

SOURCES OF BANK INCOMES

1. The main source of income comes from the **interest charged on loans and mortgages**. Main functionality of bank is to borrow money from people at low rate (saving account, current account) and lend them into higher rates. The difference between these rates becomes the income of a bank. Banks grant loans for short term and long term with different purpose like home loan, personal loan, and car loan.
2. Banks also invest an important portion of their resources in government and other first class industrial securities. The **interest and dividend received** from time to time on these investments is a source of income for the banks. Banks also earn some income when the market prices of these securities rise.
3. Banks earn **commission income** by distributing insurance and mutual fund products to their customer base. Apart from that bank have sharpest mind of country in form of economic expert which guide banks to where to invest money and how much they earn. Although these all money are from public itself, but bank gives some amount of profit to public so they can attract customer for more investment.
4. Banks are also involved in **currency exchange service** in which they buy any other country currency with low rate and give it with higher rate. This is also the source of income for banks.
5. Now-a-days banks are issuing **credit card** without bank account. The main catch behind this schema is that the when you are not able to pay credit card bill in billing cycle then they charge higher interest rate on your amount and this also gain them profit.
6. Banks perform numerous services to their customers and charge commission, etc., for such services. Banks collect cheques, rents, dividends, etc., accept bills of exchange, issue drafts and letters of credit and collect pensions and salaries on behalf of their customers. They pay insurance premiums, rents, taxes etc., on behalf of their customers. For all these services banks charge their commission. They also earn locker rents for providing safety vaults to their customers. Recently the banks have also started underwriting the shares and debentures issued by the joint stock companies for which they receive underwriting commission.
7. 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.