

## Net Fee and Commission Income Determinants of European Cooperative Banks

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**Abstract :** Net fee and commission income is one of the key elements of a bank's core income. In the current low-interest rate environment, this type of income is gaining importance relative to net interest income. This paper analyses the effects of bank and country specific determinants of net fee and commission income on a set of cooperative banks from European countries in the 2007-2014 period. In order to do that, dynamic panel data methods (system Generalized Methods of Moments) were employed. Subsequently, alternative panel data methods were run as robustness checks of the analysis. Strong positive impact of bank concentration on the share of net fee and commission income was found, which proves that cooperative banks tend to display a higher share of fee income in less competitive markets. This is probably connected with the fact that they stick with their traditional deposit-taking and loan-providing model and fees on these services are driven down by the competitors. Moreover, compared to commercial banks, cooperatives do not expand heavily into non-traditional fee bearing services under competition and their overall fee income share is therefore decreasing with the increased competitiveness of the sector.

**Keywords :** cooperative banking, dynamic panel data models, net fee and commission income, system GMM

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