



INTERVIEW CAPSULE FOR IBPS RRB/PO INTERVIEW 2017



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INTERVIEW CAPSULE FOR IBPS PO 2017

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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 80:20 respectively. I.e 80% from the written marks and 20% 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.



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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 venglish—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.



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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



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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 checks 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, its OK to wear a light colored full shirt paired with dark trouser.



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- 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 salwarkameez 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 member 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.



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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 a 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?



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- 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?

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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?



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- 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 of 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 Sevices.
- 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 vein 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?



INTERVIEW CAPSULE FOR IBPS RRB/PO INTERVIEW 2017

- 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.



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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.

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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 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.



INTERVIEW CAPSULE FOR IBPS RRB/PO INTERVIEW 2017

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 be 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? -

- 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.

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?



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- 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

IMPORTANT TOPICS IN BANKING FOR RRB/NABARD EXAMS

- ✦ **National Payments Corporation of India (NPCI)** has implemented “**National Automated Clearing House (NACH)**” for **Banks, Financial Institutions, Corporates & Government** a web based solution to facilitate interbank, high volume, electronic transactions which are repetitive & periodic in nature. NACH System can be used for making bulk transactions towards distribution of subsidies, dividends, interest, salary, pension etc.
- ✦ **National Automated Clearing House (NACH)** is a centralised system, launched with an aim to consolidate multiple ECS systems running across the country & provides a framework for the harmonization of standard & practices & removes local barriers/inhibitors. NACH system will provide a national footprint & is expected to cover the entire core banking enabled bank branches spread across the geography of the country irrespective of the location of the bank branch. NACH system also supports Financial Inclusion measures initiated by Government, Government Agencies & Banks by providing support to **Aadhaar based transactions**.
- ✦ **NACH's Aadhaar Payment Bridge (APB) System**, developed by NPCI has been helping the Government & Government Agencies in making the Direct Benefit Transfer scheme a success.

Bharat Bill Payment System (BBPS)

This will function as a tiered structure for operating the bill payment system in the country under a single brand image. National Payments Corporation of India (NPCI) will function as the authorized Bharat Bill Payment Central Unit (BBPCU), which will be responsible for setting business standards,

rules & procedures for technical & business requirements for all the participants. **NPCI, as the BBPCU**, will also undertake clearing & settlement activities related to transactions routed through BBPS.

Sectors in the Indian Economy

Indian Economy is normally categorized into **three sectors** namely -

1. **Primary Sector**
2. **Secondary Sector**
3. **Tertiary Sector**

1. Primary Sector

Primary Sector is directly dependent on environment for manufacture & production. For example, agriculture, mining, farming etc.

2. Secondary Sector

Secondary Sector adds value to the proud by transforming raw materials into valuable products. For example, processing & construction industries.

3. Tertiary Sector/Service Sector

Tertiary Sector is involved in production & exchange of services. For example, transportation, communication, & other services of such kind.

Tertiary Sector is also known as Services Sector as it facilitates the production & exchanges of services.

Mobile Money Identifier (MMID) is a **7 digit number**, issued by banks. MMID is one of the input which when clubbed with mobile number facilitates fund transfer. **Combination of Mobile no. & MMID** is uniquely linked with an Account number & helps in identifying the beneficiary details. Different MMID's can be linked to same Mobile Number.



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Immediate Payment Service (IMPS)

Immediate Payment Service (IMPS) public launch happened on 22nd November 2010 by Smt. Shyamala Gopinath, DG RBI at Mumbai & this service is now available to the Indian public. **IMPS offers an instant, 24X7**, interbank electronic fund transfer service through mobile phones. IMPS is an emphatic tool to transfer money instantly within banks across India through mobile, internet & atm which is not only safe but also economical both in financial & non financial perspectives.

Unified Payments Interface (UPI)

It is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the "Peer to Peer" collect request which can be scheduled & paid as per requirement & convenience.

Objectives of UPI:-

1. Immediate money transfer through mobile device round the clock 24*7 & 365 days.
2. Single mobile application for accessing different bank accounts
3. Single Click 2 Factor Authentication – Aligned with the Regulatory guidelines, yet provides for a very strong feature of seamless single click payment.
4. Virtual address of the customer for Pull & Push provides for incremental security with the customer not required to enter the details such as Card no, Account number; IFSC etc.

National Institute of Bank Management (NIBM)

National Institute of Bank Management (NIBM) was established in 1969 by the Reserve Bank of India, in consultation with the Government of India, as an autonomous apex institution for research, training, education & consultancy in bank management. Its mandate is to play a proactive role of "think-tank" of the banking system. NIBM is part of the grand vision of giving a new direction to the banking industry in India & making the industry a more cost-effective instrument for national development. The Governor of **the Reserve Bank of India (the central bank of the country)**, is the **Chairman of the Governing Board**. National Institute of Bank Management (NIBM) is situated at **Pune, Maharashtra**.

Electronic Funds Transfer at Point of Sale (EFTPOS)

EFTPOS is the method for paying for goods or services without needing to **carry cash**. On making a purchase, the eftpos customer gives an **eftpos** card to the cashier who inserts it into an on-site eftpos machine. When the eftpos customer confirms the purchase, either by signature or security PIN, the eftpos equipment contacts the store's bank electronically about the transaction. A message is also sent to the customer's bank. Unless there is reason for the eftpos transaction not to be completed, the funds will then be transferred between the two accounts.

Small Finance Banks in the Private Sector

Objectives: The objectives of setting up of small finance banks will be to further financial inclusion by (a) provision of savings vehicles, & (b) supply of credit to small business units; small & marginal farmers; micro & small industries; & other unorganised sector entities, through high technology-low cost operations.

Eligible promoters: Resident individuals/professionals with 10 years of experience in banking & finance; & companies & societies owned & controlled by residents will be eligible to set up small finance banks. Existing Non-Banking Finance Companies (NBFCs), Micro Finance Institutions (MFIs), & Local Area Banks (LABs) that are owned & controlled by residents can also opt for conversion into small finance banks. Promoter/promoter groups should be 'fit & proper' with a sound track record of professional experience or of running their businesses for at least a period of five years in order to be eligible to promote small finance banks.

Scope of activities: The small finance bank shall primarily undertake basic banking activities of acceptance of deposits & lending to unserved & underserved sections including small business units, small & marginal farmers, micro & small industries & unorganised sector entities. There will not be any restriction in the area of operations of small finance banks.

Capital requirement: The minimum paid-up equity capital for small finance banks shall be **Rs. 100 crore**.

Promoter's contribution: The promoter's minimum initial contribution to the paid-up equity capital of such small finance bank shall at least be 40 per cent & gradually brought down to 26 per cent within 12 years from the date of commencement of business of the bank.

Foreign shareholding: The foreign shareholding in the small finance bank would be as per the Foreign Direct Investment (FDI) policy for private sector banks as amended from time to time.

Payments Banks

Objectives:

The objectives of setting up of payments banks will be to further financial inclusion by providing (i) small savings accounts & (ii) payments/remittance services to migrant labour workforce, low income households, small businesses, other unorganised sector entities & other users.

Eligible promoters:

Existing non-bank Pre-paid Payment Instrument (PPI) issuers; & other entities such as individuals / professionals; Non-Banking Finance Companies (NBFCs), corporate Business Correspondents(BCs), mobile telephone companies, super-market chains, companies, real sector cooperatives; that are owned & controlled by residents; & public sector entities may apply to set up payments banks. A promoter/promoter group can have a joint venture with an



INTERVIEW CAPSULE FOR IBPS RRB/PO INTERVIEW 2017

existing scheduled commercial bank to set up a payments bank. However, scheduled commercial bank can take equity stake in a payments bank to the extent permitted under **Section 19 (2) of the Banking Regulation Act, 1949**. Promoter/promoter groups should be 'fit & proper' with a sound track record of professional experience or running their businesses for at least a period of five years in order to be eligible to promote payments banks.

Scope of activities:

Acceptance of demand deposits. Payments bank will initially be restricted to holding a maximum balance of Rs. 100,000 per individual customer. **Issuance of ATM/debit cards.** Payments banks, however, cannot issue credit cards. Payments & remittance services through various channels. BC of another bank, subject to the Reserve Bank guidelines on BCs. Distribution of non-risk sharing simple financial products like mutual fund units & insurance products, etc.

Deployment of funds:

The payments bank cannot undertake lending activities. Apart from amounts maintained as Cash Reserve Ratio (CRR) with the Reserve Bank on its outside demand & time liabilities, it will be required to invest minimum **75 per cent of its "demand deposit balances" in Statutory Liquidity Ratio (SLR) eligible** Government securities/treasury bills with maturity up to one year & hold maximum 25 per cent in current & time/fixed deposits with other scheduled commercial banks for operational purposes & liquidity management.

Capital requirement:

The minimum paid-up equity capital for payments banks shall be Rs. 100 crore.

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 & reserves).

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.

Foreign shareholding:

The foreign shareholding in the payments bank would be as per the Foreign Direct Investment (FDI) policy for private sector banks as amended from time to time.

Reserve Bank of India (RBI)

- i. RBI established on **April 1, 1935 under RBI Act 1934** (recommendations of **John Hilton Young Commission 1926** - called Royal Commission on Indian Currency & Finance), is the central bank of the country & was **nationalised w.e.f Jan 01, 1949**.
- ii. Originally it was a shareholders' bank which was taken over by the Central Govt. under Reserve Bank (Transfer of Public Ownership) Act 1948 (**paid up capital Rs. 5 cr**).
- iii. RBI's central office is in **Mumbai**.

Functions of RBI:

Issuance of currency: RBI is the authority in India to issue currency notes (called bank notes) under signatures of Governor. (One rupee note called currency note is issued by the Central Govt. & signed by Finance Secretary). The stock of currency is distributed with the help of currency chests spread all over the country.

Banker to Govt.: RBI transacts govt. business & manages public debt. SBI or any other bank is appointed Agent where RBI does not have office. It provides Ways & Means advances to Govt.

Bankers' bank: It keeps a part of deposits of commercial banks (as CRR) & acts as lender of last resort by providing financial assistance to banks. It provides export credit refinance, Liquidity Adjustment Facility & Marginal Standing Facility.

Controller of Banks: An entity which is to conduct banking business in India has to obtain license from RBI. It acts as controller of banks by including the banks in 2nd Schedule of the Act. It issues directions, carries inspection (on-site as well as off-site) & exercises management control.

Controller of credit: RBI can fix interest rates (including Bank Rate) & exercise selective credit controls. Various tools such as change in cash reserve ratio, stipulation of margin on securities, directed credit guidelines etc. are used for this purpose. It also carries sale & purchase of securities which are known as open market operations.

Maintenance of external value: RBI is responsible also for maintaining external value of Indian currency as well as the internal value. Foreign exchange reserves are held by RBI & it has a wide power to regulate foreign exchange transactions under Foreign Exchange Management Act (FEMA).

BANKING REGULATION ACT 1949

- a) Passed as the Banking Companies Act 1949 (came into force w.e.f 16.3.49 & changed to Banking Regulation Act 1949 w.e.f. 01.03.66, it was made applicable to J & K in 1956 (and now applicable throughout India).
- b) The Act is not applicable to primary agricultural credit societies, cooperative land mortgage banks & non-agricultural primary credit societies.

SCHEDULED BANK

- a) As per Sec 2 (e) of RBI Act, a scheduled bank means a bank whose name is included in the 2nd schedule of RBI Act 1934.
- b) A scheduled bank should satisfy the conditions which include paid-up capital & reserves requirement of not less than Rs. 5 lac, satisfaction of RBI that the affairs will not be conducted by the bank in a way to jeopardize the interests of the depositor. (Commercial, Rural & many State Coop Banks are classified as Scheduled Banks).
- c) A bank that is not included in the 2nd Schedule of RBI is called **Non-scheduled Bank**.

Total No. of Banks

- d) Total PSBs: 27
- e) Total Private Sector Banks: 26
- f) RRB's: 56



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g) Foreign Banks: 46

h) Cooperative Banks: 43




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IMPORTANT POINTS ON RBI

- RBI is not expected to perform the function of accepting deposits from the general public.
- RBI has its headquarters at Mumbai.
- Prime lending rate is decided by the individual banks.
- RBI decides the following rates namely; Bank rate, repo rate, reverse repo rate & cash reserve ratio.
- The quantitative instruments of RBI are - bank rate policy, cash reserve ratio & statutory liquidity ratio.
- The objective of monetary policy of RBI is to control inflation; discourage hoarding of commodities & encourage flow of credit into neglected sector.
- When RBI is lender of the last resort, it means that RBI advances credit against eligible securities.
- Government of India decides the quantity of coins to be minted.
- The method which is used currently in India to issue currency note - minimum reserve system. For issuing notes, RBI is required to hold the minimum reserves of Rs. 200 crore of which note less than Rs. 115 crore is to be held in gold.

POLICY RATES

Current Reserve Ratios & Policy Rates

Bank Rate	6.75
Repo Rate	6.25
Reverse Repo Rate	5.75
CRR	4%
SLR	20.75%
MSF	6.75

Repo Rate

Repo rate is the rate of interest which is levied on Short-Term loans taken by commercial banks from **RBI**. Whenever the banks have any shortage of funds they can borrow it from RBI.

Reverse Repo Rate

This is exact opposite of Repo rate. Reverse repo rate is the rate at which commercial banks charge on their surplus

funds with RBI. RBI uses this tool when it feels there is too much money floating in the banking system.

SLR Rate

SLR (Statutory Liquidity Ratio) is the amount a commercial bank needs to maintain in the form of cash, or gold or government approved securities (Bonds) before providing credit to its customers.

It is determined as the percentage of total Net Demand & Time Liabilities (NDTL).

BANK RATE

It is defined in Sec 49 of RBI Act 1934 as the 'standard rate at which RBI is prepared to buy or rediscount bills of exchange or other commercial papers eligible for purchase under this act'.

CASH RESERVE RATIO

CRR refers to the ratio of bank's cash reserve balances with RBI with reference to the bank's net demand & time liabilities to ensure the liquidity & solvency of the 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 & 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 & 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

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

INTEREST RATE ON BANK ACCOUNTS



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A) Some points related to Interest Rates on Bank Accounts {Differential rate of interest (DRI)}

- 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 Rs.15 lakh & 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, & if the interest you earn from Savings accounts crosses this threshold, it becomes subject to tax.

C) Senior Citizens Savings Scheme, 2004:

The salient features of the Senior Citizens Savings Scheme, 2004 are given below:

Tenure of the deposit account	5 years, can be extended by 3 years.
Rate of interest	9.3 per cent per annum
Investment to be in multiples of	Rs. 1000/-
Maximum investment limit	Rs. 15 lakh
Minimum eligible age for investment	60 years (55 years for those who have retired on superannuation or under a voluntary or special voluntary scheme).
Premature closure/withdrawal facility	Permitted after one year of opening the account but with penalty.
Modes of holding	Accounts can be held both in single & joint holding modes. Joint holding is allowed only with spouse.

Inoperative & Dormant Accounts

RBI clarified on 30.10.09 that SB account can be treated as inoperative account only after 2 years from the date of the last credit entry of interest on Fixed Deposit account, where FD interest is being credited to SB account or where dividend on shares is being credited).

TERMS RELATING TO DEPOSITS

Unclaimed Deposits: The banks are to furnish to RBI a statutory annual return (penalty for delay) for unclaimed accounts which have not been operated for a period of 10 years or more in December every year u/s 26 of RBI Act.

Demand liabilities

Current deposits, Demand liabilities portion of saving deposits, margins held against LC/LG, Balances in overdue FD, cash certificate & RD, Outstanding TTs, MTs & DDs, Unclaimed deposits, Credit balance in CC a/c & Deposits held as security for loan payable on demand.

Time liabilities

FDs, cash certificate, cumulative & RDs, time liabilities portion of saving bank deposits, staff security deposits, margins against LC not payable on demand, deposit held as securities for advances & India Dev Bonds.

NEGOTIABLE INSTRUMENTS ACT 1881

In India the Negotiable Instruments Act was passed during 1881 which came into force wef **March 01, 1882**.

CHEQUE

A cheque is (a) a bill of exchange (b) drawn on a specified bank & (c) not expressed to be payable otherwise than on demand. It includes electronic image of a truncated cheque & also an electronic cheque.

AMOUNT OF A CHEQUE

Where amount of a cheque differs in words & figures, as per Section 18, amount written in words should be paid irrespective of the fact, which amount is less or more.

Legal amount & courtesy amount

The amount in words is called the legal amount & the amount in figures is called the courtesy amount as per CTS 2010 guidelines of RBI.

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 & 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.



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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.

ENDORSEMENT

As per Section 15, endorsing means signing on the face or backside of an instrument (or even on a paper called Allonge or stamped paper), for the purpose of negotiating (transferring to next person) a negotiable instrument.

Endorsement in full

If an endorser signs his name & adds a direction to pay the amount mentioned in the instrument to, or to order of, a specified person, the endorsement is said to be in full. Blank endorsements can be converted into full.

Restrictive endorsement

Where an endorsement prohibits & restricts further negotiability of the instrument, it is called restricted endorsement.

The words 'Pay to Ashish only' or 'Pay to Ashish for my use' or 'Pay to Ashish for account of B', are the cases of restrictive endorsement.

1. Crossing

Crossing of a cheque means two parallel transverse lines on the face with or without words, such as '& Co', 'not-negotiable', 'payee's account only' etc. The words without lines will not constitute crossing. Such instruments should not be paid as drawer's mandate is not clear.

Crossing is **applicable** in case of **cheques & demand draft** only & does not cover bill of exchange or promissory note.

TYPES OF CROSSING

General crossing (sec 123)

General crossing is where a cheque bears across its face two parallel transverse lines (with or without words such as "& co" or any abbreviation. (Words not important, lines are).

Special crossing (sec 124)

Where a cheque bears across its face, name of bank, either with or without the words not-negotiable (lines are not important, the addition of name of the bank is important), that addition shall be deemed as special crossing & the cheque shall be considered to be crossed specially to that banker.

Special Crossing in favour more than one bank: As per Section 127, if a cheque is crossed specially to more than one bank (unless one bank is acting as collecting agent to another), the payment shall be refused. A cheque crossed to two or more branches of the same bank is considered to be crossed to one bank only.

Not negotiable crossing

As per Section 130, a person taking a cheque crossed generally or specially bearing the words 'not negotiable' shall not have not be capable of giving a better title to the cheque than that, which the person from whom he took it, had. If Ramesh obtains a cheque without consideration, his title is defective. When he endorses this cheque, the endorsee shall not be able to get a better title, even if he paid the value.

Demand Drafts

Demand draft is defined as per Section 85 (a) of NI Act 1881 as an order to pay money drawn by one office of a bank upon another office of the same bank for a sum of money payable to order on demand.

Important features of a demand draft are:

- It is payable to order on demand (85-A NI Act).
- It cannot be issued as payable to bearer (Sec. 31 RBI Act).
- If a bank fails to honour a bank draft, it renders itself liable for damages. Similarly omission of signatures or wrong signatures can also make the bank liable.
- By prior arrangement, the paying bank could be a different bank also.



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BANKING OMBUDSMAN SCHEME 2006

The Banking Ombudsman Scheme enables a bank customer for filing of complaints relating to certain services rendered by banks.

- 1) The Banking Ombudsman is a senior official appointed by the Reserve Bank of India to redress customer complaints against deficiency in certain banking services.
- 2) All Scheduled Commercial Banks, Regional Rural Banks & Scheduled Primary Co-operative Banks are covered under the Scheme.
- 3) The Banking Ombudsman does not charge any fee for filing & resolving customers' complaints.
- 4) The maximum compensation which a BO can help a complainant to get is Rs. 10 lakhs.
- 5) 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 & the bank, to present their case.
- 6) 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 & 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 & endowed with adequate financial & 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 & 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 & 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 & 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 &



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customer protection framework, taking into account the recommendations made by various committees set up earlier.

Lending

Base Rate

On recommendations Working Group (Chairman: Deepak Mohanty) RBI decided that banks should switch over to Base Rate system w.e.f. 1.7.2010.

- Base Rate includes all elements of the lending rates. Banks could use any methodology, to fix the base rate which is consistent & is made available for supervisory review/scrutiny.
- Banks may determine their actual lending rates w.r.t. Base Rate.
- No loan can be sanctioned below base rate.
Exempted accounts: The following loans could be priced without reference to Base Rate: (a) DRI loans (b) loans to banks' own employees (c) loans to banks' depositors against their own deposits.
- Changes in the Base Rate shall be applicable to all existing loans linked to the Base Rate.

Marginal Cost Based Lending Rate

RBI introduced MCLR w.e.f. 1.4.2016 to determine Base Rate by banks to improve the efficiency of monetary policy transmission.

- All rupee loans sanctioned & credit limits renewed w.e.f. 01.04.16 to be priced w.r.t. MCLR. It will be internal benchmark.
- The MCLR comprises of (a) Marginal cost of funds; (b) Negative carry on account of CRR; (c) operating costs; (d) Tenor premium.
- Marginal Cost of funds (MCF): It has 2 components (a) Marginal cost of borrowings (b) return on network. By using MCF, it will be calculated as:

Required CRR × (marginal cost) / (1-CRR)

d) Exemptions from MCLR

- loans under schemes of Govt. of India wherein banks have to charge interest rate as per the scheme.
- Working Capital Term Loan, Funded Interest Term Loan etc. as part of rectification/restructuring package.
- Loans under various refinance schemes of Govt. of India or any Govt. Undertaking wherein banks charge interest at the rates prescribed under the schemes.
- The following loans can be priced without being linked to MCLR :
 - Loan to depositors against their own deposits.
 - Loan to banks' employees & Chief Executive Officer/Whole Time Directors.
 - Loans linked to a market determined external benchmark.
 - Fixed rate loans. In case of hybrid loans where the interest rates are partly fixed & partly floating, interest rate on the floating portion should adhere to the MCLR guidelines.

HANDY NOTES BANKING: 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 & Small Enterprises
- Housing
- Weaker Sections
- Renewable Energy

Targets under PSL

Agriculture: 18 percent of ANBC(Adjusted Net Bank Credit). Out of this 18 percent, a target of 8 percent of ANBC is for Small & Marginal Farmers, to be achieved in a phased manner i.e., 7 per cent by March 2016 & 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 & 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 & 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



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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 & 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 & above) & 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 & 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 & 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 & 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.

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:-

- i. **Targets:** 75 per cent of total outstanding to the sectors eligible for classification as priority sector lending.
- ii. **Categories of the Priority Sector:** Medium Enterprises, Social Infrastructure & 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 & Marginal Farmers:** A target of 8 percent of total outstanding has been prescribed for Small & 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.

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 & the banker.
- b) NO REPAYMENT is required as long as the borrower lives, Borrower should pay all taxes relating to the house & 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 &
 - 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.

MONEY MARKET

It is a market for short-term debt securities, such as **commercial paper, repos, negotiable certificates of deposit, & Treasury Bills** with a **maturity of one year or less.**

CAPITAL MARKETS IN INDIA



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It is the **market for long term funds**. It refers to all the facilities & institutional arrangements for **borrowing & lending medium & long term funds**.

Money Market VS Capital Market

Money Market	Capital Market
<ul style="list-style-type: none"> Market for short term financial assets Maturity period less than one year Deals over the counter No. of players limited Regulated by RBI 	<ul style="list-style-type: none"> Market for long term financial assets Maturity period beyond one year Deals at stock exchange counter No. of players unlimited Regulated by SEBI

Major money market Instruments

- ✚ Certificate of Deposit (CD)
- ✚ Commercial Paper (CP)
- ✚ Inter Bank Participation Certificates
- ✚ Inter Bank term Money
- ✚ Treasury Bills
- ✚ Bill Rediscounting
- ✚ Call/Notice Money

Terms relating to Money Market

Call Money	Money lent or borrowed for one day
Notice Money	Money lent or borrowed for a period of 2-14 days.
Term Money	Money lent or borrowed for 15 days to 1 year.
Yield to maturity	Expected rate of return on an existing security purchased for the market.
Coupon Rate	Specified interest rate on a fixed maturity security fixed at the time of issue.

CALL/NOTICE MONEY MARKET OPERATIONS

- ✚ Under call money market, funds are transacted on overnight basis & under notice money market, for 2 days to 14 days.
- ✚ Participants include banks (excluding RRBs) & Primary Dealers (PDs), both as borrowers & lenders. Non-bank institutions are not permitted in the call/notice money market with effect from August 6, 2005.
- ✚ Calculation of interest payable is based on FIMMDA's (Fixed Income Money Market & Derivatives Association of India) Handbook of Market Practices.

INSTRUMENT OF GOVT. BORROWING

To meet the temporary receipt & expenditure mismatch, govt. obtains over draft from RBI under Ways & Means

Advances. For short term liquidity, it issues cash management bills, treasury bills of 91 days, 182 days & 364 days maturity. For long term funds, it uses dated securities in the form of bonds/long term loans.

TREASURY BILLS

These are the instruments (in the form of promissory notes) of short term borrowing by the Central govt., first issued in India in 1917.

Investors : Treasury bills can be purchased by any one (including individuals) except State govt.

Denomination: Minimum amount of face value Rs. 25000 & in multiples thereof. There is no specific amount/limit on the extent to which these can be issue or purchased.

Maturity: 91 days, 182 days & 364 days.

Rate of interest: Treasury bills are zero coupon securities. They are issued at a discount & redeemed at face value at maturity. The return to the investors is the difference between the maturity value or the face value (that is Rs. 100) & the issue price.

Cash Management Bills (CMB)

CMB introduced on 11.08.11, is a short term security to be sold by Govt. of India to raise temporary money for cash management needs.

1. **The tenure is less than 91 days but the notified amount & date of issue depends upon the temporary cash requirement of the Govt.**
2. **It is issued at discount to the face value** through auctions, as in the case of the Treasury Bills.

DATED SECURITIES

These are **long term securities & carry a fixed or floating coupon (interest rate) paid on the face value, payable at fixed time periods (half-yearly).**

The **tenor of dated securities** can be up to **40 years**.

Public Debt Office of RBI acts as the **registry/depository of Govt. securities & deals with the issue, interest payment & repayment of principal at maturity.**

WAYS & MEANS ADVANCES (WMAs)

WMAs were introduced as per an agreement between RBI & Govt. WMAs are temporary overdrafts by RBI to govt. (Central & State) under Section 17(5) of RBI Act. WMSS replaced the earlier ad hoc T-Bills system.

Objective - WMAs bridge the time interval of mismatch between govt. expenditure & receipts.

These are not a source of finance.

Duration : 10 consecutive working days for Central Govt. & 14 days for State Govt.

OTHER MONEY MARKET INSTRUMENTS

CERTIFICATE OF DEPOSIT

This scheme was introduced in July 1989, **to enable the banking system to mobilize bulk deposits from the**

market, which they can attract **at competitive rates of interest.**

Who can issue Scheduled commercial banks (except



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	RRBs) & All India Financial Institutions within their 'Umbrella limit'.
CRR/SLR	Applicable on the issue price in case of banks
Investors	Individuals (other than minor), corporations, companies, trusts, funds, associations etc.
Maturity	Min: 7 days Max : 12 Months (in case of FIs minimum 1 year & maximum 3 years).
Amount	Min: Rs. 1 lac, beyond which in multiple of Rs. 1 lac
Int. Rate	Market related. Fixed or floating
Loan	Against collateral of CD not permitted
Nature	Usance Promissory note. Can be issued in Dematerialisation form only wef June 30, 2002

COMMERCIAL PAPER

i. CP introduced during 1990, is a short term money market instrument issued as an unsecured **usance promissory note** & privately placed.

ii. **Who can issue Commercial paper (CP):** Companies, primary dealers (PDs) & all-India financial institutions (FIs).

iii. A company is eligible to issue CP if:

(a) Its tangible net worth, as per latest audited balance sheet, is not less than Rs. 4 crore.

(b) Sanctioned working capital limit by bank/s or all-India financial institution/s;

(c) The borrower accounts are classified as a Standard Asset by financing bank/s/ institution/s & ‘

(d) Minimum credit rating from SEBI approved credit rating agency (CRA) is A3. Rating should not be due for review.

iv. **Maturity :** Min 7 days & max upto one year

v. **Amount:** Min Rs. 5 lakh or multiples thereof.

MERCHANT BANKING

Merchant banking stands for providing various services relation to capital market & financing the corporate sector. The Merchant Bankers provide consultancy to the corporate sector on the issues like finance, capital structure & investment, mergers, takeover & amalgamations, establishing coordination between the government & the corporate sector.

CAPITAL MARKETS IN INDIA

a) It refers to all the facilities & institutional arrangements for borrowing & lending medium & long term funds.

b) It is segregated into **(i) gilt edged market & (ii) the industrial securities market.**

c) The **gilt edged market refers to the market for govt. & semi-govt. securities** which are traded in the market in stable value & are sought after by banks & other institutions.

d) The **industrial securities market** refers to the **market for shares & debentures of old as well as new companies.** This market is further divided as primary market & secondary market.

➤ The **primary market** refers to the setup which helps the industry to raise funds by issuing different types of securities, which are issued directly to the investors, both individual & institutions.

➤ The **secondary market** refers to the network for subsequent sale & purchase of securities, after these are issued.

Masala-bonds

Masala Bonds are the **bonds issued for rupee-denominated borrowings by Indian entities in overseas markets.**

INDIAN DEPOSITORY RECEIPTS (IDRs)

IDR is an instrument in the form of a Depository Receipt created by the Indian depository in India against the underlying equity shares of the issuing company. In an IDR, foreign companies would issue shares, to an Indian companies would issue shares, to an Indian Depository which would in turn issue depository receipts to investors in India.

MUTUAL FUND TERMS

Asset Management Company: A company formed & registered under the Companies Act 1956 & approved as such by the SEBI to manage the funds of a mutual fund. Under an agreement (with the trustees of the Mutual Fund), an AMC undertakes to formulated mutual funds schemes, distribute income as per agreement.

Balanced fund: This fund invests in bonds & blue chip stocks to conserve capital. It pays reasonable income capital appreciation.

Close-ended scheme: A scheme where funds are raised for a fixed period. The scheme is wound up after that period & funds are returned with capital appreciation to unit holders.



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Normally, a close-ended scheme is listed on a stock exchange.

Fixed income funds: A mutual fund which primarily invests in fixed income securities like bonds & debentures. The objective is to provide monthly or yearly income to investors.

Net asset value: The price of value of one share of a fund. It is calculated by summing the quoted values of all the securities held by the fund, adding in cash & any accrued income & subtracting liabilities & dividing the result by the number of shares outstanding. Fund companies compute the NAV once a day based on closing market prices.

Open ended scheme: A scheme is the one which continuously offers its units & buys them back from investors.

DICGC (Deposit Insurance & 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 & 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 & interest amount held by him in the same capacity.

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

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

5. HQ: Mumbai Chairman: R.Gandhi

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.

What is an NPA?

Loan accounts are classified as non-performing asset on the basis of following criteria:

Criteria for classification of loan as NPA

Farm Credit within Agriculture loans : A loan will be treated as an NPA if installment of the principal or interest remains unpaid beyond the due date for (a) two crop seasons in case of short duration crops (maturing within one year) & (b) one crop season for long duration crops (maturing after one year). This would also be applicable, mutatis mutandis, to agricultural term loans. In other agriculture loans, the 90 days norm would be applicable.

SARFAESI Act & Rules

SARFAESI Act (The Securitization & Reconstruction of Financial Assets & Enforcement of Security Interest Act, 2002) was enacted to regulate securitization & reconstruction of financial assets & 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 the 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 if 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 & (4) loss assets.

- **Standard asset** is one that does not disclose any problems & 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 & loss has been identified by the bank or internal or external auditors or the



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RBI inspection & the loss has not been written off is regarded as **loss asset**.

What is pledge : U/s 172 of Indian Contracts Act, pledge is bailment (delivery) of goods as security for payment of a loan. Only goods (movable assets excluding actionable claims (Sec 2(7) of Sales of Goods Act) can be pledged.

HYPOTHECATION/PLEDGE-DISTINCTION

	Hypothecation	Pledge
Defined in	SARFAESI Act 2002 (Sec 2 n)	Indian Contract Act 1872 (section 172)
Definition	Charge on movable property in favour of secured creditor without delivery of possession	Bailment of goods as security for payment of a debt or performance of promise
Parties:	Hypothecator	Pledger / pawner
-Borrower	Hypothecate	Pledger / pawnee
-Bank		
Nature of securities	Movable assets such as stocks, machinery, vehicles	Goods
Possession	Borrower (in trust for bank). Bank cannot take possession without consent of the borrower. On taking possession bank gets rights of pledge & can sell the assets without intervention.	Possession with bank till repayment of the loan. Bank has to preserve the goods carefully & return the same, if loan is repaid.

MORTGAGE

As per section 58 of Transfer of Property Act 1882, mortgage is transfer of interest in specific immovable property for the purpose of securing the payment of money advanced or to be advanced by way of loan, an existing or future debt or the performance of an engagement which may give rise to pecuniary liability.

ATM

Q.1 What is an Automated Teller Machine (ATM)?

Ans. Automated Teller Machine is a computerized machine that provides the customers of banks the facility of accessing their account for dispensing cash & to carry out other financial & non-financial transactions without the need to actually visit their bank branch.

Q.2 What is White Label ATMs (WLAs)?

Ans. ATMs set up, owned & operated by non-banks are called White Label ATMs. Non-bank ATM operators are authorized under Payment & Settlement Systems Act, 2007 by the Reserve Bank of India.

Q.3. Is there any time limit for the card issuing banks for recrediting the customers account for a failed ATM/WLA transaction?

Ans. As per the RBI instructions, banks have been mandated to resolve customer complaints by re-crediting the customer's account within 7 working days from the date of complaint.

Q.4. Are the customers eligible for compensation for delays beyond 7 working days?

Ans. Yes. Effective from July 1, 2011, banks have to pay compensation of Rs. 100/- per day for delays in re-crediting the amount beyond 7 working days from the date of receipt of complaint for failed ATM transactions. The compensation has to be credited to the account of the customer without any claim being made by the customer. If the complaint is not lodged within 30 days of transaction, the customer is not entitled for any compensation for delay in resolving his / her complaint.

CURRENCY IN INDIA

Money as a means of payment consists of coins, paper money & withdrawable bank deposits.

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

What do you know by currency chest?

Currency chests are operated by RBI so that they can provide good quality currency notes to the public. However, RBI has appointed commercial banks to open & monitor currency chests on behalf of RBI. The cash kept in currency chests is considered to be kept in RBI.

What is a small coin depot?

The bank branches are also authorised to establish Small Coin Depots to stock small coins. The Small Coin Depots also distribute small coins to other bank branches in their area of operation.

What are soiled, mutilated & imperfect banknotes?

✚ "Soiled note" means a note which, has become dirty due to usage & also includes a two piece note pasted together wherein both the pieces presented belong to the same note, & form the entire note.

✚ **Mutilated banknote** is a banknote, of which a portion is missing or which is composed of more than two pieces.

✚ **Imperfect banknote** means any banknote, which is wholly or partially, obliterated, shrunk, washed, altered or indecipherable but does not include a mutilated banknote.

Pre-2005 series Banknotes



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The banknotes issued before 2005 MG series are called pre-2005 series banknotes, which do not have the year of printing on the reverse side. On Jan 23, 2014, RBI decided to withdraw, from circulation, these notes as they have fewer security features.

1. These notes shall continue to be legal tender. The notes are only being withdrawn from circulation.
2. These notes can be exchanged at select bank branch till 30.06.16.

NATIONALISATION OF BANKS

- Nationalisation of Imperial Bank of India & its conversion into State Bank of India in July 1955.
- Conversion of 8 major State-associated banks into subsidiary banks of SBI in 1959.
- Nationalisation of 14 Indian scheduled banks in July 1969.
- Nationalisation of 6 more banks in April 1980 & Indian bank merged into Punjab National Bank.

FOREIGN EXCHANGE RESERVES

What actually is FOREX?

India's foreign exchange reserves comprise foreign currency assets, gold & special drawing rights allocated to it by the International Monetary Fund (IMF) in addition to the reserves it has parked with the fund. Foreign exchange reserves are held & managed by the RBI.

The **Foreign currency assets** are investment mainly in instruments abroad which have the highest credit rating & which do not pose any credit risk. These include sovereign bonds, treasury bills & short-term deposits in top-rated global banks besides cash accounts.

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TRANSFER SYSTEM IN BANKING SECTOR

REAL TIME GROSS SETTLEMENT (RTGS)

RTGS implemented w.e.f. 26.03.2004 (revised on 19.10.13), is a centralized payment system operated by RBI. In RTGS inter-bank payment instructions are processed & settled, on gross basis in a real time environment. It uses Indian Financial Network (INFINET) & SFMS platforms. RTGS is regulated by RTGS System Regulations, 2013.

National Electronic Funds Transfer (NEFT)

RBI operationalised NEFT System in Nov 2005. It facilitates transfer of funds from any bank branch to any other bank branch.

Amount: There is no lower/upper value limit.

Bank account: NEFT is an account to account transfer system. The remitter & beneficiary should have a bank account.

Processing Charges/Service Charges

1. Banks cannot levy any charges for inward NEFT,
2. For outward NEFT: Up to Rs. 10000 = Rs. 2.50, above Rs. 10000 to Rs. 1 lac = Rs. 5. Above Rs. 1 lac to Rs. 2 lac = Max Rs. 15 & above Rs. 2 lac = Max Rs. 25 (w.e.f. 13.07.2012).

AADHAAR ENABLED PAYMENT SYSTEM

AEPS is a payment service offered by the **National Payments Corporation of India (NPCI)** to banks using **Aadhaar** number & online UIDAI authentication through their respective Business correspondent service centre.

CENTRALIZED FUNDS MANAGEMENT SYSTEMS (CFMS)

CFMS was operated & maintained by RBI to enable operations on current accounts maintained at various offices of the RBI, through standard message formats in a secure manner.

NEPAL REMITTANCE SCHEME

It is a cross-border one-way remittance facility scheme, for remittance from India to Nepal.

Amount : Up to Indian Rs. 50,000 from NEFT branches. Beneficiary will receive funds in Nepalese rupees.

National Payments Corporation of India (NPCI)

It was incorporated in Dec 2008 as a Sec 25 company under Companies Act. Authorized capital is Rs. 300 cr & paid up capital Rs. 100 cr. It functions as a hub in all electronic retail payment systems.

'Rupay' is a domestic card scheme of NPCI. Rupay is the coinage of two terms rupee & payment. Rupay debit card was launched in March 2012.

CORE BANKING SOLUTIONS

Core Banking Solutions (CBS) or Centralised Banking Solutions is the process which is completed in a centralized environment i.e. under which the information related to the customer's account (i.e. financial dealings, profession, income, etc.) is stored in the Central Server of the bank (that is available to all networked branches) instead of the branch server.

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



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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 & 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 & 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 & Development, Reserve Bank of India.

How Rating done to Banks in India

RATING OF BANKS

RBI's 1995 working group headed by Sh. S. Padmanabhan suggested method for rating.

Rating criteria: RBI rates the banks on a 5 point scale of A to E, widely on the lines of international CAMELS rating model for domestic banks & CALCS model for foreign banks.

CAMELS Rating for Domestic Banks

- C Capital adequacy ratio
- A Asset quality
- M Management Effectiveness
- E Earning (i.e. profitability)
- L Liquidity (asset-liability management)
- S System & controls

Rating parameters for foreign banks

- C Capital adequacy ratio
- A Asset quality
- L Liquidity
- C Compliance
- S System & controls

BASEL-3 NORMS

- a) The Basel Committee is the primary global standard-setter for the prudential regulation of banks & provides a forum for cooperation on banking supervisory matters. Its mandate is to strengthen the regulation, supervision & 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 & risk management of the banking sector".
- (d) Basel 3 measures aim to:
 - Improve the banking sector's ability to absorb shocks arising from financial & economic stress, whatever the source
 - Improve risk management & governance
 - Strengthen banks' transparency & disclosures.



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Three Pillars of Basel 3

➤ Pillar 1: Minimum Regulatory Capital Requirements based on Risk Weighted Assets (RWAs):

Maintaining capital calculated through credit, market & operational risk areas (mainly that capital which can absorb risk.)

➤ Pillar 2: Supervisory Review Process:

Regulating tools & 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%

NBFC

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 engaged in the business of loans & 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 & make investments & 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 & settlement system & cannot issue cheques drawn on itself;
- iii. Deposit insurance facility of Deposit Insurance & Credit Guarantee Corporation is not available to depositors of NBFCs, unlike in case of banks.

Register with RBI:

A company incorporated under the Companies Act, 1956 & 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 & 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.

TYPES OF MONEY

- **Commodity Money** - Commodity money value is derived from the commodity out of which it is made. The commodity itself represents money, & 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 & 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 & to enable bridging of the gap between supply & demand for bank notes in the country.



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BANKING ABBREVIATIONS

1. **PSBs:** Public Sector Banks
2. **SNBCs:** Schedule Non Commercial Banks
3. **SENSEX:** Sensitive Index Of Stock Exchange
4. **GNP:** Gross National Product
5. **KYC:** Know Your Customer
6. **RTGS:** Real Time Gross Settlement
7. **NEFT:** National Electronic Money Transfer
8. **EFT:** Electronic Fund Transfer
9. **CBS:** Core Banking Solutions
10. **LIBOR:** London Interbank Offered Rate
11. **MIBOR:** Mumbai Interbank Offered Rate
12. **MIBID:** Mumbai Interbank Bid Rate
13. **SARFAESI:** Securitisation & Reconstruction Of Financial Assets & Enforcement Of Security Interest
14. **CAR:** Capital Adequacy Ratio
15. **FIIs:** Foreign Institutional Investments
16. **FDI:** Foreign Direct Investment
17. **IPO:** Initial Public Offering
18. **MICR:** Magnetic Ink Character Recognition
19. **BIRD:** Bankers Institute Of Rural Development
20. **IBA:** Indian Bank Association
21. **BPLR:** Benchmark Prime Lending Rate
22. **ICICI:** Industrial Credit & Investment Corporation Of India
23. **HDFC:** Housing Development Finance Corporation
24. **SWOT:** Strength, Weaknesses, Opportunities & Threats
25. **SWIFT:** Society For Worldwide Interbank Financial Telecommunication
26. **FERA:** Foreign Exchange Regulatory Act
27. **FEMA:** Foreign Exchange Management Act
28. **CASA:** Current & Saving Account
29. **NDTL:** Net Demand & Time Liabilities
30. **NASDAQ:** National Association For Securities Dealers Automated Quotations
31. **CRISIL:** Credit Rating & Investment Services India Limited
32. **CIBIL:** Credit Information Bureau Of India Limited
33. **NAV:** Net Asset Value
34. **ICRA:** Indian Credit Rating Agency
35. **CARE:** Credit Analysis & Research Limited
36. **WMAs:** Ways & Means Advances
37. **ALM:** Asset Liability Management
38. **INFINET** Indian Financial Network
39. **OLTAS** - On-line Tax Accounting System (OLTAS) for Direct Taxes
40. **TIN** - Tax Information Network (TIN)
41. **IMPS** - Interbank Mobile Payment Service (IMPS) or Immediate Payment Service
42. **CDR-** Corporate Debt Restructuring
43. **CAD-** Capital Account Deficit
44. **REITs:** Real Estate Investment Trusts
45. **InvITs:** Infrastructure Investment Trusts
46. **ALM-** Asset Liability Management
47. **ASBA:** Application Supported by Blocked Amount
48. **PIN:** Personal Identification Number
49. **CCEA** – Cabinet Committee on Economic Affairs
50. **CECA** - Comprehensive Economic Cooperation Agreement
51. **CEPA** - Comprehensive Economic Partnership Agreement
52. **DTAA** - Double Taxation Avoidance Agreement
53. **ECBs** - External Commercial Borrowings
54. **EFSF** - European Financial Stability Facility
55. **FINO**- Financial Inclusion Network Operation
56. **FIPB** - Foreign Investment Promotion board
57. **FSLRC** - Financial Sector Legislative Reforms Commission
58. **CRAR:** Capital to Risk-weighted Assets Ratio
59. **LCR:** Liquidity Coverage Ratio
60. **TARC** - Tax Administration Reform Commission
61. **GIRO** - Government Internal Revenue Order
62. **FRBMA:** Fiscal Responsibility & Budget Management Act
63. **AMFI**- Association of Mutual Fund in India.
64. **TIEA** - Tax Information exchange Agreement
65. **GAAR** - General anti avoidance rule
66. **GSLV** - Geo-Synchronous Launch Vehicle
67. **PPP** - Public Private Partnership & Purchasing Power parity
68. **PSLV** - Polar Satellite Launch vehicle
69. **TAPI** - Turkmenistan-Afghanistan-Pakistan-India.
70. **QFI** -Qualified Foreign Investors
71. **AD**-Authorized Dealer.
72. **ASSOCHAM**-Associated Chambers of Commerce & Industry of India.
73. **BCSBI**-Banking Codes & Standards Board of India.
74. **BIS**-Bank for International Settlements.
75. **CDS**-Credit Default Swap.
76. **CEPA**-Comprehensive Economic Partnership Management.
77. **FIMMDA**-Fixed Income Money MARKETS & Derivatives Association.
78. **FPI**-Foreign Portfolio Investment.
79. **IBRD**-International Bank For Reconstruction & Development.
80. **UIDAI**-Unique Identification Development Authority of India.

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 & Exchange Board of India.



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- A diagrammatic representation to understand the Cycle:



IMPORTANT BANKING TERMS

- **Moral Suasion**:-Moral Suasion is just as a request by the RBI to the commercial banks to take so & so action & measures in so & 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.
- **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.
- **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)

IMPORTANT BANKING CONCEPTS

1) 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.

2) 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.

3) What is NOSTRO Account?

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

4) What is VOSTRO Account?

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

5) What is BCBS?

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

6) 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.

7) What is STRIPS?

Separate Trading for Registered Interest & Principal Securities.

8) 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 & 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 & savings deposit.

Note: The CORE word in CBS stands for Centralized Online Realtime Exchange.

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.



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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)

Headquarters of NATIONALIZED/PSBs BANKS

- Allahabad Bank-Kolkata
- Bank of India -Mumbai
- Bank of Maharashtra -Pune
- Canara Bank -Bangalore
- Central Bank of India -Mumbai
- Corporation Bank -Mangalore
- Dena Bank -Mumbai
- Indian Bank- Chennai
- Indian Overseas Bank- Chennai
- Oriental Bank of Commerce- Gurgaon
- Punjab National Bank- New Delhi
- Punjab & Sind Bank- New Delhi
- State Bank of India- Mumbai
- Syndicate Bank- Manipal
- UCO -Bank Kolkata
- Union Bank of India- Mumbai
- United Bank of India- Kolkata
- Vijaya Bank- Bangalore
- Andhra Bank- Hyderabad
- Bank of Baroda- Vadodra
- BMB: New Delhi

FINANCIAL REGULATORS

Chit Funds	Respective Governments	State
------------	------------------------	-------

Insurance companies	IRDA
Housing Finance Companies	NHB
Venture Capital Fund / Merchant companies	SEBI
Banking companies	SEBI
Stock broking companies	SEBI
Nidhi Companies	Ministry of corporate affairs, Government of India

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 & 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 & investors, international trade finance businesses, institutional customers (such as pension funds & government entities/agencies), & services offered to other banks or other financial institutions.
- **Universal Banking**
R H Khan committee & recommended the concept of Universal Banking.
Universal banking means allowing FIs & banks to undertake all types of banking or development financing activity, subject to compliance of statutory & other requirements of RBI, Govt. & related legal Acts.
Activities in Universal Banking: These activities include accepting deposits, granting loans, investing in securities, credit cards, project finance, remittances, payment systems, project counseling, merchant banking, foreign exchange operations, insurance etc.
- **Islamic Banking:** An Islamic bank is a deposit-taking banking institution whose scope of activities excluding borrowing & lending on the basis of interest.

FINANCIAL INSTITUTIONS

National Bank for Agriculture & Rural Development (NABARD) :

- Established on 12th July 1982 on the recommendation of CRAFTICARD committee (also called as Sivaraman Committee)



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- For Agricultural finance, NABARD is the apex organization.
- Chairman : Dr. Harsha Kumar Bhanwala
- Head Quarters : Mumbai
- 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.
- Chairman- Dr. Kshatrapati Shivaji
- Head Quarters : Lucknow

Securities & 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 & 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 & 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

A brief on Financial Terms

1. Asset-Liability Management

ALM implemented in India wef 1.4.1999 is a comprehensive & dynamic framework for measuring, monitoring & managing the market risk of a bank. It is the management of structure of balance sheet (liabilities & assets) to maximize net earning from interest within overall risk-preference (present & future) of the bank.

2. Cross Selling

Cross-selling stands for offering to the existing & new customers, some additional banking products, with a view to expand banking business, reduce the per customer cost of operations & provide more satisfaction & value to the customer.

3. Credit Card Business

Issue of cards

- (a) Banks having net worth of Rs. 100 cr or above only can undertake the credit card business.
- (b) RBI permission is not required to undertake credit card issue business.

LIQUIDITY ADJUSTMENT FACILITY

Liquidity Adjustment Facility (LAF) was introduced by RBI during June, 2000 in phases, to ensure smooth transition & keeping pace with technological upgradation.

Tenor: Reverse Repo auctions (for absorption of liquidity) & Repo auctions (for injection of liquidity) are conducted on a daily basis (except Saturdays).

Cap: 0.25% of NDTL w.e.f. 01.04.14.

Marginal Standing Facility (MSF)

MSF was introduced w.e.f. May 09, 2011, by RBI.

Eligibility: Scheduled Commercial Banks having Current Account & SGL Account with RBI.

Tenor & Amount: It can be availed up to 2% of NDTL at the end of 2nd preceding fortnight. It is for one day.

CLEARING CORPORATION OF INDIA

Clearing Corporation of India Limited (CCIL) was incorporated on 30th of April, 2001, as the country's first



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clearing house for the Govt. securities, forex & other related market segments. It commenced operations from Feb 15, 2002. It provides a system for efficient clearing of money, government securities & foreign exchange market transactions.

Collateralised Borrowing & Lending Obligation (CBLO)

CBLO, an RBI approved money market instrument, is developed by CCIL for the benefit of the entities phased out from interbank call money market or given restricted participation in terms of ceiling on call borrowing & lending transactions & who do not have access to the call money market.

It is a discounted instrument available in electronic book entry form for the maturity period ranging from 7 days to 90 Days (can be up to one year as per RBI guidelines).

ASSET SECURITISATION

Securitisation of assets is an additional channel for recycling of funds by business entities including banks.

Securitisation is process through which the future receivables (say rent, installment of a term loan due in future) of an organization (say bank), are converted into debt instruments (such as bonds with a fixed rate of return) & then sold.

BANKING CODES & STANDARDS BOARD OF INDIA

Based on the recommendations of Committee on Procedures & Performance Audit on Public Services (Tarapore Committee), Banking Codes & Standards Board of India (BCSBI) was set up on the lines of a similar set up in UK to oversee the Fair Practice Code evolved by the Bankers.

Members: The Board was set up as a Society, under the Societies Registration Act, 1860. Commercial banks, RRBs & Urban Coop Banks are its members. RBI was funding the entire cost of operations of the Board for the initial 5 years.

A Governing council of the BCSBI looks after its financial affairs & managerial policies. The tenure of the Council is 5 years & the appointment of the Council after 5 years would be with the concurrence of the RBI.

FINANCIAL SECTOR SCHEMES

KISAN VIKAS PATRA

KVP are regulated by KVP Rules 2014, Scheme is available through Post Offices & those banks that are authorized to operate PPF scheme.

Denomination: Rs.1000, Rs.5000, Rs.10000 & Rs.50000

Types of certificates: Category Single, Joint A-Type & Joint B-Type (E/S).

Maturity period: 112 Months

Rate of interest: Rs.1000 becomes double during the maturity period.

1. Nomination facility, 2. pledge for loan facility & 3. premature payment after 2 years & 6 months subject to certain conditions, is eligible.

Important Current Topics

Bank Board Bureau (BBB)

Banks Board Bureau is an autonomous body of Union Government of India tasked to improve the governance of Public Sector Banks, recommend selection of chiefs of government owned banks and financial institutions and to help banks in developing strategies and capital raising plans. Vinod Rai is first and present Chairman of the Banks Board Bureau.

NITI Aayog

The National Institution for Transforming India, also called NITI Aayog, was formed via a resolution of the Union Cabinet on January 1, 2015. NITI Aayog is the premier policy 'Think Tank' of the Government of India, providing both directional and policy inputs. While designing strategic and long term policies and programmes for the Government of India, NITI Aayog also provides relevant technical advice to the Centre and States. The Government of India, in keeping with its reform agenda, constituted the NITI Aayog to replace the Planning Commission instituted in 1950. Chairperson of NITI Aayog- Shri Narendra Modi. Vice Chairperson of NITI Aayog Arvind Panagariya.

Demonetisation

Prime Minister Narendra Modi announced the demonetisation on November 08th 2016 a decision that sucked out 86% of the currency notes in circulation and left millions lining up at banks and ATMs for cash.

BHIM App

BHIM app, or the Bharat Interface for Money, is the Narendra Modi government's latest app to push India towards a cashless or 'less-cash' society. Prime Minister Narendra Modi today launched the BHIM app, which is available for Android OS. According to the government, the



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BHIM app allows the users to make cashless payments using their mobile phones in a “fast, secure and reliable” way. The Aadhaar-based payments app has been developed by the National Payment Corporation of India (NPCI). The ‘Made in India’ app is interoperable with other Unified Payment Interface (UPI) applications, and bank accounts.

Make in India

The Make in India initiative was launched by Prime Minister in September 2014 as part of a wider set of nation-building initiatives. Devised to transform India into a global design and manufacturing hub, Make in India was a timely response to a critical situation: by 2013, the much-hyped emerging markets bubble had burst, and India’s growth rate had fallen to its lowest level in a decade.

Digital India

The Digital India programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy.

Income Declaration Scheme 2016

Income Declaration Scheme 2016 came into effect from 1 June, 2016. It's an opportunity for those who didn't disclose income or pay taxes thereon in the past. Under this scheme, such persons can declare the undisclosed income and pay tax, surcharge and penalty on the declared undisclosed income. Declaration of undisclosed income or asset should have been chargeable to tax for any assessment year prior to the assessment year 2017-18. The person making a declaration under the scheme will have to pay income tax at the rate of 30% of the value of undisclosed income plus a surcharge of 25% thereon.

Pradhan Mantri Garib Kalyan Deposit Scheme (PMGKDS), 2016

The Pradhan Mantri Garib Kalyan Yojana (PMGKY) is Union Government's second income disclosure scheme (IDS) to allow tax evaders to come clean with unaccounted wealth. (PMGKY) notified along with other provisions of Taxation Laws (Second Amendment) Act, 2016 came into effect from 17 December 2016 and it will remain open until 31 March, 2017. It provides for 50% tax and surcharge on declarations of unaccounted cash deposited in banks. The recently launched Garib Kalyan yojana, is similar to Income tax declaration scheme, however there are few differences. Under this scheme, tax rate will be higher and the declared income.

Swachh Bharat Abhiyan (Clean India Campaign)

Swachh Bharat Abhiyan is a Swachh Bharat mission led by the government of India to make India a clean India. This campaign was launched officially by the government of India on 145th birthday anniversary of the great person, Mahatma Gandhi on 2nd of October, 2014. It was launched at the Rajghat, New Delhi (cremation of Mahatma Gandhi). The government of India has aimed to make India a clean

India by 2nd of October 2019 (means 150th birth anniversary of the Mahatma Gandhi) through this campaign.

The one rank one pension (OROP)

The one rank one pension (OROP) scheme was announced by the Modi government on September 6, 2015 but ex-servicemen say it has failed to address their concerns. The scheme, implemented after more than 40 years, promises equal pension to military personnel retiring in the same rank with the same length of service, regardless of the date of retirement. Prime Minister Narendra Modi recently said the first installment of nearly R5,500 crore was paid towards OROP.

Beti Bachao Beti Padhao Yojana

Beti Bachao Beti Padhao Yojana scheme is witness the change in lives of countless girl child and women. The pet project launched by Prime Minister Shri Narendra Modi “Beti bachao beti Padhao” (BBBP) Yojana (save daughter, educate daughter) to save and empower the girl child is making waves all over the nation. This major inter-ministerial initiative of the Government of India bringing together Ministries, institutions and civil societies, though not a drastic change yet, the results are positive on the scheme. The scheme will have focussed intervention and multi-section action in almost 100 districts with low Child Sex Ratio (CSR).

Securities and Exchange Board of India (SEBI)

The Securities and Exchange Board of India was established on April 12, 1992 in accordance with the provisions of the Securities and Exchange Board of India Act, 1992. The Preamble of the Securities and Exchange Board of India describes the basic functions of the Securities and Exchange Board of India as to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto". Headquarter of SEBI-Mumbai, Chairman of SEBI- UK Sinha.

The Regional Rural Banks (Amendment) Bill, 2014

The Regional Rural Banks (Amendment) Bill, 2014 was introduced by the Minister of Finance, Mr. Arun Jaitley, in Lok Sabha on December 18, 2014. The Bill seeks to amend the Regional Rural Banks Act, 1976. The Regional Rural Banks Act, 1976 mainly provides for the incorporation, regulation and winding up of Regional Rural Banks (RRBs).

Sponsor banks: The Act provides for RRBs to be sponsored by banks. These sponsor banks are required to (i) subscribe to the share capital of RRBs, (ii) train their personnel, and (iii) provide managerial and financial assistance for the first five years. The Bill removes the five year limit, thus allowing such assistance to continue beyond this duration.



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Authorised capital: The Act provides for the authorised capital of each RRB to be Rs five crore. It does not permit the authorised capital to be reduced below Rs 25 lakh. The Bill seeks to raise the amount of authorised capital to Rs 2,000 crore and states that it cannot be reduced below Rs one crore.

Issued capital: The Act allows the central government to specify the capital issued by a RRB, between Rs 25 lakh and Rs one crore. The Bill requires that the capital issued should be at least Rs one crore.

Shareholding: The Act mandates that of the capital issued by a RRB, 50% shall be held by the central government, 15% by the concerned state government and 35% by the sponsor bank. The Bill allows RRBs to raise their capital from sources other than the central and state governments, and sponsor banks. In such a case, the combined shareholding of the central government and the sponsor bank cannot be less than 51%. Additionally, if the shareholding of the state government in the RRB is reduced below 15%, the central government would have to consult the concerned state government.

foundations in India, which will help the entrepreneurs to exchange knowledge and access financial aid.

Smart City

The first question is what is meant by a 'smart city'. The answer is, there is no universally accepted definition of a smart city. It means different things to different people. The conceptualisation of Smart City, therefore, varies from city to city and country to country, depending on the level of development, willingness to change and reform, resources and aspirations of the city residents. A smart city would have a different connotation in India than, say, Europe. Even in India, there is no one way of defining a smart city.

Start Up India, Stand Up India

The start-ups will adopt self-certification to reduce the regulatory liabilities. The self-certification will apply to laws including payment of gratuity, labour contract, provident fund management, water and air pollution acts. An all-India hub will be created as a single contact point for start-up