

INTERVIEW CAPSULE FOR IBPS PO/CLERK INTERVIEW 2016

HOW TO FACE BANKING INTERVIEWS 2016?

The IBPS PO Interview procedures are set to start from the third week of January. More interviews will follow thereafter. Many would be called for the interviews, but only the deserving candidates will be selected. Or, let me correct myself, they will simply pick out the deserving candidates.

We are sure that you all are aware of the fact that this time there will be a common interview conducted by IBPS and that the banks will have no role in the interview process like last time.

The total marks allotted for the interviews are 100. The relative weightage (ratio) of CWE and interview will be 70:30 respectively. I.e 70% from the written marks and 30% from the interview marks.

Introduction

The interview is an occasion of interpersonal communication between the prospective employer and a prospective candidate. It is a platform where the organization checks the suitability of the candidate vis-a-vis the job profile. The interviewee also has the opportunity to examine if his personal objectives will be met in the job and the company.

In an interview the candidate has to try to sell themselves to the interviewer.

This interview is a way for the panel to evaluate the personal skills and potential of the candidate vis a vis the post he has applied for. The questions asked in this interview are meant to measure the attitude, skills and adjustability of the candidate. The approach that the candidate takes to answer the questions lets the board decide the suitability of the candidate for the bank.

Well then let's talk about what qualities are those that make someone so deserving.

Banks are Business oriented. They compete with one another. They always were and always will be on the lookout for good people they can hire who in turn can increase their turnover, can orient their business, and can save their ass. In need, they also fire the lunatic ones who make losses, who imbalances Bank's reputation, and disturbs their business relations. So, in turn, they always want more and more good people. But they don't have all the time to analyze thousands of people. One interview, or interaction, lasts, on an average 15 minutes per candidate.

Just 15 minutes to know whether a person is suitable for the job or not.

A Bank grows on the basic old age principle of maintaining good relations with customers- **Friendly relations**. That's only why they promise this thing to each and every customer. Customer satisfaction is their highest priority.

So, are you willing to hold onto 'this' promise of theirs?

If yes, then Congratulations! You're welcome for the job. If not, you'd

Better pack your bags and try somewhere else!

Now, let's understand this scenario.

Let me be an illiterate Bank customer who knows 'Hindi' only. And I want to open my Banking account. So, I went to an XYZ Bank for this purpose. This is the treatment I got.

I: Mujhe khata kholna hai. (I want to open an account)

Peon: Dopahar Khane Baad Aana.

I (being angry): Wait karta hu.

After lunch.

I: Khata kholna hai Sahab. Kab khologe?(When will you open my account)

Clerk (busy, not interested, and not even looking at me): Have you bought your documents with you?

I (not able to understand English): Kya?

Clerk (looking at me now, saying something in his local language): Sabuka Gazpatra Aanicha ta?????

I (more puzzled): Kya??

And frustration. He tells me in sign language to come again tomorrow morning when he'll be freer. Time lost and more frustration. So, I go back home, I tell my family, and my relatives, and my society that all this and this happened. Slowly and with time, they begin to have a feel that this Bank is worthless. Later, we all open our accounts at some other Bank branches where we got fair treatment. In turn, one clerk's attitude made XYZ Bank to lose many customers. We all could have Deposited one crore rupee combined in the long run. Loss at grass root level!!

These things happen; not this way, but they happen.

This was only a scenario to make you understand the importance of customer satisfaction. Banks never want any customer to feel disappointed due to behavior of their employees. The idea is that one customer's dissatisfaction sometimes results in many a customer's

losses in the long run. And why? Because he wasn't Satisfied. A normal customer just wants:

1. The Banker to converse with him in his local language. No English vnglish—customers die to converse in their mother tongue.
2. To be given priority
3. To be treated fairly.
4. The Banker to not be lazy.

And it's his right to be treated this way. After all, it's his money that'll be saved in this Bank.

So, to balance all this, the interview panel tries to learn these following qualities in a candidate. They want:

1. The candidate must know the local language. They can connect better with the customers only if they know local language.
 2. If he doesn't know the local language, then he must be Adaptive. Means to say, he must be able to learn it while at work.
 3. The candidate must know what being friendly to a Customer means.
 4. The candidate must not be lazy.
 5. Must treat all the customers (illiterate plus literate plus angry plus frustrated) smartly and in an amiable manner.
 6. Must treat the customers above him.
- And more, and more.

Let's now look at another scenario.

I'm the interviewer now. Along with three, four others in the panel, I'm taking the interviews of 40+ candidates on this and this date. We've split up the time accordingly; 10 minutes on an average per candidate. Now, these are the following qualities we're Be looking forward to in a candidate:

1. The candidate must smile warmly, not grinning. He should treat us properly.
2. We're here to know him better. He should co-operate. He should sit properly.
3. His dressing should convey he's really come for his interview (and not to play teen patti with us)
4. He should be honest, while answering.
5. And creative. We love creative people.

Candidate 1 has come and he forgot to greet us.

A rather bad impression. Will he greet Bank customers, priority customers, while at work when he isn't greeting us here right now? Customers want affection from Bank employees and a warm smile on the face is the greatest sign of affection. Or is he really like this in his personal life as well?

A bad mannered person.

A small gesture, but many simple deductions!

Candidate 2 has come, but he's just too shy to converse with us.

Now why is he shy? Are we asking him his hand for our daughter? Why is he so shy? We're not learning much from him. Would he be able to converse with our Bank customers properly or not? He's just too shy. Reputed customers might think we're hiring novices who are not fit for the job. This might harm our Banks image. Another small gesture, but which way it's going, you know now.

Candidate 3 has come. He was confident in the beginning, but his voice faltered the moment we presented him a question. We tried to make him normal, but he still is as he was.

Now we're not getting what he's saying. We do not understand him at all. Are we going to kill him after this interview? What he's afraid of? Why he's so scared? Is he thinking of himself a terrorist and we're interrogating him of his ties with the Al- Qaeda?

Candidate 4 has come, greeted us with smile, but his hairstyle, oh my God!

What does he think of himself? A Rockstar? A funky band master? A Playboy? We're here to hire candidates to work for Banks, not for Music Bands.

Candidate 5 has come, greeted us properly. Is properly dressed. But when put to him a question, he gave us the wrong answer.

Why is he giving the wrong answer? Is he being haughty? If a customer does come and asks him a query, the answer of which he'd not know, will he also give him the wrong kind of answer? Can't he just say, 'I don't know, Sir'? But no, he's into giving the Wrong answers. Not so good!

Candidate 5 has come. Greeted us properly. Asked for permission to sit. His spirit seems confident; his face, the face of a leader. He's properly conversing with us. Has kept a smile on his face. Is properly dressed. In total, a charming candidate.

So far so good. Let us begin the interview now!



Ques 1: So tell us how a Bank works?

You are sitting in an interview and you're here only because you've qualified the banking exam, and you've qualified it only because you were capable. So, why do we ask these questions here also? Hadn't we asked all of these in the exam already?

Well, we do this for many reasons. The most important: answering a question using the hands in the exam and answering a question using mouth in an interview are two very different sort of things. Feelings are different. Plus, here, we're trying to know him better personally by asking questions, by direct interaction. The purpose of these general questions is just to check if he falters at any point or maintains his posture, to check if he's the one who has given the exam (and not his impersonation, some fraud), and with time, to check his psychological level, his current general knowledge (if he had retained what he has read), his way of answering, and etc. and etc.

He tells us a Bank let customers deposit their funds, and utilizes these funds in profitable businesses, loans, buying properties, etc.

Ques 2: So, it's on the customer's money a Bank is running. If a customer comes in Bank, drunk, and asks to withdraw his money, will you accept his request?

A situational question to check his practicability. A question to check if he's capable of analyzing a complete different situation (these situations will come many a times when he'd be working). If he answers yes, we'll throw him another quick question. If he says no, we'll try to make him cry with our elated questions we've pre-planned. Let the fun begin!

But he just says, 'Sorry Sir, I don't know the proper answer.'

A genuine answer! That's what we look forward to in a candidate. Genuineness! A candidate should be genuine to his work. Genuine to people. And most importantly, genuine to Bank customers. If he doesn't know something (we just cannot suppose a person to know each and everything), he should consult with seniors, or the ones who knows, rather than give a right kind of answers.

We ask him more general questions and he gave polite replies. He smiled properly, didn't grin, cheered us, and was affable. This candidate's name is likely be placed in the final list.

Interviewers like charming people. Or should I say, Love? Yes, they adore charming people. Charming people are adored everywhere.

Charming people are those people who know how to attract others. Their acts are magnetic. They're the people, whose smile, whose gestures begets affection. It is indeed bad to Banks if people come to a branch and

you, a Bank employee is throwing angry looks at him. You must bear a smile on your face while at work (and in the interview also, so we could know how pleasing your smiling is in reality).

Banks are for the service of customers and you must be prepared to devote yourself to this cause. And you must recognize a person's value. You must prepare to place others before yourself. That'll your supreme duty being a Bank employee.

Interviewers like to recruit those people whom the customers would praise someday (of their attitude and good work) in front of their families, their society.

1. People, who are not lazy at work
2. People, who don't procrastinate.
3. People, who are just. People, who have a sense of team leadership in them.
4. People, who can operate a Bank even alone in cases if all the other employees are off-duty that day. People, who enjoy working in a Bank.

And all these qualities the interview panel analyses in just 15 minutes!

Know this, and know this well, that they won't ask you any bad question. They will not waste even half a minute. Every question they'll put forward, it must be linked to something deeper. Don't you dare think they tried to mock you by asking how many gfs you had, or how many times you bunked the class, or how many times you cheated on an exam? They just want to check your attitude towards these questions, your talent at working out a quick reply, your social skills in addition to your mental abilities.

So prepare yourself for all kinds of questions and you should try to know the intention behind their questions.

1. No matter if you've done B. Com or B. Tech, they want you to have knowledge about general things of your subjects.
 2. They want you to know current knowledge of what's happening all around the world, or more importantly, in your State. (Just to check on how much aware you're of your environment)
 3. They want you to have a good presence of mind.
 4. They want you to have learning abilities and willingness to learn.
 5. They want you to have a sense of moral ethics.
 6. They want you to have a sense of respect for seniors as well as your juniors
 7. They want in you the abilities to do work meticulously and scrupulously.
 8. They want you to be passionate about your work and the tasks you're provided.
 9. They want you to have some risk management skills. And of course, a good way, a morally proper way to tackle uneven circumstances.
- And so, that's how the interviews go.

It depends upon person to person. It depends upon the mood of interviewers. Some interviewers are in such a good mood (because of previous candidate's funny jokes) that they don't even look how poorly your shoelaces are tied or how improperly your hair is combed. And some interviewers are in such a bad mood (might be they're just bored sitting all day interviewing idiots, but that's a rarity) that they even check your panic level in the vibrations of your leg and the contrast of your uneven tone.

So your role is to be prepared for all kind of situations

What should you wear to a Bank Interview?

A candidate's attire plays a supporting role in the interview as it is the first thing observed by an interviewer. Some people dress up for an interview as they would dress up for a party or a date which is a big turn off for the interviewers.

Your attire at work place should be as per the environment and work culture. The work environment at a bank is very formal where you may need to deal with a lot of customers as well. Your dress up should be appropriate and comfortable for you to deal with them. Interview is the perfect time to convey your readiness for the job and your attire conveys a lot.

IT IS OFTEN SAID "DRESS UP LIKE YOU ARE IN YOUR DREAM POST AND NOT LIKE WHERE YOU CURRENTLY ARE"

You are not expected to wear very expensive clothes in the interview. All that is important is, you should be wearing clean and well ironed decent clothes.

Attire for male candidates at a bank interview

- A two piece matched suit is the best and safest choice. However, don't combine a suit jacket with pants that don't match.
- Avoid wearing a very costly suit to the interview, let it be decent and nominal.
- Choose a solid or very subtle weave pattern or plaid. Black, Navy blue and dark grey are a good color choice.
- If you can't afford a suit, it's OK to wear a light colored full shirt paired with dark trousers.
- Pair the suit or shirt with a good tie - prefer it to be plain. Do not wear floral or ties with character prints.
- Observe whether people from the bank are wearing a tie or not. In case they are not, you can avoid it too.
- The belt should be dark in color too.
- Avoid wearing any material with a glossy finish to the interview.
- Wear dark socks with mid-calf length so that no skin is visible even when you sit down.
- The candidate should wear black or brown colored formal shoes. Sport shoes to an interview are a big "NO"

- Never try a new look before going to the interview. Take hair cut at least 3-5 days ago.
- The male candidates should only wear the watch. If you have got pierced ear, remove the ring.
- Attire for female candidates at a bank interview
- Female candidates should try to find out about the culture of the bank before they go for the interview & dress accordingly.
- The female candidates can choose from trousers paired with shirts, sarees and salwar - kameez. If you choose a trouser, it should be dark colored paired with a light color formal shirt.
- Candidates wearing salwar-kameez should choose simple cotton suit in light shade. The suit must be simple and not filled with too much embroidery or other work. Do not wear a party wear salwar suit.
- Keep the make-up conservative. Use a little make-up just to give a polished look.
- Avoid wearing dark color lipstick or nail colors.
- The nails must be clean and well groomed. If you are wearing a nail color it should be light in colour which is even applied on all the nails. Chapped nail polish looks bad.
- The hair must be neatly tied up. They should not bother you in the mid of the interview.
- Trousers should be paired with dark color formal shoes.
- Females wearing saree or salwar-kameez can wear flat or lightly heeled chappals. Avoid wearing high heels to the interview.
- If you are carrying a purse it must be simple and small. Avoid carrying large bags. Don't use red, green, blue, yellow purses. Black and brown are the good choices.

Personal Questions asked in Bank Interview

The ice breaking questions asked in bank interview are usually based on personal details of the candidate and related to candidate's family, qualification, future planning and basic banking knowledge.

Some of the questions you can expect from these areas are:

Q1. Introduce yourself.

You can answer this question by giving a brief introduction of yourself - including your name, how many family members are there in your family, family profession, about your education and professional qualification if any, brief work experience if any, and career interest.

Q2. What is the meaning of your name?

This is a very common question that the candidates face at a bank interview. You must know the meaning of your name and mythological importance of your name.

In fact, if the name of any of your family members has a special connection, you must know about that also.

Q3. What is the specialty of the place you belong to?

You must be aware of the good/ bad things related to their home town or the place they live. You must know the history of the place like - what is the meaning of the name of your city, what is the history behind it, what was the old name of your place etc. or anything special that the city is/ was famous for like sarees, bangles, marbles etc.

If there's nothing special about the city, try to explore famous places nearby. For example if a person belongs to any village in Rajasthan, then he/she can give a view of Jaipur or Jaisalmer or any other famous place near to his/her town or city or village. It can be the nature's beauty, food, clothes, industries etc.

Q4. What are your hobbies?

Hobbies give an insight into your personality. So, mention them carefully and once you have mentioned them, you must know well about them. For example if the candidate says that playing cricket is his/her hobby, then the candidate must know about the number of players, rules and regulations, about the recent cricket match, a little about cricket players also and all current news related with it.

Mentioning a hobby just for the sake of doing it without a proper knowledge about it will be disastrous.

Q5. Why did you choose banking as your profession?

This is a very common question that you can expect. Provide a straight answer without trying to bat around the bush.

Q6. Do you have any previous experience?

If you are working somewhere, you must know your job, company, industry well, as you can expect some related questions. Also, you must be very careful while replying to this question if you have switched jobs frequently. Since many candidates leave the bank job after some time, so, they try to find people who will work with them for a longer time.

Too many job switches in your profile reflect badly on your stability. Either don't show too many job switches or be prepared with the valid reasons for change.

If you are a working candidate, keep your NOC and other required documents ready. The banks are very strict and can cancel your candidature in absence of a required document.

Q7. Why did you leave your previous job?

Always be positive regardless of the circumstances. Speaking bad about your past employers would reflect badly on you. So, don't malign anyone. The best answer would be - for better prospects unless you have a more genuine reason to offer.

Q8. How can you be a value addition to our organization?

Try to connect your qualification and relevant experience with the organization.

The candidates from fields like engineering, science etc also apply for the bank job. These candidates can relate their qualifications or subject they studied in their graduation with the banking sectors.

Try to show a little banking knowledge here. Show that you are interested in this job from several years with a valid reason.



Q9. Where do you see yourself in another five years?

Give an answer which is practically possible. Study a bit about the banking organization that what are the possible posts you can achieve in coming 5 to 10 years, and answer accordingly.

Q10. Do you think you have leadership quality?

Give a positive reply and relate it with some achievement at work, academics or even from the personal life

Q11. Can you explain a situation in which you displayed the leadership quality?

Mention a situation when you conducted any program, captained any game like cricket, football etc. or any school curricular activity. If you have no such experiences then try to relate it to some of the incidents in your personal life.

Q12. Do you have any achievement?

The achievement doesn't mean only by saving someone life or getting a gold medal. If in your life you feel you have got or done something good, it is an achievement.

Q13. What are your strengths?

Give two or three traits which can help you in your banking job like eye of detail, precision, good communication skills etc.

Q14. What are your weaknesses?

Give one and correlate it with some strength. Never give any negative trait that affects or results negative.

Q15. Are you applying for other jobs?

Don't spend a lot of time replying to this question. Be honest and keep the focus on this job. Don't give a big answer or discuss your future planning. Speak about what is in front of you only.

Q16. Do you know anyone who works in banking sector?

Keep information of relatives or parents friend who work in banking sector. This gives an impression that you are aware about the industry and culture but be careful to mention a friend only if they are well thought of.

Q17. Are you a team player?

Always reply a positive answer for this question because it is a common requirement in all organizations. Give a generic example from your experiences and show that you are a good evidence of your team attitude.

Q18. Why should we select you?

Relate your skills and qualifications with the requirements.

Q19. Are you willing to work at other places except from your hometown?

Always reply this question with a 'Yes'. There are less chances of getting the job at your desired places and there are many candidates who are ready to work anywhere.

Q20. How would you evaluate your present firm?

Talk positive things about your current employer. Tell about the valuable experience you gained from the organization. Don't mention negatives.

Q21. Who is your idol?

Only name of your "idol" is not sufficient. The candidate must know the history of his/her idol as well what are the qualities which make him/her the idol.

Q22. Do you have any questions?

If you have any genuine questions, you can ask. Otherwise, just say "thank you" and leave.

FEW EXPECTED PERSONAL QUESTIONS

It is not enough to have solid answers only for the below questions but you need to be prepared for the full spectrum of questions that may be presented.

- Tell me about yourself. (Even Qs related to your name/place can be expected if your name/place has prominence)
- Why did you choose this career?
- Tell us about your education?
- When did you decide on Banking career?
- Aren't you over qualified for this position?
- How will your professional knowledge be helpful in the Banking career?
- Do you have any plans for further education?
- Do you have any actual work experience?
- What have you been doing after graduation?
- Why are you leaving your current position? (for working professionals)
- What other career options do you have?
- What goals do you have in your career?
- How do you plan to achieve these goals?
- What do you know about banking?
- What is a Bank?
- Why do you want to work in the Banking industry?
- What do you know about our company? (Should have an idea
- About important products from various banks, tag lines)
- Why are you interested in our company?
- Why don't you join some private company?
- How is your professional knowledge useful for our organization?
- Why should I hire you?
- What will you do if you get a better offer?
- Who is your role model?
- What are your short-term goals?
- What is your long-term objective?
- Where do you see yourself, five years from now?
- What is your greatest strength?
- What is your weakness?
- What are your hobbies?
- Tell us about your extracurricular activities.
- Q's related to your achievements?
- Are you a team player?
- Do you handle pressure well?
- Do you have any location preferences?
- Will you relocate?

SUBJECT-WISE INTERVIEW QUESTIONS

ENGLISH

- What have you read in English poetry?
- What is the theme of Milton's poetry?
- Which poem of Milton enchants you? Please let's hear his lines?
- What else have you read in English?
- Do you know about Hamlet?
- Who is the Nobel Prize winner in Literature in 2015?
- Who is your favorite writer, and why?
- What is noteworthy about Shakespeare/Milton?
- Tell the name of some Indo-Anglo writers?
- Some contemporary Indian English writers and their work?
- Do you read novels?
- Which one you have read lately?
- "Woods are lovely dark and deep but I have promises to keep miles to go before I sleep
- Miles to go before I sleep. "Why these lines are famous and who has written these lines?

Public Administration, Management and Marketing

- What is POSDCORB In public Administration?
- What is Motivation?
- Explain X and Y theory of Motivation? Who is founder of this Theory?
- Who is the founder of management?
- Who is the founder of Scientific Management?
- Who is the founder of Management by Exception?
- What are the "4 P" in Marketing?
- Use of Marketing in Banks?
- What is Management? Define in one line?
- What is marketing? Define in one line?
- How will you motivate your subordinates in Bank if there are misconceptions between them or any confusion?
- What are the leadership qualities? Do you possess these Qualities?
- What is marketing mix?
- What is product mix?
- What is Branding?
- What is "Corporate Social Responsibility"?

Economics

- What is optimum theory of population?
- What is Malthusian theory of population?
- Why 5 year plan in India is not successful?
- What is law of Diminishing marginal utility?
- Define National Income?
- What is the Difference between GDP and GNP?
- Difference between Micro and Macro Economics?
- Difference between Dynamic and Static Economics?

- What is Interpolation and Interpolation?
- What is Time Series?
- Explain Fisher Index Theory?
- Principle of maximum Social Advantage?
- What is Absolute Error?
- Discuss Keans's theory of Employment?
- What is indifference curve analysis?
- What is Say's market law?
- What is perfect competition?
- Price determination under imperfect competition?
- What is Dumping?
- Difference between Economy and Economics?
- What is Law of Demand?
- What is AC-MC Curve?
- Relevance of International Economics for this year?
- Who is the winner of Nobel Prize of Economics for this year?
- For which work this year's Economic Nobel is conferred?
- Who is Amaitya Sen?

History

- Who was Vikram Aditya?
- Who was Chanragupta-II?
- Where from he belonged?
- Who was the first governor-general of the independent India?
- How many battles were fought in Panipat?
- Who had fought all the three battles?
- Tell me something about Julius Ceaser? Name two well-known Historian?
- What do you know about Indus valley civilization?
- When did Aryans come to India?
- What are the sectors of Jain Religion?
- Please tell us about main principles of Jain Religious?
- Who laid the foundations of the British Rules in India and in which year?
- What is Magna Carta?
- Who was the last emperor of Gupta period?

Political Science

- You are a student of Political Science? How is our foreign Policy at present?
- What is Socialism? Should we follow it fully?
- What is Capitalism? Should we follow it if yes then why or not then why?
- Which article refers to emergency provision?
- What is article 356?
- How does amendment take place in the constitution?
- What is Veto?
- What is article 370?
- Do you think that Sonia Gandhi is a good leader?
- Sonia Gandhi as a PM, Are you agree with it if yes then why it not then why?

Geography & Maths

- What are the benefits of flood?
- Can you give some specific reasons for untimely rain in India?
- What is Alnino effect?
- What is Hurricane?
- How many types of soil are found in India? How your subject would be useful in Bank?
- Do you know some places where black soil is available in India?
- For which crop is the black soil suited most?
- Which part of your mathematics is good?
- Do you know Demovier's theorem? Explain it. Expansion of SinX, Expansion of CosX, Fariur Seviles.
- Define n pr and n
- CR and their different applications in solving sums?
- What is Differentiation?
- What is Integration?
- Science Stream
- Why does cycle tube burst in summer?
- Why does sky look blue?
- What is the formula of (A+B)³
- Is there any vain which carries impure blood?
- What is color blindness?
- What is Raman effect?
- What is Boyle's law?
- Who is the winner of Nobel prize in Physics, Chemistry and Medicine?
- What is Newton's I, II, III law?
- What is Charl's law?
- Is there any use of science in Bank?
- What is Snell's law (laws of refraction)?
- What is Coulomb's law of Electrostatics?
- What is Boyle's law?
- What id Pascal's law?
- What is Archimedes's Principle?
- What is Specific heat?
- What is Conduction, convection, radiation?

Law

- What is Doppler's effect?
- What is Hard and Soft water?
- What is under table water?
- What is the difference between IPC and CPC?
- Is our constitution written?
- When was IPC formed or written? When was CPC formed or written?
- What is hypothecation?
- What is mortgage?
- What is Negotiable Instrument Act?
- When Negotiable Instrument Act came into force?
- Difference in bill of exchange and Promissory Notes?
- Difference between cheque and Draft?

- Tell us something about banking regulation Act?
- What is Pledge?
- Tell us something about Debt Recovery Tribunal?
- Till us full name of Securitization Act?
- What is Securitization?
- What is Lok Adalat?
- What are the new amendments regarding Company Act?
- Difference between promise and proposal
- What is Sale of Goods Act?
- Difference between void and voidable contract?

Agriculture

- How Indian Agriculture is viable?
- Tell me something about green revolution?
- Impact of green revolution on Banking Sector?
- How you will manage rain-flooded area and raid-fed area?
- What are genetically modified crops?
- With a bumper harvest and record yield of food grains this year, the price rise was expected to be reversed, But strangely the prices continue to rise in India, why this is so?
- What is the present scenario of Indian Agriculture?
- What is Rain water harvesting system?
- How much amount of pulse is required at minimum in Indian diet, and how much Indians are actually getting it?
- What is organic Farming?
- How it is differ from existing way of farming?
- Give some suggestions for sustainable Agriculture in 21st century?
- What is sustainable agriculture?
- What is the situation of use fertilizers in India? Are they being used in accordance with the prescribed proportion of
- NPK?
- What are the problems of marketing of agricultural groups
- What are the main sources of agricultural credit in India?

- Can commercial banks provide economic assistance to the farmers?
- Why should Agricultural officers be appointed in banks?
- What is the contribution of Agriculture towards National Income?
- Can a non technical man manage the post of an Agricultural Officer of a bank?

Commerce Stream

- What are the principles of Book Keeping?
- What is Balance Sheet? How you come to know after seeing balance sheet that economic condition is good or bad any organization?
- What is the difference between CA and ICWA?
- What are the Accounting ratios?
- What is the use of ratio in balance sheet of a bank?
- What is Acid test ratio?
- What is accounting?
- Difference between Double Entry System and Double Account System?
- Difference between Presidency and Provincial Insolvency Act?
- Explain various lists of Insolvency Act.
- Explain tax and how many types of Tax are being imposed in India?
- What is Direct and Indirect Tax? Give some examples?
- What is 80L, 80G, 80DD, 88B, 89(1), 88C, 80E?
- What are the sources of Income according to Income Tax Act?
- What is Capital Gain?
- Income of MPs and MLAs is related to which sources?
- Agriculture Income is Exempt under which section?
- Current Assessment year?
- Describe new changes regarding to Income tax in current Budget?
- When Income Tax Act was enacted?
- What is difference between Public Limited Company and Private Limited Company?
- Article of Association?
- Memorandum of Association?
- Couram?
- Annual General Meeting?
- What are Prepaid Expenses and Outstanding Expenses?
- Tell us about Authorized, Issued and Paid-up Capital.
- What is Forfeiture of shares? How it is treated in Balance Sheet of a Bank?
- What is Single Entry System?
- Tell us about Promoters and Directors?
- What is Auditing? What are the main purposes of Auditing?
- "An Auditor is the watchdog of a company" Explain it?
- What is Value Added Tax?
- What is Market Capitalization?
- What is Break Even Point?

- What is Prime Cost and Overhead Cost?
- Difference between Fixed and Variable Expenses?
- What is Marginal and Standard Costing?
- What is Master Budget?
- What is capitalization?
- What is Contract?
- What is Bank Reconciliation Statement?
- What is Partnership Deed?
- Relevance of "BhartiyaBahiKhata" in present time?
- What is Wages Inward and Outward?
- What is "Contribution" in Cost Accounting?
- Difference between Cost Accounting and Cost Accountancy?
- What are the elements of effective Communication?
- Explain Accounting Standards?
- Explain Accounting Conventions?
- What is Accounting Equation?
- What is the use of Trial Balance?
- What is Fund Flow?
- What is Cash Flow?
- What is Working Capital?
- What are LIFO, FIFO, and HIFO?
- What is Short Working?
- What is Work in Progress?
- What is Intangible Assets?
- Tell us the Errors which are not disclosed by Trial Balance?
- What is difference between Public Sector Company and Public Limited Company?
- What is Real Account?

Finance

- Difference between FDI and FII..?
- What is Sensex?
- What is Nifty?
- Difference between Cheque and DD.
- What is NBFC?
- Difference between Banks and NBFC.
- What is KYC? Is it really useful to restrict Black Money, how?
- Demat account?
- Shares?
- Brokers?
- Bullion market?
- RBI, SBI, NPA?
- What is meant by willful defaulters? Who displays this and why? What are the effects of being declared as willful defaulter by them..?
- Money spent on PMJDY for ad's was waste or useful..?

Tell me something about yourself?

Generally this is the first question which is put up in front of the candidate appearing in the interview. To answer this, the candidate must tell his name, place of residence and his current work or educational degree along with a very brief note on his family-father, mother and siblings. He/she can also tell about his father or mother's occupation.

Some key points to be noted down while preparing this question

He must know the meaning of his name and specific reference with his name if any. For ex:- a boy named "Prashant" was asked about the geographical connection of his name i.e. Prashant Mahasagar or Pacific Ocean. The answer should be precise and questions like- if your father is a teacher then why do you want to become a banker? , can come up from your answer to the first question. Be prepared with the answers to these expected questions. Because this is the first question so the candidate must give a short and effective answer. You might be nervous at the beginning but remember to keep a smile on your face.

Where have you come from and what is famous in your city?

The candidate must tell about his place of living- city and state. If the board further asks about any specifications, then name of the district etc. should be told. He/she must tell about the famous things of his place. For ex:- a candidate from Lucknow may tell about Imambara, chicken clothes, "tehzeeb" of Lucknow etc.

The key things to deal this question effectively are:-

- The candidate must know about the local MLA and MP from his area. If any renowned personality belongs to that area, you should be aware of the details.
- He must have full knowledge about that place, its history, famous monuments, personalities, rivers, at times even number of railway stations in the city etc., also about the politics of that state-CM and ruling party and all other nitty gritty of his place.
- For ex: - A candidate from Ghazipur, U.P. was asked about cultivation of "Poppy seeds" as Ghazipur is famous for cultivation of poppy seeds.
- At times, questions about local politics are also put forward like a candidate, from Amethi was asked about the electoral battle between Rahul Gandhi and Kumar Vishwas from Amethi.
- A good answer to such questions leaves a very positive impact on the board as it demonstrates your awareness about the surroundings and the fact that you are well prepared puts you ahead of others.

Why do you want to join the banking industry?

To answer this question, you can say something like -"I want to join this industry because it can provide me a stable career with good growth prospects. It is one of the fastest growing sectors of the nation and provides great career opportunities.

There could be many other reasons for you wanting to join the bank industry for e.g. it is an honest organization, good working conditions, chances to directly interact with public etc. The choice of reason could be anything that suits you as a person.

This is a very commonly asked question and you must be prepared to answer it.

Please tell us about your strength and weaknesses.

Here, the answers vary from candidate to candidate. But the strength and weakness should be such that they match up to or are in synchronization with the personality of the candidate. For ex:- If a candidate says that his strength is is general awareness while in reality he possesses least knowledge of current affairs - cross questioning can easily unveil him and could actually land him in trouble.

Some key things to answer this question effectively are:-

- Try to put forward a strength which is useful in the banking sector. For ex: - good communication skills, adjustable etc.
- The strength should bring about a positive aspect of your personality in front of the board.
- This is a question from which you can actually turn the interview in your favor. For ex:- If you say something like, "I have won many awards in debate competitions so I would think that good oratory skills are my strength."
- This way I can inform the board about my previous achievements also and can get an advantage over others.
- They may ask how your quality/strength will be helpful to bank. Be prepared with an answer.
- Weakness should not be very negative like short temper, irregular etc. as they leave a bad impression.
- Remember, this question is the golden chance for you to turn the ball in your court. In the answer you must introduce all your unique talent in front of the board. So that the interview enters in your own comfort zone.

After doing B.Sc/B,tech/MBA/MA why do you want to choose banking? Why not something related with you field of education?

You must give honest and sensible answers to such question. For ex:- A MBA candidate may say that there are hardly good jobs in MBA as of now. Banking is a safe sector providing great employment opportunities. In the answer, you must show your keen interest in joining banking sector and it should not look like you don't have an option so you are choosing it. You can also expect some questions from academics. A science stream student may be asked about about Newton's Law etc. So, you must also prepare the subjects studied by you in the degree. Bank Interview shall be conducted for 100 or 50 marks and the minimum marks to qualify for final selection shall be 40 - 50%. But to compete with others, securing the maximum score is important, which can be achieved by proper preparations.

What to prepare for Interview? Although, predicting exact questions is not possible, there are certain topics and areas that are sure to be touched by panelists during an interview.

Bank interviews are basically based on six areas

1. Your C.V.
2. Banking Knowledge
3. GK (Current Affairs) and Computer Knowledge (Basics)
4. Current Recruitment (if any).
5. Why Banking Sector?
6. Why Govt. Job?

1. Your C.V. : For any interview preparation, a candidate should prepare a detailed bio data of yourself i.e. your qualifications, your place of birth, places where you have studied, your hobbies, extra activities, achievements, your aspirations, a little bit about your family etc.

2. Banking Knowledge: If you are going for bank interviews basic banking knowledge is necessary. The following basic banking terms will help the candidate.

3. Current Affairs: Be thorough with current affairs from past three months. Recent awards, Major issues, Sports related questions, State Governors and Chief ministers, Countries, Capitals, Currencies etc.,.
Computer Knowledge: Be thorough with basic computer terminology.

Example: What is DOS, What is WWW, What is LAN, etc. If you have any certificate, it will be an added advantage to the candidate.

4. Current Recruitment (if any): If you are employed anywhere, you must be asked about that organization.

5. Why Banking Sector? - This question is very important and has been asked in interview boards regularly. By this question simply they want to know, why you want to join banking sector. If you are going for Bank Clerk interview with MBA/MCA/ M.SC/ MTech degrees? If yes, either of the following questions could be heading in your way:

1. Why you want to join as a PO with technical degree?
2. Aren't you overqualified for PO post?

6. Why Govt. Job? - When you are going for any govt. job interview, you have to very clear in your mind that why you want to join govt. sector. How to answer point No. 5 & 6 -



Why Banking Sector? -

- i. Banking sector is a sunrise or booming sector of Indian economy.
- ii. It is one of the fastest growing sector as banks are expanding their reach across the geography.
- iii. As role of Clerk is a multi-dimensional role, it offers unparalleled opportunities for learning and growth. It gives us a glimpse of opportunities in a PSU Bank.
- iv. Moreover, Banking is a much respected profession in India and we get a social status and respect as a Banker.
 - i. Make sure your looks realistic and at the same time conveys your willingness to join bank sector.
 - ii. If questioned about your degree (MBA/MCA/ M.SC/ MTech) Mention about the uncertain future of private sector, compared to high growth witnessed in banking sector.

Aren't you overqualified for PO post?

Let them know that how your degree can help in banking sector and also relate your answer with future growth.

What to prepare for Interview?

Although, predicting exact questions is not possible, there are certain topics and areas that are sure to be touched by panelists during an interview.

Why Banking Sector? -

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Few expected Personal Questions

It is not enough to have solid answers only for the below questions but you need to be prepared for the full spectrum of questions that may be presented.

- Q1.** Tell me about yourself. (Even Qs related to your name/place can be expected if your name/place has prominence)
- Q2.** Why did you choose this career?
- Q3.** Tell us about your education?
- Q4.** When did you decide on banking career?
- Q5.** Aren't you over qualified for this position?
- Q6.** How will your professional knowledge be helpful in the Banking career?
- Q7.** Do you have any plans for further education?
- Q8.** Do you have any actual work experience?
- Q9.** What have you been doing after graduation?
- Q10.** Why are you leaving your current position? (for working professionals)
- Q11.** What other career options do you have?
- Q12.** What goals do you have in your career?
- Q13.** How do you plan to achieve these goals?
- Q14.** What do you know about banking?
- Q15.** What is a Bank?
- Q16.** Why do you want to work in the Banking industry?
- Q17.** What do you know about our company? (Should have an idea about important products from various banks, tag lines etc)
- Q18.** Why are you interested in our company?
- Q19.** Why don't you join some private company?
- Q20.** How is your professional knowledge useful for our organization?
- Q21.** Why should I hire you?

- Q22.** What will you do if you get a better offer?
- Q23.** Who is your role model?
- Q24.** What are your short-term goals?
- Q25.** What is your long-term objective?
- Q26.** Where do you see yourself, five years from now?
- Q27.** What is your greatest strength?
- Q28.** What is your weakness?
- Q29.** What are your hobbies?
- Q30.** Tell us about your extracurricular activities.
- Q31.** Q's related to your achievements?
- Q32.** Are you a team player?
- Q33.** Do you handle pressure well?
- Q34.** Do you have any location preferences?
- Q35.** Will you relocate?

BANKING AWARENESS FOR IBPS PO/CLERK INTERVIEW

RBI & ITS ROLE

RBI is the central Bank of India and controls the entire money issue, circulation the entire money issue, circulation and control by its monetary policies and lending policies by periodical updates or corrections to discipline the economy. It is also known as the bank of last resort.

Establishment: The reserve bank of India was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934. The Central Office of the Reserve Bank of India was initially established in Calcutta but was permanently moved to Mumbai in 1937. In 1949, the Government of India nationalized the Reserve Bank of India under the Reserve Bank (Transfer of Public Ownership) Act, 1948. The Central Board of Directors of RBI consists of 20 members. Besides Governor and 4 Deputy Directors, 4 Directors are nominated each by Four Local Boards. Apart from them, 10 other directors and 1 Government Officer are nominated by the Government of India. The Governor is the highest official of the Reserve Bank.

FUNCTIONS OF THE RBI

- 1.** Monopoly of Note Issue
- 2.** Banker to the Government
- 3.** Bank of Banker's
- 4. Lender of the Last Resort:** The scheduled banks can borrow from the Reserve Bank on the basis of eligible securities. They can also get the bills of exchange rediscounted.
- 5. National Clearing House:** It acts as the national clearing house and helps the member banks to settle their mutual indebtedness without physically transferring cash from place to place.

6. Credit Control: The Reserve Bank of India is the controller of credit, i.e., it has the power to influence the volume of credit created by bank in India. It can do so through changing the bank rate or through open market operation.

7. Custodian of Foreign Exchange Reserves: The Reserve Bank has the responsibility of maintaining the external value of the rupee. There is centralization of the entire foreign exchange reserves of the country with the Reserve Bank to avoid fluctuations in the exchange rate.

8. Collection of Data and Publications: The Reserve Bank of India collects statistical data and economic information through its research departments.

9. Export Assistance: Reserve Bank of India extends loan to Export oriented Industries, indirectly by refinancing the loans given by Export Import Bank of India and other Banks.

10. Licensing of Banks

11. Control over Management

RBI Regulates The Monetary Polity Through:

A. Quantitative Credit Control or General Methods

1. Bank Rate
2. Open Market Operations
3. Cash-Reserve Ratio Requirement (CRR)
4. Statutory Liquidity Ratio (SLR)

B. Qualitative Credit Control or Selective Credit Control Methods

Selective credit controls are qualitative credit control measures undertaken by the central bank to divert the flow of credit from speculative and unproductive activities to productive and more urgent activities.

a) Variation of Margin Requirements on Loans: The “margin” is the difference between the “loan value” and the “market value” of securities offered by borrowers against secured loans. By fixing the margin requirements on secured loans, the central bank does not permit the commercial banks to lend to their customers the full value of the securities offered by them, but only a part of their market value.

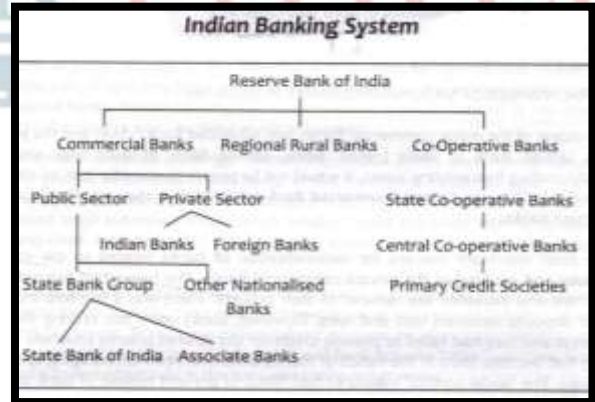
b) Credit Authorization Scheme (CAS): Credit Authorization Scheme is a type of selective credit control introduced by the Reserve Bank in November, 1965. Under the scheme, the commercial banks had to obtain Reserve Bank’s authorization before sanctioning any fresh credit of Rs. 1 crore or more to any single party. Under this scheme, the Reserve Bank requires the commercial banks to collect, examine and supply detailed information regarding the borrowing concerns. This regulation has since been dispensed with.

c) Control of Bank Advances: With a view to prevent speculation, Reserve Bank has fixed from time to time maximum limits for some kinds of loans and advances.

d) Moral Suasion: This method involves advice, request and persuasion with the commercial banks to co-operate with the central bank in implementing its credit policies. The Reserve Bank has also been using moral suasion as a selective credit control measure from 1956. It has been sending periodic letters to the commercial banks to use restraint over their credit policies in general and in respect of certain commodities and unsecured loans in particular.

INDIAN BANKING SECTOR

1. The Banking Regulation Act was passed in year 1949. It gave extensive regulatory powers to Reserve Bank of India over the commercial banks and also to inspect their workings.
2. Unorganised banking includes indigenous bankers and village money-lenders.
3. Organised banking which includes Reserve Bank of India, Commercial Banks, (including Foreign Banks), Development Banks, National Bank for Agriculture and Rural Development, Land Development Banks etc.



COMMERCIAL BANKS FUNCTIONS

The commercial banks perform the following major functions:

- (a) Receiving deposits from the public and the business firms.
- (b) Lending money to various sections of the economy for productive activities.
- (c) Issue of demand drafts, traveler’s cheques, bank cards, etc., for the smooth remittance of funds.
- (d) Provision of locker facility to the customers.
- (e) Safe custody of documents, ornaments and other valuables of customers.

- (f) Payment of telephone, electricity and water bills on behalf of the customers.
- (g) Collection of cheques of the customers.
- (h) Issue of letters of credit.
- (i) Acting as trustees, executors of wills, etc.

NATIONALISATION OF BANKS

The Government of India nationalized 14 major banks in the country in July, 1969, which had deposits of more than Rs. 50 crores and another 6 Banks in April, 1980, each of these Banks had deposits of Rs. 200 crores.

Note:

- a) 14 Banks which were nationalized in July 1969
- b) 6 Banks which were nationalized in April 1980

OBJECTIVES OF NATIONALIZATION

1. To raise public confidence in Banking system.
2. Expansion of banking activities in rural and semi-urban areas.
3. To reduce regional inequalities and help the poor in the society.
4. To augment mobilization of savings from the rural and urban areas in terms of bank Deposits.
5. To augment credit flow to the Priority sectors like Agriculture, Small scale Industries and small traders.
6. To ensure adequate availability of resources for the planned growth of the country.

Difference between State Bank of India and other Nationalized (Public Sector) Banks in India

1. Public Sector Banks were established under different statutes, viz. Banking Companies (Acquisition and Transfer of Undertaking) Acts, 1970 and 1980. SBI was established under the State Bank of India Act, 1955 and its associates Banks are governed under the State Bank of India (Subsidiary Banks) Act, 1959.
2. Public Sector Banks were wholly owned by the Government of India. Later, after the amendment passed in 1994, in the Banking Companies (Acquisition and Transfer of Undertaking) Acts, 1970 and 1980, these Banks were allowed to raise capital from the Public, however with a provision that the equity stake of the Central Government shall not fall below 51% of the Paid-up Capital. In case of State Bank of India, majority share-holding is held with Reserve Bank of India at the time of conversion of Imperial Bank of India into State Bank of India. As per the State Bank of India Act, 1955, the share-holding of RBI in SBI must be above 55% of the Paid-up Capital. The Subsidiaries of SBI are fully owned by SBI except in a few Subsidiaries, some share-holding is held by the public.

3. State Bank of India acts as an agent of RBI in places where RBI branches does not exist. The Nationalised PSU Banks are entrusted with the function of paying, receiving, collecting and remitting money, Bills and Securities on behalf of any State Government and Central Government, as entrusted by RBI.

SCHEDULED BANKS VS NON-SCHEDULED BANKS

As per Reserve Bank of India Act, 1934, Banks were classified as Scheduled Banks and Non-Scheduled Banks. The Scheduled banks are those having been entered in the Second schedule of Reserve Bank of India Act, 1934, whereas those excluded from it are called Non-Scheduled banks. All commercial banks – Indian as well as Foreign Banks, State Co-operative Banks, Regional Rural Banks are Scheduled banks.

ACCOUNTS IN A BANK

- Savings Bank Account
- Current Deposit Account
- Fixed Deposit Account
- Recurring Deposit Account.

a. Savings Bank Account

The rate of interest on savings bank account varies from bank to bank and also changes from time to time. Interest rate is paid to the account holders on daily balance basis.

b. Current Deposit Account

- This account is mainly for big businessmen, companies and institutions, since there are no restrictions on number of withdrawals from this type of account. From this account withdrawal can be made any number of times.
- For the convenience of the account holders banks also allow withdrawal of amounts in excess of the balance of deposit. This facility is known as overdraft facility.

c. Fixed Deposit Account (also known as Term Deposit Account)

Money is deposited in a fixed deposit account to earn interest at a higher rate.

d. Recurring Deposit Account

The rate of interest allowed on the deposits in this account is higher than that on a savings bank deposit but lower than the rate allowed on a fixed deposit for the same period.

Important points to remember

- a) Minimum age to open a bank account is now 10 years.
- b) Maximum Interest rate is given on FD A/c.
- c) The maximum period of an FD is 10 years & for RD is 10 years.

INTEREST RATE ON BANK ACCOUNTS

A) Some points related to Interest Rates on Bank Accounts

- 1) Interest on Savings A/c is calculated on daily balance basis.
- 2) Now, All Scheduled Commercial Banks (Excluding RRBs) have the discretion to offer differential interest rates based on whether the term deposits are with or without-premature-withdrawal-facility, subject to the following guidelines:
 - All term deposits of individuals (held singly or jointly) of ₹ 15 lakh and below should, necessarily, have premature withdrawal facility.
 - For all term deposits other than (i) above, banks can offer deposits without the option of premature withdrawal as well.
 - Banks should disclose in advance the schedule of interest rates payable on deposits i.e. all deposits mobilized by banks should be strictly in conformity with the published schedule.

B) Taxation of Savings Bank Interest rates:

Unlike interest on fixed deposits, interest earned on savings bank accounts is not subject to Tax Deduction at Source. However, this does not mean the interest earned on Savings accounts is completely tax free. It is exempt upto Rs. 10,000 in a year, and if the interest you earn from Savings accounts crosses this threshold, it becomes subject to tax.

NBFC

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 engaged in the business of loans and advances, acquisition of shares/stocks/bonds/debentures/securities issued by Government or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit fund business.

Difference between BANK & NBFC:

NBFCs lend and make investments and hence their activities are akin to that of banks; however there are a few differences as given below:

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

Different types/categories of NBFCs registered with RBI:

- Asset Finance Company (AFC)
- Investment Company (IC)

- Loan Company (LC)
- Infrastructure Finance Company (IFC)
- Infrastructure Debt Fund
- Non-Banking Financial Company - Micro Finance Institution (NBFC-MFI)
- Non-Banking Financial Company - Factors (NBFC-Factors)

Register with RBI:

A company incorporated under the Companies Act, 1956 and desirous of commencing business of non-banking financial institution as defined under Section 45 I(a) of the RBI Act, 1934 should comply with the following:

- a) It should be a company registered under Section 3 of the companies Act, 1954
- b) It should have a minimum net owned fund of Rs 200 lakh.

Deposits in NBFC:

- a) Presently, the maximum rate of interest an NBFC can offer is 12.5%. The interest may be paid or compounded at rests not shorter than monthly rests.
- b) The NBFCs are allowed to accept/renew public deposits for a minimum period of 12 months and maximum period of 60 months. They cannot accept deposits repayable on demand.
- c) The deposits with NBFCs are not insured.
- d) The repayment of deposits by NBFCs is not guaranteed by RBI.

Brief about RNBC

- a) Residuary Non-Banking Company is a class of NBFC which is a company and has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner and not being Investment, Asset Financing, Loan Company.
- b) A RNBC can accept deposits for a minimum period of 12 months and maximum period of 84 months from the date of receipt of such deposit. They cannot accept deposits repayable on demand.

NPA-Non-Performing Asset & SARFAESI

It means once the borrower has failed to make interest or principal payments for 90 days, the loan is considered to be a non-performing asset.

SARFAESI Act and Rules

SARFAESI Act (The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002) was enacted to regulate securitization and reconstruction of financial assets and enforcement of security interest created in respect of Financial Assets to enable realization of such assets. The SARFAESI Act provides for the manner for enforcement of security interests by a secured creditor without the intervention of a court or tribunal. If any borrower fails to discharge his liability in repayment of

any secured debt within 60 days of notice from the date of notice by the secured creditor, the secured creditor is conferred with powers under the SARFAESI Act to

- a) Takes possession of the secured assets of the borrower, including transfer by way of lease, assignment or sale, for realizing the secured assets
- b) Takeover of the management of the business of the borrower including the right to transfer by way of lease, assignment or sale for realizing the secured assets,
- c) Appoint any person to manage the secured assets possession of which is taken by these secured creditor, and
- d) Require any person, who has acquired any of the secured assets from the borrower and from whom money is due to the borrower, to pay the secured creditor so much of the money as is sufficient to pay the secured debt

The assets portfolio of the banks is required to be classified as

(1) standard assets (2) sub-standard assets (3) doubtful assets and (4) loss assets.

- **Standard asset** is one that does not disclose any problems and which does not carry more than normal risk attached to the business .
- An asset which has been classified as NPA for a period not exceeding 12 months is considered as **sub-standard asset**.
- **Doubtful asset** is one which has remained NPA for a period exceeding 12 months.
- An asset which is considered uncollectible and loss has been identified by the bank or internal or external auditors or the RBI inspection and the loss has not been written off is regarded as **loss asset**.

DICGC (Deposit Insurance and Credit Guarantee Corporation of India)

1. Which banks are insured by the DICGC?

Commercial Banks: All commercial banks including branches of foreign banks functioning in India, local area banks and regional rural banks are insured by the DICGC.

2. What does the DICGC insure?

In the event of a bank failure, DICGC protects bank deposits that are payable in India. The DICGC insures all deposits such as savings, fixed, current, recurring, etc. except the following types of deposits.

- (i) Deposits of foreign Governments;
- (ii) Deposits of Central/State Governments;
- (iii) Inter-bank deposits;
- (iv) Deposits of the State Land Development Banks with the State co-operative bank;
- (v) Any amount due on account of any deposit received outside India

(vi) Any amount, which has been specifically exempted by the corporation with the previous approval of Reserve Bank of India.

3. What is the maximum deposit amount insured by the DICGC?

Each depositor in a bank is insured upto a maximum of Rs.1,00,000 (Rupees One Lakh) for both principal and interest amount held by him in the same capacity.

4. Does the DICGC insure just the principal on an account or both principal and accrued interest?

The DICGC insures principal and interest upto a maximum amount of Rs. One lakh.

NEFT AND RTGS

NEFT:

National Electronic Funds Transfer (NEFT) is a nationwide payment system facilitating one-to-one funds transfer.

Under this Scheme, individuals, firms and corporates can electronically transfer funds from any bank branch to any individual, firm or corporate having an account with any other bank branch in the country participating in the Scheme.

Limit using NEFT:

There is no limit – either minimum or maximum – on the amount of funds that could be transferred using NEFT.

However, maximum amount per transaction is limited to Rs.50,000/- for cash-based remittances and remittances to Nepal.

RTGS:

Real Time Gross Settlement, which can be defined as the continuous (real-time) settlement of funds transfers individually on an order by order basis (without netting). 'Real Time' means the processing of instructions at the time they are received rather than at some later time; 'Gross Settlement' means the settlement of funds transfer instructions occurs individually (on an instruction by instruction basis).

Limit using RTGS:

The RTGS system is primarily meant for large value transactions. The minimum amount to be remitted through RTGS is Rs. 2 lakhs. There is no upper ceiling for RTGS transactions.

RTGS vs NEFT

NEFT is an electronic fund transfer system that operates on a Deferred Net Settlement (DNS) basis which settles transactions in batches. Contrary to this, in the RTGS transactions are processed continuously throughout the RTGS business hours.

Accounts for Foreign (Currency/Person) in India

a) NRO A/c (Foreign Tourist)

- 1) Foreign tourists during their short visit to India can open a Non-Resident (Ordinary) Rupee (NRO) account (Current / Savings) with any Authorised Dealer bank dealing in foreign exchange. Such account can be opened up to a maximum period of 6 months.
- 2) Tourists can freely make local payments through the NRO account. All payments to residents exceeding INR 50,000 can be made only by means of cheques / pay orders / demand drafts.

b) EEFC A/c

- 1) Exchange Earners' Foreign Currency Account (EEFC) is an account maintained in foreign currency with an Authorised Dealer i.e. a bank dealing in foreign exchange.
- 2) It is a facility provided to the foreign exchange earners, including exporters, to credit 100 per cent of their foreign exchange earnings to the account, so that the account holders do not have to convert foreign exchange into Rupees and vice versa, thereby minimizing the transaction costs.
- 3) All categories of foreign exchange earners, such as individuals, companies, etc. who are resident in India, may open EEFC accounts.
- 4) An EEFC account can be held only in the form of a current account. No interest is payable on EEFC accounts.

ACCOUNTS FOR NRI/PIO

1. Non-Resident Ordinary Rupee Account (NRO Account)

- NRO accounts may be opened / maintained in the form of current, savings, recurring or fixed deposit accounts. Interest rates offered by banks on NRO deposits cannot be higher than those offered by them on comparable domestic rupee deposits.
- Account should be denominated in Indian Rupees.
- NRI/PIO may remit from the balances held in NRO account an amount not exceeding USD one million per financial year, subject to payment of applicable taxes.
- The limit of USD 1 million per financial year includes sale proceeds of immovable properties held by NRIs/PIOs.

2. Non-Resident (External) Rupee Account (NRE Account)

- NRE account may be in the form of savings, current, recurring or fixed deposit accounts.
- Account will be maintained in Indian Rupees.
- Accrued interest income and balances held in NRE accounts are exempt from Income tax.
- Authorised dealers/authorised banks may at their discretion allow for a period of not more than two weeks, overdrawings in NRE savings bank accounts, up to a limit of Rs.50,000.
- Loans up to Rs.100 lakh can be extended against security of funds held in NRE Account either to the depositors or third parties.

3. Foreign Currency Non Resident (Bank) Account – FCNR (B) Account

- FCNR (B) accounts are only in the form of term deposits of 1 to 5 years
- Account can be in any freely convertible currency.
- Loans up to Rs.100 lakh can be extended against security of funds held in FCNR (B) deposit either to the depositors or third parties.
- The interest rates are stipulated by the Department of Banking Operations and Development, Reserve Bank of India.

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NEGOTIABLE INSTRUMENTS & Cheques

According to section 13 of the Negotiable Instruments Act, 1881, a negotiable instrument means “promissory note, bill of exchange, or cheque, payable either to order or to bearer”.

Cheque

It is an instrument in writing containing an unconditional order, addressed to a banker, sign by the person who has deposited money with the banker, requiring him to pay on demand a certain sum of money only to or to the order of certain person or to the bearer of instrument.”

Types of Cheque

1. Bearer Cheque or open Cheque

When the words "or bearer" appearing on the face of the cheque are not cancelled, the cheque is called a bearer cheque. The bearer cheque is payable to the person specified therein or to any other else who presents it to the bank for payment.

2. Order Cheque

When the word "bearer" appearing on the face of a cheque is cancelled and when in its place the word "or order" is written on the face of the cheque, the cheque is called an order cheque. Such a cheque is payable to the person specified therein as the payee, or to any one else to whom it is endorsed (transferred).

3. Crossed Cheque

Crossing of cheque means drawing two parallel lines on the face of the cheque with or without additional words like "& CO." or "Account Payee" or "Not Negotiable". A crossed cheque cannot be encashed at the cash counter of a bank but it can only be credited to the payee's account.

4. Ante-Dated Cheque

If a cheque bears a date earlier than the date on which it is presented to the bank, it is called as "ante-dated cheque". Such a cheque is valid upto 3 months from the date of the cheque.

5. Post-Dated Cheque

If a cheque bears a date which is yet to come (future date) then it is known as post-dated cheque. A post dated cheque cannot be honoured earlier than the date on the cheque.

6. Stale Cheque

If a cheque is presented for payment after 3 months from the date of the cheque it is called stale cheque. A stale cheque is not honoured by the bank.

7. A self cheque

A self cheque is written by the account holder as pay self to receive the money in the physical form from the branch where he holds his account.

8. "A truncated cheque" means a cheque which is truncated during the course of a clearing cycle, either by the clearing house or by the bank whether paying or receiving payment, immediately on generation of an electronic image for transmission, substituting the further physical movement of the cheque in writing. The expression "clearing house" means the clearing house managed by the Reserve Bank of India or a clearing house recognised as such by the Reserve Bank of India.'

Parties of a Cheque:

- There are three parties to the cheque
- Drawer or Maker
 - The bank - on whom the cheque is drawn (i.e. the bank with whom the account is maintained by the drawer)
 - Payee - Payee is the person whose name is mentioned on the cheque to whom or to whose order the money is directed to be paid.

BANKING OMBUDSMAN SCHEME 2006

- 1) The Banking Ombudsman Scheme enables a bank customer for filing of complaints relating to certain services rendered by banks.
- 2) The Banking Ombudsman is a senior official appointed by the Reserve Bank of India to redress customer complaints against deficiency in certain banking services.
- 3) All Scheduled Commercial Banks, Regional Rural Banks and Scheduled Primary Co-operative Banks are covered under the Scheme.
- 4) The Banking Ombudsman does not charge any fee for filing and resolving customers' complaints.
- 5) The maximum compensation which a BO can help a complainant to get is Rs. 10 lakhs.
- 6) If a complaint is not settled by an agreement within a period of one month, the Banking Ombudsman proceeds further to pass an award. Before passing an award, the Banking Ombudsman provides reasonable opportunity to the complainant and the bank, to present their case.
- 7) If one is not satisfied with the decision passed by the Banking Ombudsman, one can approach the appellate authority who is the Deputy Governor of the RBI.

FINANCIAL INCLUSION

Financial inclusion involves

- 1) Give formal banking services to poor people in urban & rural areas.
- 2) Promote habit of money-savings, insurance, pension-investment among poor-people.
- 3) Help them get loans at reasonable rates from normal banks. So they don't become victims in the hands of local moneylender.

Some Important initiatives for Financial Inclusion

- Lead banking scheme (LBS).
- No frills account.
- BSBDA
- Business Correspondents (BC) system.
- Swabhiman Campaign
- PMJDY

Lead Bank Scheme

- The Lead Bank Scheme, introduced towards the end of 1969, envisages assignment of lead roles to individual banks (both in public sector and private sector) for the districts allotted to them.
- A bank having a relatively large network of branches in the rural areas of a given district and endowed with adequate financial and manpower resources has generally been entrusted with the lead responsibility for that district. Accordingly, all the districts in the country have been allotted to various banks.
- The lead bank acts as a leader for coordinating the efforts of all credit institutions in the allotted districts.

No Frill Account

- 'No Frills' account is a basic banking account. Such account requires either nil minimum balance or very low minimum balance. Charges applicable to such accounts are low.
- The RBI in 2005-06 called upon Indian banks to design a 'no frills account' – a no precondition, low 'minimum balance maintenance' account with simplified KYC (Know Your Customer) norms.
- But all the existing 'No-frills' accounts opened were converted into BSBDA in compliance with the guidelines issued by RBI in 2012.

BSBDA

In 2012, RBI introduced BSBDA. Some important points are:

- This account shall not have the requirement of any minimum balance.
- The services available in the account will include: deposit and withdrawal of cash at bank branch as well as ATMs; receipt/credit of money through electronic payment channels or by means of deposit/collection of cheques drawn by Central/State Government agencies and departments;
- While there will be no limit on the number of deposits that can be made in a month, account holders will be allowed a maximum of four withdrawals in a month, including ATM withdrawals.
- Facility of ATM card or ATM-cum-Debit Card.

Business Correspondent

- Business correspondents are bank representatives. They personally go to the area allotted to them and carry out banking. They help villagers to open bank accounts, in banking transactions etc.
- Business Correspondents get commission from bank for every new account opened, every transaction made via them, every loan-application processed etc.

Recently on Financial Inclusion

The Reserve Bank of India (RBI) has constituted a committee with the objective of working out a medium-term (five-year) measurable action plan for financial inclusion. The terms of reference will include reviewing the existing policy of financial inclusion, including supportive payment system and customer protection framework, taking into account the recommendations made by various committees set up earlier.

TYPES OF MONEY

- **Commodity Money** - Commodity money value is derived from the commodity out of which it is made. The commodity itself represents money, and the money is the commodity.
- **Representative Money** - is money that includes token coins, or any other physical tokens like certificates, that can be reliably exchanged for a fixed amount/quantity of a commodity like gold or silver.
- **Fiat Money** - Fiat money, also known as fiat currency is the money whose value is not derived from any intrinsic value or any guarantee that it can be converted into valuable commodity (like gold). Instead, it derives value only based on government order (fiat)
- **Commercial Bank Money** - Commercial bank money or the demand deposits are claims against financial institutions which can be used for purchasing goods and services.

Reserve Money (M0)

Currency in circulation + Bankers' 'deposits with the RBI + 'Other' deposits with the RBI = Net RBI 'credit to the Government + RBI credit to the commercial sector + RBI's claims on banks + RBI's net foreign assets + Government's currency liabilities to the public - RBI's net non-monetary liabilities.

M1 = Currency with the public + Demand deposits with the banking system + 'Other' deposits with the RBI

M2 = M1 + Savings deposits of office savings banks.

M3 = M1 + Time deposits with the banking system = Net bank credit to the Government + Bank credit to the Commercial sector + Net foreign assets of the banking sector + Government's currency liabilities to the public - Net non-monetary liabilities of the banking sector.

M4 = M3 + All deposits with post office savings banks (excluding National Savings Certificates)

Note:

Bhartiya Reserve Bank Note Mudran Private Limited (BRBNMPL)

The Reserve Bank established BRBNMPL in February 1995 as a wholly-owned subsidiary to augment the production of bank notes in India and to enable bridging of the gap between supply and demand for bank notes in the country.

FINANCIAL MARKET

Financial Market is where buyers and sellers participate in the trade of assets such as equities, bonds, currencies and derivatives.

MONEY MARKET

"**Money Market**" refers to the market for short-term requirement and deployment of funds. Money market instruments are those instruments, which have a maturity period of less than one year.

The most active part of the money market is the market for overnight call and term money between banks and institutions and repo transactions. Money Market is regulated by RBI.

Money Market can be further divided into 3 parts. These are:

- a) Call Money Market
- b) Term Money Market
- c) Notice Money Market

The market to get funds for 1 day only is called as **Call Money Market**. The market to get funds for 2 days to 14 days is called as **Notice Money Market**. The market to get funds for 15 days to 1 year is called as **Term Money Market**.

Some of the Money Market instruments are:

- 1) **Commercial Paper**
- 2) **Certificate of Deposit**
- 3) **T-bills**
- 4) **Cash Management Bills**

Commercial Papers-

- a) A CP is a short term security (7 days to 365 days) issued by a corporate entity (other than a bank), at a discount to the face value.
- b) Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note.
- c) CPs normally give a higher return than fixed deposits & CDs.
- d) CP can be issued in denominations of Rs. 5 lakh or multiples thereof. Amount invested by a single investor should not be less than Rs. 5 lakh (face value).
- e) Only corporates who get an investment grade rating can issue CPs, as per RBI rules. It is issued at a discount to face value.

- f) Bank and FI's are prohibited from issuance and underwriting of CP's.

Certificates of Deposit

- a) CDs are negotiable money market instrument issued in demat form or as a Usance Promissory Notes.
- b) CDs issued by banks should not have the maturity less than seven days and not more than one year.
- c) Financial Institutions are allowed to issue CDs for a period between 1 year and up to 3 years.
- d) CDs are like bank term deposits but unlike traditional time deposits these are freely negotiable and are often referred to as Negotiable Certificates of Deposit.
- e) CDs normally give a higher return than Bank term deposit.
- f) All scheduled banks (except RRBs and Co-operative banks) are eligible to issue CDs.
- g) CDs are issued in denominations of Rs. 1 Lac and in the multiples of Rs. 1 Lac thereafter.
- h) Discount/Coupon rate of CD is determined by the issuing bank/FI.
- i) Loans cannot be granted against CDs and Banks/FIs cannot buy back their own CDs before maturity

Treasury bills

- a) Treasury Bills are short term (up to one year) borrowing instruments of the Government of India which enable investors to park their short term surplus funds while reducing their market risk.
- b) They are auctioned by Reserve Bank of India at regular intervals and issued at a discount to face value.
- c) Any person in India including Individuals, Firms, Companies, Corporate bodies, Trusts and Institutions can purchase Treasury Bills.
- d) Treasury Bills are eligible securities for SLR purposes.
- e) Treasury Bills are available for a minimum amount of Rs. 25,000 and in multiples of Rs. 25,000 thereafter.
- f) At present, RBI issues T-Bills for three different maturities: 91 days, 182 days and 364 days.

Cash Management Bills (CMBs)

- a) Government of India, in consultation with the Reserve Bank of India, has decided to issue a new short-term instrument, known as Cash Management Bills (CMBs), to meet the temporary mismatches in the cash flow of the Government.
- b) The CMBs have the generic character of T-bills but are issued for maturities less than 91 days.
- c) Like T-bills, they are also issued at a discount and redeemed at face value at maturity.

d) The tenure, notified amount and date of issue of the CMBs depends upon the temporary cash requirement of the Government.

Capital Market-

These are the financial market for buying and selling of funds for long terms, these consists of Shares, Debentures, equities etc.

Capital market is regulated by- **SEBI (Securities and Exchange Board of India)**

Capital Market consists of two main blocks, they are-

- **Primary Market**
- **Secondary Market**

Primary Market (New Issue Market)-

It is a market where new securities are issued & traded. Companies, governments and other groups obtain financing through debt or equity based securities.

Secondary Market-

Secondary market is basically a reselling market , Here the stocks that are already sold in the primary market are resold mostly by the stockholders or companies to gain more returns.

Shares/Equities-

Companies usually divide their capital into small parts of equal value. This smallest part is known as a share. Companies usually issue shares in the public to raise capital. People who buy or are allotted shares are called shareholders.

PRIORITY SECTOR LENDING

Highlights of PSL

It means provide credit to the needy sectors of the society. The sectors are:

- Agriculture
- Education
- Export
- Social Infrastructure
- Micro and Small Enterprises
- Housing
- Weaker Sections
- Renewable Energy

Targets under PSL

- **Agriculture:** 18 percent of ANBC. Out of this 18 percent, a target of 8 percent of ANBC is for Small and Marginal Farmers, to be achieved in a phased manner i.e., 7 per cent by March 2016 and 8 per cent by March 2017.
- **Weaker Sections:** 10 percent of ANBC.
- **Micro Enterprises:** 7.5 percent of ANBC has been prescribed for Micro Enterprises, to be achieved in a phased manner i.e. 7 percent by March 2016 and 7.5 percent by March 2017.
- **Overall PSL Target for Domestic Bank/Foreign Bank with more than 20 Branches:** 40 percent of Adjusted Net Bank Credit.
- **Overall PSL Target for Foreign Bank with less than 20 Branches:** 40 percent of Adjusted Net Bank Credit to be achieved in a phased manner-

2015-16	32
2016-17	34
2017-18	36
2018-19	38
2019-20	40

Categorization of MSME according to MSME ACT 2006

Manufacturing Sector (Goods)

Enterprises	Investment in plant and machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees

Service Sector

Enterprises	Investment in equipment
Micro Enterprises	Does not exceed ten lakh rupees
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five crore rupees

Other Targets under PSL

- Farmers with landholding of up to 1 hectare are considered as Marginal Farmers. Farmers with a landholding of more than 1 hectare and upto 2 hectares are considered as Small Farmers.
- Scheduled Commercial Banks having any shortfall in lending to priority sector shall be allocated amounts

for contribution to the Rural Infrastructure Development Fund (RIDF) established with NABARD.

- For Renewable Energy, bank loans up to a limit of Rs.15 crore to borrowers for purposes like solar based power generators, etc. For individual households, the loan limit will be Rs.10 lakh per borrower.
- For Housing, banks can provide loans to individuals up to Rs. 28 lakh in metropolitan centres (with population of ten lakh and above) and loans up to Rs. 20 lakh in other centres for purchase/construction of a dwelling unit per family.
- Export credit will be allowed up to 32 percent of ANBC for Foreign banks with less than 20 branches in India.
- For Education, banks can provide loans to individuals for educational purposes including vocational courses upto Rs. 10 lakh for studies in India and Rs. 20 lakh for studies abroad.
- **Limits under Social infrastructure** Bank loans up to a limit of ₹ 5 crore per borrower for building social infrastructure for activities namely schools, health care facilities, drinking water facilities and sanitation facilities in Tier II to Tier VI centres.

Monitoring of Priority Sector Lending targets

To ensure continuous flow of credit to priority sector, there will be more frequent monitoring of priority sector lending compliance of banks on 'quarterly' basis instead of annual basis as of now.

Non-achievement of Priority Sector targets

Scheduled Commercial Banks having any shortfall in lending to priority sector shall be allocated amounts for contribution to the Rural Infrastructure Development Fund (RIDF) established with NABARD and other Funds with NABARD/NHB/SIDBI, as decided by the Reserve Bank from time to time.

The interest rates on banks' contribution to RIDF or any other Funds, tenure of deposits, etc. shall be fixed by Reserve Bank of India from time to time.

Common guidelines for priority sector loans

Banks should comply with the following common guidelines for all categories of advances under the priority sector.

1. Rate of interest

The rates of interest on bank loans will be as per directives issued by our Department of Banking Regulation from time to time.

2. Service charges

No loan related and adhoc service charges/inspection charges should be levied on priority sector loans up to Rs. 25,000.

REVERSE MORTGAGE LOAN

The scheme of reverse mortgage has been introduced for the benefit of senior citizens owning a house but having inadequate income to meet their needs. Some important features of reverse mortgage are:

- a) A homeowner who is above 60 years of age is eligible for reverse mortgage loan. It allows him to turn the equity in his home into one lump sum or periodic payments mutually agreed by the borrower and the banker.
- b) NO REPAYMENT is required as long as the borrower lives, Borrower should pay all taxes relating to the house and maintain the property as his primary residence.
- c) The amount of loan is based on several factors:
 - Borrower's age,
 - Value of the property
 - Current interest rates and
 - The specific plan chosen.

As per the scheme formulated by National Housing Bank (NHB), the maximum period of the loan

period is 15 years. The residual life of the property should be at least 20 years. Where the borrower lives longer than 15 years, periodic payments will not be made by lender. However, the borrower can continue to occupy.

BASEL-3 NORMS

a) The Basel Committee is the primary global standard-setter for the prudential regulation of banks and provides a forum for cooperation on banking supervisory matters. Its mandate is to strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability. Stefan Ingves, Governor of Sveriges Riksbank (SWEDEN), is the Chairman of the Basel Committee.

b) Basel III or Basel 3 released in December, 2010 is the third in the series of Basel Accords. These accords deal with risk management aspects for the banking sector.

c) According to Basel Committee on Banking Supervision "Basel III is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector".

d) Basel 3 measures aim to:

- Improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source
- Improve risk management and governance
- Strengthen banks' transparency and disclosures.

Three Pillars of Basel 3

- **Pillar 1: Minimum Regulatory Capital Requirements based on Risk Weighted Assets (RWAs):**
Maintaining capital calculated through credit, market and operational risk areas (mainly that capital which can absorb risk.)
- **Pillar 2: Supervisory Review Process:**
Regulating tools and frameworks for dealing with peripheral risks that bank face.
- **Pillar 3: Market Discipline:**
Increasing the disclosures that banks must provide to increase the transparency of banks

Important Facts related to BASEL 3

- Minimum Ratio of Total Capital To RWAs--10.50%
- Minimum Ratio of Common Equity to RWAs--4.50% to 7.00%
- Tier I capital to RWAs--6.00%
- Core Tier I capital to RWAs--5.00%
- Capital Conservation Buffers to RWAs--2.50%
- Leverage Ratio--3.00%
- Countercyclical Buffer--0% to 2.50%

MUTUAL FUNDS:

- Mutual funds are investment avenues that pool the money of several investors to invest in financial instruments such as stocks, debentures etc. The profit earned on the investments is distributed among the investors on the basis of the units held by each of them.
- Due to a large pool of investors, the individual risk is spread. So individually you take on low risk.
- The mutual funds in India are governed by Association of Mutual Funds in India, the umbrella body for mutual funds, which is in turn governed by the Securities and Exchange Board of India.
- A diagrammatic representation to understand the Cycle”:



IMPORTANT BANKING TERMS

- **Base Rate:-**The Base Rate is the minimum interest rate of a Bank below which it cannot lend, except for DRI advances, loans to bank's own employees and loan to banks' depositors against their own deposits. (i.e. cases allowed by RBI).
- **Bridge Loan:-**A loan made by a bank for a short period to make up for a temporary shortage of cash. Bridge loan covers this period between the buying the new and disposing of the old one.
- **Credit Authorization Scheme:-**Credit Authorization Scheme was introduced in November, 1965 when P C Bhattacharya was the chairman of RBI. Under this instrument of credit regulation RBI as per the guideline authorizes the banks to advance loans to desired sectors
- **Open Market Operations:-**An open market operation is an instrument of monetary policy which involves buying or selling of government securities from or to the public and banks.
- **Moral Suasion:-**Moral Suasion is just as a request by the RBI to the commercial banks to take so and so action and measures in so and so trend of the economy. RBI may request commercial banks not to give loans for unproductive purpose which does not add to economic growth but increases inflation.
- **Special Drawing Rights (SDRs):-**It is a reserve asset (known as 'Paper Gold') created within the framework of the International Monetary Fund in an attempt to increase international liquidity, and now forming a part of countries official forex reserves along with gold, reserve positions in the IMF and convertible foreign currencies.
- **Bouncing of a cheque:** Where an account does not have sufficient balance to honour the cheque issued by the customer, the cheque is returned by the bank with the reason "funds insufficient" or "Exceeds arrangement". This is known as 'Bouncing of a cheque'.
- **Demat Account:** The term "**demat**", in India, refers to a dematerialised account for individual Indian citizens to trade in listed stocks or debentures.
- **Endorsement:** When a Negotiable Instrument contains, on the back of the instrument an endorsement, signed by the holder or payee of an order instrument, transferring the title to the other person, it is called endorsement.
- **Merchant Banking :** When a bank provides to a customer various types of financial services like accepting bills arising out of trade, arranging and providing underwriting, new issues, providing advice, information or assistance on starting new business, acquisitions, mergers and foreign exchange.
- **Money Laundering** The process of creating the appearance that large amounts of money obtained

from serious crimes, such as drug trafficking or terrorist activity, originated from a legitimate source.

- **Mortgage:** Transfer of an interest in specific immovable property for the purpose of offering a security for taking a loan or advance from another. It may be existing or future debt or performance of an agreement which may create monetary obligation for the transferor (mortgagor).
- **GAAR:** The full form of GAAR is : General Anti-Avoidance Rules. Tax Avoidance is an area of concern across the world. The rules are framed in different countries to minimize such avoidance of tax. It is a set of general rules enacted so as to check the tax avoidance.
- **BPLR:** In banking parlance, the BPLR means the Benchmark Prime Lending Rate. However, with the introduction of Base Rate (explained below), BPLR has now lost its importance and is made applicable normally only on the loans which have been sanctioned before the introduction of Base Rate (i.e. July 2010).
- **Prime Lending Rate (PLR):** The rate at which banks lend to their best (prime) customers. It is usually less than normal interest rate.
- **Wholesale Banking:** Wholesale banking is different from Retail Banking as its focus is on providing for financial needs of industry and institutional clients.
- **Capital Adequacy Ratio (CAR):-** Capital adequacy ratio measures the amount of a bank's capital expressed as a percentage of its credit exposure. Globally, the capital adequacy ratio has been developed to ensure banks can absorb a reasonable level of losses before becoming insolvent. Indian banks are expected to maintain a minimum capital adequacy ratio of 9 per cent (Rs 9 as capital for every Rs 100 in loan or asset)
- **Asset - Liability Mismatch:-** In finance, an assets liabilities asset-liability mismatch occurs when the financial terms of an institution's and do not correspond.

IMPORTANT BANKING CONCEPTS

1) What is Asset Management Companies?

A company that invests its clients' pooled fund into securities that match its declared financial objectives. Asset management companies provide investors with more diversification and investing options than they would have by themselves. Mutual funds, hedge funds and pension plans are all run by asset management companies. These companies earn income by charging service fees to their clients.

2) What is Liquidity Adjustment Facility(LAF)?

A tool used in monetary policy that allows banks to borrow money through repurchase agreements. This arrangement allows banks to respond to liquidity pressures and is used by governments to assure basic stability in the financial markets.

3) What is Bancassurance?

It is the term used to describe the partnership or relationship between a bank and an insurance company whereby the insurance company uses the bank sales channel in order to sell insurance products.

4) What is Balance of Trade?

The value of a country's exports minus the value of its imports. Unless specified as the balance of merchandise trade, it normally incorporates trade in services, including earnings (interest, dividends, etc.) on financial assets.

5) What is Balance of Payments?

A list of all of a country's international transactions for a given time period, usually one 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 **debits**. A single numbers summarize all of a country's international transactions: the balance of payments surplus.

6) What is NOSTRO Account?

A Nostro account is maintained by an Indian Bank in the foreign countries.

7) What is VOSTRO Account?

A Vostro account is maintained by a foreign bank in India with their corresponding bank.



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8) What is IMPS?

Immediate Payment Service. It is an instant interbank electronic fund transfer service through mobile phones. Both the customers must have MMID (Mobile

Money Identifier Number). For this service, we don't need any GPS-enabled cell phones.

9) What is BCBS?

Basel Committee on Banking Supervision is an institution created by the Central Bank governors of the Group of Ten nations.

10) What is LIBOR?

London InterBank Offered Rate. An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market.

11) What is STRIPS?

Separate Trading for Registered Interest & Principal Securities.

12) What is KYC?

KYC is an acronym for "Know your Customer", a term used for customer identification process. It involves making reasonable efforts to determine true identity and beneficial ownership of accounts, source of funds, the nature of customer's business, reasonableness of operations in the account in relation to the customer's business, etc which in turn helps the banks to manage their risks prudently. The objective of the KYC guidelines is to prevent banks being used, intentionally or unintentionally by criminal elements for money laundering.

KYC has two components - Identity and Address. While identity remains the same, the address may change and hence the banks are required to periodically update their records.

13) What do you mean by term "CASA" related to bank?

CASA stands for Current Account Savings Account. The CASA ratio shows how much deposit a bank has in the form of current and saving account deposits in the total deposit. A higher CASA ratio means better operating efficiency of the bank because on current account there is no interest payable whereas on savings account a tiny 3.5% interest is payable by the bank. CASA ratio shows how much of the deposit of the bank comes from the current and savings deposit.

14) We hear regularly that all bank branches are turning CBS. What is CBS?

CBS stands for CORE banking solutions under which the branches of the banks are interconnected with each other through intra net with a central database server. Now, with this facility, a person having an account in a certain branch of the bank can operate from any other branch of the same bank. He need not

visit the same branch to operate his account. The CORE word in CBS stands for Centralized Online Realtime Exchange.

Q15) What is Inflation?

Ans. The rise in the prices of goods or service in an economy over a certain period of time is known as inflation.

Q16) Name the types of "Inflation"?

- Wage inflation
- Price power inflation
- Cost-push inflation
- Sectorial inflation
- Stagflation
- Mild inflation
- Hyper-inflation



Q17) What are the effects of "Inflation"?

Ans. Following are the effect of inflation:-

- It decreases the real value of money
- It discourage investment and savings
- It leads to shortage of goods
- Mitigate economic recessions
- Reduces the level of debt

Q18) What is "Money Laundering"?

Ans. The process of converting illegal money into legal money is Money Laundering. According to Section 3 of the Prevention of Money laundering Act 2002 as: "Whosoever directly or indirectly attempts to indulge or knowingly assists or is involved in any process or activity connected with the proceeds of crime and is projecting it as the untainted property shall be guilty of the offence of money laundering".

Q19) What do you mean by narrow banking?

It is the system of banking under which the bank accepts deposits from the public and places the funds accepted in 100 percent risk free assets with maturity matching for its liabilities. The bank takes no risk of lending at all.

IMPORTANT CODES USED IN BANKING

[1] IFSC (Indian Financial System Code):

Indian Financial System Code is an alpha-numeric code that uniquely identifies a bank-branch participating in the NEFT system.

This is an 11 digit code with the first 4 alpha characters representing the bank, The 5th character is 0 (zero).and the last 6 characters representing the bank branch.

For ex: PNB0014976 :

- i. First 4 character PNB0 – refers to Punjab National Bank.
- ii. 0 is a control number.
- iii. last six characters (014976) represents the PNB branch kurshi Road, Lucknow.

[2] MICR – Magnetic ink character Recognition :-

MICR is 9 digit numeric code that uniquely identifies a bank branch participating in electronic clearing scheme.

Used to identify the location of a bank branch.

City (3) Bank (3) Branch (3)

The MICR code is allotted to a bank branch is printed on the MICR band of cheques. MICR used for electronic credit system.

[3] SWIFT Code :- Society for Worldwide Interbank financial tele-communication

India was 74th Nation to join SWIFT Network.

SWIFT Code is a standard format of bank Identifier code. This code is used particularly in International transfer of money between banks.

A majority of FOREX related message are sent to correspondent banks abroad through SWIFT.

SWIFT Code consist 8 or 11 character when code is 8 digit,

It is referred to primary office

4 – bank code

2 – country code

2 – location code

3 – branch code (optional)

TYPES OF BANKING

- **Para banking-** When Bank provides banking services except the general banking facility.
- **Narrow Banking-** When banks invest its money in government securities instead investing in market to avoid risk.
- **Offshore Banking-** Bank which accept currency of all countries.
- **Green banking-** Promoting environmental-friendly practices and reducing your carbon footprint from your banking activities.

- **Retail Banking-** Retail banking refers to the division of a bank that deals directly with retail customers. Also known as consumer banking or personal banking, retail banking is the visible face of banking to the general public.
- **Wholesale banking-** Wholesale banking is the provision of services by banks to organisations such as Mortgage Brokers, large corporate clients, mid-sized companies, real estate developers and investors, international trade finance businesses, institutional customers (such as pension funds and government entities/agencies), and services offered to other banks or other financial institutions.

FINANCIAL INSTITUTIONS

National Bank for Agriculture and Rural Development (NABARD) :

- Established on 12th July 1982 on the recommendation of CRAFTICARD committee (also called as Sivaraman Committee)
- For Agricultural finance, NABARD is the apex organization.
- Chairman : Dr. Harsha Kumar Bhanwala
- Head Quarters : Mumbai
- It assists Cooperative Banks, RRBs, Land Development Banks & Scheduled Commercial banks in lending to farmers, rural artisans and other nonfarmers in rural areas and to the State Governments for minor irrigation.
- Rural Infrastructure Development Fund (RIDF) is operated by NABARD, instead in April 1995.
- NABARD is the "Micro-Finance Regulatory Authority"

Small Industries Development Bank of India (SIDBI)

- Small Industries Development Bank of India (SIDBI in short) was established in the year 1990 (Date : 2nd April 1990) under the Small Industries Development Bank of India Act 1989 as a subsidiary of Industrial Development Bank of India.
- It is the principal financial institution for promotion, financing and development of small, tiny and cottage sector.
- Chairman- Dr. Kshatrapati Shivaji
- Head Quarters : Lucknow

Securities and Exchange Board of India (SEBI)

- It is the regulator for the securities market in India. SEBI was initially established as a non statutory body in April 1988, to regulate the working of stock exchange. Later it was given a statutory status on April 1992 via SEBI Act, 1992 with the following objectives.
- Chairman- UK Sinha
- Head Quarters : Mumbai

REGIONAL RURAL BANK (RRB):

- Regional Rural Bank Were Set Up By An Ordinance In 1975, Later Replaced By Rrbs Act, 1976 As Pre Banking Commission Recommendation In 1975.
- Father Of Rrb Is M.Swaminathan.
- The Govt. Of India Had Appointed A Working Group On Rural Banks Under The Chairmanship Of Mr. M. Narasimham In 1975. First Rrbs Were Set Up On 2nd Oct.
- Share Holder Contribution In %: Government Of India 50% Sponsor Bank 35% State Government 15% Total 100%.

EXIM BANK:

- The Export-Import (EXIM) Bank of India is the principal financial institution in India for coordinating the working of institutions engaged in financing export and import trade.
- It is a statutory corporation wholly owned by the Government of India.
- It was established on January 1, 1982 for the purpose of financing, facilitating and promoting foreign trade of India.
- Chairman- Yaduvendra Mathur
- Head Quarters : Mumbai

NATIONAL HOUSING BANK(NHB):

- The National Housing Bank (NHB), the apex institution of housing finance in India, was set up as wholly owned subsidiary of the Reserve Bank of India.
- The bank started its operations from July 1988.
- NHB is a subsidiary bank of Reserve Bank of India.
- National Housing Bank was established under section 6 of National Housing Bank Act(1987).
- The headquarters of NHB is in New Delhi.
- Chairman: Shri Sriram Kalyanaraman

ECGC

- Export Credit Guarantee Corporation of India. This organisation provides risk as well as insurance cover to the Indian exporters.
- Chairman- Geetha Muralidhar
- Head Quarters : Mumbai

BANKING/FINANCIAL SCHEMES & REPORTS

Deepak mohanty report on financial inclusion

The Reserve Bank of India released the Report of the Committee on Medium-term Path on Financial

Inclusion. The committee was constituted by the RBI with the objective of working out a medium-term (five-year) measurable action plan for financial inclusion. The 14-member committee was headed by RBI Executive Director Deepak Mohanty.

Important Recommendations of the Committee

- Banks have to make special efforts to step up account opening for females, and the Government may consider a deposit scheme for the girl child – **Sukanya Shiksha - as a welfare measure.**
- Given the predominance of **individual account holdings** (94 per cent of total credit accounts), a unique biometric identifier such as Aadhaar should be linked to each individual credit account.
- **Account lined Aadhaar and the credit information** should be **shared** with companies to enhance the stability of the credit system and improve access.
- To increase **formal credit supply to all agrarian segments**, digitisation of **land records is the way forward.**
- A scheme of '**Gold KCC**' (**kisan credit card**) with higher flexibility for borrowers with prompt repayment records, which could be dovetailed with a government-sponsored personal insurance, and digitisation of KCC to track expenditure pattern.
- **Introduction of a system of online registration of BCs**, their training and monitoring their activity including delinquency, and entrusting more complex financial products such as credit to trained BCs with good track record.
- **National Payments Corporation of India (NPCI)** is advised to develop a multi-lingual mobile application for customers who use non-smart phones, especially for users of national unified USSD platform (NUUP).

RBI revises priority sector lending norms for RRBs

Seeing the growing significance of RRBs in pursuit of financial inclusion agenda, it has been decided to revise the priority sector guidelines for RRBs.

Some of the salient features of the guidelines are as following:-

- Targets:** 75 per cent of total outstanding to the sectors eligible for classification as priority sector lending.
- Categories of the Priority Sector:** Medium Enterprises, Social Infrastructure and Renewable Energy will form part of the Priority Sector, in addition to the existing categories, with a cap of 15 per cent of total outstanding.

- iii. **Agriculture:** 18% per cent of total outstanding should be advanced to activities mentioned under Agriculture.
- iv. **Small and Marginal Farmers:** A target of 8 percent of total outstanding has been prescribed for Small and Marginal Farmers within Agriculture.
- v. **Micro Enterprises:** A target of 7.5 per cent of total outstanding has been prescribed for Micro Enterprises.
- vi. **Weaker Sectors:** A target of 15 per cent of total outstanding has been prescribed for Weaker Sections.
- vii. **Monitoring:** Priority Sector Lending will be monitored on a quarterly as well as annual basis. The revised guidelines will be operational with effect from January 1, 2016.

Government notified mandatory quoting of PAN for cash transactions over Rs 2 lakh

The central government has made it a must to quote the permanent account number (PAN) for all transactions above Rs.2 lakh in a bid to curb black money. This requirement will come into effect from January 2016 and will be applicable on all sale and purchase of goods and services and for all modes of payment.

This move will bring all high-value household purchases like high-end electronic gadgets, foreign holidays booked through tour packages, luxury items like expensive watches and gold jewellery purchases under the lens of the taxmen.

The monetary limits for quoting PAN has raised to Rs. 10 lakh from Rs. 5 lakh for sale or purchase of immovable property, to Rs 50,000 from Rs 25,000 in the case of one time hotel or restaurant bills and to Rs 1 lakh from Rs 50,000 for purchase or sale of shares of an unlisted company.

The government also made PAN mandatory for the purchase of cash or prepaid cards amounting to Rs.50,000 or more in year. Gold jewellery purchase above Rs.2 lakh too would also need PAN details. The current limit is Rs.5 lakh. All fixed deposits with post offices, cooperative banks, Nidhis, non-banking finance companies will also require PAN.

It will also be required under:

- ❖ PAN should be quoted for purchase of bank drafts/ pay orders/ banker's cheques exceeding Rs 50,000 on a single day
- ❖ Cash deposit exceeding Rs.50,000/- in a single day.
- ❖ For purchase of foreign currency or cash payment related to foreign travel exceeding Rs.50,000/-
- ❖ Payment in excess of Rs 50,000 for purchase of mutual fund units
- ❖ For opening a demat account
- ❖ Payment exceeding Rs.50,000 for purchase of RBI bonds

- ❖ Payment exceeding Rs.50,000/- in a year as life insurance premium
Persons who do not hold PAN are required to fill a form and furnish any one of the specified documents to establish their identity, the statement said. The new rules will come into effect from January 1, 2016.

The marginal cost of funds-based lending rate (MCLR), the new way of deciding the interest rate

The Reserve Bank of India announced that banks, with effect from April 1, will move to the marginal cost of funds-based lending approach for determining their respective base rates. Base rate is the minimum lending rate below which banks are not allowed to lend.

All rupee loans sanctioned and credit limits renewed with effect from April 1 will be priced with reference to the marginal cost of funds-based lending rate (MCLR). The marginal cost of funds will comprise marginal cost of borrowings (constituting deposits — core portion of current and savings deposits; fixed and floating rate term deposits; foreign and currency deposits and borrowings — short-term and long-term rupee borrowings and foreign currency borrowings) and return on net worth.

Apart from helping improve the transmission of policy rates into lending rates of banks, these measures are expected to improve transparency in the methodology followed by banks for determining interest rates on advances.



Below are the key highlights:

- 1) All rupee loans sanctioned and credit limits renewed w.e.f. April 1, 2016 will be priced with reference to the Marginal Cost of Funds based Lending Rate (MCLR) which will be the internal benchmark for such purposes.
- 2) The MCLR will be a tenor linked internal benchmark.

3. Actual lending rates will be determined by adding the components of spread to the MCLR.
4. Banks will review and publish their MCLR of different maturities every month on a pre-announced date.
5. Banks may specify interest reset dates on their floating rate loans. They will have the option to offer loans with reset dates linked either to the date of sanction of the loan/credit limits or to the date of review of MCLR.
6. The periodicity of reset shall be one year or lower.
7. The MCLR prevailing on the day the loan is sanctioned will be applicable till the next reset date, irrespective of the changes in the benchmark during the interim period.
8. Existing loans and credit limits linked to the base rate may continue till repayment or renewal, as the case may be. Existing borrowers will also have the option to move to the Marginal Cost of Funds based Lending Rate (MCLR) linked loan at mutually acceptable terms.
9. Banks will continue to review and publish base rate as hitherto. The Reserve Bank of India had brought out the draft guidelines on banks adopting marginal cost of funds methodology for calculating base rates on September 1, 2015.

GOLD SCHEMES LAUNCHED BY RBI

Prime Minister Narendra Modi launched three ambitious schemes to reduce the physical demand for gold and fish out 20,000 tonnes of the precious metal worth \$800 billion lying idle with households. Prime Minister Narendra Modi launched three gold related schemes- Gold Monetisation Scheme (GMS), Gold Sovereign Bond Scheme and the Gold Coin and Bullion Scheme. He also unveiled the first ever Indian gold coin & bullion, bearing national emblem Ashok Chakra on one side and Mahatma Gandhi's image engraved on the other side. Initially the coins will be available in denominations of 5 and 10 grams. The 20 grams bullion will also be available through 125 MMTC outlets.

The government's move comes on the hope that Indians, with their obsession for the yellow metal, will prefer the national coin over imported ones. The Gold Monetisation Scheme (GMS), 2015 will offer option to resident Indians to deposit their precious metal and earn an interest of up to 2.5 per cent; while under the Sovereign Gold Bonds Scheme, investors can earn an interest rate of 2.75 per cent per annum by buying paper bonds.

FAQ on Sovereign Gold Bond Scheme 2015

1. What is Sovereign Gold Bond (SGB)? Who is the issuer?

SGBs are government securities denominated in grams of gold. They are substitutes for holding physical gold.

Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity. The Bond is issued by Reserve Bank on behalf of Government of India.



2. What are the benefits of investing in SGB?

The SGB offers a superior alternative to holding gold in physical form. The risks and costs of storage are eliminated. Investors are assured of the market value of gold at the time of maturity and periodical interest. SGB is free from issues like making charges and purity in the case of gold in jewellery form. The bonds are held in the books of the RBI or in demat form eliminating risk of loss of scrip etc.

3. Are there any risks in investing in SGBs?

There may be a risk of capital loss if the market price of gold declines. However, the investor does not lose in terms of the units of gold which he has paid for.

4. Who is eligible to invest in the SGBs?

Persons resident in India as defined under Foreign Exchange Management Act, 1999 are eligible to invest in SGB. Eligible investors include individuals, HUFs, trusts, universities, charitable institutions, etc.

5. Can a Minor invest in SGB?

Yes. The application on behalf of the minor has to be made by his / her guardian.

6. Where can investors get the application form?

The application form will be provided by the issuing banks/designated Post Offices/agents. It can also be downloaded from the RBI's website. Banks may also provide online application facility.

7. What are the Know-Your-Customer (KYC) norms?

Know-Your-Customer (KYC) norms will be the same as that for purchase of physical form of gold. Identification documents such as Aadhaar card/PAN or TAN /Passport / Voter ID card will be required. KYC will be done by the issuing banks/Post Offices/agents.

9. What is the minimum and maximum limit for investment?

The Bonds are issued in denominations of one gram of gold and in multiples thereof. Minimum investment in the Bond shall be two grams with a maximum buying limit of 500 grams per person per fiscal year (April – March). In case of joint holding, the limit applies to the first applicant.

10. Can I buy 500 grams worth of SGB every year?

Yes. One can buy 500 grams worth of gold every year as the ceiling has been fixed on a fiscal year (April-March) basis.

11. What is the rate of interest and how will the interest be paid?

The Bonds bear interest at the rate of 2.75 per cent (fixed rate) per annum on the amount of initial investment. Interest will be credited semiannually to the bank account of the investor and the last interest will be payable on maturity along with the principal.

12. Who are the authorized agencies selling the SGBs?

Bonds are sold through scheduled commercial banks and designated Post Offices either directly or through their agents like NBFCs, NSC agents, etc.

13. When will the customers be issued Holding Certificate?

The customers will be issued Certificate of Holding on the date of issuance of the SGB. Certificate of Holding can be collected from the issuing banks/Post Offices/agents or obtained directly from RBI on email, if email address is provided in the application form.

14. At what price the bonds are sold?

Price of bond will be fixed in Indian Rupees on the basis of the previous week's (Monday - Friday) simple average price for gold of 999 purity published by the India Bullion and Jewellers Association Ltd. (IBJA). The issue price will be disseminated by the Reserve Bank of India

15. Will RBI publish the rate of gold applicable every day?

The price of gold for the relevant tranche will be published on RBI website two days before the issue opens.

16. What will I get on redemption?

On maturity, the redemption proceeds will be equivalent to the prevailing market value of grams of gold originally invested in Indian Rupees. The redemption price will be based on simple average of previous week's (Monday-Friday) price of closing gold price for 999 purity published by the IBJA.

17. What are the procedures involved during redemption?

- The investor will be advised one month before maturity regarding the ensuing maturity of the bond.
- On the date of maturity, the maturity proceeds will be credited to the bank account as per the details on record.
- In case there are changes in any details, such as, account number, email ids, then the investor must intimate the bank/PO promptly.

18. Can I encash the bond anytime I want? Is premature redemption allowed?

Though the tenor of the bond is 8 years, early encashment/redemption of the bond is allowed after fifth year from the date of issue on coupon payment dates. The bond will be tradable on Exchanges, if held in demat form. It can also be transferred to any other eligible investor.

19. What do I have to do if I want to exit my investment?

In case of premature redemption, investors can approach the concerned bank/Post Office/agent thirty days before the coupon payment date. Request for premature redemption can only be entertained if the investor approaches the concerned bank/post office at least one day before the coupon payment date. The proceeds will be credited to the customer's bank account provided at the time of applying for the bond.

20. Can I use these securities as collateral for loans?

Yes, these securities are eligible to be used as collateral for loans from banks, financial Institutions and Non-Banking Financial Companies (NBFC). The Loan to Value ratio will be same as applicable to ordinary gold loan mandated by the RBI from time to time.

21. Is tax deducted at source (TDS) applicable on the bond?

TDS is not applicable on the bond. However, it is the responsibility of the bond holder to comply with the tax laws.

22. Whether nomination facility is available for these investments?

Yes, nomination facility is available as per the provisions of the Government Securities Act 2006 and Government Securities Regulations, 2007. A nomination form is available along with Application form.

23. Are institutions like banks allowed to invest in Sovereign Gold Bonds?

There is no bar on investment by banks in Sovereign Gold Bonds. These will qualify for SLR.

24. Can I get the bonds in demat form?

The bonds can be held in demat account.

25. Can I get part repayment of these bonds at the time of exercising put option?

Yes, part holdings can be redeemed in multiples of one gm.

Gold Monetisation Scheme, 2015

The Reserve Bank of India issued a Direction to all Scheduled Commercial Banks (excluding Regional Rural Banks) on implementation of the Gold Monetisation Scheme, 2015 notified by the Central Government. The objective of the Scheme is to mobilise gold held by households and institutions of the country and facilitate its use for productive purposes, and in the long run, to reduce country's reliance on the import of gold. The Reserve Bank has issued the Direction to banks in

exercise of powers conferred on it under Section 35 A of the Banking Regulation Act, 1949.

The scheme is aimed at converting an estimated 20,000 tonnes of idle gold worth Rs 540,000 crore in family lockers and temples into the banking system.

The Scheme

- a) The GMS will replace the existing Gold Deposit Scheme, 1999. However, the deposits outstanding under the Gold Deposit Scheme will be allowed to run till maturity unless the depositors prematurely withdraw them.
- b) Resident Indians (Individuals, HUF, Trusts including Mutual Funds/Exchange Traded Funds registered under SEBI (Mutual Fund) Regulations and Companies) can make deposits under the scheme.
- c) The minimum deposit at any one time shall be raw gold (bars, coins, jewellery excluding stones and other metals) equivalent to 30 grams of gold of 995 fineness. There is no maximum limit for deposit under the scheme. The gold will be accepted at the Collection and Purity Testing Centres (CPTC) certified by Bureau of Indian Standards (BIS) and notified by the Central Government under the Scheme. The deposit certificates will be issued by banks in equivalence of 995 fineness of gold.
- d) The principal and interest of the deposit under the scheme will be denominated in gold.
- e) The designated banks will accept gold deposits under the Short Term (1-3 years) Bank Deposit (STBD) as well as Medium (5-7 years) and Long (12-15 years) Term Government Deposit Schemes. While the former will be accepted by banks on their own account, the latter will be on behalf of Government of India.
- f) There will be provision for premature withdrawal subject to a minimum lock-in period and penalty to be determined by individual banks.
- g) Interest on deposits under the scheme will start accruing from the date of conversion of gold deposited into tradable gold bars after refinement or 30 days after the receipt of gold at the CPTC or the bank's designated branch, as the case may be and whichever is earlier.
- h) During the period from the date of receipt of gold by the CPTC or the designated branch, as the case may be, to the date on which interest starts accruing in the deposit, the gold accepted by the CPTC or the designated branch of the bank shall be treated as an item in safe custody held by the designated bank.

Reserve requirements

The short term bank deposits will attract applicable cash reserve ratio (CRR) and statutory liquidity ratio (SLR). However, the stock of gold held by the banks will count towards the general SLR requirement.

KYC to apply

The opening of gold deposit accounts will be subject to the same rules with regard to customer identification as are applicable to any other deposit account.

Utilisation of gold mobilised under GMS

The designated banks may sell or lend the gold accepted under STBD to MMTC for minting India Gold Coins (IGC) and to jewellers, or sell it to other designated banks participating in GMS. The gold deposited under MLTGD will be auctioned by MMTC or any other agency authorised by the Central Government and the sale proceeds credited to the Central Government's account with the Reserve Bank. The entities participating in the auction may include the Reserve Bank, MMTC, banks and any other entities notified by the Central Government. Banks may utilise the gold purchased in the auction for purposes indicated above.

Risk Management

Designated banks should put in place a suitable risk management mechanism, including appropriate limits, to manage the risk arising from gold price movements in respect of their net exposure to gold. For this purpose, they have been allowed to access the international exchanges, London Bullion Market Association or make use of over-the-counter contracts to hedge exposures to bullion prices subject to the guidelines issued by the Reserve Bank.

Grievance redress

Complaints against designated banks regarding any discrepancy in issuance of receipts and deposit certificates, redemption of deposits, payment of interest will be handled first by the bank's grievance redress process and then by the Reserve Bank's Banking Ombudsman.

Facts related to Gold Coin/Bullion Scheme

- a) It is the first ever national gold coin minted in India.
- b) It is having National Emblem of Ashok Chakra engraved on one side and Mahatma Gandhi on the other side.
- c) The Coin weighs 5 and 10 grams.
- d) The gold coin and bullion will carry advanced anti-counterfeit features and tamper proof packaging and hallmarked by Bureau of Indian Standards.
- e) The gold coin and bullion will be of 24 carat purity and 999 fineness.
- f) Aim: The government's move comes on the hope that Indians who is said to have an obsession for gold will prefer the national coin over imported ones.
- g) All coins will be hallmarked as per the BIS standards.
- h) This coin will be distributed through the outlets of state-owned Metals and Minerals Trading Corporation of India.

Some Abbreviations related to Gold Schemes

CPTC- Collection and Purity Testing Centre
 MLTGD - Medium and Long Term Gold Deposit
 STBD- Short Term Bank Deposit
 IBJA- India Bullion and Jewellers Association Ltd.
MMTC- Metals and Minerals Trading Corporation of India

7th Pay Commission Report

Just after Diwali, all the Government Employees have received the gift in the form of pay commission report. The commission, headed by Justice AK Mathur has submitted its report to Finance Minister Arun Jaitley yesterday. Some of the key points recommended by the commission are:

- a) 23.55 per cent increase in pay and allowances recommended
- b) Recommendations to be implemented from January 1, 2016
- c) Minimum pay fixed at Rs. 18,000 per month; maximum pay at Rs. 2.25 lakh
- d) The rate of annual increment retained at 3 percent
- e) 24 per cent hike in pensions
- f) One Rank One Pension proposed for civilian government employees on line of OROP for armed forces
- g) Cabinet Secretary to get Rs 2.5 lakh as against Rs 90,000 per month pay band currently
- h) Military Service Pay (MSP), which is a compensation for the various aspects of military service, will be admissible to the defence forces personnel only
- i) Short service commissioned officers will be allowed to exit the armed forces at any point in time between 7 to 10 years of service
- j) Commission recommends abolishing 52 allowances; another 36 allowances subsumed in existing allowances or in newly proposed allowances.
- k) Recommendations will impact 47 lakh serving govt. employees, 52 lakh pensioners, including defence personnel.

Now the report is in the safe hands of finance ministry and it is upto the Government what to implement and what not to. The key points have been mentioned above and a lot of other changes have been suggested by the report. In a statement, Finance Minister Arun Jaitley said "The Government has received the report and the final decision is yet to be taken". Now the time is to wait for Government's green signal. Let's hope that this get finalised on time.

Brief on NDB

- 1) The Bank launched by BRICS nations: New Development Bank (NDB).
- 2) The Chairperson of the Bank is K.V. Kamath
- 3) The HQ of the bank is located at: Shanghai (China)

- 4) The objective is to primarily fund infrastructure and development projects in five BRICS countries – Brazil, Russia, India, China and South Africa.
- 5) The contribution to the bank is as follows;
China: \$41 billion
Brazil, India and Russia: \$18 billion each
South Africa: \$5 billion.



MUDRA SCHEME

- 1) MUDRA stands for Micro Units Development & Refinance Agency Ltd., is a new institution being set up by Government of India for development and refinancing activities relating to micro units.
- 2) The purpose of MUDRA is to provide funding to the non-corporate small business sector.
- 3) MUDRA would be responsible for refinancing all Last Mile Financiers such as Non-Banking Finance Companies of various types engaged in financing of small businesses, Societies, Trusts, Co-operative Societies, Small Banks, Scheduled Commercial Banks and Regional Rural Banks which are in the business of lending to micro/small business entities engaged in manufacturing, trading and services activities.

4) Under the aegis of Pradhan Mantri MUDRA Yojana, it has created its initial products / schemes. The interventions have been named 'Shishu', 'Kishor' and 'Tarun':

- a. **Shishu** : covering loans upto 50,000/-
- b. **Kishor** : covering loans above 50,000/- and upto 5 lakh
- c. **Tarun** : covering loans above 5 lakh to 10 lakh

5) The borrowers which are eligible for assistance from MUDRA are as follows:

Non - Corporate Small Business Segment (NCSBS) comprising of millions of proprietorship / partnership firms running as small manufacturing units, service sector units, shopkeepers, fruits / vegetable vendors, truck operators, food-service units, repair shops, machine operators, small industries, artisans, food processors and others, in rural and urban areas.

6) It will be extending refinance support to RRBs for enhancing their liquidity.

FIF: Financial Inclusion Fund (FIF)

The Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF) was constituted in the year 2007-08 for a period of five years with a corpus of Rs. 500 crore each to be contributed by Government of India (GOI), RBI and NABARD in the ratio of 40:40:20. The guidelines for these two funds were framed by GOI. In April 2012, RBI decided to fund FIF by transferring the interest differential in excess of 0.5% on RIDF and STCRC deposits on account of shortfall in priority sector lending.

What is new?

The GOI has merged the FIF and FITF to form a single Financial Inclusion Fund. The Reserve Bank of India has finalised the new scope of activities and guidelines for utilisation of the new FIF in consultation with GOI. The new FIF will be administered by the reconstituted Advisory Board constituted by GOI and will be maintained by NABARD.

Important Points related to FIF

- 1) The overall corpus of the new FIF will be Rs. 2000 crore.
- 2) Contribution to FIF would be from the “interest differential” in excess of 0.5% on RIDF and STCRC deposits on account of shortfall in priority sector lending (as notified by RBI from time to time) kept with NABARD by banks.
- 3) The Fund shall be in operation for another three years or till such period as may be decided by RBI and Government of India in consultation with other stake holders.
- 4) The objectives of the FIF shall be to support “developmental and promotional activities” including creating of FI infrastructure across the country, capacity building of stakeholders, creation of awareness to address demand side issues, enhanced investment in Green Information and Communication Technology (ICT) solution, research and transfer of technology, increased technological absorption capacity of financial service providers/users with a view to securing greater financial inclusion.

Note: The fund shall not be utilized for normal business/banking activities.

Eligible Activities/Purposes for FIF

- 1) The fund will help for the setting up and operational cost for running Financial Inclusion & Literacy Centers. The setting up of such Centers are in sync with the objective of GoI for setting up Financial Literacy Centers upto the block level under the PMJDY. These centres are important as they will be:

- a. Providing financial literacy training to all individuals/households of the area.
 - b. Providing counseling services for opening of bank accounts and for operating banking and other financial products and services.
 - c. Providing training to BCs about various banking & other financial products and services and also for training them in use of technological devices so as to ensure smooth servicing of customers.
 - d. Redressal of customer grievances by attending to customer complaints, if necessary, by taking up with banks and other institutions.
- 2) Setting up of Standard Interactive Financial Literacy Kiosks in Gram Panchayats and any other financial literacy efforts under taken by banks in excluded areas.
 - 3) Support to NABARD & Banks for running of Business & Skill Development Centers.
 - 4) Support to pilot projects for development of innovative products, processes and prototypes for financial inclusion.
 - 5) Financial assistance to authorised agencies for conduct of surveys for evaluating the progress under financial inclusion.

Eligible Institutions

Financial Institutions, viz., Commercial Banks, Regional Rural Banks, Cooperative Banks and NABARD.

Eligible institutions with whom banks can work for seeking support from the FIF:-

- NGOs
- SHGs
- Farmer's Clubs -
- Functional Cooperatives
- I.T. enabled rural outlets of corporate entities.
- Well-functioning Panchayats
- Rural Multipurpose kiosks / Village Knowledge Centers
- Common Services Centres (CSCs) established by Service Centre Agencies (SCAs) under the National e-Governance Plan (NeGP).
- Primary Agricultural Societies (PACs).



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Small Banks

Key features of the Small Finance Bank

- 1) The small finance bank shall primarily **undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries and unorganised sector entities.**
- 2) There will not be **any restriction in the area of operations** of small finance banks.
- 3) The minimum paid-up equity capital for small finance banks shall be **Rs. 100 crore**. The promoter's **minimum initial contribution to the paid-up equity capital** of such small finance bank shall at least be **40 per cent** and gradually brought **down to 26 per cent within 12 years** from the date of commencement of business of the bank.
- 4) The small finance banks will be required to **extend 75 per cent of its Adjusted Net Bank Credit (ANBC)** to the sectors eligible for classification as priority sector lending (PSL) by the Reserve Bank.
- 5) At least 50 per cent of its loan portfolio should constitute loans and advances of upto Rs. 25 lakh.

Payment Banks

Key features of Payments Banks

1. Acceptance of **demand deposits**. Payments bank will initially be restricted to holding a maximum **balance of Rs. 100,000 per individual customer**.
2. Issuance of ATM/debit cards. Payments banks, however, cannot issue credit cards.
3. Payments and remittance services through various channels.
4. BC of another bank, subject to the Reserve Bank guidelines on BCs.
5. Distribution of non-risk sharing simple financial products like mutual fund units and insurance products, etc.
6. The minimum paid-up equity capital for payments banks shall be Rs. 100 crore.
7. The payments bank should have a leverage ratio of not less than 3 per cent, i.e., its outside liabilities should not exceed 33.33 times its net worth (paid-up capital and reserves).
8. Promoter's contribution: The promoter's minimum initial contribution to the paid-up equity capital of such payments bank shall at least be 40 per cent for the first five years from the commencement of its business.

Pradhan Mantri Jeevan Jyoti Bima Yojana

Highlights of the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY – Scheme 2 – for Life Insurance) are:

Eligibility: Savings Bank (SB) Account holders between 18 years (completed) and 50 years.

Policy period: The cover shall be for one year period starting from June 1, 2015 to May 31, 2016 for which option to join / pay by auto-debit from the designated savings bank account on the prescribed forms will be required to be given by May 31, 2015, extendable up to August 31, 2015.

Premium: Rs. 330 (per annum).

Payment Mode: The premium will be directly auto-debited by the bank from the subscribers' savings bank account. This is the only mode available currently.

Risk Coverage: Sum Assured of Rs. 2 Lakh on death of the Insured member for any reason is payable to the Nominee.

Termination of assurance:

Account holder attains age of 55 years

Closure of account with the Bank or insufficiency of balance for debiting premium.

In case of multiple coverage under the scheme, the cover will be restricted to Rs.2 lakhs and other insurance covers are terminated and premium shall be forfeited.

Pradhan Mantri Suraksha Bima Yojana

Highlights of the Pradhan Mantri Suraksha Bima Yojana (PMSBY – Scheme 1 – for Accidental Death Insurance) are:

Eligibility: The savings bank account holders of the participating Bank between 18 years (completed) and 70 years (age nearer birthday) who give their consent to join / enable auto-debit, as per the modality, will be enrolled into the scheme.

Policy period: The cover shall be for one year period starting from 1st June 2015 to 31st May 2016 for which option to join / pay by auto-debit from the designated savings bank account on the prescribed forms will be required to be given by 31st May 2015 - extendable up to 31st August, 2015. **Premium:** Rs. 12/- + service tax (per annum).

Payment Mode: The premium will be directly auto-debited by the bank from the subscribers account. This is the only mode available.

Risk Coverage: Total coverage (sum-insured) under the scheme is Rs. 2 Lakh.

BRIEF OF ATAL PENSION YOJANA

- The GoI has announced a new scheme called Atal Pension Yojana (APY)1 in 2015-16 budget. The APY is focussed on all citizens in the unorganized sector.
- The scheme is administered by the Pension Fund Regulatory and Development Authority (PFRDA) through NPS architecture.

HIGHLIGHTS OF ATAL PENSION YOJANA

- Under the APY, there is guaranteed minimum monthly pension for the subscribers ranging between Rs. 1000 and Rs. 5000 per month.
- The benefit of minimum pension would be guaranteed by the GoI.

- GoI will also co-contribute 50% of the subscriber's contribution or Rs. 1000 per annum, whichever is lower. Government co-contribution is available for those who are not covered by any Statutory Social Security Schemes and is not income tax payer.
- GoI will co-contribute to each eligible subscriber, for a period of 5 years who joins the scheme between the period 1st June, 2015 to 31st December, 2015. The benefit of five years of government Co-contribution under APY would not exceed 5 years for all subscribers including migrated Swavalamban beneficiaries.
- All bank account holders may join APY.

Jan Dhan Yohana Yojana

- Aim - scheme to promote financial inclusion: Prime Minister Narendra Modi launched 'Pradhan Mantri Jan Dhan Yojana' to help the poor open bank accounts.
- The slogan for the Pradhan Mantri Jan Dhan mission is "Mera Khata – Bhagya Vidhaata". Benefits :
- i. Every individual who opens a bank account will become eligible to receive an accident insurance cover of up-to Rs. 1 Lakh.
- ii. HDFC Ergo General Insurance will provide the accident cover under the scheme.
- iii. An additional Rs. 30,000 life insurance cover will be provided for those opening bank accounts before January 26,2015.
- iv. LIC (Life Insurance Corporation) will provide the life insurance cover of Rs 30,000 under the scheme
- v. Rs 5,000 overdraft facility for Aadhar-linked accounts, Ru Pay Debit Card with and minimum monthly remuneration of Rs 5,000 to business correspondents who will provide the last link between the account holders and the bank.

PAHAL Scheme

More than 60 per cent of LPG customers in the country have joined the ambitious PAHAL scheme for receiving cash subsidy so that they can buy cooking gas (LPG) at market price. Over 9 crore consumers, out of a total customer base of 15.33 crore, have joined the Direct Benefit Transfer for LPG (DBTL) scheme and Rs 2,262 crore in cash has been transferred to them.

Sukanya Samridhhi Accounts

- Rate of interest 9.1% Per Annum(2014-15),calculated on yearly basis ,Yearly compounded.
- Minimum INR. 1000/-and Maximum INR. 1,50,000/- in a financial year. Subsequent deposit in multiple of INR 100/- Deposits can be made in lump-sum No limit on number of deposits either in a month or in a Financial year.

- Account can be opened up to age of 10 years only from the date of birth.
- If minimum Rs 1000/- is not deposited in a financial year, account will become discontinued and can be revived with a penalty of Rs 50/- per year with minimum amount required for deposit for that year.
- Partial withdrawal, maximum up to 50% of balance standing at the end of the preceding financial year can be taken after Account holder's attaining age of 18 years.
- Account can be closed after completion of 21 years.



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