IBPS PO-IV
INTERVIEW MISSILE

Dear PaGaLGuY readers,

Interview Missile is a comprehensive docket of some typical questions which can be expected in IBPS PO-IV interviews.
We have also presented a few points that may be presented as the answer to these questions.

Please Note: We are not suggesting that you must present exactly these points in your answers. The pointers given below are only a sample and you should use create your own answers using them as a reference.

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Institute of Banking Personnel Selection (IBPS) conducts Common Written Examination and Common Interviews for the recruitment of POs/MTs in Public Sector Banks (PSBs) every year. The IBPS PO – IV common interviews have started from 19 January 2015.

IBPS calls candidates in a ratio of 3:1 for each post, which means that there will be three candidates interviewed for each post. So in order to be successful, you need to try to score very well in the interview. This can be achieved by proper planning and preparation.

IBPS PO Interview Panel

The IBPS interview panel comprises of five to six members.

- ✓ The personal sitting in middle will be the main interviewer.
- ✓ One of the members will be from technical background. He / she can ask you professional questions if the need is felt.
- ✓ One of the members will analyze your profile and make some notes. He will mostly ask you profile based questions only.
- ✓ The main interviewer judges your personality and body language during the interview.
- ✓ He/she starts the interview with some generic question in most of the cases.
- ✓ You should focus on main interviewer during the interview. From time to time, maintain eye contact with all interviewers, especially those whose question you are answering.

The Interview questions can be grouped into some categories as listed below:

1. Profile based questions
   - Your academic background, your qualification, your experience.
   - Your family background, your hobbies, about your home town.
2. Personality test and Decision making questions
   - For checking your EQ and IQ
   - For checking your Decision taking skills and also to test your analytical skills.
   - Managerial skills and other important questions related to the Bank's prospects.

3. Banking Awareness, Current Affairs and & Computer sections.
4. The Current hot topic. For this season, some examples will be: the Delhi Assembly Elections, the ICC World Cup 2015, the Charlie Hebdo murders, etc.
5. Questions on the lines of "Why you want to join the Banking Sector?" or "Why do you want a government job?" etc.

Interview Preparation

- List all possible questions that can be asked in the Interview.
- Prepare your answers for these questions. You should try to write your answers in a notebook.
- Once written, review these answers and try to think of possible questions arising from them. Take help from your friends, seniors or others to come up with the possible questions.
- Prepare your answers for these new questions. Try to modify your original answers so that you reduce any confusion you may create.
- Practice speaking these answers out loud. Try not to be too fast or too slow when answering.
- Practice giving an interview with your friends or parents before appearing for the real interview. This will help if you do not have prior interview experience, or even if you are an experienced candidate.

Expected Banking questions which can be asked during the interview:

1. **Why do you want to join the Banking sector?**
   i. Banks are the lifeline of the Indian economy
   ii. Banking is one of the fastest growing industries in India, and offers a stable career with high growth opportunities
   iii. It provides a wide range of career opportunities for graduates
   iv. It provides many job profiles covering different fields
   v. Many roles in banks require direct interaction with potential customers. Thus, an employee gets opportunities to utilize his interpersonal skills, salesmanship skills, etc.
   vi. Many roles in banks require analytical, mathematical, or financial skills. Those candidates who are skillful in these areas would love such opportunities

2. **Why do you want to join the government sector?**
   i. The Government is one of the largest employers in India
   ii. Jobs in the government sector offer many different kinds of roles
   iii. Thus, candidates can opt for roles/job profiles that match their area of interest and their skill levels
   iv. Government jobs often come with greater responsibilities than those that private sector jobs provide. These jobs thus allow candidates to meaningfully contribute to the organization and to society. Hence, such jobs often provide greater job satisfaction
   v. Government jobs offer stability and a good reputation. They also offer good growth opportunities

3. **"Tell me about yourself"**
This question gives you an opportunity to showcase yourself to the interview panel. Most interviews involve candidates being questioned on areas related to their profile, their academics, their work, etc. Thus, in answer to this question talk about your strength areas: those areas for which you have prepared well and are confident of handling most of the questions. You can mention your academic background, your academic performance, your extracurricular activities, your hobbies and interests. You may talk about your home town or your school or college. You may even talk about your goals in life. In other words, you must decide which aspect of yours you want to highlight in front of the panel. Talk about those aspects in answer to this question.

4. **What do you mean by a Central Bank or Reserve Bank of India (RBI)?**
A central bank is an organization responsible for shaping the monetary policy of a nation or group of nations. **Examples**: the Federal Reserve Bank (U.S.), the European Central Bank (EU) and the Bank of Japan (Japan)
Reserve Bank of India (RBI) is the nation's central bank and is also called the "Banker of Banks"
   - Established by the RBI Act (1934) in 1935 and nationalized in 1949.
   - It was established with the objective of ensuring monetary stability and operating the currency and credit system of the country to its advantage.
   - The Reserve Bank of India was set up on the basis of the recommendations of the **Hilton Young Commission.**

RBI is called "Bankers' Bank" because all banks have accounts with the RBI. It provides funds to all banks.

Functions of the Reserve Bank can be categorized as follows:
   i. Control the monetary policy of India
   ii. Regulation and supervision of banking and non-banking financial institutions
   iii. Regulation of money, foreign exchange (forex) and government securities markets
   iv. Issuing currency notes and adequately ensuring high quality money supply
   v. Providing loans to commercial banks in order to maintain or grow the Gross National Product (GNP)

5. **Who is the present governor of RBI?**
Raghuram Rajan is the 23rd governor of RBI, who replaced D. Subbarao.

6. **How many Deputy Governors are there in RBI?**
There are 4 deputy governors in RBI:
   1. **S.S. Mundra**. Subhash Sheoratan Mundra is the former Chairman of Bank of Baroda. He replaced K.C. Chakrabarty.
   2. **R. Gandhi.** Rama Subramaniam Gandhi was Executive Director of the Reserve Bank before being elevated to the post of Deputy Governor. He replaced Anand Sinha.
   3. **Urjit Patel**
   4. **H.R. Khan**

7. **RBI has now shifted to bi-monthly policy review. What do you mean by bi-monthly policy review?**
Earlier, RBI announced the monetary policy review every quarter (once every three months). Now RBI has shifted to a bi-monthly policy review, which means that the RBI will announce monetary policy review with a gap of every two months. The first bi-monthly policy review was announced on April 1, 2014. This was started after Urjit Patel recommended that the central bank monetary policy committee meet every two months to review rates.

8. **What do you mean by monetary policy? Who controls the monetary policy of India?**
Monetary policy of India is determined by the Reserve Bank of India (RBI). It is a method by which the RBI maintains adequate money supply in the economy by controlling interest rates and other instruments in order to maintain price stability and achieve high economic growth.

9. **What are Open Market operations?**
Open Market Operations refer to the purchase or sale of government securities by RBI.
    - When the **RBI sells securities** in the market, money gets transferred from the commercial banks to RBI. This transfer decreases money supply in the system. Shortage of money in the system can help control spending by individuals or companies and harness inflation.
    - When the **RBI purchases securities** from the market, money gets transferred from RBI to the commercial banks, thus increasing the money supply in the system. This is done if economic growth is slowing down.

10. **What is Repo Rate?**
Repo Rate is the rate at which RBI lends money to commercial banks in the event of any shortfall of funds. It is the rate of interest which RBI implements on the short term loans, i.e., from a period ranging between 2 days to 3 months (90 Days). It is used by monetary authorities to control inflation.

11. **What happens when RBI increases or reduces the Repo Rate?**
When the repo rate increases, borrowing from the RBI becomes more expensive. This increase means that the RBI would charge a higher rate of interest for all money given out to various commercial banks. The banks in turn would be forced to charge their customers a higher rate of interest when it comes to home and auto loans to balance the higher interest rate. So, while on the one hand, inflation is under control as there is less money to spend, growth suffers as companies avoid taking loans at high rates, leading to a shortfall in production and expansion.
Reduction in Repo rate means banks get money from the RBI at a cheaper rate. Banks in turn charges their customers a low rate of interest when it comes to home and auto loans.

12. **What is Bank Rate?**
Bank rate is the rate of interest implemented by RBI when it lends money to a public sector bank on a long term basis, i.e. from a period ranging from 90 days to 1 year. Under this definition, Bank Rate and Repo Rate seem to be similar terms because both are the interest rates at which RBI lends money to banks. However, the Repo Rate is a short-term measure and refers to short-term loans used for controlling the amount of money in the market, whereas Bank Rate is a long-term measure and is governed by the long-term monetary policies of the RBI.
Bank rate is also referred to as the discount rate and is the rate of interest which a central bank charges on the loans and advances to a commercial bank.

13. What is Marginal Standing Facility (MSF)?

It is the rate at which banks borrow funds overnight from the Reserve Bank of India (RBI) against approved government securities. MSF came into effect in May 2011. Under MSF, banks currently avail funds from the RBI on overnight basis against their excess statutory liquidity ratio (SLR) holdings.

14. What is Cash Reserve Ratio (CRR)?

It is the amount of funds that banks have to mandatorily keep with the RBI, and is a percentage of deposits held by the bank. The RBI uses CRR to drain out excessive money from the system. If the central bank decides to increase the CRR, the available amount with the banks comes down.

Example: If a bank account holder deposits Rs. 1,000 in his account, the bank can use it to lend money to others, but has to deposit a percentage of that amount with the RBI. If the CRR is 4%, the bank will deposit Rs. 40 with RBI and will have Rs.960 left at its disposal.

15. What is Statutory Liquidity Ratio (SLR)?

It is the amount a commercial bank needs to maintain in the form of cash, gold, or government approved securities (Bonds) before providing credit to its customers. SLR is determined and maintained by the RBI in order to control the expansion of bank credit.

16. How is SLR determined?

SLR is determined as the percentage of total demand and percentage of time liabilities. Time Liabilities are the liabilities a commercial bank is liable to pay to customers on their anytime demand.

17. What is the need of SLR?

With SLR, the RBI can ensure solvency of a commercial bank. It is also helpful to control expansion of Bank Credits. By changing the SLR rates, RBI can increase or decrease bank credit expansion.

18. What is Liquidity adjustment facility (LAF)?

LAF is a monetary policy tool which allows banks to borrow money through repurchase agreements. LAF is used to aid banks in adjusting the day to day mismatches in liquidity. LAF consists of repo and reverse repo operations.

19. What are the different Rates at present?

(As on 19 Jan 2015)

1. Repo Rate	7.75%	(Changed)
2. Reverse Repo	6.75%	(Changed)
3. CRR	4%	(Unchanged)
4. SLR	22%	(Unchanged)
5. MSF	8.75%	(Changed)
6. Bank Rate	8.75%	(Changed)

On 15th January, 2015, RBI, in its sixth bi-monthly monetary policy statement, cut the repo rate by 25 basis points from 8% to 7.75% (One basis point is one-hundredth of a percentage point).

20. What is the history of Banking in India? What services do banks provide?

Banking in India in the modern sense originated in the last decades of the 18th century. Among the first banks were Bank of Hindustan, which established in 1770 and liquidated in 1829-32; and General Bank of India, established 1786 but failed in 1791.

Services of Banks: Banks provides us with many services, like:

i. Safe custody of our money and valuables
ii. Financial help by the way of loans like personal loans, housing loans, vehicle loans etc. A Loan is a thing that is borrowed, especially a sum of money that is expected to be paid back with interest. For example, Educational Loan: If a student wants to pursue higher studies, or wishes to study abroad, but does not have sufficient money to pay the expenses for the course or degree, he/she can take an educational loan from the banks to finance these fees.
iii. Insurance: Life and Non-life etc.

21. What do you mean by the word Nationalization?

Nationalization is the process of taking a private industry or private assets into public ownership by a national government or state.

22. Why were banks nationalized?

i. Commercial banks were under the private sector and were more business-friendly
ii. They lacked the tenacity to serve poorer sections of the spectrum, majorly from agro and agro-allied contingents
iii. Agriculture was the backbone of the Indian economy and a lack of financial empathy towards them was deemed reckless, thus reform was required.

23. When did Nationalization of Banks take place?

Nationalization of banks took place when Smt. Indira Gandhi was the Prime Minister of India, in two phases. 14 commercial banks were nationalized in the first phase on **19th July, 1969**. These were:

Central Bank of India	Bank of India	Punjab National Bank	Bank of Baroda
United Commercial Bank	Canara Bank	Dena Bank	United Bank
Syndicate Bank	Allahabad Bank	Indian Bank	Union Bank
Bank of Maharashtra	Indian Overseas Bank		

6 more commercial banks were nationalized in the second phase in **April 1980**. These were:

Andhra Bank	Corporation Bank	New Bank of India
Oriental Bank of Commerce	Punjab & Sindh Bank	Vijaya Bank.

24. How were State Bank of India and its associates formed?

The largest bank in India, and the oldest still in existence, is the State Bank of India. It originated as the Bank of Calcutta in June 1806. In 1809, it was renamed as the Bank of Bengal. This was one of the three banks funded by a presidency government; the other two were the Bank of Bombay and the Bank of Madras. The three banks were merged in 1921 to form the Imperial Bank of India, which upon India's independence, became the State Bank of India in 1955.

Under the State Bank of India (Subsidiary Bank) Act 1959, SBI acquired 7 associate banks previously belonging to princely states prior to nationalization. These were:

State Bank of Bikaner & Jaipur	State Bank of Hyderabad	State Bank of Mysore
State Bank of Patiala	State Bank of Travancore	State Bank of Saurashtra
State Bank of Indore		

A proposal to merge all associate banks into SBI to create a 'mega bank' was mooted, under which State Bank of Saurashtra and State Bank of Indore were merged into SBI in August 2008 and June 2009 respectively.

25. What are Scheduled banks?

The Indian banking sector is broadly classified into scheduled banks and non-scheduled banks. Scheduled banks are those which are defined under the **2nd Schedule (2E) of the RBI Act**, 1934. When the RBI confirms that the bank satisfies criteria listed in section 42 (6) (a) of the Act, it lists the bank as a scheduled bank. For this, the bank has to satisfy two conditions:

1. It must have paid-up capital and reserves of an aggregate value of at least Rs. 5 lakhs
2. Activities of the bank should not adversely affect the interests of its depositors

Scheduled banks enjoy the following facilities:

1. They become eligible for debts/loans on the prevailing bank rate from the RBI
2. They automatically acquire clearing house membership.

Scheduled banks are further classified into:

- Nationalized banks
- State Bank of India and its associates
- Regional Rural Banks (RRBs)
- Foreign banks
- Other Indian private sector banks.

26. What are Non-Scheduled Banks?

Banks which are not included in the 2nd schedule of RBI Act, 1934. They also have to maintain a statutory cash reserve, but not with the RBI. Their banking activities are limited. For example, they cannot deal in foreign exchange. These banks are not listed on the stock exchanges and their shares are not traded publicly.

For Example: All Co-Operative banks come under non- scheduled banks. Some Non-Scheduled Bank functioning in India are:

Akhand Anand Co-Op Bank Ltd.	Alavi Co-Op Bank Ltd.
Amarnath Co-Op Bank Ltd.	Amod Nagrik Sahakari Bank Ltd.

27. What are Public Sector Banks?

These are banks in which the government has a major shareholding. At least 51% ownership is vested with the government. The remaining 49% shares of these banks are listed on stock exchanges. There are total 27 public sector banks in India (21 nationalized banks and 6 SBI group banks)

28. What are Regional Rural Banks (RRBs)?

On recommendation of the Narasimham committee, RRBs have been set up with sponsorship of individual nationalized commercial banks. They have been created with a view to serve primarily rural areas of India with basic banking and financial services. However, RRBs may have branches for urban operations as their area of operation may include urban areas too. These banks grant loans only to marginal farmers for agriculture, people operating in the rural agriculture sector and to small laborers. Currently there are 56 RRBs operating in India.

29. What are Foreign Banks?

Banks which have originated from outside India, or are headquartered or based abroad, are known as foreign banks. There are 41 foreign banks with operations in India currently. Some examples:

Royal Bank of Scotland	Bank of America	HSBC Ltd.
Barclays Bank Plc.	Citibank NA	

30. What are Private Sector Banks?

Banks in which the majority shareholding is held by private individuals are termed private sector banks. At least 51% ownership is vested with private individuals or businessman. The shares of these banks may be listed on stock exchanges. Currently there are 41 private sector banks functioning in India. Some examples:

HDFC Bank	ICICI Bank	Axis Bank
Yes Bank	Kotak Mahindra Bank	

31. What are Cooperative Banks?

A bank that holds deposits, makes loans and provides other financial services to cooperatives and member-owned organizations is termed a co-operative bank.

32. What are Commercial Banks?

The term 'commercial bank' refers to both scheduled and non-scheduled banks which are regulated under the **Banking Regulation Act, 1949.**

33. What are the capital requirements for New Banks/NBFC/Foreign Banks in the Private Sector?

The key points are:

i. Minimum capital requirement will be Rs. 500 crore
ii. Aggregate foreign shareholding in the new bank should not exceed 49% for the first five years
iii. The new bank should open at least 25% of its branches in unbanked rural centres

34. Which companies are the latest to receive Banking Licenses?

In April 2014, RBI gave in-principle approvals to two companies, infrastructure financier IDFC Ltd and microlender Bandhan Financial Services Pvt. Ltd to start new banks.

IDFC Ltd. is a leading finance company in India providing services ranging from infrastructure financing, infrastructure development, investment banking amongst others. It is headquartered in Mumbai. The chairman is Rajiv Lall.

Bandhan Financial Services Pvt. Ltd is a microfinance company and the largest microlender in India in terms of assets. It is the first microfinance company to get a banking license. It is headquartered in Kolkata. The chairman is Chandra Shekhar Ghosh.

Prior to April 2014, the last time new licences were granted was in February 2003 to Kotak Mahindra Bank Ltd and Yes Bank Ltd.

35. What are the Small & Payments Bank categories?

The idea of Small Banks and Payments Banks was first mooted by the Nachiket Mor Committee on Financial Inclusion. Subsequently, RBI issued these two categories to improve inclusion. The minimum paid-up capital required for both categories is Rs. 100 crore.

Small banks will offer both deposits as well as loan products.

Payments banks will offer only a limited range of products and be used only for transaction and deposits purposes, like acceptance of demand deposits, remittance of funds, etc. Unlike small banks, payments banks cannot lend money to people. They will have to invest in government securities with a maturity of up to one year and will not be able to set up subsidiaries to undertake NBFC businesses.

36. How many types of bank accounts are offered by banks in India?

Generally, banks in India offer 4 types of bank accounts:

1. **Saving Bank / Deposit Account:** Any individual can open saving bank/deposit account. A saving bank account holder can deposit and withdraw money time to time as and when required. Interest on such accounts is calculated on a daily basis. An account holder's PAN details are required for cash transactions exceeding Rs50,000/-. Usual interest rates are around 4%.
2. **Current Account:** Current Accounts are basically meant for businessmen and are not used for purposes of investment or savings. There are no restrictions on the number of times deposits in cash/cheque can be made, or the amount of such deposits. Usually banks do not pay any interest on such current accounts.
3. **Recurring Account (RD):** Recurring Deposit is a special kind of Term Deposit offered by banks in India. They help people with regular incomes to deposit a fixed amount every month into their Recurring Deposit account and earn interest at the rate applicable to Fixed Deposits. RD accounts are normally allowed for maturities ranging from 6 months to 120 months. Interest is compounded on quarterly basis in recurring deposits. Rates of Interest offered are similar to those in Fixed Deposits.
4. **Fixed Deposit Account (FD):** An account opened for a fixed period of time by depositing a particular amount of money is known as Fixed/Term Deposit Account. The term 'fixed deposit' means that the deposit is fixed and is repayable only after a specific period is over. The main purpose of fixed deposit accounts is to enable the individuals earn a higher rate of interest on their surplus funds. Fixed Deposit Accounts may be opened for a minimum period of 7 days and maximum period of 10 years. The minimum amount required to open a Fixed Deposit is Rs.1000.

37. What is Basic Saving Bank Deposit Account (BSBDA)?

Banks have converted the existing 'no-frills' accounts' into 'Basic Savings Bank Deposit Accounts'. An individual is eligible to have only one 'Basic Savings Bank Deposit Account' in one bank, and will not be eligible for opening any other savings account in that bank. Total credits in such accounts should not exceed one lakh rupees in a year. Maximum balance in the account should not exceed fifty thousand rupees at any time. The total of debits by way of cash withdrawals and transfers will not exceed ten thousand rupees in a month. The banks are required to provide free of charge a minimum of 4 withdrawals through ATMs. Interest rates on BSBDA are the same as saving bank accounts.

38. How is Financial Inclusion being executed in India? –

Financial Inclusion means providing financial services at affordable costs to every citizen of society where those services are not available or affordable, especially in rural areas of the country. The **'Pradhan Mantri Jan Dhan Yojana'** Scheme for financial inclusion launched was launched by Prime Minister Narendra Modi on 28th Aug 2014 to help the poor open bank accounts.

Key Facts about Pradhan Mantri Jan Dhan Yojana:

- The slogan of the scheme is "**Mera Khata – Bhagya Vidhaata**"
- The scheme aims to open minimum 15 Crore Bank accounts by 15 Aug. 2015
- Every person will be eligible to receive an **accident insurance cover of up to Rs. 1 Lakh**. HDFC Ergo General Insurance will provide the accident cover under the scheme
- An additional **Rs. 30,000 life insurance** cover will be provided for those opening bank accounts before January 26, 2015. Life Insurance Corporation (LIC) will provide the life insurance cover
- The scheme will provide Rs 5,000 overdraft facility for Aadhar-linked accounts, and Ru Pay Debit Card for all account holders
- A minimum monthly remuneration of Rs 5,000 will be given to the business correspondents who will provide the last link between account holders and the bank

39. What is CBS?

CBS is short for CORE Banking Solution. CORE is short for 'Centralized Online Real-time Exchange'. CBS is the networking of branches which enables Customers to operate their accounts and avail banking services from any branch of the Bank on the CBS network, irrespective of which branch he maintains his account. Thus CBS is a step towards enhancing customer convenience through 'Anywhere and Anytime Banking'.

40. How shall CBS help Customers?

All CBS branches are interconnected with each other. Therefore, customers of CBS branches can avail various banking facilities from any other CBS branch of that bank located anywhere in the world. These services are:

- To make enquiries about the balance, debit or credit entries in the account
- To obtain cash payment out of his account by tendering a cheque
- To deposit a cheque for credit into his account
- To deposit cash into the account
- To transfer funds from his account to some other account, his own or of any third party, provided both accounts are in CBS branches
- To obtain Demand Drafts or Banker's Cheques, the amount shall be debited from his account online
- Customers can continue to use ATMs and other Delivery Channels, which are also interfaced with CBS platform. Similarly, facilities like Bill Payment, I-BOB, M-BOB etc. shall also continue to be available

41. What is Indian Financial System Code (IFSC)?

IFSC is an alphanumeric code that uniquely identifies a bank's branch participating in the NEFT system. It is used by the NEFT system to identify the originating / destination banks / branches and also to route the messages appropriately to the concerned banks / branches. It is an 11 digit code with the first 4 letters representing the bank, the 5th character being 0 (zero), and the last 6 digits representing the bank branch.
For e.g.: UBIN0559652
The First 4 characters **UBIN** – refers to Union Bank of India; Fifth character 0 is a control number; Last six digits **(559652)** represent the Union Bank branch at Sindhaura Road, Bhojubeer, Varanasi, Uttar Pradesh.

42. What is NEFT?

The National Electronic Funds Transfer (NEFT) is a nation-wide payment system facilitating one-to-one funds transfer. Under this Scheme, individuals can electronically transfer funds from any bank branch to any individual having an account with any other bank branch in the country participating in the Scheme. There are limits, minimum or maximum, for NEFT transactions, given one exception: Only Rs. 50,000/- can be transferred to an account in Nepal in a single day.

43. What is RTGS?

The Real Time Gross Settlement (RTGS) system is a funds transfer system where transfer of money or securities takes place from one bank to another on a 'real time' and 'gross' basis. The settlement in 'real time' means that the payment transaction is not subjected to any waiting period, and is settled as soon as it is processed. It is primarily meant for large value transactions, with the minimum amount to be remitted being Rs. 2 lacs. There is no upper limit for RTGS transactions.

44. What is IMPS?

Immediate Payment Service (IMPS) is an interbank electronic instant money transfer service through mobile phones in India. IMPS facilitates customers in using mobile instruments as a channel for accessing their bank accounts and executing interbank fund transfers in a secure manner with immediate confirmation. This facility is provided by NPCI (National Payment Corporation of India) through its existing NFS switch.

45. What is Plastic money?

Plastic money is a term that is used in reference to the hard plastic cards used every day in place of actual bank notes. They can come in many different forms, some of which are detailed below:

- **Cash Cards:** A card that will allow you to withdraw money directly from your bank via an Automated Teller Machine (ATM) but will not allow the holder to purchase anything directly by using it.
- **Credit Cards:** A card that allows the user to purchase goods and services directly, the transaction basically being a high interest loan to the card holder, although the card holder can avoid any interest charges by paying the balance off in full each month.
- **Debit Cards:** This type of card can be used to purchase goods and services, and the money to be paid for the same will be directly debited from your bank account.
- **Prepaid Cash Cards:** Similar in concept to the debit card, the customer adds money into the card and uses it for shopping.
- **Store Cards:** These are similar in concept to the Credit Card model, in that the idea is to purchase something in store and be billed for it at the end of the month. These cards charge a very high interest rate and are limited where they can be used, sometimes only to the brand of the store that issued it.

46. What is KYC?

KYC means 'Know Your Customer'. It is a process by which banks obtain information about the identity and address of the customers. The guidelines issued by the Reserve Bank are under Section 35A of the Banking Regulation Act, 1949. The objective of KYC guidelines is to prevent banks from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. There are six documents accepted as 'Officially Valid Documents' (OVDs) for the purpose of producing proof of identity:

Passport	Driving Licence	Voters' Identity Card
PAN Card	Aadhaar Card	NREGA Card

47. What is Online/Internet Banking?

Accessing the bank's information, accounts and transactions with the help of a computer through the financial institution's website on the Internet is called online banking. It is also called Internet banking or e-banking. Operating the account, like requesting cheque books, transferring funds, etc. can be done through secure connections via online banking. The IFSC code of a receiving bank is needed when you want to transfer fund to another person's account through Internet banking.

Mobile banking is a system that allows customers to conduct a number of financial transactions through a mobile device such as a mobile phone or tablet. This can be done via a dedicated application developed for the bank itself or by using the internet browser on the device.

48. What is Capital to Risk Weighted Assets Ratio (CRAR)?

CRAR is arrived at by dividing the capital of the bank with aggregated risk weighted assets for credit risk, market risk and operational risk.

49. What are Non-Performing Assets (NPAs)?

An asset (loan), including a leased asset, becomes non-performing when it stops generating income for the bank. Once the borrower has failed to make interest or principle payments for 90 days the loan is considered to be a non-performing asset.

NPAs can broadly be classified into three categories:

1. **Sub-standard Assets**: A sub - standard asset is one which has remained an NPA for a period less than or equal to 12 months. This category came into effect from March 31, 2005.
2. **Doubtful Assets**: An asset is classified as doubtful if it has remained in the sub-standard category for a period of 12 months or more. This category came into effect from March 31, 2005.
3. **Loss Assets**: A loss asset is one where loss has been identified by the bank or internal or external auditors or by RBI inspection, but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted, although there may be some rescue or recovery value.

50. What are the main reasons for NPAs to occur? What is the impact of NPAs?

NPAs can be termed as 'Bad Loans' or defaults. It is the failure to meet financial obligations, non-payment of a loan installment. These loans can get executed due to the following reasons:

i. Normal banking operations
ii. Bad lending practices
iii. Incremental components due to internal bank management, like credit policy, terms of credit, etc.
iv. Competition as banks are selling unsecured loans to increase their own business

NPAs do not just reflect badly in a bank's account books, they adversely impact the national economy. Some of the direct impacts of NPAs are:

i. Depositors do not get rightful returns, and may lose uninsured deposits. Banks may begin charging higher interest rates on some products to compensate non-performing loan losses
ii. Bank shareholders are adversely affected
iii. Bad loans imply redirecting of funds from good projects to bad ones. Hence, the economy suffers due to loss of good projects and failures of bad investments
iv. When banks do not get loan repayment or interest payments, liquidity problems may ensue.

Result of NPAs on an organization

i. Decrease in profitability.
ii. Reduced capital assets and lending limits.
iii. Increased loan loss reserves.

51. How can NPAs be reduced?

NPAs can be reduced by major steps that need to be taken by the banks. Some of these steps are:

1. SARFAESI ACT

The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI) empowers Banks and Financial Institutions to recover their NPAs without the intervention of the Courts. The Act provides three alternative methods for recovery of non-performing assets, which are:

i. Securitization
ii. Asset Reconstruction
iii. Enforcement of Security

The provisions of this Act are applicable only for NPA loans with outstandings above Rs. 1.00 lac. NPA loan accounts where the amount is less than 20% of the principal and interest are not eligible to be dealt with under this Act. NPAs should be backed by securities charged to the Bank by way of hypothecation, mortgage or assignment. Security Interest by way of lien, pledge, hire purchase and lease not liable for attachment under sec.60 of CPC, are not covered under this Act. Any Security Interest created over Agricultural Land cannot be proceeded with.

The Act empowers the Bank:

i. To issue demand notice to the defaulting borrower and guarantor, calling upon them to discharge their dues in full within 60 days from the date of the notice.
ii. To give notice to any person who has acquired any of the secured assets from the borrower to surrender the same to the Bank.
iii. To ask any debtor of the borrower to pay any sum due or becoming due to the borrower.

If the borrower fails to comply with the notice, the Bank may take recourse to one or more of the following measures:

i. Take possession of the security
ii. Sell, lease or assign the right over the security to others
iii. Manage the security themselves or appoint any person to manage it

2. Lok Adalats

The Lok Adalat is for recovery of small loans. According to RBI guidelines issued in 2001, they cover NPAs up to Rs. 5 lakhs, where both suit filed and non-suit filed cases are covered.

3. Compromise Settlement

A scheme which provides a simple mechanism for recovery of NPAs, it is applied to advances below Rs. 10 Crores

4. Credit Information Bureau

A Credit Information Bureau maintains a database of individual defaulters and provides this information to all banks so that they may avoid lending to these individuals and organizations.

5. **Debt Recovery Tribunals**

The Debt Recovery Tribunal Act was passed by Indian Parliament in 1993 with the objective of facilitating the banks and financial institutions for speedy recovery of dues in cases where the loan amount is Rs. 10 lakhs and above.

52. What is GDP?

The Gross Domestic Product (GDP) is an estimated value of the total worth of a country's production and services, within its boundary, by its nationals and foreigners, calculated over the course of one year.
Hence, GDP = Consumption + Investment + Government Spending + Exports - Imports

53. What is GNP?

The Gross National Product (GNP) is an estimated value of the total worth of production and services, by citizens of a country, on its land or on foreign land, calculated over the course of one year.
Hence, GNP = GDP + NR (Net income inflow from assets abroad or Net income Receipts) - NP (Net Payment outflow to foreign assets)

54. What is Inflation?

Inflation is a rise in the general level of prices of goods and services in an economy over a period of time. When the general price level rises, each unit of currency buys fewer goods and services. Consequently, inflation reflects a reduction in the purchasing power per unit of money: a loss of real value in the medium of exchange and unit of account within the economy. The two major indices for calculating inflation are:

- **Wholesale Price Index (WPI)**, which represents the price of goods at a wholesale stage i.e. goods that are sold in bulk and traded between organizations instead of consumers.
- **Consumer Price Index (CPI)**, which is a comprehensive measure used for estimation of price changes in a basket of goods and services representative of consumption expenditure in an economy.

Previously, the RBI gave more weightage to Wholesale Price Index (WPI) than CPI as the key measure of inflation for all policy purposes. Following some recommendations of the Urjit R. Patel Committee report, RBI has now adopted CPI (Combined) as the key measure of inflation.

55. What are Negotiable Instruments?

Negotiable instruments are written orders or unconditional promises to pay a fixed sum of money on demand or at a certain time. Negotiable instruments may be transferred from one person to another, who is known as a holder in due course. Upon transfer, also called negotiation of the instrument, the holder obtains full legal title to the instrument. Negotiable instruments may be transferred by delivery or by endorsement and delivery. For e.g. promissory notes, bills of exchange, cheques, drafts, certificates of deposit are all examples of negotiable instruments.

56. What are Cheques?

A cheque is a document which guarantees the payment of a specific amount of money on demand to a certain person or to the bearer of instrument. The cheque is an important negotiable instrument which can be transferred from one bank to another bank. A cheque can be issued by any individual and any company or organization with a bank account.
Some terms related to cheques are defined below:

1. **Bearer Cheque**

A cheque which is payable to any person who presents it for payment at the bank counter is called a bearer cheque. It is made payable to the bearer i.e. it is payable to the person who presents it to the bank for encashment. Such cheques are risky, since if such cheques are lost, the finder of the cheque can easily collect the payment from the bank.

2. Order Cheque

An order cheque is one which is payable to a particular person. The payee can transfer an order cheque to someone else by signing his or her name on the back of the cheque.

3. Uncrossed/Open Cheque

When a cheque is not crossed, it is known as an 'Open Cheque' or an 'Uncrossed Cheque'. These cheques may be cashed at any bank and the payment of these cheques can be obtained at the counter of the bank or transferred to the bank account of the bearer. An open cheque may be a bearer cheque or an order cheque.

4. Crossed Cheque

By drawing two parallel lines on the left corner of the cheque, with or without additional words like 'Account Payee Only' or 'Not Negotiable', a cheque becomes a 'crossed cheque'. Such cheques cannot be cashed at the bank counter and can only be credited to the payee's account. This is a safer way of transferring money than uncrossed or open cheques.

5. Cheque Validity

A cheque is considered a valid cheque if the date entered on the cheque is within 3 months of the actual date on which it is presented. For example, a cheque with the date of 10th Jan 2015 will be valid if it is presented to the bank on or before 10th April 2015.

6. Antedated Cheque

Cheques in which the drawer mentions a date earlier than the date on which it is presented to the bank, are called 'antedated cheques'. Such a cheque is valid up to three months from the written date on the cheque. For example, a cheque may be issued on 10th Jan 2015 but bear a date of 20th Dec 2014 and will be valid up to 20th March 2015.

7. Postdated Cheque

Cheques on which the drawer mentions a date which is yet to come (a future date) from the date on which it is presented are called 'postdated cheques'. Banks will take action on the cheques only after the date which is written on the cheque. For example, if a cheque issued on 10th Jan 2015 bearing the date 25th Jan 2015 is presented, the bank will credit the payment only on or after 25th Jan 2015. The cheque will remain valid until 25th April 2015.

8. Stale Cheque

If a cheque is presented for payment after completion of three months from the date of the cheque it is called a 'stale cheque'. After the expiry of this three month period, no payment will be made by banks against that cheque.

9. Mutilated Cheque

When a cheque is torn or otherwise disfigured and not in good form, such a cheque is called a mutilated cheque. The bank will not make payment against such a cheque without getting confirmation of the drawer.

10. Honour of Cheque

When the bank processes the cheque and pays the amount mentioned on the cheque to the payee, by debiting the payer's account, the cheque is said to be honoured.

11. Dishonour of Cheque

If the bank refuses to pay the amount written on the cheque to the payee, then the cheque is said to be dishonored. There may be many reasons for dishonouring the cheque, but it is mostly because the drawer has not followed all the rules of issuing cheques or has drawn the cheque for an amount higher than the balance in their account.

12. Bounced Cheque

The term 'bounced' is used when a cheque is presented for clearance, but the amount mentioned in the cheque exceeds the available balance in the account or insufficient funds are available in the account, causing the bank to dishonour that cheque. Some other terms for bounced cheques are bad cheques. Hot cheques.

13. Bankers' Cheque

A Bankers' Cheque is a cheque that is drawn on the account of the bank itself, instead of the account of the individual that has drawn the cheque.

14. Stop Payment

The drawer of the cheque can stop the payment of the cheque before it is presented to the bank for processing. This is done by instructing the payee bank to not honour the cheque once it is received for processing. This is useful if the cheque is stolen during transfer from payer to payee or any such reason.

15. MICR

MICR stands for Magnetic Ink Character Recognition. The MICR Code is a 9 numeric digit code which uniquely identifies a bank branch participating in the ECS Credit scheme. The first 3 digits represent the city, next 3 digits represent the bank, and the last 3 digits represent the branch. The MICR Code allotted to a bank branch is printed on the MICR band of cheque leaves issued by that branch.

57. What is a Demand Draft (DD)

A DD is a negotiable instrument similar to a bill of exchange. It is used for effecting transfer of money. A bank issues a DD to a client (Drawer), directing another bank (Drawee) or one its own branches to pay a certain sum to the specified party (Payee) directly without involving the drawing bank after presenting. Some of the differences between a cheque and a DD are:

i. A cheque is issued by an individual, whereas a DD is issued by a bank.
ii. The amount mentioned on the DD is collected by the bank from the drawer prior to drawing the DD, whereas the amount mentioned on the cheque is debited only when the cheque is presented for payment.
iii. The payment of cheque can be stopped by the drawer of the cheque, whereas the payment of a DD cannot be stopped.
iv. A cheque can bounce or be dishonoured, but a DD cannot be bounced and dishonored because it is already paid. A DD will bounce only when the drawee bank does not have enough funds to honour the cheque.
v. A cheque can be made payable either to a bearer or to order. But a DD is always payable to order of certain person or organization, it cannot be a bearer draft.

58. What is Cheque Truncation System (CTS)?

Previously, cheques used to be sent physically from the presenting bank to the drawee bank for processing, through clearing houses. Cheque Truncation is the process of stopping this flow. In its place, an electronic image of the cheque is transmitted to the drawee branch through the clearing house alongwith relevant information like data on the MICR band, date of presentation, presenting bank, etc.

RBI brought in CTS as a pilot project in Feb 2008, and subsequently CTS-2010 Standard complaint cheques were made mandatory from December 2013.

The major benefits of CTS are summarized as below:

- Shorter clearing cycles
- Superior verification and reconciliation processes
- No geographical restrictions as to jurisdiction and transfer of cheques for processing
- Operational efficiency for banks and customers
- Reduction in operational risk and risks associated with paper clearing

59. What is the Banking Ombudsman Scheme?

It is a scheme which allows bank customers resolve complaints relating to services rendered by banks. It was introduced under Section 35A of the Banking Regulation Act, 1949 by RBI with effect from 1995. The Banking Ombudsman is a senior official appointed by RBI to redress customer complaints against deficiency in certain banking services. All Scheduled Commercial Banks, RRBs & Scheduled Primary Co-Op Banks are covered under the Scheme.

Some aspects related to the Scheme:

- No fee is required for filing and resolving customers' complaints.
- The amount, if any, to be paid by the bank to the complainant by way of compensation for any loss suffered by the complainant, is limited to the amount arising directly out of the act or omission of the bank or Rs 10 lakhs, whichever is lower.
- The Banking Ombudsman may award compensation not exceeding Rs 1 lakh to the complainant only in the case of complaints relating to credit card operations for mental agony and harassment.
- If a complaint is not settled by an agreement within a period of one month, the Banking Ombudsman proceeds further to pass an award.
- If one is not satisfied with the decision passed by the Banking Ombudsman, one can approach the appellate authority against the Banking Ombudsman's decision. The Appellate Authority is vested with a Deputy Governor of the RBI.
- If one is aggrieved by the decision, one may, within 30 days of the date of receipt of the award, appeal against the award before the appellate authority.

60. What are NBFCs?

Non-banking Finance Companies (NBFCs) are financial institutions that provide banking services without meeting the legal definition of a bank, i.e. they do not hold a banking license. These institutions typically are restricted from taking deposits from the public depending on the jurisdiction.

61. What is difference between banks & NBFCs?

NBFCs lend and make investments and hence their activities are similar to that of banks. However, they have some differences when compared with banks:

i. They cannot accept or demand deposits
ii. They do not form part of the payment and settlement system and cannot issue cheques drawn on themselves
iii. The deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation is not available to depositors of NBFCs, unlike in case of banks.

62. What are White Label ATMs (WLAs)?

ATMs or Cash dispensing machines which are owned and operated by NBFCs are called White Label ATMs. The RBI has given permissions to 4 NBFCs and issues certificates of authorization to 3 more NBFCs to operate WLAs. These are:

Permission Granted:

i. Tata Communications Payment Solutions Ltd
ii. Muthoot Finance Ltd.
iii. Prizm Payment Services
iv. Vakrangee.

Certificate of Authorization issued to:

i. BTI Payments
ii. SREI Infrastructure Finance
iii. Riddhi Siddhi Bullions

The first WLA was launched by Tata Communications Payment Solutions Ltd. in June 2013 at Chandrapada, a village in the Vasai-Virar belt in Maharashtra.

63. What are the various types of financial markets?

Financial markets can broadly be divided into money markets and capital markets.

A. **Money Market**: The money market provides **short term tenure** investment avenues. Money market transactions are generally used for funding the transactions in other markets including Government securities and meeting short term liquidity mismatches. The tenure for money markets is maximum up to one year. Within the one year, depending upon the tenures, money markets are classified into:

i. **Overnight market or Call money**: The transaction tenure is one working day
ii. **Notice money market**: The tenure of the transactions is from 2 days to 14 days
iii. **Term money market**: The tenure of the transactions is from 15 days to one year

B. **Capital Market**: Capital market is a market for long-term debt and equity shares. In this market, the capital funds comprising of both equity and debt are issued and traded. This also includes private placement sources of debt and equity as well as organized markets like stock exchanges.

64. What is Commercial Paper (CP)?

CP is an unsecured money market instrument issued in the form of a promissory note. Corporate, primary dealers (PDs) and all-India financial institutions (FIs) that have been permitted to raise short-term resources under the umbrella limit fixed by the Reserve Bank of India are eligible to issue CPs in denominations of Rs 5 lakh and multiples thereafter. CPs can be issued for maturities between a minimum of 7 days and a maximum up to one year from the date of issue.

65. What is Certificate of Deposit (CD)?

CD is a negotiable money market instrument issued in dematerialized form or as a Usance Promissory Note, for funds deposited at a bank or other eligible financial institution for a specified time period. The minimum amount for issuing CDs is in denominations of Rs 1 lakh and multiples thereafter. Banks can issue CDs for maturities from 7 days to one year whereas eligible FIs can issue for maturities from 1 year to 3 years.

66. What is Islamic Banking?

Islamic banking is a banking or banking activity that is consistent with the principles of Sharia and its practical applications through the development of Islamic economics. The Sharia prohibits fixed or floating payment or acceptance of specific interest of fee for loan of money.

According to the RBI, Islamic banking is not consistent with current banking laws in India and is hence not allowed. Charging interest is necessary to conduct banking operations in India because banks have to borrow money, on which they have to pay the interest rate. Since Islamic banking does not allow charging interest or taking of interest, it is inconsistent with our existing laws.

All The Best & Good Luck For Your Interview!