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Contents

Types of Bank Cards-Their Features & Differences ....
Types of cards ....
Debit Cards ....
Credit Cards ....
Prepaid Cards ....
Difference Between Debit, Credit And Prepaid Card ....
Features & Similarities of Visa card and Master Card ....
Visa Card ....
Master card ....
Features or similarities of visa card and master card ....
How they make Money ....
Difference Between APR rate and Note Rate ....
Introduction ....
Annual percentage rate (APR) ....
Definition of APR ....
How to calculate APR ....
Fees ....
Note rate ....
Difference between APR rate and Note rate ....
Conclusion: ....
Difference Between Cross-selling & Up-Selling ....
CROSS-SELLING ....
INTRODUCTION: ....
MEANING: ....
BENEFITS: ....
PROCESS OF CROSS SELLING: ....
UP SELLING ....
INTRODUCTION: ....
MEANING: ....
Difference between Cross-selling & Upselling: ....

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Upselling benefits to its existing & new customers ....
Six Steps strategy to intelligent cross-sell & up-sell. ....
Difference Between National Income & Disposable Income ....
Introduction ....
What Is National Income? ....
Definition Of National Income ....
Methods of Measuring National Income ....
What Is Disposable Income? ....
National Income Vs Disposable Income ....
Difference Between Cost of Living and Inflation ....
INTRODUCTION ....
WHAT IS COST OF LIVING? ....
WHAT IS INFLATION? ....
Cost of living VS Inflation ....
Difference Between NEFT and IMPS ....
What is NEFT? ....
WHAT IS IMPS? ....
Comparison Between NEFT And IMPS ....
Difference between Letter of Credit and Bank Guarantee ....
Introduction ....
Letter of Credit ....
Bank Guarantee ....
Letter of Credit V/s Bank Gurantee ....
Difference between Base Rate and Benchmark Prime Lending Rate ....
What is a Base Rate? ....
Exception case: ....
What is Batch Prime Lending Rate? ....
COMPARISION CHART ....
Difference between SWIFT code and IFSC Code ....
What is SWIFT code? ....
What is IFSC code? ....

Comparation Between Swift Coode And IFSC Code ....
Difference Between Insolvency And Bankruptcy ....
Insolvency ....
Bankruptcy..
Key Differences Between Insolvency and Bankruptcy.........................
Similarities ....
Conclusion...
Difference Between Retail Banking and Corporate Banking ....
INTRODUCTION TO BANKING: ....
RETAIL BANKING:...
CORPORATE BANKING: ....
Difference between Retail banking and corporate banking ....
CONCLUSION: ....
Difference Between NEFT and RTGS ....
What is NEFT?...
Objective:..
Working: ....
What is RTGS? ....
Objective:..
Differences between NEFT and RTGS: ....
Difference Between Moratorium Period and Grace Period ....
Introduction:..
Moratorium period: ....
Example: ....
Grace period: ....
Example: ....
Difference Between Dormant Account and Frozen Account..................
Introduction ....
Dormant Account: ....
Frozen Account: ....
Difference Between Amortisation And Depreciation..............................

Meaning of Amortisation and Depreciation: ....

There are two types of assets: ....

Shadow Banking: All You Need to know ....

INTRODUCTION TO SHADOW BANKING: ....

HISTORY: ....

MEANING: ....

POINTS TO REMEMBER: ....

EXAMPLE: ....

Negotiable Instruments: All You Need to Know ....

Negotiable Instruments ....

Features of Negotiable Instruments: ....

Negotiable Instruments by statue are three types ....

Letter of Credit: ....

IMPS (Immediate Payment Service) in India ....

IMPS (Immediate Payment Service) ....

Objectives of IMPS: ....

The participants of IMPS: ....

Some Important points: ....

Fast Track Insolvency Resolution Process for Corporate Persons Regulations, 2017 ....

Some Key points: ....

Types of Bank Cards- Their Features & Differences

Types of cards

Cards can be classified based on their usage, issuance, and payment by the cardholders. There are three types of cards-

1. Debit cards
2. Credit Cards
3. Prepaid Card

Debit Cards

- A debit card can be used to withdraw cash up to the customer's bank account's limit. Therefore, debit cards are linked to bank accounts and issued by banks.
- To, use debit cards customers should have enough balance. Debit cards are used for withdrawing cash from an ATM, purchase of goods and services at Point of Sale (POS)/ E-commerce (online purchase) both domestically and internationally. Also used for domestic fund transfer from one person to another.

Credit Cards

- In the case of credit cards, a customer can withdraw money beyond the amount of money present his bank account. However, there is a credit limit for the cardholder up to which the extra money can be withdrawn.
- Also, the withdraw money will have to be paid back as dues along with interest charges as applied by the issuer of card within a time limit.

- It issued by banks / other entities approved by RBI.
- These cards are used to purchase goods and service at E-commerce (online purchase)/ Point of Sale (POS) through recurring transaction/ Interactive Voice Response (IVR) or Mail Order Telephone Order (MOTO). In addition, it can be used domestically and internationally (provided it is enabled for international use).
- These cards are can be used to withdraw money from ATM and for transferring money to bank accounts, credit cards, debit cards, prepaid cards within the country.

Prepaid Cards

- The usage of Prepaid cards depends on who has issued the card. It issued by banks/non-bank entities.
- For issuing a prepaid card, one has to pay the amount in advance for using the money whenever required. Therefore, this type of card is never linked to any bank account.
- The prepaid cards issued by banks can be used to withdraw money from ATM, purchase of goods and services at E-commerce (online purchase)/ Point of Sale (POS) and for domestic fund transfer from one person to another. This one known as open system prepaid cards.

However, when it issued by authorized non-bank entities for the same usage it is known as semi-closed system prepaid cards. It can be used only domestically.

- One can store maximum Rs. 50,000/- at any point of time.

Difference Between Debit, Credit And Prepaid Card

DEBIT CARD	CREDIT CARD	PREPAID CARD
In debit card when you purchase something, money is deducted from your bank account.	In credit card, the issuer puts money toward the transaction, which is a loan and have to pay back within time limit.	In prepaid card, one can withdraw up to the amount present in this card.
Application process is easy.	Application process is difficult, depending on one's credit score and other details.	Application process is easy. Once you load your card with funds, you can start using it.
Debit card linked to bank account	Credit card also linked	Prepaid card is never

when issued by bank.	to bank account.	linked to account.
Debit card only issued by bank.	Credit card can be issued by bank/ other entities approved by RBI.	Prepaid card can be issued by bank/non-bank.
Can store any amount (i.e. present in bank account.	Can store any amount (amount present in bank account + extra amount permitted to drawn).	At a time can store only up to Rs/- 50,000.
Can be used at ATMs.	Can be used at ATM to withdraw cash.	Cannot be used in ATMs.
One cannot withdraw extra money than available in his account in debit card.	If one withdraws extra amount one has to pay back	Amount is paid in advance and no rate of interest is to be paid in

	the amount with the rate of interest.	prepaid card.

Features & Similarities of Visa card and Master Card

Both this card provides the required technology and networks for processing card payment. Both this company provide the processing network in the world and accepted in the worldwide. These are the largest card processor network in the global. Both this is the intermediaries between the bank and the client.

Visa Card

- Visa card is a payment network company which transfer the fund electronically all over the Globe.
- It is the first multinational financial service provider company in California, USA in 1958.

- It also provides many financial services like a credit card, debit card and prepaid card to clients.
- It collaborates with the financial institutions like banks to cater the services under their company name.
- The interest charges, transaction fees are decided by the bank or financial institutions, not by the network company.
- The payment technology network charges some percentage to the issuing company. And this is the source of income for them.

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Master card

- The master card company is based in New York, USA in the year 1966.
- This company is earlier known as Interbank or Master charge.
- It is a multinational payment technology network company which provides financial services to the customers.
- It is processing payment company.
- It also provides the services like a debit card, prepaid card, charge card, under their company name.

- The company doesn't directly interact with the customers, it collaborates with the banks and financial institutions to serve the benefits.

Features or similarities of visa card and master card

➢ **Easy Payments**

By using both these cards, the customer can easily make a payment just by tapping the card to a compatible reader. This will ease the life of customers.

➢ **Cards**

They provide a variety of cards like a standard card, premium card, Platinum card, signature card and many other.

➢ **Services**

It provides the various types of offers and services like global customer assistance, complimentary services, facilities at stores and at hotels, shopping offers, discounted services to special cardholders.

➢ **Protection**

Both this card protects the online transactions in a very safe and secure way.

How they make Money

- **Issuer fees:**

They charge from bank or financial institutions for using their payment technology network.

- **Settlement fees:**

Card issuer pat the fees while doing settlement.

- **Overseas fees:**

They charge fees for international settlement. They charge somewhat more for foreign currency transactions.

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Difference Between APR rate and Note Rate

Introduction

Both terms are used while applying for a loan. While choosing an option for borrowing, both these terms must be taken into consideration.

Annual percentage rate (APR)

The Annual Percentage Rate (APR) is an annual cost of a loan expressed as a percentage.

Definition of APR

An annual percentage rate (APR) is the annual rate charged for borrowing. It is the actual yearly cost of a fund borrowed over the period of that loan and expressed as a percentage. APR includes additional costs associated with the borrowing agreement; however, excludes the effect of compounding.

How to calculate APR

In APR, the interest received will add to the principal amount and the successive period's interest is calculated based on the sum total of interest and principal amount.
There are various types of fees included while doing borrowing agreements.

Fees

It includes transaction fees, processing fees of loan application, loan authorization fees, closing agent fees, other specific transaction fees for the specific transaction, underwriting, etc.
Penalty for late payment
If in any circumstances, the borrower fails to repay the loan amount, a penalty will apply.

Note rate

- Note rate is also known as nominal rate.

- The Note rate is the main rate that is laid on the loan.
- It is the applied rate of interest on a mortgage loan or on a promissory note.
- It is monthly paid by the borrower over a period of a loan and it is the normal interest rate laid upon any loan.
- There are fixed note rate and adjustable rate.
- The Note rate doesn't include fees like an APR.

Difference between APR rate and Note rate

Base	APR rate	Note rate
Meaning	It is the actual cost of a borrowed amount over a load period.	It is the main rate laid upon the loan.
Cost	It includes the various types of fees in it.	It doesn't include any type of fees.
Beneficial	It is used while comparing borrowing option.	It is less useful as compared to the APR rate while comparing.

Conclusion:

So, the main difference between both this terms are the additional costs included in the APR rate. In Note rate, it only includes the cost of interest applicable to it.

Difference Between Cross-selling & Up-Selling

CROSS-SELLING

INTRODUCTION:

The Term cross-selling refers to Banks, Non-banking financials institutions (NBFC) that offer or sale of more than one product or service to promote the customers with different products & services according to their needs.It encourages the customers to buy a related or complementary product.

MEANING:

Cross-selling is a wide range of products to an existing customer is one of the corner stones of customer strategy in most financial institutions or banks that provide the financial

services.It offering the right product to the right customer at a right time. Cross selling earning the confidence of customers as best retailer to satisfy a particular need of customers. The success of cross-selling program depends on various components such as well-defined business strategy, effective execution, regular monitoring & effective targeting strategy.It has proved itself to be effective or defining strategy for profitable growth in various sectors.

BENEFITS:

Cross selling builds up the relationship between customers & financial organization. cross selling offers benefit to both to customer & firm.

For the customer:

- Offers the right product at a right place.
- Give maximum satisfaction.
- Better services & Multiples choices of product & services.
- Get effective product at lower prices.
- Reduce the Acquiring cost.

For the Firm:

- Growth of new & existing customers.
- Enhance customer profitability & build the customer equity.

- Promotes diversification & innovation of a new product.
- Entries into new & competitive markets.

PROCESS OF CROSS SELLING:

- Identify the opportunity
- Eligibility
- Business strategy
- Decision on analytics approach
- Next best product to buy recommendation
- Strategy implementation
- Tracking of cross-sell campaigns.

UP SELLING

INTRODUCTION:

Cross-selling and upselling are similar in that they both focus on providing additional value to customers by providing products & services. upselling is a practice to persuade customers to purchase a higher end product, an upgrade or innovative in order to make a more rewarding sale.

MEANING:

Upselling offers the higher end products to the customer to full fill their needs. it helps in the customers visualize the value they will get

by ordering a higher price item. Upselling is a method commonly used in retail businesses to offering best product or services.

Difference between Cross-selling & Upselling:

- Cross selling
- Upselling

a. Basis

It involves sale of multiple products/services offered by single product.
It involves in selling the higher value products/services to an existing customer.

b. Similarity

It is similar with upselling both providing maximum value to customer.
It also similar with cross-selling to mutualy benefits to customers by offering products/services according to their needs.

c.Benefits

Cross selling provides the benefits to its new customer & financial institutions.
Upselling provides the benefits to existing customers providing right product at comparable higher end product.

d. Revenue

Cross selling helps in increasing the revenue without any recurring cost.
Upselling helps also boost the revenue by offering the products/services by customer value.

e. Example

If you are selling a computer you can offer a mouse, keyboard, Anti virus &Headphones.
If you are selling a computer you can offer with additional 4 GB RAM or with 500 GB hard drive.

Upselling benefits to its existing & new customers

For the customer:

- Selling higher end product/services.
- Offers the right product at a right place.
- Increase the consumer confidence.
- Give maximum satisfaction.
- Better services & Multiples choices of product & services.
- Get effective product at lower prices.
- Reduce the Acquiring cost.

Six Steps strategy to intelligent cross-sell & up-sell.

1. Customer profiling: deliver the best service & cater the needs of highest value customers both existing & new customers.

2. Cross-selling & up-selling is a big opportunity to the best agent.
3. Set the business rules to automatically respond to change via diversification & innovation.
4. Apply new business market & competitive strategies.
5. Link inbound channels with business analytics & customer database.
6. keep technology nimble and systems agnostic.

Difference Between National Income & Disposable Income

Introduction

These two concepts are used in an economy to measure the prosperity of a nation. The definition of income differs from person to person or from entity to entity. In economic terms income means the total of wages, salary, profits, rent, interest and many other gains over a period of time.

What Is National Income?

National income means the total value of the total output of a nation, it includes all goods and services produced over a period of one year.

Definition Of National Income

There are two types of definition

1) Traditional definition

According to Marshall: "The labour and capital of a country acting on its natural resources produce annually a certain net aggregate of commodities, material and immaterial including services of all kinds. This is the true net annual income or revenue of the country or national dividend."

2) Modern definition

According to Simon Kuznets, "the net output of commodities and services flowing during the year from the country's productive system in the hands of the ultimate consumers."

Methods of Measuring National Income

1) Gross Domestic Method

It is the sum total of the market price of all goods and services produced in a financial year.

Method to measure GDP?

(I) PRODUCT METHOD

In it, the value of all goods and services produced in a nation over a period of time is added.

Another name of this method is a value-added method.

(II) INCOME METHOD

GDP by income method is the sum of salary and wages, rent, interest, and profit.

(III) EXPENDITURE METHOD

It includes expenditure on all items, it includes services, investment, goods, and import-export.

2) GDP at factor cost.

It is the sum total of net value added by all producers in Nation.

GDP at factor cost=net value added + depreciation

3) Net domestic product (NDP)

It is the total of the net output of the economy during the financial year.

NDP= GDP at factor cost- depreciation

4) Nominal and real GDP

Nominal GDP is measured GDP on the basis of current market price.

If GDP is calculated on the basis of fixed market price over a period of time.

5) GDP Deflator

It is an index of price changes in goods and services, it includes GDP.

6) Gross national product

It is the total of the flow of all goods and services at market value produced during a year in a country, it includes net income of abroad.

What Is Disposable Income?

- Disposable income is the total amount of money that households used to spend on goods and services and saving after paying income taxes.
- It is also known as a Disposable personal income.
- It is an important indicator to measure the overall economy.
- It is a net amount of a household or an individual available to spend on needs, to invest, save after paying income taxes.

Disposable income= Personal income - personal income tax payment

National Income Vs Disposable Income

Basis	National income	Disposable income
Meaning	National income is the total value of the total output of a country, it includes all goods and services produced in one year.	Disposable income is the amount available to a household for spending, investing, and saving after paying income tax.
Measurement tools	Input method, Output method, income method.	Income- tax payment
Effect of tax	It doesn't consider tax.	It is calculated considering

		tax.

Difference Between Cost of Living and Inflation

INTRODUCTION

Cost of living and inflation are the terminology which always makes people confused. Both this term are somewhat similar in nature but differ in economic conditions.

WHAT IS COST OF LIVING?

Cost of living refers to the cost of maintaining a standard of living (it includes food, transportation, housing, healthcare, comfort level, material wealth, needs etc.). This all are primary measurement tools of economic prosperity in a country and it will change from time to time.
Measurement tools for cost of living

There are two types of tools used to measure the cost of living.
1) Cost of living index
2) Purchasing power parity

Cost of living index:

- Cost of living index is used to measure the relative cost of living from time to time within the country.
- It was first published in 1968.
- It considers the price of goods and services and allows substitute with other items.
- Cost of living index is calculated by taking into consideration of another region's cost of living as a base.

Purchasing Power of Parity

- This is another method to measure the standard of living. In purchasing power parity, it uses the differences in currencies.
- It is an economic theory which measures the exchange rate between two currencies to the ratio of currencies' respective purchasing power.
- The relative cost of living differs among countries who use different currencies.
- This is a complex method of calculating cost of living.

WHAT IS INFLATION?

- Inflation means an increase in the price of goods and services in an economy.
- Inflation is a big picture as compared to cost of living.

- There are two types of inflation
- Price inflation means a rise in the consumer goods.
- Red inflation means a loss in purchasing power parity.
- The effect of both this inflation is same.
- The Bureau of Statics measures inflation by the consumer price index.

CONSUMER PRICE INDEX

Consumer price index measures an average of a basket of goods, it includes food, medical care, transportation and many other. CPI is used to measure inflation.

Cost of living VS Inflation

Basis	Cost of living	inflation
Meaning	Cost of living index is used to measure the relative cost of living from time to time within the country.	Inflation means an increase in the price of goods and services in an economy.
Tools	Cost of living standard Purchasing power of parity	Consumer price index
Effect	It affects to the mobility of resources.	It is a macroeconomic condition and

		affects the whole economy.
Boundary	It is calculated for city, state, country or region.	It is calculated for each country.

Difference Between NEFT and IMPS

What is NEFT?

- The full form of NEFT is NATIONAL ELECTRONIC FUND TRANSFER.
- NEFT came into existence in 2005.
- NEFT is a modification of Special Electronic Fund Transfer (SEFT).
- NEFT is an online fund transfer activity through the electronic wire.
- NEFT is used nationwide by individuals or institutions.
- Only NEFT enabled bank branches can transact.
- The amount does not immediately transfer but the Transactions are done in specific batches during fixed time.
- Those who have not bank account can use NEFT by depositing cash to NEFT enabled branches.
- NEFT is both secure and convenient.

- NEFT take place 11 hours on weekdays, 5 hours on Saturday and Sunday there is no NEFT transactions.
- No limit for minimum or maximum transfer amount.

WHAT IS IMPS?

- The full form of IMPS is IMMEDIATE PAYMENT SERVICE.
- IMPS is a real time 24×7 inter-bank transfer of funds through smartphones.
- It came into existence in 2010.
- This facility is provided by National Payment Corporation of India through National Financial Switch.
- With the help of IMPS, one can access bank account anytime, anywhere easily using mobile.
- It is customer-centric banking service used by bank customers by using a mobile phone.
- It is safe and economic.
- The bank charges fees for this type of facility and it differs from bank to bank.
- In IMPS transactions are done all the days. (Means no holiday)
- Both, the receiver and sender need to be registered with mobile banking service of Bank and get a mobile money Identifier (MMI) code. Which is comprised of seven digits issued by the bank.

- Bank account number, MMID code and IFSC code is necessary to complete the transaction.

Comparison Between NEFT And IMPS

Basis	NEFT	IMPS
Meaning	It is an electronic payment system used nationwide by banks to transfer money.	It is an instant interbank mobile transfer facility by using a smartphone.
Settlement Time	It means it takes some time to transfer money.	It is an instant facility.
Working days	It operates Monday to Saturday except for 2nd and 4th Saturday, Sunday and a holiday.	It works on all days means 24×7 a day.
Transfer limit	No limit for minimum and maximum transfer.	No limit for minimum transfer and for maximum it is Rs.200000

No. of transactions	12 settlements per working day.	Transactions occur continuously.
speed	It is slower as compare to IMPS.	It is very fast.
category	It comes under electronic banking.	It comes under mobile banking.
Fees	It is fixed by banks.	Differs from bank to bank.

Difference between Letter of Credit and Bank Guarantee

Introduction

This two terminology looks similar but both are very different. When one wants to expand the business means beyond the national boundary or within, one needs assurance from the buyer side that after delivery of goods or services the payment will receive and this can be done by the bank only.

In short, both these terms are used while doing business or transactions with domestic or international companies. So, both these

services are facilitated by the bank but in a different way as per the need of seller party.

Letter of Credit

- It is used while there is a high level of risk involves in business.
- It is used while doing import and export transactions with international companies.
- L/C is a written commitment issued by the bank or some other financial institutions for payment assurance to the seller party from buyer's request.
- In L/C, the seller gets a guarantee of payment from the buyer's banks on the due date payment will receive only if the seller meets all the conditions of deal like timely delivery etc.
- Banks offer a service like L/C on the basis of proof provided by the buyer's party.
- If the buyer fails to make payment to the seller, the bank pays on behalf of a buyer and then the bank will recover it from a buyer anyhow.
- Banks will charge fees for this type of facilities.
- So in short, letter of credit is beneficial when product or service is delivered and payment is not done.
- It eliminates the financial risk involved in the business.

Types of Letter of Credit

Irrevocable Letter of Credit:

It is not modified or cancelled without the concern of all the parties.

Revocable Letter of Credit:

In it, the issuing bank can revoke or cancel the letter of credit any time without prior notice to the seller.

Confirmed Irrevocable Letter of Credit:

In it, the confirming bank gives more assurance to seller same as issuing bank.

Unconfirmed Irrevocable Letter of Credit:

In it, an advisory bank from the seller's side performs as an agent for the issuing bank without any responsibility to the seller.

Revolving Letter of Credit

This type of letter is used if in case regular transactions take place and remain valid for a long term without issuing the another letter of credit.

Bank Guarantee

- Bank guarantee is a service by which bank gives a guarantee to the seller on behalf of his client for assurance of payment.

- So, Bank guarantee has the same function as a letter of credit but with some differences.
- Bank guarantee generally used in domestic transactions.
- Bank guarantee is beneficial when contractual obligations are not fulfilled by the other seller party.
- Bank guarantee is used in infrastructure and real estate projects to reduce risk level.

Letter of Credit V/s Bank Gurantee

Basis	Letter of Credit	Bank Guarantee
Definition	A letter of credit is an obligation by the bank to the seller if the criteria met, the bank will make payment.	In bank guarantee, if the opposing party doesn't fulfil contractual obligations the Bank will make payment.
Boundary	It is used internationally.	It is used domestically.
Protection	It protects both parties but	It also protects both but

	favours exporter.	favours buyer.
Industry	It is used by merchants.	It is used by real estate and infrastructure developer.

L/Cs are frequently used in international transactions compared with bank guarantees. When comparing the two instruments, the market for bank guarantees is much larger than that for L/Cs.

Difference between Base Rate and Benchmark Prime Lending Rate

What is a Base Rate?

- The Base rate is the minimum interest rate bank charges from their clients while giving a loan.
- Banks can charge above the base rate.
- The base rate is used in place of Benchmark Prime Lending Rate.

- The base rate was introduced because there is no transparency in BENCHMARK PRIME LENDING RATE. So to make it fully transparent base rate is introduced.
- As per RBI guidelines, banks cannot lend money below the base rate.
- The base rate is calculated taking all risk factors into consideration.
- The base rate is fixed by the individual bank, so it will differ from bank to bank.
- Banks declare their base rates on the website to make lending more transparent.
- Banks have to revise base rate at least once every quarter or more than once a quarter as per convenience.

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Exception case:

Banks can charge lower base rate for the three categories

- Bank's own employees
- Bank's depositors against their own deposit
- DRI allowances

What is Batch Prime Lending Rate?

- Before, Benchmark prime lending rate, the prime lending rate was used to give a loan to customers.
- Benchmark prime lending is the rate by which banks charge their creditworthy clients.

- Banks can decide BPLR by unanimity of board members.
- RBI's REPO rate and CRR affect the benchmark prime lending rate.
- The BPLR is not a transparent, so sometimes bank could lend below the BPLR. And for that reason BASE rate was introduced.
- Sometimes bank would give a loan to big companies at lower BPLR rate than common people.

COMPARISION CHART

Basis	Base rate	Benchmark prime lending rate
Concept	It is a new concept.	It is an old concept.
Replacement	Before BASE rate, BPLR use for calculating interest.	Before BPLR, PLR (prime lending rate) use for calculating interest.
Transparency	It is fully transparent.	No transparency at all.
Revision	At least once a quarterly.	No scheduled time for revision.
Disclosure	It is shown on bank website	Not to disclose.

Must read -

- MCLR: Marginal Cost of Funds Based Lending Rate- Explained

Difference between SWIFT code and IFSC Code

What is SWIFT code?

Full form of swift is society for worldwide interbank financial telecommunication. This code was came into an existence in 1973 in Brussels. It is a non-profit organisation owed by their member banks. It is an electronic transfer system used internationally. With the help swift code system they are able to convey message as per the pre-determined format.

What is IFSC code?

IFSC stands for the Indian financial system code used in India to transfer funds between the banks with in country by electronic medium. IFSC is used through RTGS or NEFT to make transactions with India.

Comparation Between Swift Coode And IFSC Code

BASIS	SWIFT CODE	IFSC CODE
Acronym	Society for worldwide interbank financial	Indian financial system code
USE	It is used internationally while transferring money through wire	It is used only in India while transferring money through RTGS OR NEFT.
Constituted by	International Organization for Standardization (ISO)	Reserve bank of India (RBI)
Characters	Either 8 or 11 First four: bank code Next two:	11 First four: bank code Fifth one: 0

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	country code Next two: location code Last three: branch code(optional)	(always) Last six: branch code
Code assigned by	ISO	RBI
Fees	Higher fees charges	Lower as compare to swift code
Where to find code	Bank website	RBI website

Difference Between Insolvency And Bankruptcy

Many people often combines up the words "Insolvency" and "Bankruptcy" presuming them as a same thing. Still these two terms are though equal, but have dissimilar

meaning. Insolvency is a monetary situation in which a person or a company can no longer pays its bill in given period of time. It has temporary nature related to the financial state where amount is recoverable. In this term credit rating is also not much effected. It is the state of the economic distress.

On the other hand, Bankruptcy is is basically know as when is declared incapable of paying their due and payable bills. In this case, an application filed in the court against the insolvent. A person who is declared as a bankrupt, then will also deemed to be solvent. It has permanent nature related to legal concept.

Insolvency

Insolvency is essentially the state of being that cause one to the file for bankruptcy. An organization, a family, person, or company is declared as insolvent when they are unable to pay their debits back on time. Various loans and investment is given by numerous bank, shareholders, secured creditors, etc. In this groups banks are the major creditors that holds the fixed charge on property or other business assets. Typically, a person becoming insolvent can take certain steps towards a

resolution. At present there are number of laws dealing against financial falls in India. One of the most common solution for insolvency is bankruptcy.

Bankruptcy

Bankruptcy is a legal decalartion of person who is unable to pay off debits. In generally, Bankruptcy is of two types- Reorganization and Liquidation bankruptcy.Under the bankruptcy of reorganization, debtors should restructure their bill plans to make them more easily met. Where as under liquidation bankruptcy, Debtors has to sell their assets to make money so that they can pay off their creditors. Bankruptcy is the final stage of insolvency, which results in winding up of an individual's assets. In this case, The court itself has to decide the appropriation of the individual property of the insolvent amoung their creditors.

Key Differences Between Insolvency and Bankruptcy

1. Insolvency arises due to non-payment of financial deeds where as bankruptcy cause when a person/company is helplessness for paying off the outstanding debts.

2. Insolvency is declared himself by the person and, In bankruptcy, a person/ company goes to a court.

3. All Bankrupt Individual/organization are insolvent while it is not neccesary that insolvency pilot to bankruptcy.

4. In Bankruptcy, An individual/company becomes bankrupt by legal state of process,whereas in Insolvency, An individual/ company related to financial state becomes insolvent.

5. In bankruptcy assets are totally upset of an individual on the other hand, Insolvency does not.

Similarities

1. Caused due to non-payment of debts.

2. Assets raises due to the liabilities.

Conclusion

These are the two terms considered tight interrelated as one leads to another, where insolvency ends the bankruptcy starts. But it dosen't mean that every person/company who is insolvent is bankruptcy, as conditions are temporary without any legal interventions.

Difference Between Retail Banking and Corporate Banking

INTRODUCTION TO BANKING:

In simple and easy language banking is an institution which deals with the activity of accepting deposits from the clients and lending this money to the borrowers. To accept deposit and lend it to the borrowers is a traditional activity along with this now a days banks are doing different types of banking activity.

Banking is mainly divided into two types i.e.

1. Retail banking
2. Corporate banking

RETAIL BANKING:

- Retail banking is a part of bank that directly deal with consumers or individuals, located in the nearby city
- Retail banking is an activity done by bank with the customers face to face.
- Retail banking is clear or visible face to the consumer.
- Retail banking is also named as Consumer banking or Personal banking.
- It includes the services like savings account, current accounts, different types

of loan, mortgages, debit and credit card, retirement planning, certificate of deposit etc.

- For retail banking, customer deposit is the most important source of fund.
- Retail bank makes profit from the interest margin of the lender and borrower transaction.

CORPORATE BANKING:

- Corporate banking only provide services to the large business corporations and business groups.
- Corporate banking first used in United States of America to differ it from the investment banking.
- Corporate banking is also known as Business banking.
- In short corporate banking is a one type of segment that caters service to the range of clients from big corporate firm to mid-scale company.
- Corporate banking earn profit from interest and fees they charge for services.
- Corporate banking provide services like saving account, current account, loan facility like secured and unsecured and credit facility to corporates.
- It also offer some more services like Trade finance, Foreign exchange, Custody, and Derivatives.

- In short it offers a services that are tailor-made to corporate firms.

Difference between Retail banking and corporate banking

BASIS	RETAIL BANKING	CORPORATE BANKING
Number of clients	Large number of clients	Small number of clients as compare to retail banking.
Cost	Low processing cost	High processing cost
Relationship	Medium level of relations	High level of relations
Transactions	lower value transactions	Higher level value transactions

CONCLUSION:

Both types of banking play an important role for the smooth functioning in an economy. Both offers services related to the segment oriented. They design service keep in mind the need of the clients.

Difference Between NEFT and RTGS

What is NEFT?

It is National Electronic Fund Transfer.

Objective:

- Its main purpose is to enable electronic cash transfer having accounts in bank branches.
- It is used for transferring funds from one financial institution to another within India especially banks. IT was launched in November 2005, and was assigned to every bank. It was made mandatory by the RBI for all banks to migrate to NEFT.
- No minimum and maximum limit for cash remittance.

Working:

Step 1: Remitting bank requests for NEFT.

Step 2: Request is registered by NEFT servers.

Step 3: Request is cleared on the basis of the input.

RBI servers bunches up all the NEFT requests and clears it in hourly batches.

Example:

Suppose you have an account in Citi bank and you want to transfer 1,50,000 Rs to SBI customer and your bank has registered your NEFT service at 12:30 pm. Instantly it will be queued in slot of 12:00 pm to 1:00 pm and at 1:00 pm all the requests will be cleared. So, effectively your transaction will be cleared after 30 minutes of registration.

What is RTGS?

It is Real Time Gross Settlement.

Objective:

- Its main purpose is to enable electronic cash transfer having accounts in bank branches.
- It is a fund transfer system which is moved from one ban to another in real time and on gross basis.
- It means that the payment transaction isn't subject to any waiting period. The transaction will be completed as soon as the processing is done, and gross settlement means that the money transfer is completed on a one to one basis without clustering with another transaction.
- The transaction is treated as final and irrevocable as the money transfer occurs in the books of the RBI. This system is maintained by the RBI, and it is available

only during working days for a given number of hours.

- The minimum limit is 2,00,000 Rs and there is no maximum limit.

Example:

If you have registered for RTGS transaction through your bank branch it will be settled instantly in real time basis. Real time means that your money will be credited within minutes in the beneficiary account.

Differences between NEFT and RTGS:

Criteria	NEFT	RTGS
Arrangement.	It is done in batches and it is slower.	It is a real time transfer and it is faster.
Acronym.	National Electronic Fund Transfer.	Real Time Gross Settlement.
Timings on weekdays and weekends.	8:00am-6:30pm(Mon-Fri)	9:00am-4:30pm(Mon-Fri)

	8:00am-12:30pm(Sat)	8:00am-1:30pm(Sat)
Minimum transfer limit.	No minimum amount	2 lakhs
Maximum transfer limit.	No limit	No limit.
Credit in beneficiary account.	Happens in hourly batch between the banks.	Real Time between the banks.
Charges as per RBI.	Up to 10,000:-Rs. 2.5 from 10,001 – 1 lakh :-Rs. 5 from 1 – 2 lakhs :-Rs. 15 Above 2 lakhs:-Rs. 25	Rs. 25-30 (Up to 2 – 5 lakhs) Rs. 50-55 (Above 5 lakhs)
Beneficial	Small money transfer.	Large money transfer.

Difference Between Moratorium Period and Grace Period

Introduction:

Now a days it becomes almost a trend to take a loan from the banks or financial institutions for necessity to luxury requirements. A loan is mostly repaid by an equally monthly instalments. An Equally monthly Instalments include the Principal amount plus interest at a predetermined rate. So, in loan and EIMs deal with the Moratorium period and Grace period.

Moratorium period:

- Once we have taken a loan from the bank and EMIs don't start immediately. So the gap between this time periods is a moratorium period.
- A moratorium period is a time period between the loan taken and the time before to start paying EMIs.
- So, in easy language a moratorium period is when the loan is taken and yet the borrower not started to pay EMIs.

- Moratorium period has a long time frame.
- Interest may be charged in moratorium period.
- If a borrower send a request to lender, it depends on lender to approve it and it is applicable to only that particular individual.

Example:

In Education Loan, there is lump sum amount given by bank and once the term is over the borrower is liable to pay EMIs with interest. Interest is calculated in moratorium period

Grace period:

- A Grace Period is a time frame between the ending of a loan term and payment is not done.
- In short Grace Period is a chance given to a borrower to pay debt before end of the given extra term period.
- In fact, it is an extra time period given once the payment becomes due.
- Compare moratorium period to grace period there is short term time frame in grace period.
- Grace Period is an interest free time frame.
- In Grace Period if lender approves grace period, it applies to all clients.

Example:

In insurance policy, there is time limit in which you have to pay your Premium and if you have not paid, the company will give you some extra time period to pay. And that extra time period is called Grace period.

Difference Between Dormant Account and Frozen Account

Introduction

Dormant account and Frozen account both looking somewhat similar but both are very different from each other. These terms are used while we talking about the accounts in which the Bank has stopped transaction activity. Banks can make both saving as well as current account dormant and frozen.

Dormant Account:

In dormant account, there is no activity from a very long time by the account holder like Debit, Credit, cheque issue or any other

activity except interest posting by the bank. If An account holder don't do any type of activity in period of 1 year, this account automatically becomes an inactive account and if this continue for a period of 2 year. It becomes a Dormant Account.

Frozen Account:

In Frozen account, An Account holder is not in position to do any transaction until any decisions taken. All type of transactions get a hold and restrictions become tighten if bank finds it improper.

BASIS	DORMANT ACCOUNT	FROZEN ACCOUNT
MEANING	If an account is not used for a specific period, it is called Dormant account.	In account, If the whole transaction activity is posed by a bank. It is called frozen account.
Alternate name	It is also called	It is also called a blocked

	inactive account or inoperative account.	account.
Authority	Banks by themselves do the dormant account as per RBI Guidelines.	Banks cannot do it by themselves. RBI, SEBI, judicial authority and income tax authority only.
On What Basis	No activity done by account holder in an account for a period of 2 years.	There must be some suspicious activity being done on this account.
Notification	Bank gives notification before moving to dormant account	Banks directly put hold on transaction in the account.

Reactivation	Application with specific reason of inactivity.	Power to reactive is only after completing legal procedure by specific authority.
Reasons	Change of the city, job change and many more.	Suspicious activity like Money laundering, illegal activity, Unpaid tax, Unpaid loan to an organisation, Terrorist activity.
Example	Individuals, organisation.	Kingfisher Airlines, Sahara group

Difference Between Amortisation And Depreciation

Meaning of Amortisation and Depreciation:

The meaning of both of this is to reduce value of the assets over a period of time, either by recovering or Written off. But, both of this are very different to one other and the main difference is the use of this method while reducing the value of an asset.

There are two types of assets:

Intangible assets:

- Intangible Assets are Goodwill, Patent etc. This is written off by Amortisation.

Tangible assets:

- Tangible assets are like machinery and equipment, this are recovered by Depreciation.

BASE OF COMPARISION	AMORTIZATION	DEPRECIATION
INTRODUCTION	Amortization is a one type of cost recovering technique used for intangible assets.	Same as amortization, this one is used for the tangible assets over a period of time.
MEANING	To Amortize	To Depreciate

	means to write off cost or pay debt	means to loss the value
DEFENITION	Amortization is a method used to write off cost over a period of time on the Intangible assets.	Depreciation means to recover the loss of money on the tangible assets.
AIM	To capitalize value over a fixed period of time	To allocate amount over a period of time.
APPLYON WHICH ASSETS	Intangible assets i.e. Patent , copyright, goodwill, trademark, royalty etc.	Tangible Assets i.e. land and building , machinery, etc.
ACCOUNTING SRANDARD	It uses Accounting standard 26	It uses Accounting Standard 6
CALCULATION METHOD	Straight line method, reducing balance method, Annuity increasing balance method , Increasing balance method, Bullet method etc.	Straight line method, Down value method.
BALANCE SHEET EFFECT	It directly affects the balance sheet by reducing assets.	It indirectly affects balance sheet by cumulative depreciation amount.
SALVAGE VALUE	In amortization method, there is	In Depreciation method, at the

	no salvage value because the life of intangible asset has expired.	end of the period there is a possibility of salvage value. This will add to the depreciation.

Shadow Banking: All You Need to know

INTRODUCTION TO SHADOW BANKING:

Shadow banking is a new word hardly heard to common people. Shadow banking mostly deals with the big lenders and borrowers. Shadow banking is one type of mediate which helps to make easy procedure between the lenders and borrowers.

HISTORY:

The term SHADDOW BANKING first came into an existence in 2007.
Economist Paul McCulley used it first time at FEDERAL RESERVE BANK OF KANSAS CITY'S ECONOMIC SUMMIT.

MEANING:

The term shadow banking is used while a non-banking financial intermediates make provision for the commercial banks.
Shadow banking is a comprehensive term to

do financial activities among the non-banking financial institutions.
In simple language shadow banking is a financial intermediaries involved to facilitate credit in the financial system.

POINTS TO REMEMBER:

- It don't take deposits like commercial banking
- It is also called as the unregularly activities done by regular institutions.
- It works in lesser transparency, rules and regulations as compared to commercial banking.
- Shadow banks make money by market instruments like debentures, commercial paper.
- Shadow bank's liability is not insured.
- It deals with the high level of risk.
- Shadow banking make most of their money by being a mediate between the borrowers and lenders.
- They earn revenue the fees charges for service and interest rates spreads.
- No need to follow regulations like initial capital requirements.
- It has come under the increased scrutiny since 2008.
- This system is prominent worldwide.
- It is a complex system of investments like Asset-backed securities, derivatives, Credit default swaps and repurchase agreements.

EXAMPLE:

Investment funds, mortgage lenders, hedge funds are all deal with shadow banking.

Negotiable Instruments: All You Need to Know

Negotiable Instruments

It is a document, used for making payment of specific amount of money on demand and at a specific time, with the payer name on the instrument. These are fully transferable from one person to another. Negotiable Instruments can converted into liquid cash subject to certain condition.
The law and the framework, which governs the transaction of these instruments known as Negotiable Instruments act, framed in 1881.
According to section 13, "A Negotiable Instruments means a promissory note, bill of exchange, or cheque payable either to order or to bearer".

Features of Negotiable Instruments:

- It is easy to transfer from one person to another.

- The holder of Negotiable Instrument have the right to sue upon the instrument in his own name.

Negotiable Instruments by statue are three types

1. Promissory note
2. Bills of exchange
3. Cheques

Promissory note:

It is an unconditional legal instrument in which one party promises in writing to pay a sum of money to the other party on demand or on a fixed date. It contains date, sign of drawer (who make the promissory note), a definite amount with the rate of interest and the total sum, which will be paid.

Bill of exchange:

It is a written unconditional order to pay a definite sum of money from one party to another on demand or on a fixed date with an intermediary to pay the sum. It contains the term bill, the name of the person who pay the sum (drawee), the name of the person to whom the payment is made, the signature of drawer.

Cheque:

It is a bill of exchange drawn on a specified bank and expressed to be payable on demand. Also includes electronic image of truncated cheque and a cheque in the electronic form.

Truncated cheque means, It truncated during the course of a clearing cycle, either by bank whether paying or receiving payment or by the clearinghouse by generating an electronic image for transmission, which substitute the further physical movement of the cheque in writing.

A cheque in the electronic form is contains the exact mirror image of a paper cheque, and is generated, written and signed in a secure system ensuring the minimum safety standards with the use of digital signature and asymmetric crypto system

Letter of Credit:

It is a document issued by a financial institution assuring payment to a seller of goods and services provided certain documents have been presented to the bank. It prove that the seller has performed the duties under the contract and the goods have been supplied as agreed.

IMPS (Immediate Payment Service) in India

IMPS (Immediate Payment Service)

IMPS (Immediate Payment Service) is an instant, 24 * 7, real-time inter-bank electronic funds transfer system, provided by NPCI (National Payments Corporation of India) through which one can transfer money instantly across India, through mobile, internet and ATMs. IMPS is not only safe but also economical both in financial and non-financial perspectives.

Unlike the transaction by either NEFT or RTGS, which can done only the working hours, the IMPS service is available 24*7 throughout the year including bank holidays.

In August 2010, NPCI conducted a pilot study on the mobile payment system with the banks like SBI, BOI, UBI and ICICI. As a result, on 22 November IMPS public launch happened by Smt. Shyamala Gopinath, DG RBI at Mumbai and this service is now available to the Indian public.

Objectives of IMPS:

- To make this user-friendly so that customers can access their bank account and make remittance anytime.

- To make payment simpler with the use of mobile number.
- To achieve the goal of RBI in digitization of retail payment.
- To make the mobile payment system safe and secure.
- To build the foundation for a full range of mobile banking services.

The participants of IMPS:

- Remitter (Sender)
- Banks
- Beneficiary (Receiver)
- National financial switch by NPCI

Some Important points:

- To participate in IMPS bank should have approval from RBI for Mobile Banking Service.
- Customers have to register their mobile number for transaction through mobile.
- The customer get a unique Mobile Money Identifier (MMID) and MPIN from the bank, which is 7-digit number.
- A basic phone or smartphone can used for IMPS.
- There is no mandatory to have a bank account for availing IMPS, unbanked customer can initiate IMPS transaction using the services of Pre-Paid Payments Instrument Issuer (PPI).

- Customer can linked more than one account to the same mobile number.
- The charges for remittance through IMPS are decided by the banks and PPIs.

Fast Track Insolvency Resolution Process for Corporate Persons Regulations, 2017

On 16 June 2017 The Insolvency and Bankruptcy Board of India (IBBI) has notified the fast track Insolvency Regulation Process for corporate persons Regulation 2017. The regulations in exercise of its powers conferred by section 58, 196 and 208 read with section 240 of the Insolvency and bankruptcy Code,2016 is announced by the board.

Some Key points:

- The process from initiating of Insolvency resolution of eligible corporate debtors will be provided by these regulations till its conclusion with approval of the resolution plan by the Adjudicating authority.
- The process shall be completed within a period of 90 days as against 180 days in other case.

- For initiating fast track resolution process, a creditor or a corporate debtor may file an application, along with the proof of existence of default. After this, the Interim Resolution Professional (IRP) is appointed. If the IRP is of the opinion based on the records of corporate debtor, he shall file an application before the expiry of 21 days from the date of his appointment to Adjudicating authority for pass an order to convert the fast track process into a normal corporate insolvency resolution process.
- The relevant section 55 to 58 of the Insolvency and Bankruptcy code, 2016 pertaining to the fast track process has been notified by the ministry of corporate affairs.
- In addition, a small company, a start-up as defined in under clause (85) of section 2 of the companies act, 2013 and notification dated 23 May 2017 of the ministry of commerce and industry respectively.
- As reported in the financial statement of the immediately preceding financial year, an unlisted company with total assets, not exceeding Rs.1 crore.