

BANKS FEE BASED POLICIES AS NEW-FANGLED WAY FOR ESCALATING PROFITABILITY ARC

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ABSTRACT

With demand for financial services on the rise, fee based income started growing faster than banking income, at more than 35 per cent per annum. Among various types of banks in India, public sector banks depend excessively on their interest income as compared to their peers in the private sector and their fee-based earnings coming from services remain quite low, an ASSOCHAM Eco Pulse study has shown. There were the days when banks used to concentrate upon fund based management as the basic policy for making a favorable impact on their profitability. The reason being banks in general got less than 30 per cent of its income from non-interest income.

This research seeks to review whether the selected bank specific fee based income policies have any significant impact on profitability of banks and its customer's behavior in India. The research hypothesizes that it has a considerable positive impact on profitability of banks based on its contribution and favorable customer psychology in India. The relationship between fee-based income as a variable making effect on profitability of banks and customer psychology is the crux of the research.

KEYWORDS: Interest and Non-Interest Income, Profitability of Banks