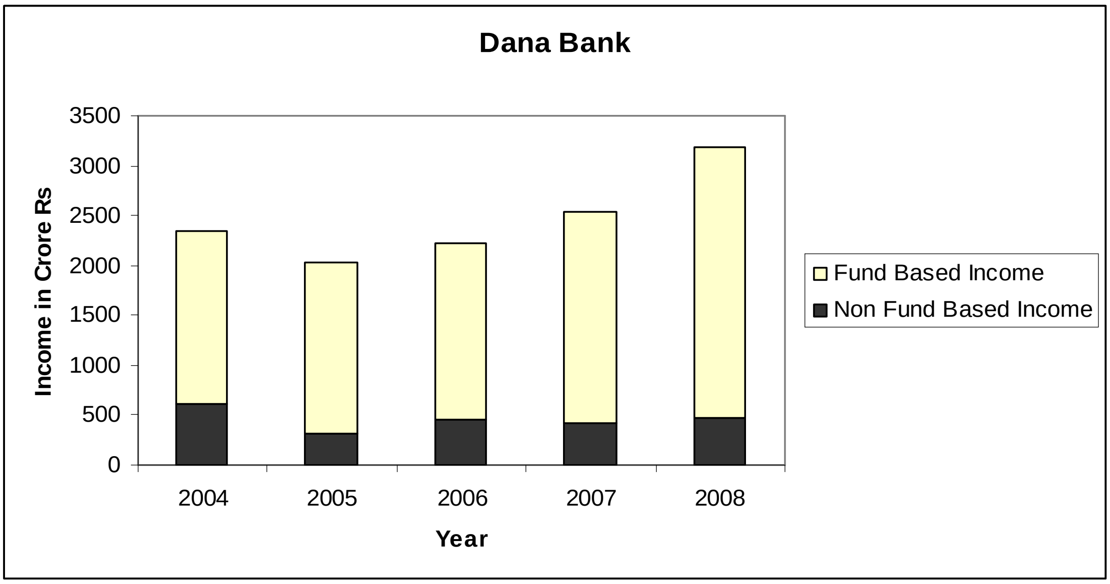
Table-5.6

Year	Non fund Based Income(Crore)	Fund Based Income(Crore)	Total Income (Crore)
2004	617.41	1735.48	2352.89
2005	311.18	1725.18	2036.36
2006	458.99	1760.13	2219.12
2007	422.24	2118.52	2540.76
2008	478.13	2710.05	3188.18
Average	457.59	2009.87	2467.46

(Sources: Money Control.com)

The above table shows the Non-fund Based Income of Dena Bank from the Year 2004 to 2008. Non-fund Based income was highest Rs 617.41 Crore in Year 2004, and it was lowest Rs 311.18 crore in the year 2005. Non-fund based income represents mix trends. The Average Non fund based income is Rs 457.59 Crore. Non fund based income of Year 2004 and 2008 was higher than average Non fund based income.

Chart-5.6



5.2.7 INDIAN OVERSEAS BANK

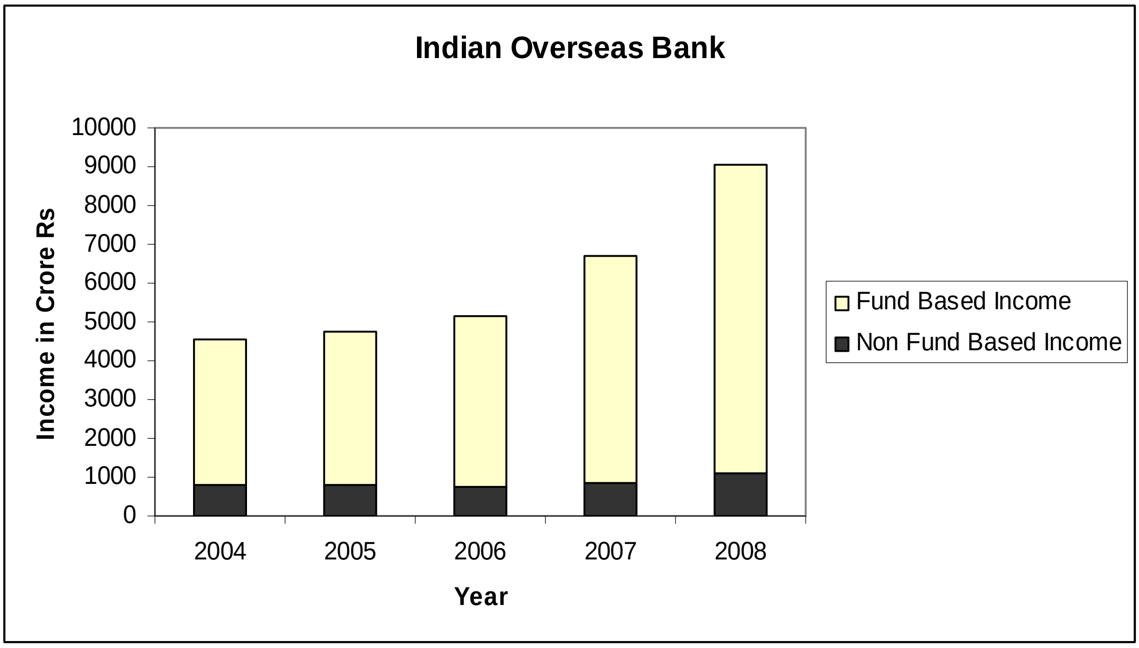
Table-5.7

Year	Non fund Based Income(Crore)	Fund Based Income(Crore)	Total Income (Crore)
2004	819.96	3754.10	7574.06
2005	799.56	3951.05	4750.61
2006	728.21	4406.28	5134.49
2007	862.76	5832.07	6694.83
2008	1075.46	7968.25	9043.71
Average	857.19	5182.35	6039.54

(Sources: Money Control.com)

The above table shows the Non-fund Based Income of Indian Overseas Bank from the year 2004 to 2008. Non-fund Based income was highest Rs 1075.46 Crore in Year 2008, and it was lowest Rs 728.21 crore in the year 2006. Non-fund based income represents mix trends The Average Non Fund based income is Rs 857.19 Crore. Non fund based income of Year 2007 and 2008 was higher than average Non fund based income.

Chart-5.7



5.2.8 ORIENTAL BANK OF COMMERCE

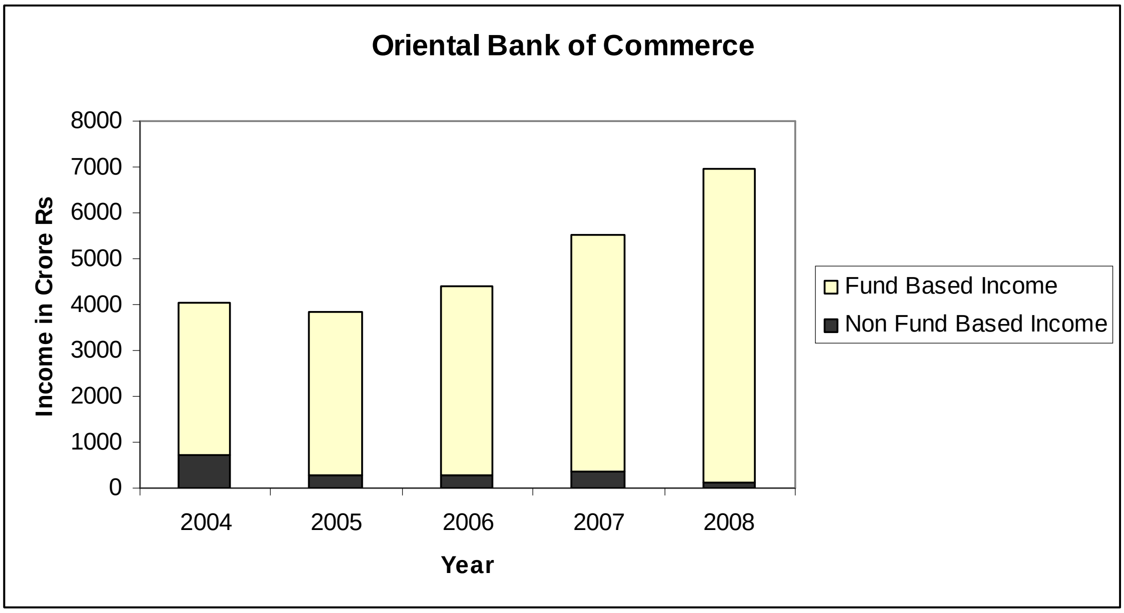
Table-5.8

Year	Non fund Based Income(Crore)	Fund Based Income(Crore)	Total Income (Crore)
2004	726.89	3300.54	4027.43
2005	263.70	3571.90	3835.60
2006	290.06	4118.92	4408.98
2007	365.57	5164.90	5530.47
2008	139.93	6838.18	6978.11
Average	357.23	4598.89	4956.12

(Sources: Money Control.com)

The above table shows the Non-fund Based Income of Oriental Bank of Commerce from the year 2004 to 2008. Non-fund Based income was highest Rs 726.89 Crore in Year2004, and it was lowest Rs 139.93 crore in the year 2008. Non-fund based income represents mix trends. The Average Non Fund based income is Rs 357.23 Crore. Non fund based income of Year 2004 and 2007 was higher than average Non fund based income.

Chart-5.8



5.2.9 UNION BANK OF INDIA

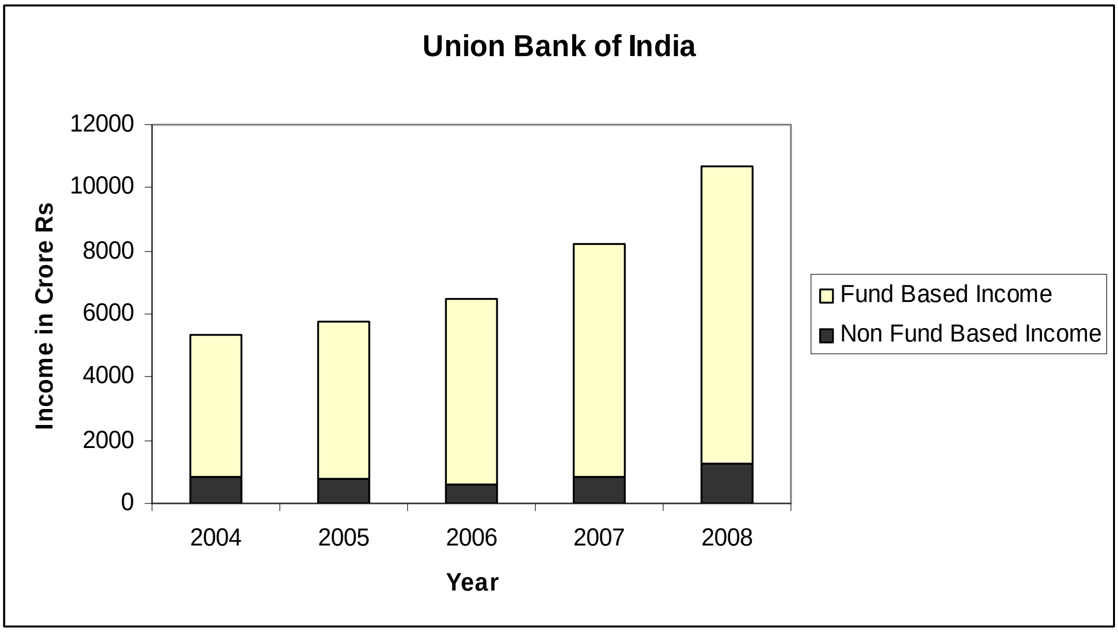
Table-5.9

Year	Non fund Based Income(Crore)	Fund Based Income(Crore)	Total Income (Crore)
2004	831.46	4516.31	5347.77
2005	766.10	4969.79	5735.89
2006	625.10	5863.71	6488.81
2007	841.80	7382.18	8223.98
2008	1232.67	9447.30	10679.97
Average	859.43	6435.86	7295.29

(Sources: Money Control.com)

The above table shows the Non-fund Based Income of Union Bank of India from the year 2004 to 2008. Non-fund Based income was highest Rs 1232.67 Crore in Year2008, and it was lowest Rs 625.10 crore in the year 2006. Non-fund based income represents mix trends. The Average Non fund based income is Rs 859.43 Crore. Non fund based income of Year 2008 was higher than average Non fund based income.

Chart-5.9



5.2.10 VIJAYA BANK

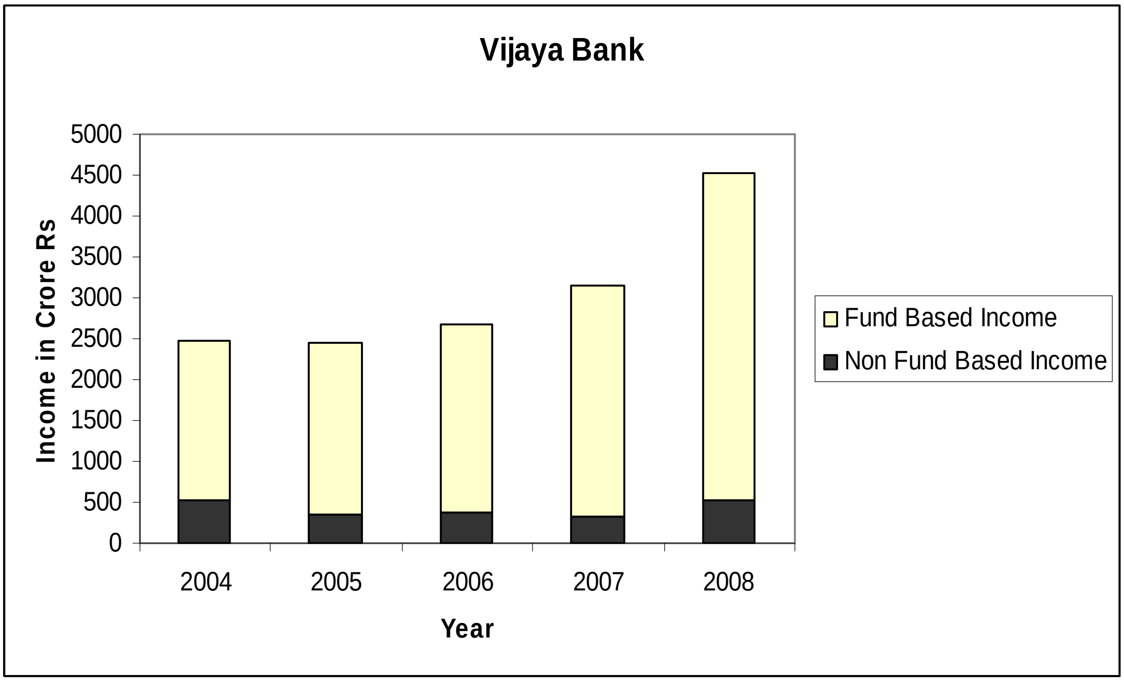
Table-5.10

Year	Non fund Based Income(Crore)	Fund Based Income(Crore)	Total Income (Crore)
2004	525.69	1940.09	2465.78
2005	353.67	2094.31	2447.98
2006	368.99	2311.80	2680.79
2007	336.70	2823.11	3159.81
2008	532.03	3983.41	4515.44
Average	423.42	2630.55	3053.97

(Sources: Money Control.com)

The above table shows the Non-fund Based Income of Vijaya Bank from the year 2004 to 2008. Non-fund Based income was highest Rs 532.03 Crore in Year 2008, and it was lowest Rs 336.70 crore in the year 2007. Non-fund based income represents mix trends. The Average Non fund based income is Rs 423.42 Crore. Non fund based income of Year 2004 and 2008 was higher than average Non fund based income.

Chart-5.10



5.3 NON FUND BASED INCOME OF PUBLIC SECTOR BANKS

5.3.1 ICICI BANK

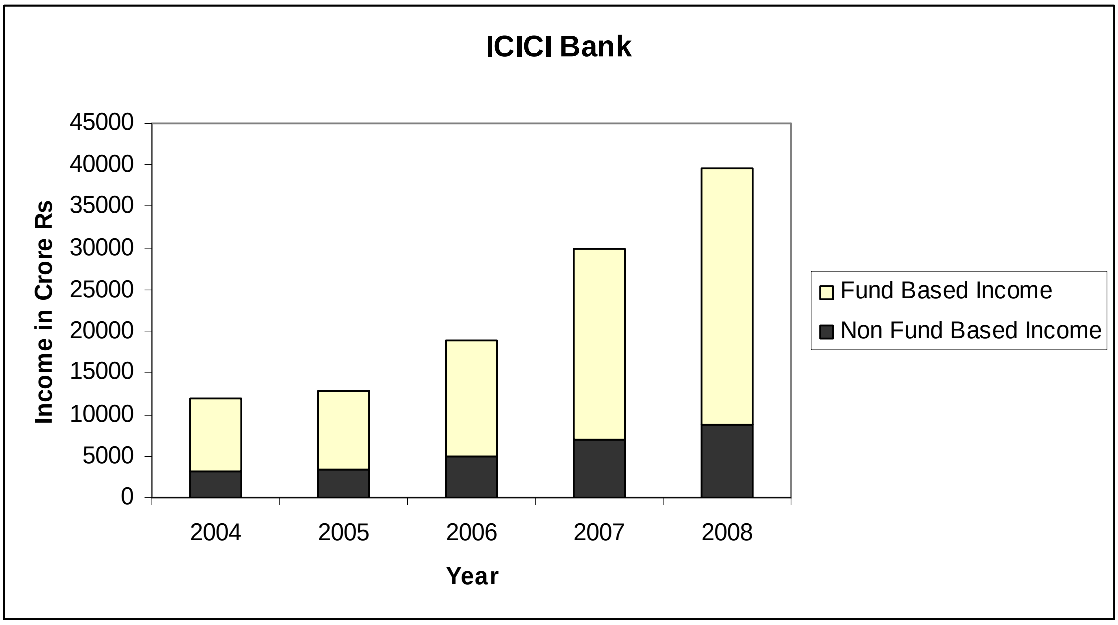
Table-5.11

Year	Non fund Based Income(Crore)	Fund Based Income(Crore)	Total Income (Crore)
2004	3064.92	8894.04	11958.96
2005	3416.23	9409.89	12826.12
2006	5036.62	13784.85	18821.12
2007	6962.95	22994.29	29957.24
2008	8878.85	30788.34	39667.19
Average	4931.91	17174.28	22106.19

(Sources: Money Control.com)

The above table shows the Non-fund Based Income of ICICI Bank from the year 2004 to 2008. Non-fund Based income was highest Rs 8878.85 Crore in Year 2008, and it was lowest Rs 3064.92 crore in the year 2004. Non-fund based income represents continues increasing trends year to year. The Average Non Fund based income is Rs 4931.91 Crore. Non fund based income of Year 2006, 2007 and 2008 was higher than average Non fund based income.

Chart-5.11



5.3.2 HDFC BANK

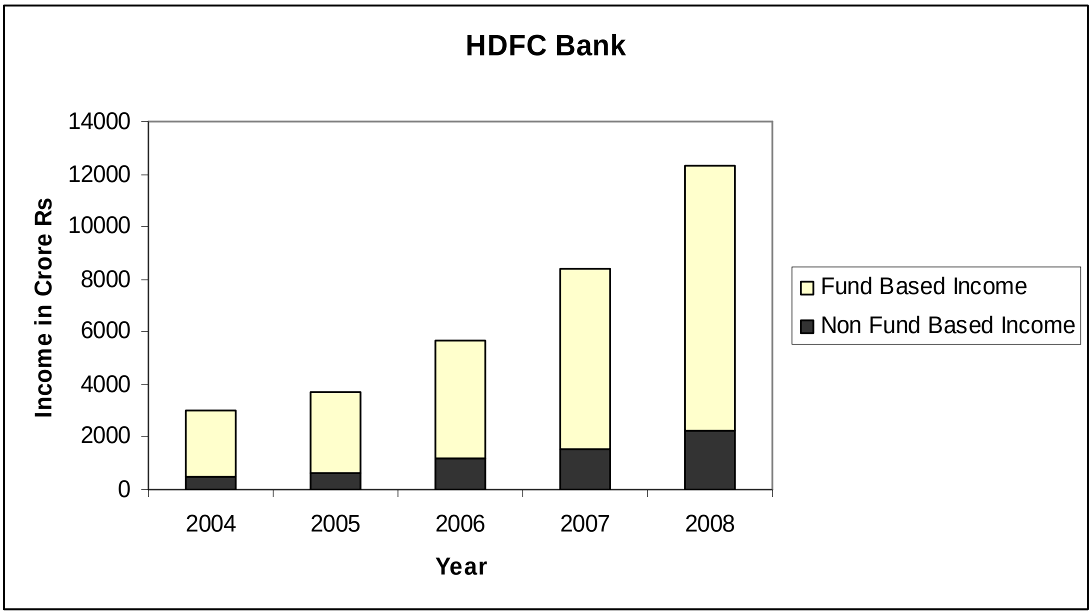
Table-5.12

Year	Non fund Based Income(Crore)	Fund Based Income(Crore)	Total Income (Crore)
2004	490.94	2548.93	3039.87
2005	637.36	3093.49	3730.85
2006	1213.64	4475.34	5688.98
2007	1510.24	6889.02	8399.26
2008	2205.38	10115	12320.38
Average	1211.51	5424.36	6635.87

(Sources: Money Control.com)

The above table shows the Non-fund Based Income of HDFC Bank from the year 2004 to 2008. Non-fund Based income was highest Rs 2205.38 Crore in Year 2008, and it was lowest Rs 490.94 crore in the year 2004. Non-fund based income represents continues increasing trends year to year. The Average Non Fund based income is Rs 1211.51 Crore. Non fund based income of Year 2006, 2007 and 2008 was higher than average Non fund based income.

Chart-5.12



5.3.3 KOTAK MAHINDRA BANK

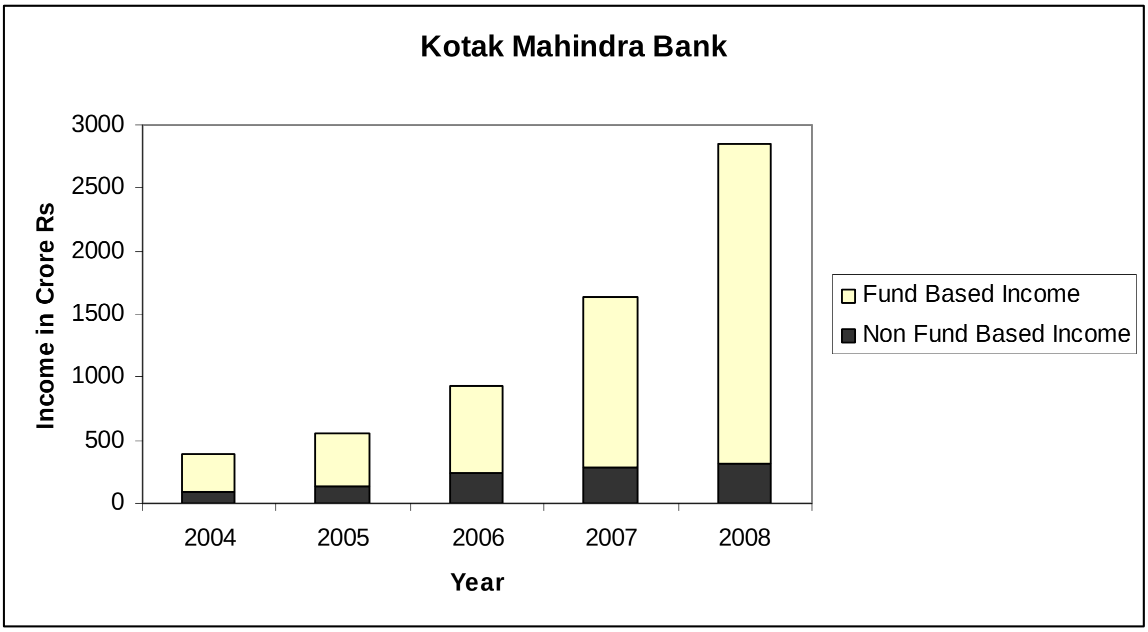
Table-5.13

Year	Non fund Based Income(Crore)	Fund Based Income(Crore)	Total Income (Crore)
2004	97.46	288.42	385.88
2005	132.12	420.30	552.43
2006	237.33	694.02	931.35
2007	287.83	1354.10	1641.93
2008	310.48	2535.36	2845.84
Average	213.04	1058.44	1271.48

(Sources: Money Control.com)

The above table shows the Non-fund Based Income of Kotak Mahindra Bank from the year 2004 to 2008. Non-fund Based income was highest Rs 310.48 Crore in Year 2008, and it was lowest Rs 97.46 crore in the year 2004. Non-fund based income represents continues increasing trends year to year. The Average Non fund based income is Rs 213.04 Crore. Non fund based income of Year 2006, 2007 and 2008 was higher than average Non fund based income.

Chart-5.13



5.3.4 SOUTH INDIAN BANK

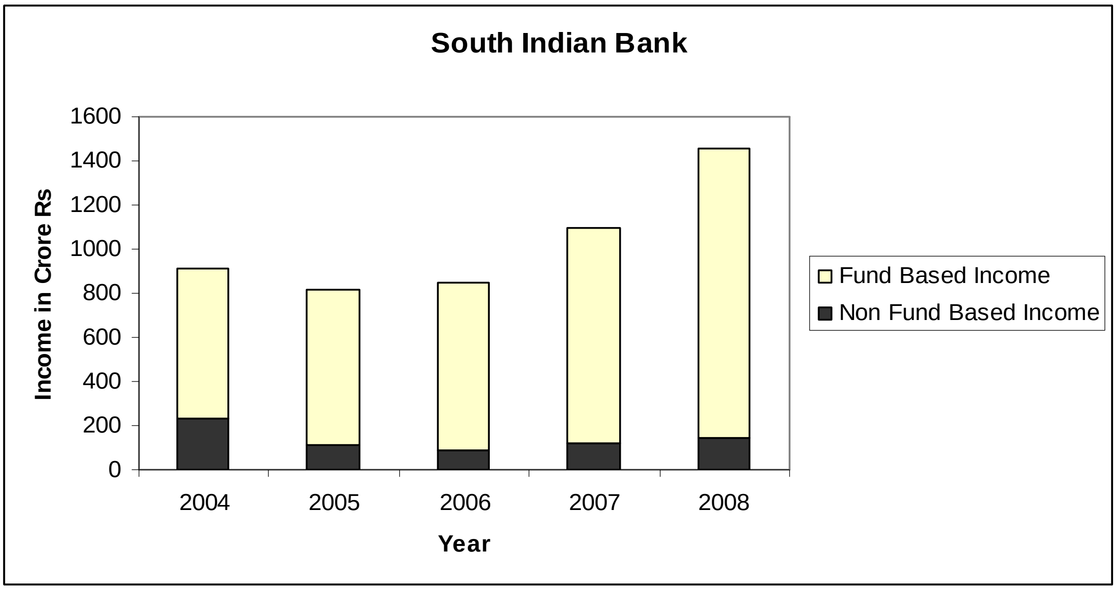
Table-5.14

Year	Non fund Based Income(Crore)	Fund Based Income(Crore)	Total Income (Crore)
2004	235.14	680.82	915.96
2005	108.17	709.00	817.17
2006	90.50	761.32	851.82
2007	121.53	976.61	1098.14
2008	142.90	1309.24	1452.14
Average	139.48	887.40	1026.88

(Sources: Money Control.com)

The above table shows the Non-fund Based Income of South Indian Bank from the year 2004 to 2008. Non-fund Based income was highest Rs 235.14 Crore in Year 2004, and it was lowest Rs 90.50 crore in the year 2006. Non-fund based income represents mix trends. The Average Non fund based income is Rs 139.48 Crore. Non fund based income of Year 2004 and 2008 was higher than average Non fund based income.

Chart-5.14



5.2.5 KARUR VYSYA BANK

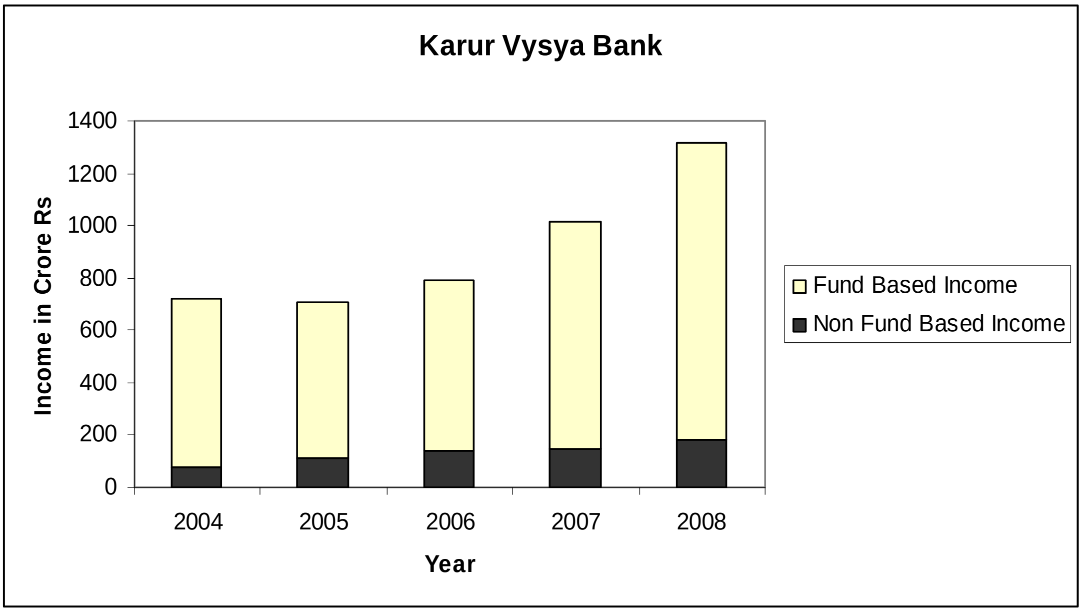
Table-5.15

Year	Non fund Based Income(Crore)	Fund Based Income(Crore)	Total Income (Crore)
2004	74.25	647.62	721.87
2005	113.15	590.77	703.92
2006	143.11	650.85	793.96
2007	146.18	867.40	1013.58
2008	182.93	1134.03	1316.96
Average	131.92	778.13	910.05

(Sources: Money Control.com)

The above table shows the Non-fund Based Income of Karur Vysya Bank from the year 2004 to 2008. Non-fund Based income was highest Rs 182.93 Crore in Year 2008, and it was lowest Rs 74.25 crore in the year 2004. Non-fund based income represents continues increasing trends year to year. The Average Non fund based income is Rs 131.92 Crore. Non fund based income of Year 2006, 2007 and 2008 was higher than average Non fund based income.

Chart-5.15



5.3.6 DHANLAKSHMI BANK

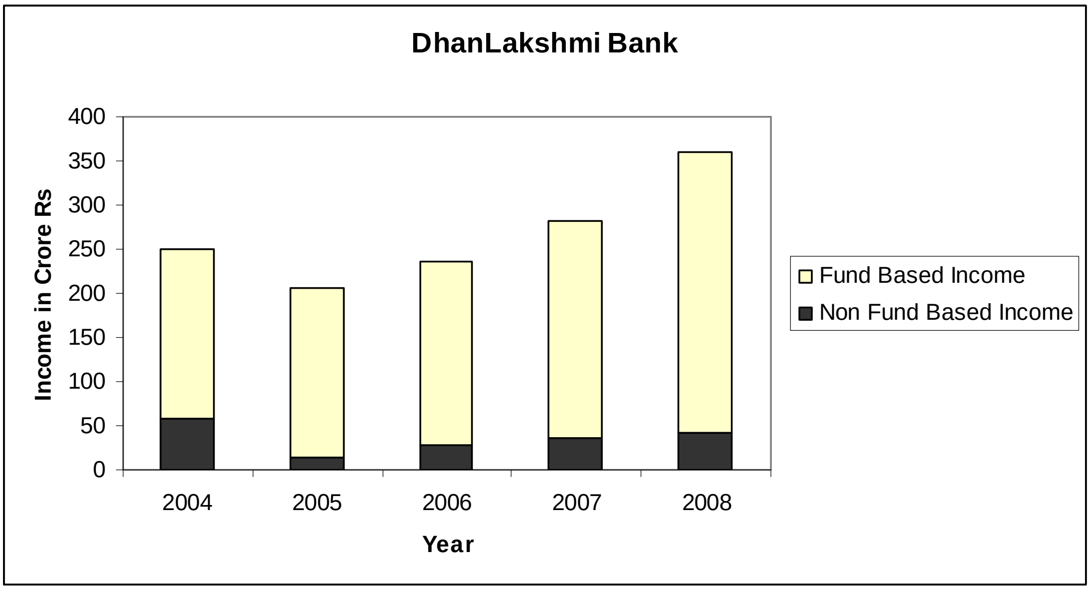
Table-5.16

Year	Non fund Based Income(Crore)	Fund Based Income(Crore)	Total Income (Crore)
2004	58.17	191.07	249.24
2005	14.71	192.16	206.87
2006	27.05	209.89	236.94
2007	35.10	246.54	281.64
2008	42.03	318.29	360.32
Average	35.41	231.59	267.00

(Sources: Money Control.com)

The above table shows the Non-fund Based Income of Dhanlakshmi Bank from the year 2004 to 2008. Non-fund Based income was highest Rs 58.17 Crore in Year 2004, and it was lowest Rs 14.71 crore in the year 2005. Non-fund based income represents Mix trend. The Average Non Fund based income is Rs 35.41 Crore. Non fund based income of Year 2004 and 2008 was higher than average Non fund based income.

Chart-5.16



5.3.7 AXIS BANK

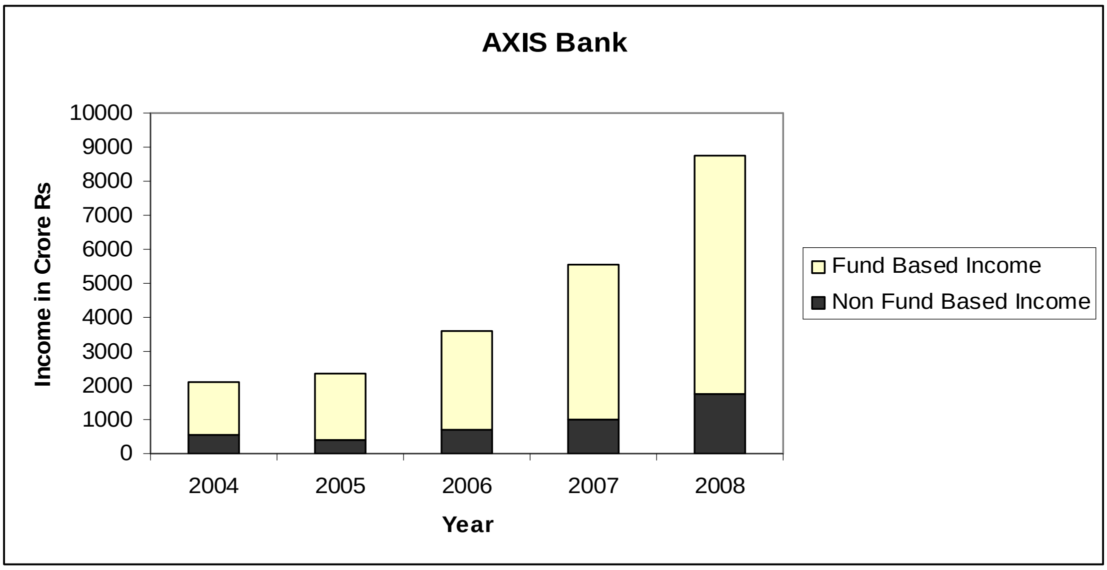
Table-5.17

Year	Non fund Based Income(Crore)	Fund Based Income(Crore)	Total Income (Crore)
2004	532.96	1586.71	2119.67
2005	403.51	1924.16	2327.67
2006	713.71	2888.79	36902.50
2007	986.49	4560.40	5546.89
2008	1750.59	7005.32	8755.91
Average	877.45	3593.08	4470.53

(Sources: Money Control.com)

The above table shows the Non-fund Based Income of AXIS Bank from the year 2004 to 2008. Non-fund Based income was highest Rs 1750.59 Crore in Year 2008, and it was lowest Rs 403.51 crore in the year 2005. Non-fund based income represents mix trend. The Average Non Fund based income is Rs 877.45 Crore. Non fund based income of Year 2007 and 2008 was higher than average Non fund based income.

Chart-5.17



5.3.8 BANK OF RAJASTHAN

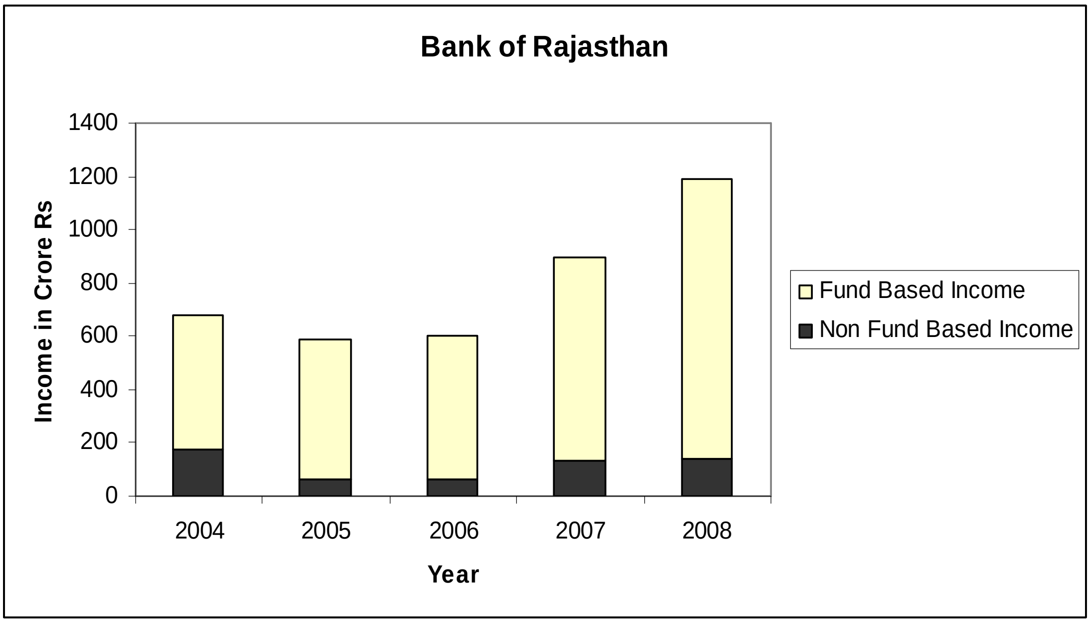
Table-5.18

Year	Non fund Based Income(Crore)	Fund Based Income(Crore)	Total Income (Crore)
2004	175.23	502.86	678.09
2005	63.76	522.36	586.12
2006	61.64	539.38	601.02
2007	135.77	757.93	893.70
2008	139.21	1049.44	1188.65
Average	115.12	674.39	789.51

(Sources: Money Control.com)

The above table shows the Non-fund Based Income of Bank of Rajasthan. from the year 2004 to 2008. Non-fund Based income was highest Rs 175.23 Crore in Year 2004, and it was lowest Rs 61.64 crore in the year 2006. Non-fund based income represents mix trend. The Average Non fund based income is Rs 115.12 Crore. Non fund based income of Year 2004, 2007 and 2008 was higher than average Non fund based income.

Chart-5.18



5.3.9 CITY UNION BANK

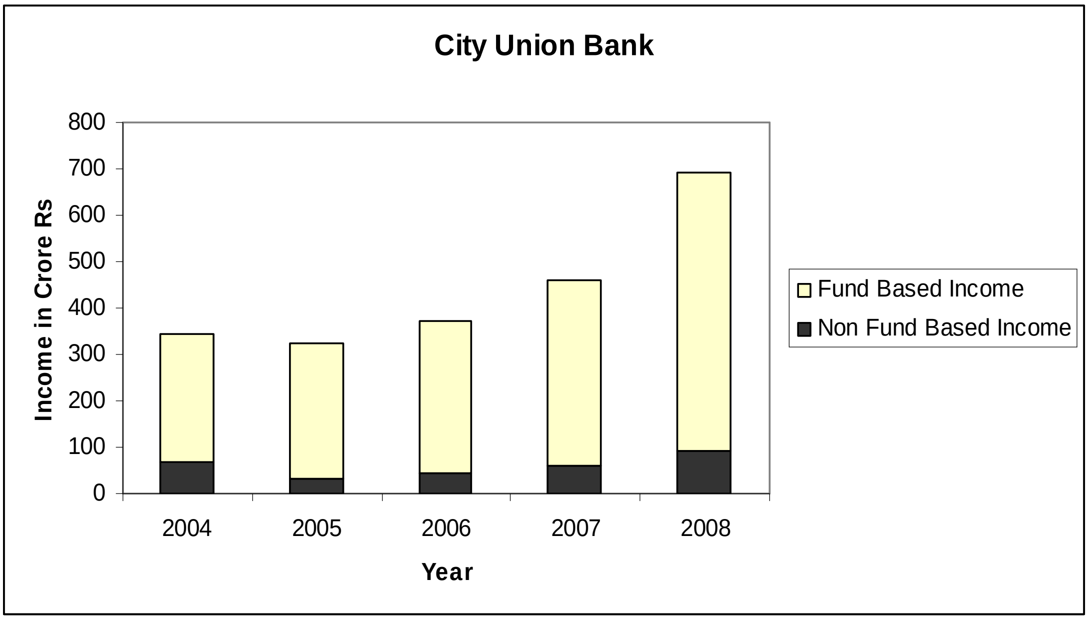
Table-5.19

Year	Non fund Based Income(Crore)	Fund Based Income(Crore)	Total Income (Crore)
2004	66.50	276.18	342.68
2005	33.44	290.66	324.10
2006	44.35	326.39	370.74
2007	59.70	400.05	459.75
2008	90.28	601.15	691.43
Average	58.85	378.89	437.74

(Sources: Money Control.com)

The above table shows the Non-fund Based Income of City Union Bank from the year 2004 to 2008. Non-fund Based income was highest Rs 90.28 Crore in Year 2008, and it was lowest Rs 33.44crore in the year 2005. Non-fund based income represents mix trend. The Average Non Fund based income is Rs 58.85 Crore. Non fund based income of Year 2004, 2007 and 2008 was higher than average Non fund based income.

Chart-5.19



5.3.10 FEDERAL BANK

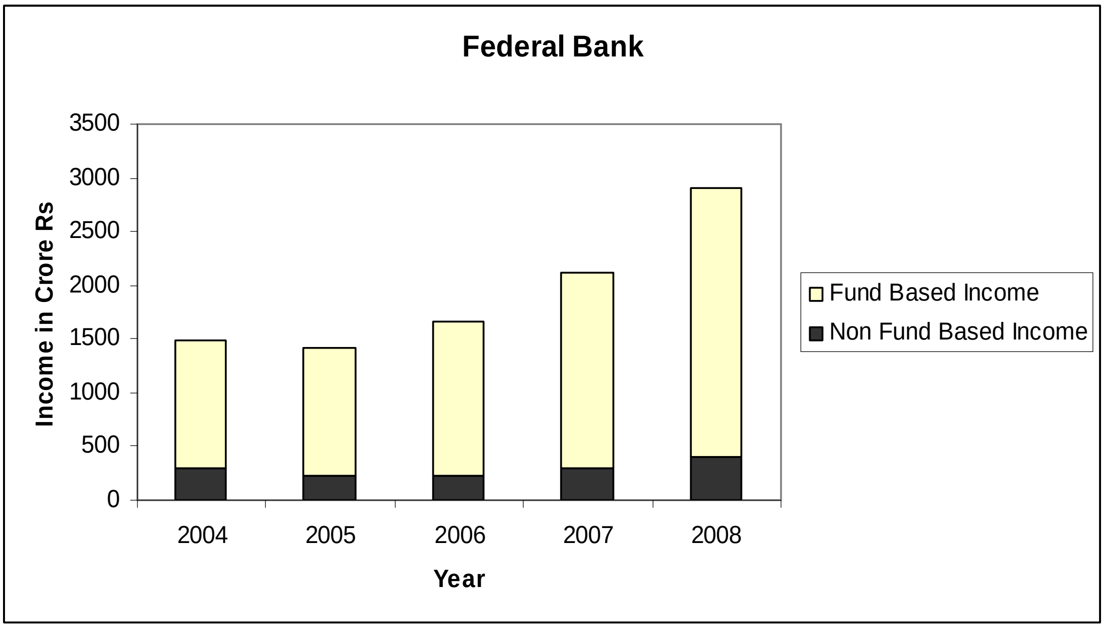
Table-5.20

Year	Non fund Based Income(Crore)	Fund Based Income(Crore)	Total Income (Crore)
2004	298.93	1192.06	1490.99
2005	221.74	1191.03	1412.77
2006	233.10	1436.53	1669.63
2007	302.59	1817.35	2119.94
2008	394.99	2515.44	2910.43
Average	290.27	1630.48	1920.75

(Sources: Money Control.com)

The above table shows the Non-fund Based Income of City Union Bank.from the year 2004 to 2008. Non-fund Based income was highest Rs 394.99 Crore in Year 2008, and it was lowest Rs 221.74 crore in the year 2005. Non-fund based income represents mix trends. The Average Non Fund based income is Rs 290.27 Crore. Non fund based income of Year 2004, 2007 and 2008 was higher than average Non fund based income.

Chart-5.20



5.4 HYPOTHESIS TESTING

The researcher wanted to find out whether there is significant difference among the Non-fund based Income of sampled public sector and private sector banks during the study period of 2004 to 2008. So, the researcher has selected statistical tools like, Mean, Standard Deviation, One Way and Two Way ANOVA and One Sampled T-Test for the testing of hypothesis.

5.4.1 Ho= There is no significant difference in Non-fund Based Income of Public Sector Banks.

Table-5.21

One Way Descriptive

Income

Descriptive Statistics of Public Sector Banks

Name of Bank	Code	No	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Mini.	Maxi.
						Lower Bound	Upper Bound		
SBI	1	5	7793.2900	914.6497	409.0438	6657.6024	8928.9776	7119.90	9398.43
BOI	2	5	1562.3920	408.7777	182.8109	1054.8275	2069.9565	1155.80	2116.93
BOB	3	5	1529.6720	351.5424	157.2146	1093.1744	1966.1696	1191.69	2051.04
CB	4	5	1762.8720	404.0874	180.7134	1261.1312	2264.6128	1377.51	2308.31
COB	5	5	513.0480	36.3021	16.2348	467.9730	558.1230	474.52	569.70
DB	6	5	457.5900	110.2858	49.3213	320.6521	594.5279	311.18	617.41
IOB	7	5	857.1900	131.3544	58.7435	694.0919	1020.2881	728.21	1075.46
VB	8	5	423.4160	96.9579	43.3609	303.0269	543.8051	336.70	532.03
OBC	9	5	357.2260	222.0260	99.2931	81.5443	632.9077	139.93	726.87
UBI	10	5	859.4260	225.8441	101.0006	579.0035	1139.8485	625.10	1232.67
Total		50	1611.6122	2167.6845	306.5569	995.5631	2227.6613	139.93	9398.43

The above table 5.21 indicates the Mean and Standard deviation of 10 selected Public Sector Banks, in that each bank includes 5 years. Non-fund Based Income starts from year 2004 to 2008. First highest Mean 7793.29, second is 1762.8720, third is 1562.3920, and fourth is 1529.6720 respectively State Bank of India, Canara Bank, Bank of India and Bank of Baroda. And total average of 10 banks is 1611.6122

Table-5.22

One Way ANOVA Score

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	224519995.990	9	24946666.221	174.332	.000
Within Groups	5723954.921	40	143098.873		
Total	230243950.911	49			

Table-5.23

Two Way ANOVA Score

Tests of Between-Subjects Effects

Dependent Variable: INCOME

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	224519995.990	9	24946666.221	174.332	.000
Intercept	129864694.159	1	129864694.159	907.517	.000
GROUP	224519995.990	9	24946666.221	174.332	.000
Error	5723954.921	40	143098.873		
Total	360108645.071	50			
Corrected Total	230243950.911	49			

The above table-22 expresses the one way ANOVA and table-23 expresses the Two Way ANOVA statistical analysis of the Non-fund Based Income of 10 Public Sector Banks in India. The researcher has carried out the study with null hypothesis that there is no significant difference in Non-fund Based Income of Public Sector Banks. Comparison of 10 public sector banks. So, it needs to be tested by one way and two ways ANOVA. Analysis of Variances brings out the value of F that is i.e. F= 174.332. This value reflects that score of Non-fund Based Income among sampled public sector banks at 5% level of significant.

As per the above table the calculated value (174.332) of F is greater than the tabulated value (2.12) in case of between the columns treatment and in case of between the raw treatments. Therefore null hypothesis is rejected and alternative hypothesis accepted that there is a highly significant difference in Non-fund Based Income of public sector banks. From the table we can easily define that there is a significant mean differences.

Table-5.24

POST HOC TEST
Multiple Comparisons
Dependent Variable: Income
Tukey HSD

(I) GROUP	(J) GROUP	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
1.00	2.00	6230.8980	239.2479	.000	5429.9379	7031.8581
	3.00	6263.6180	239.2479	.000	5462.6579	7064.5781
	4.00	6030.4180	239.2479	.000	5229.4579	6831.3781

	5.00	7280.2420	239.2479	.000	6479.2819	8081.2021
	6.00	7335.7000	239.2479	.000	6534.7399	8136.6601
	7.00	6936.1000	239.2479	.000	6135.1399	7737.0601
	8.00	7369.8740	239.2479	.000	6568.9139	8170.8341
	9.00	7436.0640	239.2479	.000	6635.1039	8237.0241
	10.00	6933.8640	239.2479	.000	6132.9039	7734.8241
2.00	1.00	-6230.8980	239.2479	.000	-7031.8581	-5429.9379
	3.00	32.7200	239.2479	1.000	-768.2401	833.6801
	4.00	-200.4800	239.2479	.997	-1001.4401	600.4801
	5.00	1049.3440	239.2479	.003	248.3839	1850.3041
	6.00	1104.8020	239.2479	.001	303.8419	1905.7621
	7.00	705.2020	239.2479	.126	-95.7581	1506.1621
	8.00	1138.9760	239.2479	.001	338.0159	1939.9361
	9.00	1205.1660	239.2479	.000	404.2059	2006.1261
	10.00	702.9660	239.2479	.128	-97.9941	1503.9261
3.00	1.00	-6263.6180	239.2479	.000	-7064.5781	-5462.6579
	2.00	-32.7200	239.2479	1.000	-833.6801	768.2401
	4.00	-233.2000	239.2479	.992	-1034.1601	567.7601
	5.00	1016.6240	239.2479	.004	215.6639	1817.5841
	6.00	1072.0820	239.2479	.002	271.1219	1873.0421
	7.00	672.4820	239.2479	.167	-128.4781	1473.4421
	8.00	1106.2560	239.2479	.001	305.2959	1907.2161
	9.00	1172.4460	239.2479	.001	371.4859	1973.4061
	10.00	670.2460	239.2479	.171	-130.7141	1471.2061
4.00	1.00	-6030.4180	239.2479	.000	-6831.3781	-5229.4579
	2.00	200.4800	239.2479	.997	-600.4801	1001.4401
	3.00	233.2000	239.2479	.992	-567.7601	1034.1601
	5.00	1249.8240	239.2479	.000	448.8639	2050.7841
	6.00	1305.2820	239.2479	.000	504.3219	2106.2421
	7.00	905.6820	239.2479	.016	104.7219	1706.6421

	8.00	1339.4560	239.2479	.000	538.4959	2140.4161
	9.00	1405.6460	239.2479	.000	604.6859	2206.6061
	10.00	903.4460	239.2479	.017	102.4859	1704.4061
5.00	1.00	-7280.2420	239.2479	.000	-8081.2021	-6479.2819
	2.00	-1049.3440	239.2479	.003	-1850.3041	-248.3839
	3.00	-1016.6240	239.2479	.004	-1817.5841	-215.6639
	4.00	-1249.8240	239.2479	.000	-2050.7841	-448.8639
	6.00	55.4580	239.2479	1.000	-745.5021	856.4181
	7.00	-344.1420	239.2479	.907	-1145.1021	456.8181
	8.00	89.6320	239.2479	1.000	-711.3281	890.5921
	9.00	155.8220	239.2479	1.000	-645.1381	956.7821
	10.00	-346.3780	239.2479	.904	-1147.3381	454.5821
6.00	1.00	-7335.7000	239.2479	.000	-8136.6601	-6534.7399
	2.00	-1104.8020	239.2479	.001	-1905.7621	-303.8419
	3.00	-1072.0820	239.2479	.002	-1873.0421	-271.1219
	4.00	-1305.2820	239.2479	.000	-2106.2421	-504.3219
	5.00	-55.4580	239.2479	1.000	-856.4181	745.5021
	7.00	-399.6000	239.2479	.805	-1200.5601	401.3601
	8.00	34.1740	239.2479	1.000	-766.7861	835.1341
	9.00	100.3640	239.2479	1.000	-700.5961	901.3241
	10.00	-401.8360	239.2479	.800	-1202.7961	399.1241
7.00	1.00	-6936.1000	239.2479	.000	-7737.0601	-6135.1399
	2.00	-705.2020	239.2479	.126	-1506.1621	95.7581
	3.00	-672.4820	239.2479	.167	-1473.4421	128.4781
	4.00	-905.6820	239.2479	.016	-1706.6421	-104.7219
	5.00	344.1420	239.2479	.907	-456.8181	1145.1021
	6.00	399.6000	239.2479	.805	-401.3601	1200.5601
	8.00	433.7740	239.2479	.723	-367.1861	1234.7341
	9.00	499.9640	239.2479	.545	-300.9961	1300.9241
	10.00	-2.2360	239.2479	1.000	-803.1961	798.7241

8.00	1.00	-7369.8740	239.2479	.000	-8170.8341	-6568.9139
	2.00	-1138.9760	239.2479	.001	-1939.9361	-338.0159
	3.00	-1106.2560	239.2479	.001	-1907.2161	-305.2959
	4.00	-1339.4560	239.2479	.000	-2140.4161	-538.4959
	5.00	-89.6320	239.2479	1.000	-890.5921	711.3281
	6.00	-34.1740	239.2479	1.000	-835.1341	766.7861
	7.00	-433.7740	239.2479	.723	-1234.7341	367.1861
	9.00	66.1900	239.2479	1.000	-734.7701	867.1501
	10.00	-436.0100	239.2479	.718	-1236.9701	364.9501
9.00	1.00	-7436.0640	239.2479	.000	-8237.0241	-6635.1039
	2.00	-1205.1660	239.2479	.000	-2006.1261	-404.2059
	3.00	-1172.4460	239.2479	.001	-1973.4061	-371.4859
	4.00	-1405.6460	239.2479	.000	-2206.6061	-604.6859
	5.00	-155.8220	239.2479	1.000	-956.7821	645.1381
	6.00	-100.3640	239.2479	1.000	-901.3241	700.5961
	7.00	-499.9640	239.2479	.545	-1300.9241	300.9961
	8.00	-66.1900	239.2479	1.000	-867.1501	734.7701
	10.00	-502.2000	239.2479	.539	-1303.1601	298.7601
10.00	1.00	-6933.8640	239.2479	.000	-7734.8241	-6132.9039
	2.00	-702.9660	239.2479	.128	-1503.9261	97.9941
	3.00	-670.2460	239.2479	.171	-1471.2061	130.7141
	4.00	-903.4460	239.2479	.017	-1704.4061	-102.4859
	5.00	346.3780	239.2479	.904	-454.5821	1147.3381
	6.00	401.8360	239.2479	.800	-399.1241	1202.7961
	7.00	2.2360	239.2479	1.000	-798.7241	803.1961
	8.00	436.0100	239.2479	.718	-364.9501	1236.9701
	9.00	502.2000	239.2479	.539	-298.7601	1303.1601

The above table 5.24 reflects the multiple comparisons with sampled 10 public sector banks. It shows comparison with one bank to another nine banks. First column reflects the code of sampled banks; second column reflects comparison with other banks. Third column reflects the mean differences, fourth column reflects the standard error value, fifth column reflects significant value and sixth column reflects the lower and upper bound value at 95 % confidence interval. From the first and second raw we can see that the first bank compared with other 2,3,4,5,6,7,8,9,10 total 9 banks. The difference value (1 with 2) is 6230.8980, standard error is 239.247, which is almost same in whole table and significance value is 0.000 which is significant. From the second raw it reflects the difference value (2 with 1) is -6230.8980, standard error is same and significance value is also 0.000 which is not significant. The difference value (3 with 1) is -6263.6180, standard error is 239.247 and significance value is 0.000 which is significant. The difference value (4 with 1) is 6030.4180, standard error is 239.247 and significance value is 0.000 which is significant. The difference value (5 with 1) is -7280.2420, standard error is 239.247 and significance value is 0.000 which is not significant. The difference value (6 with 1) is -7335.7000, standard error is 239.247 and significance value is 0.000 which is significant. The difference value (7 with 1) is -6936.1000, standard error is 239.247 and significance value is 0.000 which is significant. The difference value (8 with 1) is -7369.8740, standard error is 239.247 and significance value is 0.000 which is not significant. The difference value (9 with 1) is -7436.0640, standard error is 239.247 and significance value is 0.000 which is not significant. The difference value (10 with 1) is -6933.8640, standard error is 239.247 and significance value is 0.000 which is not significant. So, from the table the significant value is higher than 0.05 at 5 % level of significant. So, we can conclude that there is not a single value is significant is at 0.05 levels.

Table-5.25

One-Sample t -Test Statistics

	N	Mean	Std. Deviation	Std. Error Mean
INCOME	50	1611.6122	2167.6845	306.5569

The above table 5.25 indicates the descriptive statistics. There are 50 observation year of 10 public sector banks, with mean score of 1611.6122, standard deviation 2167.6845 and standard error mean score is 306.5569.

Table- 5.26

One-Sample t- Test

	Test Value = 0 t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
INCOME	5.257	49	.000	1611.6122	995.5631	2227.6613

The above table 5.26 represents the t-test results. T value is 5.257 with 49 degree of freedom. Mean difference is 1611.6122 and two tailed significant is 0.000, difference upper value is 2227.6613 and lower value is 995.5631 at the 5 % level of significance. So, we can say that there is significant difference in Non-fund Based Income of public sector banks.

5.4.2 Ho= There is no significant difference in Average Non-fund Based Income of Public Sector Bank.

Table-5.27

Average Non Fund Based Income of Public Sector Banks

Name of Bank	Code	No of Year (2004 to 2008)	Mean
SBI	1	5	7793.2900
BOI	2	5	1562.3920
BOB	3	5	1529.6720
CB	4	5	1762.8720
COB	5	5	513.0480
DB	6	5	457.5900
IOB	7	5	857.1900
VB	8	5	423.4160
OBC	9	5	357.2260
UBI	10	5	859.4260
Total		**50**	**1611.6122**

The above table 5.27 indicates the mean score of Non-fund Based Income of Public Sector Banks. Non-fund Based Income starts from year 2004 to 2008. First highest Mean 7793.29, second is 1762.8720, third is 1562.3920, and fourth is 1529.6720 respectively State Bank of India, Canara Bank, Bank of India and Bank of Baroda. So, there is a significant mean difference in average Non-fund Based Income of Public Sector Banks.

Chart-21

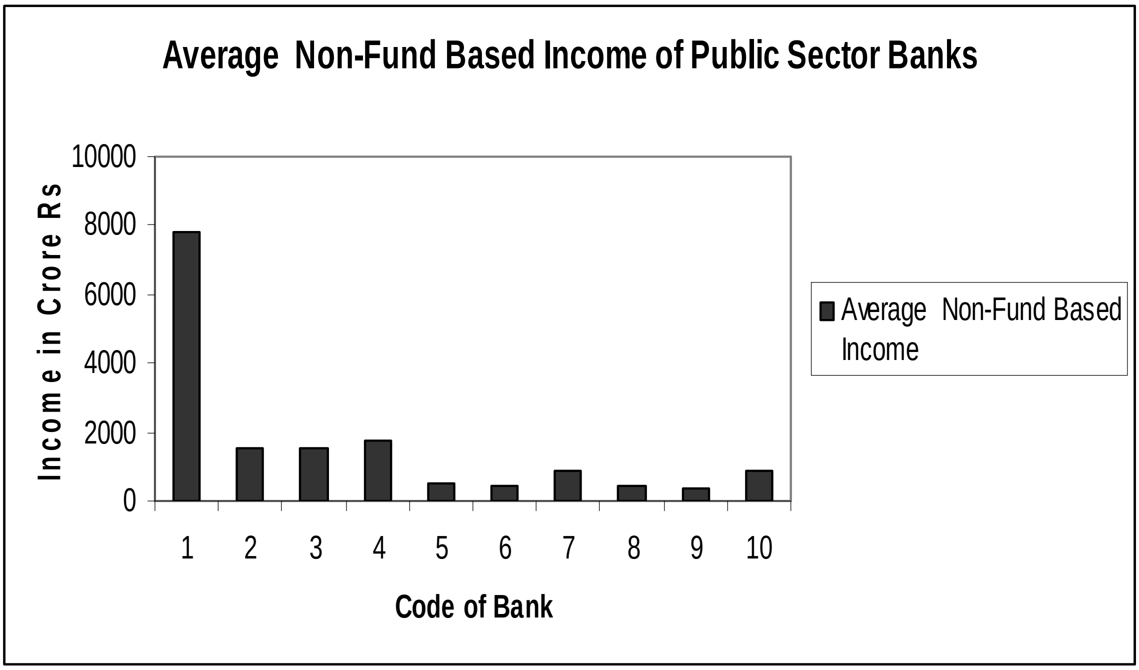


Table 5.28

One-Sample t Test Statistics

	N	Mean	Std. Deviation	Std. Error Mean
INCOME	10	1611.6122	2233.6815	706.3521

The above table 5.28 indicates the descriptive statistics. There are 10 observation year of 10 public sector banks, with mean score of 1611.6122, standard deviation 2233.6815 and standard error mean score is 706.3521.

Table-5.29

One-Sample t Test

	Test Value = 0 **t**	**df**	**Sig. (2-tailed)**	**Mean Difference**	**95% Confidence Interval of the Difference**	
					Lower	Upper
INCOME	2.282	9	.048	1611.6122	13.7327	3209.4917

The above table 5.29 represents the t-test results. T value is 2.285 with 9 degree of freedom. Mean difference is 1611.6122 and two tailed significant is 0.048 difference upper value is 3209.4917 and lower value is 13.7327 at the 5 % level of significance. So, we can say that there is significant difference in Average Non-fund Based Income of public sector banks. So, we can say that there is a significant mean difference. . Therefore null hypothesis is rejected and alternative hypothesis accepted that there is a significant difference in Average Non-fund Based Income of public sector banks.

5.4.3 H0= There is no significant difference in Non-fund Based Income of Private Sector Banks.

Table 5.30

One way Descriptive

Income

Descriptive Statistics of Private Sector Banks

Name of Bank	**Code**	**N**	**Mean**	**Std. Deviation**	**Std. Error**	**95% Confidence Interval for Mean**		**Mini.**	**Maxi.**
						Lower Bound	Upper Bound		
Axis	1.00	5	877.4520	534.8753	239.2035	213.3166	1541.5874	403.51	1750.59
DB	2.00	5	35.4120	16.2813	7.2812	15.1961	55.6279	14.71	58.17
CUB	3.00	5	58.8540	21.8117	9.7545	31.7711	85.9369	33.44	90.28
FB	4.00	5	290.2700	69.2059	30.9498	204.3395	376.2005	221.74	394.99
HDFC	5.00	5	1211.5120	693.8824	310.3136	349.9432	2073.0808	490.94	2205.38
ICICI	6.00	5	5471.9140	2451.4964	1096.3425	2427.9791	8515.8489	3064.92	8878.85
BOR	7.00	5	115.1220	50.2939	22.4921	52.6738	177.5702	61.64	175.23
KVB	8.00	5	131.9440	40.6355	18.1728	81.4884	182.3996	74.25	182.93
KMB	9.00	5	213.0460	94.3176	42.1801	95.9352	330.1568	97.46	310.48
SIB	10.00	5	139.6600	56.7411	25.3754	69.2066	210.1134	90.50	235.21
	Total	50	854.5186	1764.1965	249.4951	353.1395	1355.8977	14.71	8878.85

The above table 5.30 indicates the Mean and Standard deviation of 10 selected Private Sector Banks, in that each bank includes 5 years. Non-fund based Income starts from year 2004 to 2008. First highest Mean 5471.9140 second is 1211.5120 and third is 877.4520, respectively ICICI Bank, HDFC Bank and Axis Bank. And total average of 10 banks is 854.5186

Table-5.31

Oneway ANOVA Score

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	125310180.340	9	13923353.371	20.478	.000
Within Groups	27196902.018	40	679922.550		
Total	152507082.358	49			

Table-5.32

Two Way ANOVA Score

Tests of Between-Subjects Effects

Dependent Variable: INCOME

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	125310180.340	9	13923353.371	20.478	.000
Intercept	36510101.887	1	36510101.887	53.697	.000
YEAR	125310180.340	9	13923353.371	20.478	.000
Error	27196902.018	40	679922.550		
Total	189017184.246	50			
Corrected Total	152507082.358	49			

The above table - 5.31 expresses the one way ANOVA and table- 5.32 expresses the Two Way ANOVA statistical analysis of the Non-Fund Based Income of 10 Private Sector Banks in India. The researcher has carried out the study with null hypothesis that there is significant difference in Non-Fund Based Income of Public Sector Banks. Comparison of 10 Private sector banks. So, it needs to be tested by one way and two ways ANOVA. Analysis of Variances brings out the value of F that is i.e. F= 20.478. This value reflects that score of Non-Fund Based Income among sampled Private sector banks at 5% level of significant.

As per the above table the calculated value (20.478) of F is greater than the tabulated value (2.12) in case of between the columns treatment and in case of between the raw treatments. Therefore null hypothesis is rejected and alternative hypothesis accepted that there is a highly significant difference in Non-Fund Based Income of Private sector banks. From the table we can easily define that there is a significant mean differences.

Table-5.33

POST HOC TEST

Multiple Comparisons

Dependent Variable: Income

Tukey HSD

(I) YEAR	(J) YEAR	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
1.00	2.00	842.0400	521.5065	.833	-903.8725	2587.9525
	3.00	818.5980	521.5065	.854	-927.3145	2564.5105
	4.00	587.1820	521.5065	.979	-1158.7305	2333.0945
	5.00	-334.0600	521.5065	1.000	-2079.9725	1411.8525
	6.00	-4594.4620	521.5065	.000	-6340.3745	-2848.5495
	7.00	762.3300	521.5065	.899	-983.5825	2508.2425
	8.00	745.5080	521.5065	.910	-1000.4045	2491.4205
	9.00	664.4060	521.5065	.954	-1081.5065	2410.3185
	10.00	737.7920	521.5065	.915	-1008.1205	2483.7045
2.00	1.00	-842.0400	521.5065	.833	-2587.9525	903.8725
	3.00	-23.4420	521.5065	1.000	-1769.3545	1722.4705

	4.00	-254.8580	521.5065	1.000	-2000.7705	1491.0545
	5.00	-1176.1000	521.5065	.439	-2922.0125	569.8125
	6.00	-5436.5020	521.5065	.000	-7182.4145	-3690.5895
	7.00	-79.7100	521.5065	1.000	-1825.6225	1666.2025
	8.00	-96.5320	521.5065	1.000	-1842.4445	1649.3805
	9.00	-177.6340	521.5065	1.000	-1923.5465	1568.2785
	10.00	-104.2480	521.5065	1.000	-1850.1605	1641.6645
3.00	1.00	-818.5980	521.5065	.854	-2564.5105	927.3145
	2.00	23.4420	521.5065	1.000	-1722.4705	1769.3545
	4.00	-231.4160	521.5065	1.000	-1977.3285	1514.4965
	5.00	-1152.6580	521.5065	.467	-2898.5705	593.2545
	6.00	-5413.0600	521.5065	.000	-7158.9725	-3667.1475
	7.00	-56.2680	521.5065	1.000	-1802.1805	1689.6445
	8.00	-73.0900	521.5065	1.000	-1819.0025	1672.8225
	9.00	-154.1920	521.5065	1.000	-1900.1045	1591.7205
	10.00	-80.8060	521.5065	1.000	-1826.7185	1665.1065
4.00	1.00	-587.1820	521.5065	.979	-2333.0945	1158.7305
	2.00	254.8580	521.5065	1.000	-1491.0545	2000.7705
	3.00	231.4160	521.5065	1.000	-1514.4965	1977.3285
	5.00	-921.2420	521.5065	.751	-2667.1545	824.6705
	6.00	-5181.6440	521.5065	.000	-6927.5565	-3435.7315
	7.00	175.1480	521.5065	1.000	-1570.7645	1921.0605
	8.00	158.3260	521.5065	1.000	-1587.5865	1904.2385
	9.00	77.2240	521.5065	1.000	-1668.6885	1823.1365
	10.00	150.6100	521.5065	1.000	-1595.3025	1896.5225
5.00	1.00	334.0600	521.5065	1.000	-1411.8525	2079.9725
	2.00	1176.1000	521.5065	.439	-569.8125	2922.0125
	3.00	1152.6580	521.5065	.467	-593.2545	2898.5705
	4.00	921.2420	521.5065	.751	-824.6705	2667.1545
	6.00	-4260.4020	521.5065	.000	-6006.3145	-2514.4895

	7.00	1096.3900	521.5065	.537	-649.5225	2842.3025
	8.00	1079.5680	521.5065	.558	-666.3445	2825.4805
	9.00	998.4660	521.5065	.660	-747.4465	2744.3785
	10.00	1071.8520	521.5065	.568	-674.0605	2817.7645
6.00	1.00	4594.4620	521.5065	.000	2848.5495	6340.3745
	2.00	5436.5020	521.5065	.000	3690.5895	7182.4145
	3.00	5413.0600	521.5065	.000	3667.1475	7158.9725
	4.00	5181.6440	521.5065	.000	3435.7315	6927.5565
	5.00	4260.4020	521.5065	.000	2514.4895	6006.3145
	7.00	5356.7920	521.5065	.000	3610.8795	7102.7045
	8.00	5339.9700	521.5065	.000	3594.0575	7085.8825
	9.00	5258.8680	521.5065	.000	3512.9555	7004.7805
	10.00	5332.2540	521.5065	.000	3586.3415	7078.1665
7.00	1.00	-762.3300	521.5065	.899	-2508.2425	983.5825
	2.00	79.7100	521.5065	1.000	-1666.2025	1825.6225
	3.00	56.2680	521.5065	1.000	-1689.6445	1802.1805
	4.00	-175.1480	521.5065	1.000	-1921.0605	1570.7645
	5.00	-1096.3900	521.5065	.537	-2842.3025	649.5225
	6.00	-5356.7920	521.5065	.000	-7102.7045	-3610.8795
	8.00	-16.8220	521.5065	1.000	-1762.7345	1729.0905
	9.00	-97.9240	521.5065	1.000	-1843.8365	1647.9885
	10.00	-24.5380	521.5065	1.000	-1770.4505	1721.3745
8.00	1.00	-745.5080	521.5065	.910	-2491.4205	1000.4045
	2.00	96.5320	521.5065	1.000	-1649.3805	1842.4445
	3.00	73.0900	521.5065	1.000	-1672.8225	1819.0025
	4.00	-158.3260	521.5065	1.000	-1904.2385	1587.5865
	5.00	-1079.5680	521.5065	.558	-2825.4805	666.3445
	6.00	-5339.9700	521.5065	.000	-7085.8825	-3594.0575
	7.00	16.8220	521.5065	1.000	-1729.0905	1762.7345
	9.00	-81.1020	521.5065	1.000	-1827.0145	1664.8105

	10.00	-7.7160	521.5065	1.000	-1753.6285	1738.1965
9.00	1.00	-664.4060	521.5065	.954	-2410.3185	1081.5065
	2.00	177.6340	521.5065	1.000	-1568.2785	1923.5465
	3.00	154.1920	521.5065	1.000	-1591.7205	1900.1045
	4.00	-77.2240	521.5065	1.000	-1823.1365	1668.6885
	5.00	-998.4660	521.5065	.660	-2744.3785	747.4465
	6.00	-5258.8680	521.5065	.000	-7004.7805	-3512.9555
	7.00	97.9240	521.5065	1.000	-1647.9885	1843.8365
	8.00	81.1020	521.5065	1.000	-1664.8105	1827.0145
	10.00	73.3860	521.5065	1.000	-1672.5265	1819.2985
10.00	1.00	-737.7920	521.5065	.915	-2483.7045	1008.1205
	2.00	104.2480	521.5065	1.000	-1641.6645	1850.1605
	3.00	80.8060	521.5065	1.000	-1665.1065	1826.7185
	4.00	-150.6100	521.5065	1.000	-1896.5225	1595.3025
	5.00	-1071.8520	521.5065	.568	-2817.7645	674.0605
	6.00	-5332.2540	521.5065	.000	-7078.1665	-3586.3415
	7.00	24.5380	521.5065	1.000	-1721.3745	1770.4505
	8.00	7.7160	521.5065	1.000	-1738.1965	1753.6285
	9.00	-73.3860	521.5065	1.000	-1819.2985	1672.5265

The above table 5.33 reflects the multiple comparisons with sampled 10 Private sector banks. It shows comparison with one bank to another nine banks. First column reflects the code of sampled banks; second column reflects comparison with other banks. Third column reflects the mean differences, fourth column reflects the standard error value, fifth column reflects significant value and sixth column reflects the lower and upper bound value at 95 % confidence interval. From the first and second raw we can see that the first bank compared with other 2,3,4,5,6,7,8,9,10 total 9 banks. The difference value (1 with 2) is 842.0400 standard error is 521.5065, which is almost same in whole table and significance value is 0.833 which is significant. From the second raw it reflects the difference value (2 with 1) is -842.0400, standard error is same and significance value is also 0. 833 which is significant. The difference value (3 with 1) is -818.5980, standard error is 521.5065 and significance value is 0.854 which is not significant. The difference value (4 with 1) is -587.1820, standard error is 521.5065 and significance value is 0.979 which is not significant. The difference value (5 with 1) is 334.0600, standard error is 521.5065 and significance value is 1.000 which is not significant. The difference value (6 with 1) is 4594.4620, standard error is 521.5065 and significance value is 0.000 which is not significant. The difference value (7 with 1) is -762.3300, standard error is 521.5065 and significance value is 0.899 which is not significant. The difference value (8 with 1) is -745.5080, standard error is 521.5065 and significance value is 0.910 which is not significant. The difference value (9 with 1) is -664.4060, standard error is 521.5065 and significance value is 0.954 which is not significant. The difference value (10 with 1) is -737.7920, standard error is 521.5065 and significance value is 0.915 which is not significant. So, from the table the significant value is higher than 0.05 at 5 % level of significant. So, we can conclude that there is not a single value is significant is at 0.05 levels.

Table-5.34

One-Sample t -Test Statistics

	N	Mean	Std. Deviation	Std. Error Mean
INCOME	50	854.5152	1764.1979	249.4953

The above table 5.34 indicates the descriptive statistics. There are 50 observation year of 10 Private sector banks, with mean score of 854.5152, standard deviation 1764.1979 and standard error mean score is 249.4953.

Table- 5.35

One-Sample t- Test

	Test Value = 0 **t**	**df**	**Sig. (2-tailed)**	**Mean Difference**	**95% Confidence Interval of the Difference**	
					Lower	Upper
INCOME	3.425	49	.001	854.5152	353.1357	1355.8947

The above table 5.35 represents the t-test results. T value is 3.425 with 49 degree of freedom. Mean difference is 854.5152 and two tailed significant is 0.001, difference upper value is 1355.8947 and lower value is 353.1357 at the 5 % level of significance. So, we can say that there is significant difference in Non-fund based Income of Private sector banks.

5.4.4 Ho=There is no significant difference in Average Non-fund Based Income of Private Sector Bank.

Table-5.36

Average Non-Fund Based Income of Private Sector Bank.

Name of Bank	**Code**	**N**	**Mean**	**Std. Deviation**	**Std. Error**
Axis	1.00	5	877.4520	534.8753	239.2035
DB	2.00	5	35.4120	16.2813	7.2812
CUB	3.00	5	58.8540	21.8117	9.7545

FB	4.00	5	290.2700	69.2059	30.9498
HDFC	5.00	5	1211.5120	693.8824	310.3136
ICICI	6.00	5	5471.9140	2451.4964	1096.3425
BOR	7.00	5	115.1220	50.2939	22.4921
KVB	8.00	5	131.9440	40.6355	18.1728
KMB	9.00	5	213.0460	94.3176	42.1801
SIB	10.00	5	139.6600	56.7411	25.3754
	Total	50	854.5186	1764.1965	249.4951

The above table 5.36 indicates the mean score of Non-fund Based Income of Private Sector Banks. Non-fund Based Income starts from year 2004 to 2008. First highest Mean 5471.9140 second is 1211.5120 and third is 877.4520, respectively ICICI Bank, HDFC Bank and Axis Bank. So, there is a significant mean difference in average Non-fund based Income of Private Sector Banks.

Chart-22

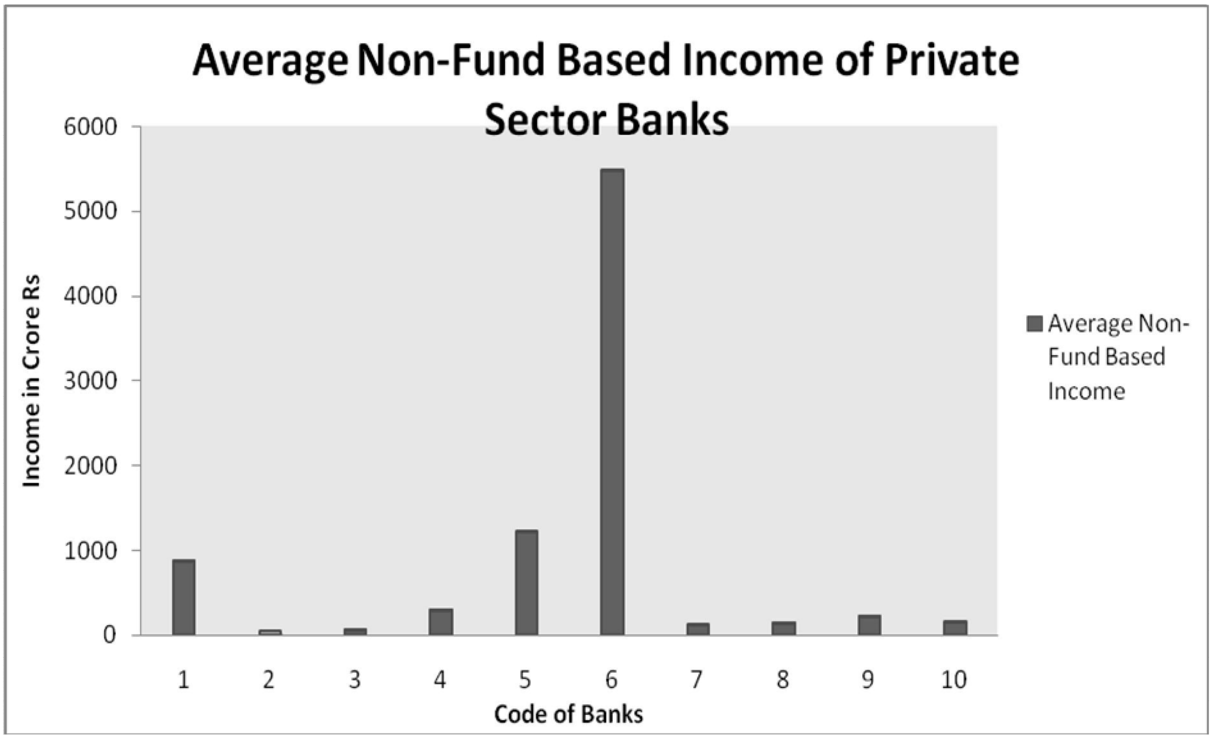


Table-5.37

One Sample T Test Statistics

	N	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Error	Std. Deviation Statistic
INCOME	10	35.41	5471.91	854.5186	527.6998	1668.7333

The above table 5.37 indicates the descriptive statistics. There are 10 observation year of 10 private sector banks, with mean score of 854.5186, standard deviation 1668.7333 and standard error mean score is 527.6998

Table 5.38

One-Sample Test

	Test Value = 0 t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
INCOME	1.619	9	.140	854.5186	-339.2213	2048.2585

The above table 5.38 represents the t-test results. T value is 1.619 with 9 degree of freedom. Mean difference is 854.5186 and two tailed significant is 0.140 difference upper value is 2048.2585 and lower value is -339.2213 at the 5 % level of significance. So, we can say that there is significant difference in Average Non-Fund Based Income of private sector banks. So, we can say that there is a significant mean difference. . Therefore null hypothesis is rejected and alternative hypothesis accepted that there is a significant difference in Average Non-fund based Income of Private sector banks.

5.4.5 H0= There is no significant difference in Non-Fund Based Income of Public Sector Banks and Private Sector banks

Table-5.39

Descriptive
Income

Bank	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Public	50	1611.6122	2167.6845	306.5569	995.5631	2227.6613	139.93	9398.43
Private	50	854.5186	1764.1965	249.4951	353.1395	1355.8977	14.71	8878.85
Total	100	1233.0654	2002.7274	200.2727	835.6808	1630.4500	14.71	9398.43

The above table 5.39 indicates the descriptive statistics of the Mean and Standard deviation of 10 Public sector banks and 10 Private Sector Banks, in that each bank includes 5 years. Non-Fund Based Income starts from year 2004 to 2008. Mean Standard Deviation and Standard error of Public Sector banks respectively 1611.6122, 2167.6845 and 306.5569. Mean Standard Deviation and Standard error of Private Sector banks respectively 854.5186, 1764.1965 and 249.4951.

Table-5.40

One way ANOVA
Income

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	14329767.979	1	14329767.979	3.669	.058
Within Groups	382751033.269	98	3905622.788		
Total	397080801.248	99			

Table-5.41

Two way Anova
Tests of Between-Subjects Effects
Dependent Variable: INCOME

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	14329767.979	1	14329767.979	3.669	.058
Intercept	56107671.670	1	56107671.670	14.366	.000
BANK	14329767.979	1	14329767.979	3.669	.058
Error	382751033.269	98	3905622.788		
Total	549125829.316	100			
Corrected Total	397080801.248	99			

The above table 5.40 and 5.41 indicates the one way and two way ANOVA score of Non-Fund Based Income of Public Sector Banks and Private Sector Banks.

The researcher has carried out the study with null hypothesis that there is significant difference in Non-fund based Income of Public Sector Banks and Private Sector banks. Comparison of 10 Public Sector Banks and 10 Private sector banks, in that each bank includes 5 years. So, it needs to be tested by one way and two ways ANOVA. Analysis of Variances brings out the value of F that is i.e. F= 3.669 This value reflects that score of Non-Fund Based Income among sampled Public sector banks and Private sector banks at 5% level of significant.

Therefore null hypothesis is rejected and alternative hypothesis accepted that there is a significant difference in Non-fund Based Income of Public sector banks and Private sector banks. From the table we can easily define that there is a significant mean differences.

Table5.42

T-Test
One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
INCOME	100	1233.0654	2002.7274	200.2727

The above table 5.42 indicates the descriptive statistics of one sample T test. There are 100 observation year of 10 Public sector banks and 110 Private sector banks, with mean score of 1233.0654, standard deviation 2002.7274 and standard error mean score is 200.2727.

Table-5.43

One-Sample Test

	Test Value = 0 t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
INCOME	6.157	99	.000	1233.0654	835.6808	1630.4500

The above table 5.43 represents the t-test results. T value is 6.157 with 9 degree of freedom. Mean difference is 1233.0654 and two tailed significant is 0.000 difference upper value is 1630.4500 and lower value is 835.6808 at the 5 % level of significance. So, we can say that there is significant difference in Non-Fund Based Income of Public sector banks and private sector banks. So, we can say that there is a significant mean difference. Therefore null hypothesis is rejected and alternative hypothesis accepted that there is a significant difference in Average Non-fund based Income of public sector banks and private sector banks.

6.1 INTRODUCTION

The emergence of fast paced dynamic environment in business world in general and financial services sector in particular, has highlighted the significance of competition and efficiency. Banking Industry acts as life blood of modern trade and commerce acting as a bridge to provide a major source of financial intermediation. Banking system is one of the most important and inalienable parts of market economy of every countries in the world. The Indian economy is emerging as a one of the strongest economy of the world with the GDP growth of more than 8 % every year. A strongest banking industry is important in every country and can have a significant affect in supporting economic development through efficient financial services. The banking sector of India has undergone considerable changes since the government of India introduced the economic reforms. India moved towards liberalization after 1991, banking sector in India is becoming increasingly more competitive. Liberalization policy introduced in the banking sector in India led to consolidated competition, efficient allocation of resources and introducing innovative methods for mobilizing of saving. After nationalization and prior to liberalization bank business was mainly focused towards interest earning activity by way of loans and advances which was guided by the administered rates. Banks have now become provider of a wide range of solutions

As a result, banks have increasingly turned to new non-traditional financial activities as a way of maintaining their position as financial intermediaries. The objective of this research study was to compare and analyze the Non-fund based Income of Indian banking industry. The variables used as an inputs and outputs give us some insight about the Non-fund based activities of banks in India. Although these research study cannot be represented as a universally result, because of limitation of sample size. This study shows that banks in India have expanded into Fee based income activities present higher risk and higher insolvency risk than bank which mainly supply loans.

6.2 FINDINGS

We deem it desirable to review the various aspect of over study and sum up the important observations. As such, this chapter epitomizes the major findings and offer new suggestion for the Non-Fund Based Income of banks in India. Main findings of this research work can be summarized as follow:

CHAPTER: - 1 INTRODUCTION

1.1 It is generally said that the word "BANK" has been originated in Italy. In the middle of 12th century there was a great financial crisis in Italy due to war. It is also said that the word 'bank' has been derived from the word 'Banco' which means a bench. The Jews money lenders in Italy used to transact their business sitting on benches at different market places.

1.2 The origin of banking in dates back to the Vedic period. There are repeated references in the Vedic literature to money lending which was quite common as a side business. Later, during the time of the Smritis, which followed the Vedic Period and the Epic age, banking become a full-time business and got diversified with bankers performing most of the functions of the present day.

1.3 The first Joint Stock Bank established in the country was the Bank of Hindustan founded in 1770 by the famous English agency house of M/s. Alexander and Company. The Bengal Bank and The Central Bank of India were established in 1785. The Bank of Bengal, the first of the three Presidency Banks was established in Calcutta in 1806 under the name of bank of Calcutta

1.4 Reserve Bank of India is the Central Bank of India. The Reserve Bank of India was set up on the recommendations of the Hilton Young Commission.

1.5 In 1955, the Imperial Bank of India was nationalized and its undertaking was taken over by State Bank of India.

1.6 On 19th July 1969, 14 major banks were nationalized and taken over

1.7 The Indian economic development takes place in the realistic world from 1991 "Liberalization, Privatization and Globalization" policy. As per "LPG" policy all restriction on the Indian economy was totally dissolved and the soundest phase for the Indian banking system adopt over here.

1.8 Actually meaning of bank is not specifies in any regulation or act. In India, different people have different type of meaning for bank. Normal salary earner knows means of bank that it is a saving institution, for current account holder or businessman knows bank as a financial institutions and many other. Bank is not for profit making, it creates saving activity in salary earner.

1.9 The Government of India setup the Narasimham Committee in 1991, to examine all aspects relating to structure, organization and functioning of the Indian banking system the recommendations of the committee aimed at creating at competitive and efficient banking system.

1.10 Commercial banks can transfer funds of a customer to other customer's accounts in the same or the different bank through cheques, drafts, mail transfers, telegraphic transfers etc.

1.11 In presently for the bank Risk management, rural coverage, Technological problems, Corporate Governance, Customer care services, Branch Banking, Competition and transparency and disclosure are major challenges.

1.12 In this changing scenario, the role of banks is very important for the growth and development of customers as well as economy. Banking Sector is offering traditional and other services to their customer at the door.

1.13 Developing Customized services, Improve rural network, Merger and consolidation and Flexibility in operation are innovative services for the services.

1.14 In this chapter also includes the introduction to research problem. The title of this present study is "A COMPARATIVE STUDY OF NON-FUND BASED INCOME OF SELECTED PUBLIC SECTOR BANKS & SELECTED PRIVATE SECTOR BANKS IN INDIA" which covers the period of the five years from 2004 to 2008. The study is based on secondary data mainly the annual report and accounts of selected units.

1.15 The main objective of this research study is to compare and analyze Non-Fund Based Income of selected banks in India. Various statistical measures like mean, standard deviation, One way ANOVA, Two Way ANOVA and One Sampled T-Test have been applied to test the of two hypothesis namely, Null Hypothesis and Alternate Hypothesis. Finally, the limitations of the study have also been presented.

CHAPTER: - 2 REVIEW OF LITERATURE

In this chapter, Introduction and profile of the researcher briefly mentioned previous research conducted by them. Some studies relating to Non-Fund Base Income or Non Interest Income in banking sector conducting in the past are being reviewed in this chapter.

CHAPTER: - 3 NON-FUND BASED INCOME

This Chapter contains the define of income, Type of Income, Type of Bank Income. Major two types of bank income, One is Fund Based Income included Income from Lending of Money and Income from Investment (SLR). Second is Non-Fund Based Income includes Income on Remittance of Business, Income from Third Party Product, Income on Contingent Liability, Income on Government Business, Income on Wealth Management and Income from Other Sources.

CHAPTER: - 4 PROFILE OF SAMPLED BANKS

PUBLIC SECTOR BANKS

4.1 State Bank of India (SBI) is that country's largest Public sector commercial bank. , with more than 13,500 branch offices throughout India, staffed by nearly 220,000 employees

4.2 SBI is also present worldwide, with seven international subsidiaries in the United States, Canada, Nepal, Bhutan, Nigeria, Mauritius, and the United Kingdom, and more than 50 branch offices in 30 countries.

4.3 State Bank of Saurashtra (Merged in SBI), State Bank of Indore, State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Mysore, State bank of Patiala and State Bank of Travancore are the subsidiary of SBI.

4.4 State Bank of India spans the country with over 7200 ATM network to ensure maximum reach.

4.5 In 1906 Bank of India was founded with Head Office in Mumbai.

In year 1969, The Government of India nationalized the 14 top banks, including Bank of India.

4.6 The Bank has 3021 branches in India spread over all states/ union territories including 136 specialised branches. These branches are controlled through 48 Zonal Offices.

4.7 1908: Maharaja Sayajirao Gaekwad- III set up Bank of Baroda (BOB).

4.8 1910: BOB established its first branch in Ahmedabad.

4.9 Bank of Baroda is the third largest bank in India, after the State Bank of 1India and the Punjab National Bank and ahead of ICICI Bank.

4.10 Bank of Baroda has a network of over 3,000 branches and offices, and about 1,100 ATMs.

4.11 In 1906 the late Sri. Ammembal Subba Rao Pai philanthropist, established the *Canara Bank Hindu Permanent Fund* in Manglore India

The Government of India nationalized Canara Bank, along with 13 other major commercial banks of India, on 19 July 1969.

4.12 Corporation Bank Of India was established in 1906. In the pre-independence days, it aimed at providing financial assistance to people looking for growth in their respective sectors.

4.13 It mainly indulged in local banking and financial services.

4.14 Corporation Bank has always stood for prudential banking services along with enhancements and innovations in customer service. The aggregate business of the bank is around Rs.72, 000 crores

4.15 Dena Bank was founded by the family of Devkaran Nanjee under the name Devkaran Nanjee Banking Company Ltd. It found its new name, Dena Bank **Ltd.** when it was incorporated as a Public Company in Dec 1939.

4.16 Dena Bank was nationalized (and therefore dropped the 'Ltd.' from its name) in 1969 along with 13 other banks in India.

Dena bank head office located in Mumbai has a network of 1122 branches spread across the country.

4.17 Dena Bank one of the premier public sector banks, has introduced Dena Smart Card, to facilitate anywhere banking. Dena Bank is the first bank to launch this unique customer friendly product.

4.18 1937: Shri. M. Ct .M. Chidambaram Chettyar establishes the Indian Overseas Bank (IOB) to encourage overseas banking and foreign exchange operations.

4.19 Indian Overseas Bank is a major bank based in Chennai (Madras), with 2018 domestic branches and six branches overseas.

4.20 IOB also has a network of about 771 ATMs all over India and IOB's International VISA Debit Card is accepted at all ATMs belonging to the Cash Tree and NFS networks.

4.21 IOB offers internet Banking (E-See Banking) and is one of the banks that the Govt. of India has approved for online payment of taxes.

4.22 Oriental Bank of Commerce, established on 19 February, 1943, in Lahore (then a city of British, India and currently in Pakistan), , is one of the Public Sector Banks in India.

4.23 OBC's Grameen Project aims to reduce poverty & to identify the reasons which are responsible for the failure or success. OBC is implementing a Grameen Project in Dehradun District (UP) and Hanumangarh District (Rajasthan).

4.24 On 13 April 1997 at the occasion of Baisakhi, OBC launched another unique scheme, 'The Comprehensive Village Development Programme' in three villages of Punjab. After the success of this scheme in these villages, the Bank extended the programme to more villages. Today, it covers 10 villages in Punjab, 4 in Haryana and 1 in Rajasthan.

4.25 1919 UBI was registered on November 11, 1919 as a limited company in Mumbai. It was inaugurated by Mahatma Gandhi.

4.26 The Bank's principal activities are to provide Commercial Banking Services which include Merchant Banking, Direct Finance, Infrastructure Finance, Venture Capital Fund, Advisory, Trusteeship, Forex, Treasury and other related financial services.

4.27 The Bank operates through 2082 Branches In India. In addition to the Regular Banking Facilities provided by Union Bank Of India, customers can also avail a variety of other services like Cash Management Service, Insurance, Mutual Funds, Demat from the Bank.

4.28 Vijaya Bank, a medium sized bank with presence across India was founded on 23 October 1931 by the late Shri A.B. Shetty and other enterprising farmers in Manglore, Karnataka in India..

4.29 The bank has network of 1101 branches, 43 Extention Counters and 364 ATMs. In line with the prevailing trends, the bank has been giving greater thrust towards technological upgrading of its operations

PRIVATE SECTOR BANKS

4.30 1955 The Industrial Credit and Investment Corporation of India Limited (ICICI) was incorporated at the initiative of World Bank, the Government of India and representatives of Indian industry

4.31 1994 ICICI established Banking Corporation as a banking subsidiary.

4.32 ICICI Bank (formerly Industrial Credit and Investment Corporation of India) is a major banking and financial services organization in India. It is the largest Private sector bank in India

4.33 The bank also has a network of 2,016 branches (as on 31 March 2010) and about 5,219 ATMs in India and presence in 18 countries as well as some 24 million customers (at the end of July 2007).

4.34 Housing Development Finance Corporation Limited, more popularly known as HDFC Bank Ltd, was established in the year 1994, as a part of the liberalization of the Indian Banking Industry by Reserve Bank of India (RBI).

4.35 It was one of the first banks to receive an 'in principle' approval from RBI, for setting up a bank in the private sector.

4.36 The bank was incorporated with the name 'HDFC Bank Limited', with its registered office in Mumbai. Today, the bank boast of as many as 1412 branches and over 3275 ATMs across india.

4.37 Bank of Rajasthan was set up at Udaipur in 1943 with an initial capital of Rs.10.00 lacs. An eminent Industrialist Late Seth Shri Govind Ram Seksaria was the founder Chairman.

4.38 Bank of Rajasthan Ltd plans tie-ups with Bajaj Allianz and Tata AIG for Distributing general insurance and life insurance products respectively.

4.39 RBI was critical of BOR's promoters not reducing their holdings in the company. BOR has been merged with ICICI Bank; ICICI paid Rs.3000 Crores for it. Each 118 shares of BOR will be converted into 25 shares of ICICI Bank

4.40 Year events 1927 - The Dhanalakshmi Bank Limited [DBLs] were incorporated. It took banking business of all kinds. 1991 - 2,30,000 shares issued. 1992 - The Bank opened a branch at Veerappan Chatram

4.41 Prior to joining the Dhanalakshmi Bank, he was associated with Zee group. He has spent considerable period in banking, insurance, merchant banking & treasury.

4.42 The bank, 'The Kumbakonam Bank Limited' as it was then called as City Union Bank was incorporated as a limited company on 31st October,1904

4.43 The City Union Bank has obtained License to function as Depository Participant under National Securities Depository Ltd., The Bank is having a network of 202 Branches spread in different parts of our Country.

4.44 In1931 – The Federal Bank was incorporated in 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province by a small group of local citizens.

4.45 Unveils Anywhere Banking provides the convenience of doing transactions from 300-plus interconnected branches ICICI Bank divests 0.31% stake in Federal Bank.

4.46 Federal Bank is a major Indian commercial bank in the private sector, headquartered at Aluva, Kochi, Kerala. As of July 2010 it had 708 branches and 751 ATMs around the country.

4.47 Karur Vysya Bank is a privately held Indian bank; headquartered in Karur in Tamil Nadu It was set up in 1916 by M.A. Venkatrma Chettiar and Athi Krishna Chettiar.

4.48 The Karur Vysya Bank limited popularly savings habit and to provide financial assistance to traders and small agriculturists in and around Karur, a textile town in Tamil Nadu.

4.49 The bank has 300 branches — about 45 of them are in rural areas. The bank has installed 275 ATMs across the country so far.

4.50 Kotak Mahindra Bank is one of India's leading financial private banking institutions. It offers banking solutions that covers almost every sphere of life.

4.51 Presently, Kotak Mahindra Bank spread in 82 cities in India, the bank caters to the needs of its 5.9 million customers spread throughout the length and breadth of country and even abroad. By the end of FY 2007-2008, the Kotak Mahindra Bank had about 178 branches spread all over the country.

4.52 1929 - South Indian Bank was established at Trichur, Kerala State. The Bank transacts general banking business of every description.

4.53 South Indian Bank has 580 branches and 3 extension counters spread across more than 26 states and union territories in India. It has set up 375 ATMs all over India.

4.54 Axis Bank was formed as UTI when it was incorporated in 1994 when Government of India allowed private players in the banking sector.

4.55 Axis Bank its customers with all kinds of facilities that should be provided by a modern Bank. It deals with personalized as well as commercial banking. It has one of the largest spread ATM network in the country

CHAPTER: - 5 ANALYTICAL STUDY OF NON-FUND BASED INCOME OF BANKS

5.1 By Appling ANOVA technique, for the Non-Fund Based Income of Public Sector Banks. The researcher has found that the calculated value of F (between column-various Profitability Ratios) (174.332) was greater than the table value

(2.12) of F at 5% level of significance that means the null hypothesis was rejected.

5.2 State Bank of India is the largest bank in India, with 7793.2900 crore average non-fund based income. In case of public sector banks the Non-Fund Based Income in some of them are increasing and some of them having a mix trend for year by year.

5.3 T value is 5.257 with 49 degree of freedom. Mean difference is 1611.6122 at the 5 % level of significance.

5.4 By applying one sampled t-test for Average Non-Fund Based Income of Public sector banks. The researcher has calculated T value is 2.282 with 9 degree of freedom. Mean difference is 1611.6122 and two tailed significant is 0.048 difference at the 5 % level of significance. There is a significant mean difference. Therefore null hypothesis is rejected.

5.5 By Appling ANOVA techniques, for the Non-Fund Based Income of Private Sector Banks. The researcher has found that the calculated value of F (between column-various Profitability Ratios) (20.478) was greater than the table value (2.12) of F at 5% level of significance that means that there is a significant difference in Non-Fund Based Income of Private sector banks. So, the null hypothesis was rejected.

5.6 ICICI Bank is the largest Private Sector Banks in India, with 5471.9140 crore average non-fund based income. In case of Small Private Sector Banks like, Dhanlakshmi Bank, City Union Bank, Bank of Rajasthan, Karur Vysya Bank and South Indian Bank`s Non-Fund Based Income representing mix trend.

5.7 T value is 3.425 with 49 degree of freedom. Mean difference is 854.5152at the 5 % level of significance.

5.8 By applying one sampled t-test for Average Non-Fund Based Income of Private sector banks. The researcher has calculated T value is 1.619 with 9 degree of freedom. Mean difference is 854.5186 and two tailed significant is 0.140 difference at the 5 % level of significance. There is a significant mean difference. Therefore null hypothesis is rejected.

5.9 By Appling ANOVA technique, for the Non-Fund Based Income of Public Sector Banks and Private sector banks. The researcher has found that the calculated value of F (between column-various Profitability Ratios) (3.669) was greater than the table value (1.97) of F at 5% level of significance that means the null hypothesis was rejected.

5.10. By applying one sampled t-test for Non-Fund Based Income of Public sector banks and Private sector banks. The researcher has calculated T value is 6.157 with 99 degree of freedom. Mean difference is 1233.0654 and two tailed significant is 0.000 difference at the 5 % level of significance. There is a significant mean difference. Therefore null hypothesis is rejected.

5.11 As compared to the developed world, the Indian banking sector, apart from the relying on traditional sources of revenue like loan making are also focusing on the activities that generate fee income, service charges, trading revenue, and other types of noninterest income. While noninterest income plays an important role in banking revenues in the developed world, its contribution to the total income of the Indian banking was 25% as on 31st March 2008.

Summary of Hypothesis Testing

Relation Between	Accepted	Rejected	Remarks
There is no significant difference in Non-Fund Based Income of Public Sector Banks	-------	*Null Hypothesis is Rejected* (based on ANOVA test)	There is Significant Difference
There is no significant difference in Average Non-Fund Based Income of Public Sector Banks	-------	*Null Hypothesis is Rejected* (based on one sampled T test)	There is Significant Difference
There is no significant difference in Non-Fund Based Income of Private Sector Banks	------	*Null Hypothesis is Rejected* (based on ANOVA test)	There is Significant Difference
There is no significant difference in Average Non-Fund Based Income of Private Sector Banks	-------	*Null Hypothesis is Rejected* (based on one sampled T test)	There is Significant Difference
There is no significant difference in Non-Fund Based Income of Public Sector banks and Private Sector Banks	-------	*Null Hypothesis is Rejected* (based on ANOVA test)	There is Significant Difference

6.3 SUGGESTIONS

"Bank is in the Business of Maintaining Risk not avoiding it"

We deem it desirable to review the various aspect of over study and sum up the important observations. As such, this chapter epitomizes the major findings and offer new suggestion for the increasing Non-Fund Based Income of Banking industry in India.

1. The banks in India need to focus at ensuring greater financial stability to tackle lots of challenges successfully to keep growing and strengthen of banking sector.

2. Bank must create strategic alliance with the rural regional banks to open up rural branches and increased use of technology for improved products and services.

3. For the financial repression construct Indian banking industry have to focusing and concerning the challenges intensity of the change in three polices likely, interest rate controls, strategy pre-emption and directed credit.

4. Banking sector in India need to move towards a more market based system for to create the sound and condition for well functioning of a market based banking system.

5. Public sector banks required to set up modern IT infrastructure in place within a short time of period.

6. Both of banks need to expand branches in rural area.

7. Required to launch innovative products and services as per the customer`s Expectation.

8. This study suggests that Indian regulators should consider requiring increased disclosure of the composition of bank non-interest income. Such disclosure would aid in understanding the changing nature of banking in India.

9. Given the recent sub-prime crisis at global level and the role played by fee based income sourced from securitization, increased disclosure of the nature of bank noninterest income is now of global importance.

10. Banking sector in India need to start moving into areas that yield Non-Fund Based Income activities that earn more income rather than interest income.

11. Banks in India required potential diversification benefits from the shifting nontraditional activity.

12. Banking sector in India needs to require risk management information system and to achieve a better credit portfolio equilibrium.

13. Banks should extend the technology which is used in internet banking in Order to remove the difficulties.

14. Bank should provide the services in different language

6.4 CONCLUSION

For every beginning, there is an end;-
For every ending, there is a beginning

All these developments in Indian banking are says that, the Indian banks are moving towards modern banking changing a face of traditional banking of Indian economy .It is grate change of banking industry. They having a installing an information technology for banking business and they trying to provide technology based banking products and services to their customers. Indian banks also trying to Universalization of banking products and services to one top banking shop for customer delight, but comparatively private and foreign banks existing in Indian economy are having a higher level of modernization and those providing numbers of modern services to their customers. For a long term success of banking institution to require effective management of credit risk and diversified into fee based activities. Non-traditional activities of banks are more sophisticated and versatile instrument for risk assessment.

It is tempting to conclude that interest based, intermediation activities have become less central to financial health and business strategy of the typical commercial banks and that fee based non-intermediation financial services have become more important.

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