



Alternate Revenue Sources for the Bank (with special reference to IDBI Bank)

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ABSTRACT: Alternate revenue sources form a vital part of income for banks and banks are therefore looking forward towards increasing their profitability through these sources. Some sources of fee income have been available to institutions for many years, but have recently taken on a more dominant position in the overall financial management strategies of banks. These include deposit service charges, credit card fees, fees associated with electronic funds transfer, demat etc. Although banks have made significant headway in generating traditional fee income, for banks to remain competitive with other financial institutions, they need to expand their product breadth and to improve sales, relationships, servicing, and investment know-how.

I. INTRODUCTION

New types of activities that generate fee income include securities brokerage, film financing, and equity participation in business, real estate brokerage services, real estate development, real estate equity participation, and insurance brokerage activities. Banks also receive fee income from a number of off balance sheet items including loan commitments, note issuance facilities, letters of credit, foreign exchange services, and derivative activities (contracts for futures, forwards, interest rate swaps, and other derivative contracts).

The essential function of a bank is to provide services related to the storing of value and the extending credit because bank is a financial institution that provides banking and other financial services.

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. Traditionally fee income has been very stable; but, also traditionally, it has been a small part of the earnings stream of most banks.

Although the type of services offered by a bank depends upon the type of bank and the country, services provided usually include:

- (a) Directly take deposits from the general public and issue Savings accounts and Current accounts
- (b) Earning specials like the fixed deposits, recurring deposits.
- (c) Lend out money to companies and individuals
- (d) Issue credit cards, ATM, and debit cards
- (e) Online banking and Internet banking
- (f) Storage of valuables, particularly in a safe deposit box

(g) Granting loans.

But in the current scenario with immense competition the banks have to look far beyond the traditional practice. Customers look for one stop financial solution so the only solution left with the banks is to diversify. The interest rates are decreasing so banks have to look for alternate sources to generate revenue. Also the lending & borrowing rates are reducing day after day. Therefore the banks are going in for investment and advisory services, portfolio management depository services, debit/ credit cards etc. The alternate revenue generating sources of IDBI Bank, which will be dealt in detail, are

- ❖ Banc assurance
- ❖ Mutual funds
- ❖ Locker Facility
- ❖ RBI Bonds
- ❖ Forex
- ❖ Demand Drafts/Bankers Cheque
- ❖ Demat Services.

II. MATERIAL AND METHOD

Objectives

1. To study the current revenue sources for banks in India
2. To study the alternate sources of revenue for IDBI Bank
3. To study the contribution of each alternative source of revenue to IDBI Bank

Methodology

In order to fulfill the above objectives, the project was under taken in IDBI bank Bhopal branch from 1st June to 30th July and information was collected through:

Primary Sources: The primary was gathered from personal interviews with the bank employees and higher officials.

The entire survey was conducted in IDBI Bank Bhopal branch, which consisted of information on understanding the level of awareness regarding the alternatives sources. Data was also collected through observation during the training period of 2 months from 1st June to 30th July.

Secondary sources: Information was drawn from published journals on insurance, mutual funds, in house magazines of the bank, Files maintained by the bank etc. Information was also gathered from newspapers and magazines. Besides data was also downloaded from the Internet.

Limitations of the study

Limited number of reference books were available

- (i) The study was restricted only to IDBI bank Bhopal branch and hence may not be applicable to all banks.
- (ii) The information available on the internet, Brochures, internal magazine, leaflets was limited
- (iii) The employees in the bank had a busy schedule; therefore there was delay in getting the data.
- (iv) There was difficulty in getting exact income; as such some data was confidential and not available at the branch level.
- (v) The project was completed in two months time so the time available was limited

III. PROFILE OF IDBI BANK

Industrial Development Bank came into existence with the Enactment of Parliamentary Act in July 1964 as a subsidiary of Reserve Bank of India. The ownership vesting with the Government of India. It was Designated Principal Institution for coordinating the working of institutions at national and state level engaged in financing, promoting and developing Industry [1].

With the Government opening up of Domestic Banking sector to private participation as part of overall financial sector reforms, in September 94, Industrial Development bank in association with its subsidiary SIDBI, set up IDBI Bank Ltd as a private sector commercial bank. This initiative has blossomed into a major success story. IDBI bank, which began with an equity capital of Rs 1000 million, commenced its first branch at Indore in November 1995. Thereafter in less than seven years the bank has attained a front ranking position in the Indian Banking Industry. IDBI Bank successfully completed its public issue in February 99, which led to its paid up capital expanding to Rs 1400 million [3].

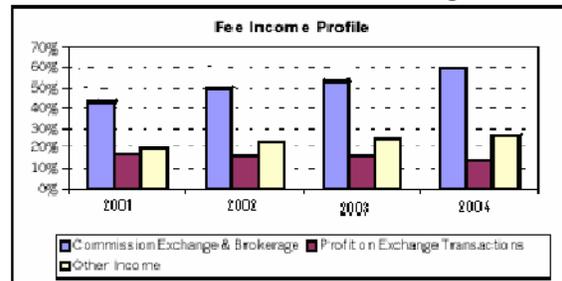
On December 16, 2003 the parliament approved the Industrial Development bank (Transfer of Undertaking and Repeal Bill) 2002 to repeal IDBI Act 1964. The Repeal Act is aimed at Bringing IDBI under the companies Act for investing it with the requisite operational flexibility to undertake commercial banking business under the Banking Regulation Act 1949 in addition to the business carried on and Transacted by it under the IDBI Act 1964. The New act came into force in July 2004. The Board of Both IDBI and IDBI Bank decided to merger both the entities and to form Industrial Development Bank of India (IDBI Ltd). The Merged entity became one the Largest Financial Institution. With the Strength of the Parent company the Bank plans to expand its network and grow on a large scale. IDBI Bank had the privilege to function as a Private Bank and now as a Government Bank also as its now become a PSU Bank. As of date the Bank has got a

National Network,	
Number of Branches	:167
Number of Extension Counters	:6
Number of ATM s	:377
Presence	: 99 cities

Bhopal had 3 branches and plans of coming up with another 3 in the next 1-year [2].

Banking scenario of Fee based income. Private Banks lead public sector banks in generating fee Income. Indian banks are heavily reliant on interest income, which accounts for over 80% of their total income. At present, with the reduction in interest rates banks are expected to diversify their income profile so that the current levels of non-interest income may be maintained. The fee income of banks arises mainly from commission, brokerage and exchange transactions [7].

Fee Income Profile of the entire banking sector



Source: www.icraindia.com

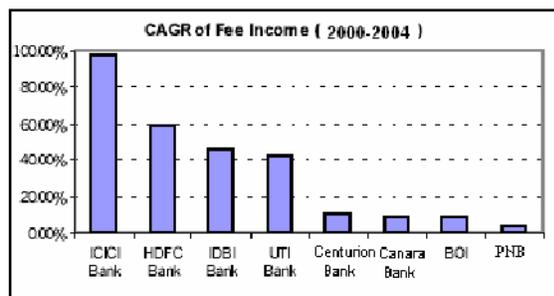
We see from the above [graph 2.1](#) the fee based income for the entire banking scenario for the period 2000-2004. The income earned from commission, exchange & brokerage is 42%, 50%, 55% and 60% for the years 2001, 2002, 2003 and 2004 respectively.

Income from Exchange transaction is the same for the first three years but is found decreasing in 2004. However other income of the banks is increasing in 2004.

Income on exchange transactions has traditionally been high in the case of public sector banks, reflecting their high off-balance sheet activities, primarily execution of derivatives and forward exchange contracts. Over the last two years, public sector banks have also reported substantial foreign exchange income on the strength of the higher demand for foreign currency funds from corporate entities, and banks access to foreign currency funds. Of late, private banks have also begun leveraging their balance sheet and could pose a strong competitive threat to their public sector counterparts on this front. Significantly, public sector banks have been losing market share in the areas of exchange, commission and brokerage to private sector banks over the last few years. During the last few years, private sector banks have grown in size, and this has served to reinforce their fee income profile.

CAGR of Fee Income of the following banks. An analysis of the fee incomes of the top three public sector banks (Punjab National Bank, Canara Bank and Bank of India) and five private sector banks (ICICI Bank, HDFC Bank, IDBI Bank, UTI Bank and IDBI Bank) reveals the following:

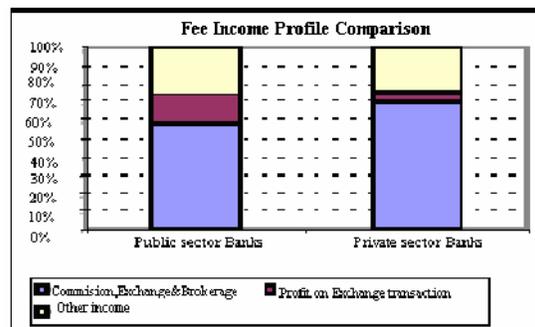
CAGR of Fee Income



Source: www.icraindia.com [7]

From the above graph 2.2 ICICI Bank s CAGR is the highest as compared to the other banks, followed by HDFC Bank, IDBI Bank, UTI Bank and last IDBI Bank with a CAGR of around 10% which is almost same as Canara bank. Bank of India has a slightly higher CAGR ie, of around 12%. PNB has the least CAGR of about 5%. However CAGR of these banks are expected to rise in the near future. The analysis excludes State Bank of India (SBI) because of its very large size and the special relationship it has with the Government of India (GoI), both of which have enabled the bank to generate very high fee-based income.

Fee Income Profile for Private and Public Sector Banks

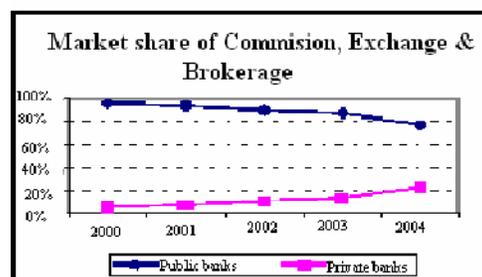


Source: www.icraindia.com

Graph reveals that the absolute fee income of the public sector banks is expectedly higher than that of their private sector, because of the higher scale of operations of the former. The proportion of exchange and brokerage as a percentage of the total fee income is higher for the private banks. Fee income as a percentage of the average total assets is higher for private banks. The rate of growth in fee income is significantly higher for private sector banks. The better position of private sector banks on the fee income front may be attributed to their larger product offerings and their technology platforms, which are better geared to provide customized solutions to customers. Some of the recent developments that have enabled the private banks increase their fee incomes are:

1. Thrust on retail growth that generates fee income in the form of processing fees.
2. Leveraging of technology to widen customer base for products such as credit cards, debit cards
3. Automated teller machine (ATM) cards.
4. Strong focus on cash management activities on behalf of corporate clients.
5. Increase in non-fund based exposures to corporate clients in the form of letters of credit and guarantees by the adoption of aggressive pricing strategies.

Market Share of Commission, Exchange & brokerage



Source: www.icraindia.com[7]

Graph reveals that there has been an increase in the market share of Commission, Exchange & brokerage because of the increase in sales and distribution of mutual funds, insurance products, bonds of public sector institutions/ banks, GOI relief bonds, etc. Increase in focus on mandates for handling Government business, primarily collection of direct and indirect taxes, which is highly remunerative and increase in off-balance sheet activities, primarily in foreign exchange to provide customers various derivative products.

Products & Services Offered by IDBI Bank. IDBI Bank offers the entire basket of banking products to its customers with various add on benefits. The products that it offers are,

Savings Account. A customary product that every bank offers to all its customers. A savings account can be opened with an average quarterly balance of Rs 5000 (Rs 2500 in select cities) IDBI Bank also offers its customer s the saving account with a range of facilities which include;

- ❖ Door step account opening
- ❖ Instant account number and ATM card
- ❖ Personalized cheque book
- ❖ Quarterly statement by post
- ❖ Monthly statement by email
- ❖ Any period statement by fax
- ❖ 24*7 cash access at atms
- ❖ Internet banking
- ❖ SMS banking
- ❖ Phone banking
- ❖ Sweep in facility linked to fixed deposits
- ❖ Demat balance info
- ❖ Demat statements with portfolio values
- ❖ Investment advisory services
- Any Branch Banking
- ❖ Deposit / withdrawal cash at any branch
- ❖ Transfer funds electronically across branches
- ❖ Deposit local cheques at any branch.

Current Account. An account to take care of the business sector. IDBI with its range of Roaming Current Accounts offers five types of account options to the business sector in the form of Basic, Special, Bronze, Silver and Gold. Based on the kind of balance that the customer is willing to maintain he can choose the account, which can best suit his needs. The facilities that one gets on his current account would be,

1. Free at par cheque book
2. Free demand drafts/pay orders on idbi lactations
3. Free demand drafts on non- idbi bank locations
4. Free electronic fund transfer

5. Free any branch deposit and withdrawal

6. Free outstation cheque collection

Along with other facilities like

- ❖ Internet banking
- ❖ ATM Banking
- ❖ Mobile Banking
- ❖ Monthly statements
- ❖ Daily cash and cheque pick up
- ❖ Sweep in facility

However these services may vary depending upon the kind of type of account chosen and also the location of the branch.

Fixed Deposits. IDBI presence in this segment is by way of its Suvidha Fixed Deposits. And now with it s becoming a PSU bank is accompanied with safety, credibility and attractive interest rates. These deposits are backed with added features like,

- ❖ Anytime access to money
- ❖ Deposits across tenures of 15 days to 9 years
- ❖ Various payout options such as,

Monthly / Quarterly Income Plan

For those who want a periodic return on their investment this is the best option that they will receive a monthly or a quarterly payout of interest.

Quarterly Compounding Fixed Deposits

Ideal for those who want a higher rate of return along with a lower risk factor. In this option the interest earned is reinvested so that the investor gets a higher rate of return.

Recurring Deposits. Ideal for those who want to go for regular saving s. The customer can choose any amount that he would like to deposit on a monthly basis anything between Rs 500 to 1 lakh.

Sweep in Deposits. Earn a fixed deposit rate on your savings account. In this option the client has to give an instruction that once his balance reaches a certain amount than automatically a certain amount would be converted into a Fixed Deposit. Whenever the client needs he can withdraw the money at his convience. The FD s are made in multiples of Rs 1000 and whenever the client withdraws the last made FD is broken first so that he does not loose interest.

Overdraft Against Fixed Deposits. In this facility the client can meet his urgent financial needs without breaking his fixed deposits. He can take overdraft of upto 90% of the FD value.

Senior Citizens Fixed Deposit. The senior citizen enjoys the benefit of getting a higher interest rate of 0.5% than others.

Preferred Banking. A Channel which special caters to the select few who fall in the HNI category. Here exclusivity, convenience and privilege is a norm. Special benefits and benefits are offered to the clients in the form of,

- ❖ Dedicated Relationship Manager
- ❖ Investment Advisory Services
- ❖ Special Lounge in the Bank etc.

NRI Services. Along with the NRI account available to non-residents they also enjoy a host of other facilities.

- ❖ The Bank offers the client to access his funds by way of International
- ❖ Debit card.
- ❖ Fund Transfer Facility
- ❖ Foreign exchange
- ❖ Wealth Management services
- ❖ Insurance.

The various types of Accounts that an NRI can opt out for are,

Non Resident External (NRE) Account

The features of this account are

- ❖ Rupee account
- ❖ Both principal and interest, fully repatriable
- ❖ Can be held as savings account, current account and Term deposit
- ❖ Totally Tax Free.

Non-Resident Ordinary (NRO) Account

The features of this account are,

- ❖ Rupee Account
- ❖ Interest earned fully repatriable, Principal non-repatriable
- ❖ Can be held as a savings account, current account, and term deposit
- ❖ Ideal account for local rupee funds
- ❖ Interest taxable at applicable rates
- ❖ Ideal account to credit income like rent, dividend etc.

Foreign Currency Non Resident (FCNR- B) Scheme.

The features of this account are,

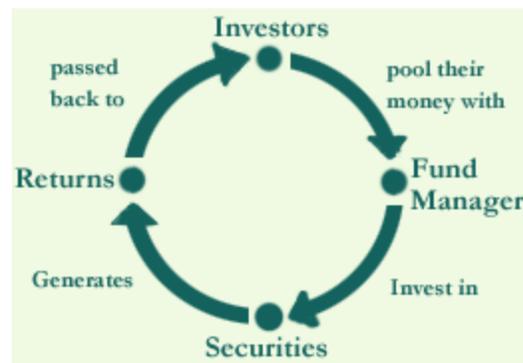
- ❖ Available in four currencies USD, GBP, EURO, JPY
- ❖ Available as Fixed Deposits
- ❖ Interest earned in Foreign currency
- ❖ Maintained in Foreign currency
- ❖ No exchange risk
- ❖ Totally tax free
- ❖ Both principal and interest, fully repatriable.

Alternate Sources of Revenue for the Bank. Broadly speaking the revenue sources of the bank can be divided into two the one, which it renders directly, and the other through the distribution of Third party Product

of other companies. Revenue that is generated through the sale of third Party Products would be through

Mutual Funds. A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures equity, debt instruments, money market instruments etc., or a mix of these securities, depending on the scheme objectives. The income earned through these investments and the capital appreciation realized are shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. Figure below describes broadly the working of a mutual fund:

Working of Mutual fund



Source: www.amfiindia.com[4]

Why IDBI Bank should sell Mutual Funds

In today's economic scenario wherein the interest rate of saving is going down, customers are looking at other sources of investment through which they can get a good rate of return with a nominal risk. Instead of losing the customer to someone else, the banks themselves are offering these products at their branches. And Mutual fund is one instrument, which is catching the fancy of the investors.

Mutual funds are considered as the investment avenue. People always look for a higher return. The banks are no longer giving the returns they once used to give and there is hardly any chance of the interest rates going up. So if one wants higher returns one has to invest in shares. But one does not have the expertise to invest. If one wants to minimize the risk one has to diversify the portfolio. But for diversification one needs huge amount of money that one may not have.

At this point one can turn to Mutual funds for they provide expertise to invest in the stock market and also debt instruments. The fund manager decides where to invest and why. The investor can select a scheme according to his investment needs and risk appetite. Most of the funds give an indicative rate before investing and the returns eventually get close to the return indicated.

IDBI bank helps one to plan their investments and build a healthy mutual fund portfolio, which would be an optimal solution for all needs. Cultivating an investment culture will not only help the customer but also their family. And IDBI Bank gives highest priority to all customer needs. Besides sale of Mutual funds can serve all one of the best revenue generating income for the bank. Presently the bank earns 1 - 2% on mutual fund schemes. IDBI bank offers a wide range of mutual fund products of various companies like HDFC, ICICI, UTI, HSBC, Reliance mutual funds etc

Advantages of Mutual Funds

- ❖ Professional Management
- ❖ Diversification
- ❖ Convenient Administration
- ❖ Return Potential
- ❖ Low Costs
- ❖ Liquidity
- ❖ Transparency
- ❖ Flexibility
- ❖ Choice of schemes
- ❖ Tax benefits

Risk Factors: All the investments in the securities market are subject to market risks and the NAV of schemes/ plans may go up or down depending upon the factors and forces affecting securities market. Past performance is not necessarily indicative of the future.

Performance of IDBI Bhopal Branch in Mutual Funds Sale. IDBI Bhopal was one of the first banks, which caught the pulse of its customers in the town for Investment in Mutual Funds and today is a strong force to reckon with when it comes to investment in Mutual Funds. In the normal course of business the bank is able to generate a collection of around 5-10 lakhs and during the time of NFO s from various fund houses it is able to generate additional 10-15 lakhs on an average.

The Bank generates maximum revenue from the sale of Mutual Funds in the Bank and has got some dedicated customers who invest only through IDBI Bank. For this the bank has got its staff trained so as to understand the needs of the customers and offer them the products accordingly.

Sale of RBI Bonds. IDBI bank offers RBI bonds (GOI bonds). These bonds are fully taxable. The bonds were issued in cumulative and non-cumulative form, at the option of the investor. The Bond bears interest at the

rate of 8% per annum. Interest on noncumulative bonds will be payable at half-yearly intervals. Interest on cumulative bonds will be compounded with half-yearly rests and will be payable on maturity along with the principal. These investments are for long term period and therefore have no liquidity. Subscription to the Bonds can be in the form of Cash/Drafts/Cheques.

The money is locked for 6 years but one is guaranteed of the safety and returns. The Bonds shall be repayable on the expiry of 6(Six) years from the date of issue. No interest would accrue after the maturity of the Bond. There will be no maximum limit for investment in the Bonds.

Revenue from Sale of RBI Bonds. IDBI is one of the main distributors for RBI Bonds in India. The earn a revenue of 2% on the amount collected. As it is one of the main distributors it has sub agents who distributors for the sale of Bonds in such scenario they have part with a part of the revenue to them. But since the time the returns on the bonds have become taxable they have lost the sight of the investors, who now look at other sources for investment where they can get a tax-free return. As such the contribution of RBI bonds in the revenue basket has come down.

Banc Assurance. Banc assurance plays in major role in the alternate source of revenue for the banks in today s day. The bank has got a Tie up with Birla Sun Life Insurance for the distribution of Life Insurance products and with Bajaj Allianz General Insurance for the distribution of General Insurance Products [5].

Banc assurance - A SWOT Analysis on IDBI Bank.

Strengths. IDBI Bank greatest strength lies in a huge pool of skilled professionals. There is a huge potential for insurance and the bank is making the best use of its interpersonal relationship with its loyal customers, as there is a vast untapped potential waiting to be mined particularly for life insurance products. Since both bank and Life Insurance Company approach the same segments of population, the same contact can be used to arrange for both bank deposits and life insurance. It creates a competitive advantage through cross selling synergy. This not only helps in saving of infrastructure costs and generates income for the bank but also helps in retaining customers for a longer time. It is also possible to develop a composite product that combines the elements of bank deposits and insurance.

Weaknesses. Internet connection and other infrastructural facilities are not available to some of the managers of operating offices. People entrusted with banc assurance are reluctant to work beyond office hours, or on holidays like an individual agent, which may result in hardship to the bank and insurance company.

At times due to transfer of officers to other branches there are instances when the customer has to either interact with untrained personnel or no personnel in the absence of proper succession planning. Another drawback is the inflexibility of the products i.e. it cannot be tailor made to the requirements of the customer. For Banc assurance venture to succeed it is extremely essential to have in-built flexibility so as to make the product attractive to the customer.

Opportunities. Banks' database is enormous. This database has to be dissected variously and various homogeneous groups are to be churned out in order to position the Banc assurance products. One important opportunity is health insurance especially financing the medical needs of the aged.

Threats. The main threat for banc assurance is the immense competition prevailing today. For instance LIC, Prudential ICICI, etc are doing far better than Birla Sun Life Insurance. The most common obstacles to success are lack of a sales culture within the bank, insufficient product promotions, failure to integrate marketing plans, poor sales channel linkages, inadequate incentives, resistance to change, negative attitudes toward insurance and unwieldy marketing strategy.

Commonly sold Life Insurance individual life plans in IDBI Bank. Birla Sun Life Insurance is one the leading players in the life insurance business in India. It was the pioneer in launching the Unit Linked insurance products in the Market and today is one of the market leaders in this segment. Some of the products that are sold by IDBI Bank are,

- ❖ **Term Plan.** A plan, which provides the customer with a pure risk cover at a nominal cost. Its is like general insurance only incase of death during the tenure of the policy does the nominee get the Sum Assured or else if the policy holder survives during the entire term he does not get anything.
- ❖ **Classic Life Premier.** A product, which serves the investment savvy client who likes to have insurance as well, a decent amount of return on the premiums paid by him. This product gives the client the flexibility to choose the premium he would like to pay, the number of years he would like to pay, the sum assured he would like to have on this policy. This product gives the client to choose where he would like the insurance company to invest his money. He has an option to choose from funds, which have a varying equity exposure ranging from 0% to 90%, this would determine the return that he is going to get on his investments.
- ❖ **Flexi Save Plus.** This is an endowment plan wherein the clients gets the money on maturity and

incase of death during the policy period he gets the Sum Assured and the value of his investments. This also is an investment linked plan.

- ❖ **Flexi Cash Flow.** A money back plan which caters to the client needs in case he would like to get some money on regular intervals. Again also an investment linked plan.

Revenue from Sale of Life Insurance and Bhopal Branch performance. Today all the banks are entering with tie ups with Life Insurance companies to sell their products at their branches. Insurance is now a major source of revenue to the Bank and they are giving special focus on this area. They have their staff trained to sell the products as per the needs of the customers and also the Life Insurance companies place their representative at the branches to assist the bank in selling.

The Bank earns a revenue of somewhere around 10 % 40 % of the premium collected by them. This would depend on the type of product sold and the duration of the policy. Life Insurance sale had just started at the Bhopal branch, as initially the Insurance Company had no operations in Goa. The Branch has picked up in the sales right from day one. It does on an average a business of 2-4 lakhs of premium collection on a month-to-month basis. Taking an average of 25% revenue a premium collection of 4 lakhs would earn an income of around 1 lakh every month for Bhopal Branch.

General Insurance. IDBI has got a strategic tie up with Bajaj Allianz General Insurance for sale of the later's products at the branches. With the tie up with Bajaj, IDBI is in a position to satisfy all the insurance needs of the client at the branch level. Some common Products offered by IDBI [6]

- ❖ **Family Care.** Is a mediclaim policy special tailor made for the account holders of IDBI Bank. In this policy the entire family can be covered under one policy. Bajaj Allianz has given special rates to the customers of IDBI bank. And only the customers having an account with IDBI bank can take this policy
- ❖ **Vehicle Insurance / House Insurance etc.** The account holders can also get their vehicle insurance done from IDBI bank as well as House and other insurable products insured through IDBI bank.

Revenue From sale of General Insurance. Sale of general insurance generates revenue of around 10-12 % for the bank. IDBI Bhopal was one of the late entrants in the sale of general insurance and has made a good start by bringing in good number of medicalaim policy and a couple of new vehicle insurance on a month-to-month basis.

Depository Services. A depository can be compared to a bank. Holding a Demat account is a paperless, painless and convenient for buying and selling of shares in electronic form with total security and without any delays. A depository holds securities (like shares, debentures, bonds, Government Securities, units etc.) of investors in electronic form. Besides holding securities, a depository also provides services related to transactions in securities. In India at present we have two depositories NSDL & CDSL. IDBI Bank is a depository participant with both CDSL and NSDL.

Facilities Provided by IDBI Bank on its demat account. Opening of demat account.

- ❖ Dematerialization i.e., converting physical certificates to electronic form
- ❖ Rematerialisation i.e., conversion of securities in demat form into physical certificates
- ❖ Pledging/Hypothecation of dematerialized securities against bank loan
- ❖ Electronic credit of securities allotted in public issues, rights issue
- ❖ Receipt of non-cash corporate benefits such as bonus in electronic form
- ❖ Freezing of demat accounts, so that the debits from the account are not permitted
- ❖ Nomination facility for demat accounts
- ❖ Services related to change of address
- ❖ Effecting transmission of securities

IV. FINDINGS

1. The average non-interest income ratio of the entire banking sector has risen over the past 4 years. Environmental factors such as risk, productivity, globalization, regulation and technology are found to play a significant part in explaining trends in non-interest income of banks
2. Fees earned by IDBI bank for most of the past decade were below the national peer group, but now growth in IDBI bank non-interest income reflects increases in revenue from wealth management and financial market operations rather than retail banking fees
3. From the analysis conducted in this report we can see that major part of the income comes from sale of Mutual Funds followed by Bancaassurance.

V. CONCLUSION

IDBI banks income for most of the past decades was below the national peer group before catching up at the end of the period, thus bringing them broadly into alignment with other banks. The growth in the bank's income reflects the increase in revenue from wealth management. The overall profit margin has risen during the past 1 year due to the introduction of Bancaurance, Mutual funds, RBI Bonds etc. From the analysis we can conclude that most of the revenue for the bank is

collected from mutual funds followed by banca assurance. As insurance has just been started it will pick up and going ahead it should become a major source of income to the bank.

Demat accounts have also not contributed much to the income of the bank. However income from Demat account will increase in the near future because IDBI Bank is likely to start with online trading. The locker facility is also a major source of income. The bank has gone in for expansion of lockers by getting in 1 more new cabinet.

Risk, productivity, globalization, regulation and technological change are all significant forces shaping the non-interest income of banks. Non-interest income has increased its importance relative to net interest income.

To conclude we can say that IDBI bank has earned a decent income from alternate revenue sources.

VI. SUGGESTIONS

- (i) The bank must have more products in its menu like, online trading, credit cards etc. Also proper positioning of these products should be done.
- (ii) The Bank has got just 2 branches as of now in MP, they should start more number of branches so that they can reach out to more people
- (iii) The bank should set up more ATM machines in the state. At present there are only 2 ATM s in Goa. Also the bank should make provisions to set up ATM s at some of the key locations.
- (iv) There has to be well motivated, well guided sales team so as to increase sales
- (v) There should be more marketing and branding of products like putting up banners or giving sponsorship etc. In other words there has to be more visibility.
- (vi) More stress has to be given on the sale of Mutual funds. The bank employees should put in more efforts in making the investors aware of the advantages of Mutual funds.
- (vii) The staff has to be rewarded with decent incentives so as to boost sale of products.
- (vii) The bank should send Monthly updates of the bank's performance, introduction of new products and services etc to the customers so as to make them aware of the prevailing products and services.
- (viii) Good service should be provided to existing customers.

REFERENCE

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