
50 IMPORTANT BANKING TERMS FOR INTERVIEWS

Here we are providing you, 50 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 the banking awareness terms.

1. REPO RATE

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

2. REVERSE REPO RATE

- When bank deposit it's excess money in RBI then RBI provides some interest to that bank. This interest is known as 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 20.75%.

4. RETAIL BANKING

- Retail banking is a type of banking in which direct dealing with the 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/ crypto currency 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

- 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.

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 2nd Schedule of RBI Act 1934 are known as scheduled commercial bank. These banks should fulfill two conditions:
 1. Paid up capital and collected funds should not be less than Rs.5 lacs.
 2. Any activity of the Bank should not adversely affect the interests of the customers.

10. NON PERFORMING ASSETS

- NPA is any 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 an 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

- Green banking means promoting environmental 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. BLOCK CHAIN SYSTEM

- These days the transactions in the banking sector is 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 block chain 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 block chain 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 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 the honest and qualified borrowers who have 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 credit worthy 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

- 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 4%. 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 Long period of time for 90 Days & Current Bank Rate is 6.75%.

25. MARGINAL STANDING FACILITY

- MSF is the rate through which bank can borrow funds for Short time – Overnight basis.
- Current MSF is 6.75%.

26. MINIMUM RESERVE SYSTEM OF RBI

- The current system of 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 consists of rupees 200 crore.
- Out this reserve, the value of gold to be maintained is rupees 115 crore.
- 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 helps 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 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 ATM S

- 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 Pocket Radio Service) mobile internet and it uses 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.
- 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 handle and redress 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 of 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.

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.

40. LIBOR

- The full form of LIBOR is 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 saving 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 unlimited amount.
- The subsidiary coins (below Re. 1) are legal tenders for 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 debits back on time.
- One of the most common solution for insolvency is bankruptcy.

48. 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.

49. AMORTISATION

- Amortization is a periodic payment of a debt like a loan or a mortgage.
- Amortization is the arrangement of a lump sum cash flow into many periodic installments 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.

