



FUND BASED INCOME OF SELECTED PUBLIC AND PRIVATE SECTOR BANKS IN INDIA**B.S. Wankhede**

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ABSTRACT :

A large part of the income is earned through fund-based activities. At the same time, it also has a large share of expenses in the form of interest and brokerage. In recent times, many banks have started accepting deposits at very high interest rates. When the cost of depositing resources increases, the lending rate should increase as well. That is, such banks have to compromise the quality of their investments. Fee-based income, on the other hand, does not carry much risk. But this type of service requires a lot of expertise from the bank. In the wake of declining net interest margins, depository institutions have entered into new manufacturing sector in the past and move from traditional lending to non-fund based income generating sector. This change is important for financial control. The more unbalanced the bank's income stream, the more insecure the institution is. The traditional wisdom of the banking industry is that the income from fund-based products is stable over debt-based earnings, and that fund-based activities reduce bank risk by diversifying.

**KEYWORDS :** *fund-based activities , Fee-based income , traditional lending.***INTRODUCTION:**

A bank is a business organization involved in lending and borrowing. A bank can earn money only if it is borrowing at a low rate and lending at a higher rate. The difference between the two rates will represent the cost and profit from the bank. In addition to performing the usual commercial banking activities, banks in developing countries play an effective role in their economic development. The majority of the people in such countries are poor, unemployed and involved in traditional farming. There is a severe shortage of capital. People need initiative and investment. Transportation equipment is not trained. The industry is down. Commercial banks help overcome these problems and encourage economic development. The role of a commercial bank is very important in a developing country. Following are the important roles of some commercial banks in developing countries.

1. Mobilizing economy for Capital Formation:
2. Financing Industry:
3. Financing Trade:
4. Financing Agriculture:
5. Financing Consumer Activities:

6. Financing Employment Generating Activities:
7. Help in Monetary Policy:

The bank provides many services to its customers for which it charges a commission. It is also an important source of income. Following are the various sources of profit of the bank:

1. Interest on loans
2. Interest on investments
3. Commission, brokerage, etc.

Commercial banks conduct foreign exchange transactions. They sell demand drafts, provide credit, and send money overseas. He also works as an agent in foreign exchange. Banks generate income from these activities.

FUND BASED INCOME:

1. "Fund-based income" is created over the life of the securitized debt in structures requiring financial treatment for accounting reasons; Loan for investment; Loans held for sale; And loans for securitization
2. "Fund-based income is known as" disbursement", the difference between the interests accrued on a bank's loan to a customer is the spread. Interest paid to corporates and depositors for the use of their money.

PROBLEM OF THE RESEARCH:

Competition is one of the most dynamic factors in market driven banking. Banks can clearly differ in their sources. Some businesses focus on lending, some on home loans and some on lending. Increasing competition is going to be a major problem affecting the banking sector. Due to market competition in Indian banking industry, the banking business model is changing drastically. The research focuses on the fund-based income of selected public sector banks and private sector banks over a period of five years.

RESEARCH DESIGN AND METHODOLOGY:

Data Collection:

Data have been collected from the company's annual report. Further data is available from Competence and Capitoline. The data collected from these sources has been used and compiled with appropriate care as per the research needs.

Research Scope:

For the research of this study researcher has collected the data with following 5 private and 5 public sector banks.

Table 1.1 List of Selected Public Sector Banks

Sr. No.	Banks	Agronomy
1.	State Bank of India	SBI
2.	Bank of India	BOI
3.	Bank of Baroda	BOB
4.	Canara Bank	CB
5.	Punjab National Bank	PNB

Source: Fieldwork

Table 1.2 List of Selected Private Sector Banks

Sr. No.	Banks	Agronomy
1.	Housing Development Finance Corporation Limited	HDFC
2.	Industrial Credit and Investment Corporation of India	ICICI
3.	Industrial Development Bank of India	IDBI
4.	Axis Bank	Axis
5.	Karur Vyasya Bank	KVB

Source: Fieldwork

Table 1.3 Fund Based Income of Public Sector Banks

Sr. No.	Year	SBI	BOI	BOB	CB	PNB
1.	2010	71045.78	17964.12	16745.63	18801.25	21541.23
2.	2011	81421.23	21784.20	21914.74	23123.28	27145.63
3.	2012	106632.15	28504.39	29715.36	30912.48	36459.83
4.	2013	108348.28	31209.69	32487.82	35480.49	37548.82
5.	2015	115674.12	33514.82	34861.57	38412.52	39742.39
Total		483121.56	132977.22	135725.12	146730.02	162437.90
Mean		96924.312	26595.44	27145.02	29346.00	32487.58
Combined Mean		42499.67				

Table 1.4 Fund Based Income of Private Sector Banks

Sr. No.	Year	HDFC	ICICI	AXIS	IDBI	KVB
1.	2010	16532.14	25863.21	11845.21	1758.23	3842.14
2.	2011	20145.23	26475.36	15842.36	1841.82	3947.21
3.	2012	27689.32	33847.63	22415.23	2017.56	4023.84
4.	2013	29458.97	37658.74	28410.47	2245.81	4236.98
5.	2015	37994.23	42671.74	30148.94	2574.56	4486.32
Total		131819.9	166517	108662	10438	20536.5
Mean		26363.98	33303.3	21732.4	2087.6	4107.3
Combined Mean		17518.92				

Table 1.5 ANOVA test for Fund Based Income of Selected Public Sector Banks

Source of Variance	SS	D.F.	M.S.	F Value	F table Value
BSS	11573165978	4	2895741341		
ESS	2650679032	20	132684462.12	22.8297095	2.94
TSS	14223845010	24			

Source: Analysis

Table 1.5 above shows a statistical analysis of the fund-based yield of 5 public sector banks in India. There is no difference in the fund-based income of public sector banks, the researcher said, with nonsense hypothesis. So, it has to be tested in one way or another. Due to analysis of variance, the value of F is $F = 22.8297095$, this value shows the record of income based on the fund 5% significant level of basis in the public sector banks mentioned. The F value is 22.8297095 while the F table value is 2.94 which is less than the F value. So the null hypothesis was rejected and the alternative hypothesis was that there was a significant difference in the fund based income of the public sector banks.

Table 1.6 ANOVA test for Fund Based Income of Selected Private Sector Banks

Source of Variance	SS	D.F.	M.S.	F Value	F table Value
BSS	7023242531	4	1831553215		
ESS	374135941	20	192118472	96.10253742	2.94
TSS					

Source: Analysis

Table 1.6 above shows a one-way ANOVA statistical analysis of the fund-based income of 5 private sector banks in India. The researcher did this research with null hypothesis that there is no difference in the fund-based yield of private sector banks. So, it has to be tested in one way or another. Analysis of variance shows that the value of F is $F = 96.10253742$, which indicates the value of the fund based income recorded by the private sector banks at the indicated 5% level. The F value is 96.10253742 while the F table value is 2.94 which is less than the F value. Therefore, null hypothesis have been rejected, and alternative hypothesis have accepted that there is a significant difference in the fund-based income of private sector banks.

CONCLUSION:

A large part of the income is earned through fund-based activities. At the same time, it also has a large share of expenses in the form of interest and brokerage. In recent times, many banks have started accepting deposits at very high interest rates. When the cost of depositing resources increases, the lending rate should increase as well. That is, such banks have to compromise the quality of their investments. Fee-based income, on the other hand, does not carry much risk. But this type of service requires a lot of expertise from the bank. In the wake of declining net interest margins, depository institutions have entered into new manufacturing sector in the past and move from traditional lending to non-fund based income generating sector. This change is important for financial control. The more unbalanced the bank's income stream, the more insecure the institution is. The traditional wisdom of the banking industry is that the income from fund-based products is stable over debt-based earnings, and that fund-based activities reduce bank risk by diversifying.

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