

66 BANKING TERMS FOR COMPETITIVE EXAMS

Here we are providing you, 66 important banking terms useful for upcoming bank exam interview in an easy way. It will be easy for you to prepare for upcoming bank exams interviews. Download the PDF to read banking awareness terms.

1. REPO RATE

- When RBI provides a loan to the bank for short-term between 1 to 90 days, RBI takes some interest from the bank which is termed as Repo Rate.

2. REVERSE REPO RATE

- When bank deposit its excess money in RBI then RBI provides some interest to that bank. This interest is known as Reverse Repo Rate.

[Difference between Repo Rate and Reverse Repo Rate](#)

3. SLR –(STATUTORY LIQUIDITY RATIO)

- Every bank has to maintain a certain % of their total deposits in the form of (Gold + Cash + bonds + Securities) with themselves at the end of every business days. Current SLR is 18.00%.

4. RETAIL BANKING

- [Retail banking](#) is a type of banking in which direct dealing with retail customers is done.
- This type of banking is also popularly known as consumer banking or personal banking.
- It is the visible face of banking to the general public.

5. BITCOIN

- [Bitcoin](#) is a virtual currency/ cryptocurrency and a payment system.
- It can be defined as decentralized means of tracking and assigning wealth or economy, it is a software protocol.
- Bitcoin uses two cryptographic keys, one public (username) and one private (password) are generated.
- 1Bitcoin= 108 Satoshi.

6. CALL MONEY

Banking terms

- Call/Notice money is the money borrowed on demand for a very short period. When money is lent for a day it is known as Call Money.

Read: [Money Market Instruments](#)

7. NOTICE MONEY

- When the money is borrowed or lent for more than a day up to 14 days it is called Notice Money.

8. DIFFERENCE BETWEEN CAPITAL MARKET AND MONEY MARKET

- A capital market is an organised market which provides long-term finance for business.
- Whereas Money market provides short-term finance for business

9. SCHEDULED BANK

Banks which are included in the 2nd Schedule of RBI Act 1934 are known as a [scheduled commercial bank](#). These banks should fulfil two conditions:

- Paid up capital and collected funds should not be less than Rs.5 Lacs.
- Any activity of the Bank should not adversely affect the interests of the customers.

10. NON PERFORMING ASSETS

- [NPA](#) is an asset of a bank which is not producing any income.
- Bank Usually classify as nonperforming assets any commercial loans which are more than 90 days overdue and any consumer loans which are more than 180 days overdue.

11. MONEY INFLATION

- Money [Inflation](#) is a State in which the Value of Money is Falling and the Prices are rising, over a period of time.

12. NEGATIVE INTEREST RATE

- When there is less demand for loans the banks park their excess fund with the central bank by which they get interest.
- [Negative interest rate](#) policy (NIRP) means that central banks will deduct money from commercial banks for depositing their money with the central bank. Commercial banks, in turn, will do the same to common people.
- So the end effect is that people will have to pay money to banks to hold their cash.

13. GREEN BANKING

Banking terms

- [Green banking](#) means promoting environmentally friendly practices and reducing your carbon footprints from your banking activities.
- Green banking aims at improving the operations and technology along with making the clients habits environment-friendly in the banking business.
- It is like normal banking along with the consideration for social as well as environmental factors for protecting the environment.

14. [BLOCKCHAIN SYSTEM](#)

- These days the transactions in the banking sector are becoming a very tedious task and so as to ensure that this tedious task to be removed, our banking sector is trying to emerge towards blockchain technology.
- To simplify the transactions without the help of any third party in a secure manner is really a great challenge, but to overcome this challenge an anonymous online ledger (collection of financial accounts) which uses the data structure to simplify it is called blockchain technology.

15. BALLOON MORTGAGE

- A [mortgage](#) is a transfer of a right to stable property for the security purpose of a loan amount.
- Balloon mortgages are just for short term and it has a fixed rate mortgage.
- In balloon mortgage, a monthly payment is lower because of large payment at the end of a term.
- A balloon payment is for honest and qualified borrowers who have a good credit history.

16. RETAIL CREDIT OPERATIONS

- [Retail Credit Operations](#) means the sequential process which involves screening, evaluation of risk(s), and ensuring that the bank lends to a creditworthy client from the asset products applications sourced.

17. SKIMMING

- Skimming is a method used by fraudsters to capture customer's personal or account information of credit card.
- Customer's card is swiped through the skimmer and the information contained in the magnetic strip on the card is then read into and stored on the skimmer or an attached computer.
- Skimming is a tactic used predominantly for credit-card fraud, but it is also a tactic that is gaining in popularity among identity thieves.

18. MONEY LAUNDERING

- [Money laundering](#) is a process of conversion of illegal money from various sources to appear to have originated from legitimated (Legal) source.
- The major sources of illegal money are tax evasion, bribe, Smuggling etc.

19. CHEQUE

Banking terms

- A cheque is an unconditional order addressed to a banker, signed by the person who has deposited money with a banker, requesting him to pay on demand a certain sum of money only to the order of the certain person or to the bearer of the instrument.

20. DIRECT DEBIT

- [Direct Debit](#) is a financial activity in which one person withdraws funds from another person's bank account.
- It is a facility in which the payee withdraws the amount from the payer's account, the payer has instructed the bank to allow the payee directly withdraw the amount from the account.

21. CASH CREDIT

- [Cash Credit](#) is a proper limit sanctioned by the bank to the borrowing manufacturing/trading unit against the value of the raw materials, semi-finished goods and finished goods including stores.

22. BILL OF EXCHANGE

- A [bill of exchange](#) is a non-interest bearing written order which is used primarily in foreign trade which binds one party to pay a fixed amount of money to another party at a decided future date.
- A bill of exchange is signed by the creditor and accepted by a debtor.

23. CASH RESERVES RATIO

- Every bank Maintain certain % of their total deposits with RBI in the form of Cash and Net demand & Time Liabilities.
- Current CRR is 3%. Every Bank has to pay the amount to RBI on every 15 Days.

24. BANK RATE

- Bank rate is also termed as "Discount Rate"
- The rate through which RBI charges certain % for providing money to other banks without any security for a Long period of time for 90 Days & Current Bank Rate is 4.25%.

25. MARGINAL STANDING FACILITY

- MSF is the rate through which bank can borrow funds for Short time – Overnight basis.
- Current MSF is 4.25%.

26. MINIMUM RESERVE SYSTEM OF RBI

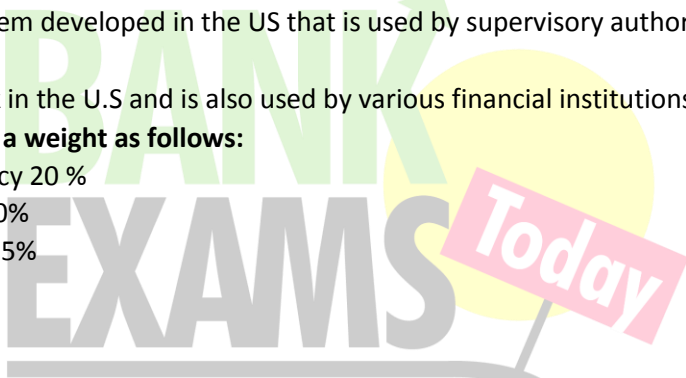
Banking terms

- The current system of the Indian government to issue notes is "[Minimum Reserve System](#)".
- Under this policy, the minimum reserves to be maintained in the form of gold and foreign exchange should consist of rupees 200 crores.
- Out this reserve, the value of gold to be maintained is rupees 115 crores.
- This system was introduced in 1956 replacing the proportional reserve system.

27. [CLEAN NOTE POLICY OF RBI](#)

- Lots of people in our country have a bad habit of writing something on the currency note, folding currency note, also somebody staple it which spoils the Note and reduces notes durability.
- So to avoid such occurrences RBI introduced the Clean Note Policy in 2001 in an order to increase the life of currency notes.
- The main objective of this Clean Note Policy is to provide good quality currency notes and coins to the citizens of our country.

28. [CAMELS RATING SYSTEM](#)

- CAMELS is a rating system developed in the US that is used by supervisory authorities to rate banks and other financial institutions.
 - It applies to every bank in the U.S and is also used by various financial institutions outside the U.S.
 - **Each factor is assigned a weight as follows:**
 - Capital adequacy 20 %
 - Asset quality 20%
 - Management 25%
 - Earnings 15%
 - Liquidity 10%
 - Sensitivity 10%
- 

29. [MASALA BONDS](#)

- The bonds listed on the London Stock Exchange (LSE) is termed as Masala Bonds.
- These bonds are offered and settled in US dollar to hike Indian Rupee in International market .
- These bonds help to raise Indian rupees from International investors for infrastructural development in India.
- International Financial Corporation (IFC) converts bond from dollars into rupees and uses the rupees to finance private sector investment in India.

30. [CORE BANKING SOLUTIONS](#)

- [Core Banking Solution](#) (CBS) is the networking of branches, which enables customers to operate their accounts, and avail banking services from any branch of the Bank on CBS network, regardless of where he maintains his account.
- The customer is no more the customer of a Branch.
- He becomes the Bank's Customer.

31. UNIFIED PAYMENT INTERFACE

- This interface will integrate the entire payment systems in India.
- It uses a single application programme interface with a series of Application Programme interface (API'S).
- The mobile devices are the primary object for all the payments.

32. MICRO ATMS

- [Micro ATMs](#) are not any special type of ATMs
- It is the advanced version of Point of Sale (PoS) having an additional feature of Biometric scanning.
- It is also known as a mini version of ATMs.
- These machines are connected with the GPRS (General Packet Radio Service) mobile internet and it uses the Core Banking Solution (CBS) platform to perform the different types of services.

33. LETTER OF CREDIT

- The [letter of credit](#) is one of the negotiable instrument.
- It is given by the bank, that guarantee's buyer's payment to the seller shall be received on time along with the proposed amount to be paid.
- In this instinct, if the buyer is unable to make the agreed payment to the seller, then the bank will cover the full or remaining amount of purchase.

34. BANCASSURANCE

- [Bancassurance](#) is the concept of selling insurance products of insurance companies by banks.
- The bank acts as an agent and promotes Banca (bancassurance) products under section 6(1)(o) of the Banking Regulation Act, 1949.
- It was originated in Europe in the 1980s and was successful.
- The bancassurance business model is a globally accepted profitable business.

35. BANKING OMBUDSMEN

- [Banking Ombudsman](#) is a senior official appointed by RBI.
- He handles and redresses customer complaints against deficiency in certain banking services.
- The Banking Ombudsman Scheme was introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from 1995.

36. THE BALANCE OF TRADE

- The difference between the country's exports and the value of its imports are known as the Balance of Trade.
- It normally incorporates trade in services unless mentioned as the balance of merchandise trade.
- It includes earnings (interest, dividends, etc.) on financial assets.

37. A BALANCE OF PAYMENTS

- A list that states a country's transactions with other countries for a certain time period (generally 1 year).
- Payments into the country (receipts) are entered as positive numbers, called credits.
- Payments out of the country (payments) are entered as negative numbers called debts.
- A single number summarises the country's international transactions: the balance of payments surplus.

[Difference between Balance of Trade and Balance of Payment](#)

38. NOSTRO ACCOUNT

- A NOSTRO account is one which is maintained by an Indian Bank in the foreign countries.

39. VOSTRO ACCOUNT

- A VOSTRO account is one which is maintained in India by a foreign bank with their corresponding bank.

Must read: [Types of Foreign Currency Accounts](#)

40. LIBOR

- The full form of [LIBOR](#) is the London Interbank Offered Rate.
- It is the interest rate at which funds are borrowed by banks in marketable size, from other banks in the London interbank market.

41. MIBOR

- The full form of [MIBOR](#) is Mumbai Interbank Offered Rate.
- It is the interest rate at which funds are borrowed by banks in marketable size, from other banks in the Mumbai interbank market.

42. CASA ACCOUNT

- CASA stands for Current Account Savings Account.
- The CASA ratio displays the value of deposits maintained in a bank in the form of current and savings account deposits in the total deposit.
- A higher CASA ratio means the better operating efficiency of the bank.

43. RAFA ACCOUNT

- RAFA stands for Recurring Deposit Account Fixed Deposit Account.
- The RAFA ratio shows how much deposit a bank has in the form of Recurring and fixed deposits.

44. DEMAT ACCOUNT

- The full form of Demat Account is Dematerialized account.
- This is a [type of bank account](#) for citizens in India so that they can trade in stocks or debentures which are listed in the stock market.
- Just as a savings account contains money saved, a demat account has stocks saved.

45. LEGAL TENDER

- As per provisions of coinage Act 1996, bank notes, currency notes and coins (Re. 1 and above) are legal tender for the unlimited amount.
- The subsidiary coins (below Re. 1) are legal tenders for the sum not exceeding Re 1.
- Issue of 1, 2 and 3 paisa coins discontinued wef Sep 16, 1981.

46. CURRENCY CHEST

- [Currency chests](#) are operated by the Reserve Bank of India (RBI) so that they can provide good quality currency notes to the public.
- However, RBI has appointed commercial banks to open and monitor currency chests on behalf of RBI.
- The money kept in currency chests in the commercial banks is considered to be kept in RBI.

47. INSOLVENCY

- An organization, a family, person, or company is declared as insolvent when they are unable to pay their debts back on time.
- One of the most common solutions for [insolvency](#) is bankruptcy.

48. BANKRUPTCY

- Bankruptcy is a legal declaration of a person who is unable to pay off debts.
- 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.
- Whereas under liquidation bankruptcy, Debtors has to sell its assets to make money so that they can pay off their creditors.

[Insolvency V/S Bankruptcy](#)

49. AMORTISATION

- [Amortization](#) is a periodic payment of debt like a loan or a mortgage.
- Amortization is the arrangement of a lump sum cash flow into many periodic instalments over a span of time, which is also called amortization agenda.

50. CREDIT CRUNCH

- A credit crunch is also known as a Credit squeeze or credit crisis.
- A credit crunch is a condition in which there is an immediate decline in the availability of a loan or the credit.
- A situation in which suddenly the credit becomes difficult to get.
- Sometimes it can be done by reverse actions like by strict rules and regulations to avail the fund from the financial institutions like banks, NBFCs, and many other lenders.

51. MSME

Enterprises	Annual Turnover
Micro Enterprises	Does not exceed 5 crore rupees
Small Enterprises	More than 5 crore rupees but does not exceed 75 crore rupees
Medium Enterprises	More than 75 crore rupees but does not exceed 250 crore rupees

51. EXTERNAL COMMERCIAL BORROWINGS

- The money which is used for the financing of commercial activities in our country through foreign sources is called External commercial borrowing. They can be any form namely loans, credits or even security instruments. They are not allowed to trade through any stock exchanges. The loan availed from foreign sources is of the minimum average maturity of 3 years.

Read an in-depth article on [External Commercial Borrowings](#)

52. SMALL FINANCE BANKS

- The small banks are to provide a whole suite of basic banking products such as deposits and supply of credit, but in a limited area of operation i.e., primarily in rural and semi-urban areas
Read in-depth [article on Small Finance Banks](#)

53. FDI

- [Foreign Direct Investment](#) is when persons/companies who/which are non-Indian, invest in Indian companies.
- Thus, through FDI, the investors become the shareholders in Indian companies and usually have stake that will give them controlling power of the company.
- Also important to know is that there are **two 'routes' of FDI**, namely, **Automatic Route** (does not require RBI or CG approval) and the **Government Route** (requires the approvals for those not covered under the automatic route).

54. KISAN VIKAS PATRA

Banking terms

- It is a small savings scheme – by the Government of India – run by The Directorate of Small Savings – and the Post Offices sell these saving bonds.
- It is just like an FD – and the instrument just like FDR is a physical instrument – a certificate named ‘Kisan Vikas Patra’ – which will have the rate of interest, maturity tenure, name of the investor etc. printed on it.

Read in-depth article on [Kisan Vikas Patra here](#)

55. INTEREST RATE SWAP

- An [Interest Rate Swap](#) is a contractual agreement between two parties who agree to exchange the future interest rate payments that they make on loans or bonds.

56. PUBLIC CREDIT REGISTRY (PCR)

[Public credit registry](#) is a database of credit information for India that is accessible to all stakeholders. A PCR is maintained by a public authority like the central bank or the banking supervisor.

- PCR helps in credit assessment and pricing by banks.
- Transparent Public Credit Registry, it helps in making better credit decisions by banks.
- It helps in enhancing the efficiency of the credit market, increase financial inclusion and improve ease of doing business.
- PCR will also improve access of credit to small and medium enterprises.

57. OFF-BALANCE SHEET EXPOSURE

- [Off-Balance sheet exposure](#) refers to activities that are assets or liabilities of an entity which doesn't appear on the balance sheet. Example: Letter of the undertaking, Letter of credit etc.

58. PRIORITY SECTOR LENDING

- A large portion of the population in India doesn't have access to funds. Therefore RBI has adopted Priority Sector Lending norms which relaxes the lending norms for poor and small businesses.
- **Priority Sector includes the following categories:**
 - Agriculture
 - Micro, Small and Medium Enterprises
 - Export Credit
 - Education
 - Housing
 - Social Infrastructure
 - Renewable Energy
 - Others
- Total Priority Sector lending target - 40 per cent of [Adjusted Net Bank Credit](#) or Credit Equivalent Amount of [Off-Balance Sheet Exposure](#), whichever is higher.

Read an in-depth [article on Priority Sector Lending here](#)

59. CREDIT RATING

- 'Credit rating' is the assessment of the creditworthiness of a borrower or a loan taker; creditworthiness refers to the ability of a borrower to 'service the loan', i.e., pay back the loan along with the interest.

Read in-depth article on [Credit Rating here](#)

60. DEPOSIT INSURANCE AND CREDIT GUARANTEE CORPORATION (DICGC)

- The Deposit Insurance and Credit Guarantee Corporation (DICGC), a wholly-owned subsidiary of the Reserve Bank of India provides the insurance coverage to the depositors.
- The Reserve Bank of India (RBI) said in a statement released on 4th February 2020 said that Insurance cover on bank deposits has been increased to Rs 5 lakh from Rs 1 lakh per depositor.
- The banks will pay a premium of 12 paise against 10 paise per 100 rupees deposited after the increased insurance coverage.

61. PREPAID PAYMENT INSTRUMENT (PPI):

- PPIs are instruments that facilitate the purchase of goods and services, including financial services, remittance facilities, etc., against the value stored on such instruments.
- At present, RBI allows only three kinds of PPIs including closed system, semi-closed and open PPIs.
 - **Closed System PPIs:** These PPIs are issued by an entity for facilitating the purchase of goods and services from that entity only and do not permit cash withdrawal. Example - Myntra Credits
 - **Semi-closed System PPIs:** These PPIs are issued by banks (approved by RBI) and non-banks (authorized by RBI) for purchase of goods and services at a group of clearly identified merchant locations/establishments.
 - **Open System PPIs:** These PPIs are issued only by banks (approved by RBI) and are used at any merchant for purchase of goods and services.

62. NEFT - "NATIONAL ELECTRONIC FUND TRANSFER"

- It is a nation-wide payment system.
- One can transfer funds to others through self-account.
- Applicable to both Account holders and Non-Account holders.
- Funds can be transferred through electronic media

63. RTGS- "REAL TIME GROSS SETTLEMENT"

- Processing of instructions starts at the same time
- Settlement of fund transfer occurs according to individuals basis or it can be transferred instantly. There is no such time slot.
- Funds can be transferred in Real-Time Basis.
- RBI sets a limit, One can transfer a minimum of Rs.2 Lakh

64. IMPS: IMMEDIATE PAYMENT SERVICES

- IMPS is an instant interbank electronic fund transfer service through mobile phones.
- This service is available 24x7 for a transaction between interbank.
- It doesn't require any "batches". Though IMPS offers Instant Transfer.
- To be able to transfer fund through IMPS route you must first register for the immediate payment services with your bank.
- After successful registration, the bank will provide you "Mobile Money Identifier(MMID) and Mobile Personal Identification number(MPIN).
- For transferring of funds the Minimum & Maximum amount is to be Rs.1 and Rs.2,00,000.

Read more - [Fast Facts on NEFT, RTGS, AEPS and MTSS](#)

65. 'ON TAP' AUTHORISATION OF PAYMENT SYSTEMS

- RBI has issued guidelines on 'on tap' authorisation of payment systems on 15th October 2019.
- The aim is to encourage innovation and competition.

RBI HAS DECIDED TO OFFER ON-TAP AUTHORISATION FOR:

- **Bharat Bill Payment Operating Unit (BBPOU)** - Entities who are desirous to operate or provide platforms for BBPOU, should have a 100 crore rupees net worth and should be maintained at all times.
- **Trade Receivables Discounting System (TReDS)** - the minimum paid up equity capital should be 25 crore rupees.
- **White Label ATMs (WLAs)** - The minimum net worth for entities should be 100 crore rupees.

66. 'FIT AND PROPER' CRITERIA FOR ELECTED DIRECTORS OF PSB

- The Reserve Bank of India tightened rules for elected directors on the boards of public sector banks, responding to criticism that boards of these lenders failed to prevent a build-up of bad loans in the previous lending cycle.