

1. What is a Bank?

- (i) Bank is a financial organisation, which accepts deposits and lends money to the needy people
- (ii) It encourages savings habit among people
- (iii) It acts as an intermediary between people having surplus money and those requiring money
- (iv) It facilitates business transactions through receipts and payments by cheques instead of currency.
- (v) It provides loans and advances
- (vi) It also facilitates import-export transactions.
- (vii) It helps in national development by providing credit to farmers, small-scale industries and self-employed people .

2. What are the different types of Deposit Accounts?

-There are four types of deposit accounts in bank

- 1)Savings bank account
- 2)Current Deposit Account
- 3)Fixed Deposit Account
- 4)Recurring Deposit account

3. What is the difference between Savings Bank account and Current Account?

- (i)SB A/c is opened by individuals for savings purpose
- (ii)Current A/c is opened by business people for business transactions
- (iii)Bank will pay interest on SB A/c
- (iv)Bank will not pay any interest Current A/c
- (v)Bank will not give overdraft facility to SB A/c holders
- (vi)Bank can give overdraft facility to current A/c holders

4. What is Financial Inclusion?

FINANCIAL inclusion is the delivery of FINANCIAL services at affordable costs to vast sections of disadvantaged and low income groups.

5. Why you want to join Bank?

- (i)I want to join bank because banking is a very fast growing sector which provide me ample growth opportunities.
- (ii)Banking Sector offers tremendous growth opportunities. Candidates reach from Trainee Officer level to a General Manager level.
- (iii)Bank Employees have respect in society, since there is direct interaction with the customers.
- (iv)One of the major reason is Job security, especially with Public Sector Banks.
- (v)Banks provide a challenging working environment, anyone who loves to achieve work goals will definitely like a banking job.

6. What all are the Functions of RBI?

- (i) Issue of Paper Currency
- (ii)Regulation of Credit
- (iii)Banker of Banks and Lender of the Last Resort
- (iv)Banker of the Government

7. What is the Difference between Debit Card and Credit Card?

- (i)The major difference between Credit Card and Debit Card is that, in Debit card the amount is withdrawn from the bank account linked to it
- (ii)while in the Credit card the amount is not withdrawn from the account.
- (iii)For issuing the Credit card, the bank account is not the requirement of the bank
- (iv)but in the case of Debit card the customer must have a bank account.

- (v) In Credit card the bank charges interest
- (vi) whereas in the Debit card no interest is charged.
- (vii) The maximum limit of withdrawal in Credit card depends on the credit rating
- (viii) while the maximum limit of withdrawal in Debit card depends on the cash balance in the account

8. What is cheque?

The cheque is a negotiable instrument containing an order to make a certain amount of payment to the payee and is signed by the drawer.

There are three parties to the cheque- Drawer (maker of the cheque), Drawee (bank on which the cheque is drawn), Payee (to whom the amount of the cheque is payable).

9. What all different Types of Cheques?

- (i) Bearer Cheque: The cheque in which the payment is made to any person who presents the cheque to the bank.
- (ii) Order Cheque: The cheque in which the payment is made only to the person whose name is specified in the cheque.
- (iii) Crossed Cheque: Crossed cheque means that the two transverse parallel lines are made on the face of the cheque, to give a better title to the holder of the cheque. Such a type of cheque can only be transferred to the payee's account.
- (iv) Uncrossed Cheque: The uncrossed cheque is a kind of cheque which is made payable at the time of presenting it.
- (v) Stale Cheque: The type of cheque, which is presented after the specified time of three months is a stale cheque.

10. What is Demand Draft?

Demand draft is a negotiable instrument issued by a certain bank that directs the other bank or one of its own branches to pay a certain sum of money to the payee.

In the case of demand draft there are two parties involved in it, one is drawer (bank or any financial institution), and the other is payee (to whom the amount is transferred).

11. What is the difference between Cheque and Demand Draft?

- (i) Cheque is issued by an individual
- (ii) DD is issued by a bank
- (iii) Cheque is an order of payment from an account holder to the bank
- (iv) DD is an order of payment by a bank to another bank
- (v) In case of Cheque, there are three parties are involved - Drawer, Drawee, Payee
- (vi) In case of DD, there are two parties are involved - Drawer, Payee
- (vii) In case of insufficient balance in the account, the cheque can be dishonoured
- (viii) A DD can not be dishonoured because payment is already done for it.

12. What is CTS (Cheque Truncation System)?

- (i) Cheque Truncation is the process of stopping the flow of the physical cheque issued by a drawer
- (ii) In its place an electronic image of the cheque is transmitted to the drawee branch
- (iii) Cheque Truncation speeds up the process of collection of cheques

13. What is IMPS (Immediate Payment Service)?

- (i) It is a way in which we can transfer fund from any bank account to any other bank account holder in India anytime Using Mobile Phones with internet access
- (ii) IMPS is available 24/7 and we can avail the service even on bank holidays
- (iii) The minimum limit we can transfer is 1 rupee
- (iv) The maximum limit we can transfer is Rs. 5 lacs

14. What is Cash Reserve Ratio (CRR)?

- In India, banks are required to retain a certain percentage of their deposits as liquid cash with RBI
- The percentage of the deposits that should be kept aside by banks is called Cash Reserve Ratio
- CRR is fixed by The Reserve Bank of India.

15. What is Statutory Liquidity Ratio (SLR)?

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

16. What is Karnataka Bank Mission?

"Karnataka Bank is to be a technology savvy, customer centric progressive bank with a national presence, driven by the highest standards of corporate governance and guided by sound ethical values."

17. what all the digital banking initiatives launched by Karnataka Bank?

- KBL Mobile Plus app
- BHIM KBL UPI App
- Deposit only cards for depositing cash in cash recyclers

18. What all you can do with KBL Mobile Plus app?

- balance enquiry
- request cheque book
- stop payment of cheque
- funds transfer
- maximum daily cap for funds transfer is Rs.2 lacs

19. What is NPCI?

- The National Payments Corporation of India (NPCI), incorporated by the Reserve Bank of India in 2008
- It is an umbrella organisation for operating retail payments and settlement systems in India
- it has been incorporated as a "Not for Profit" Company with an intention to provide infrastructure to the entire Banking system in India for physical as well as electronic payment and settlement systems
- Its aim is to transform India into a 'less-cash' society by touching every Indian with one or other payment services.
- Mr. Biswamohan Mahapatra is the Non Executive Chairman
- The MD & CEO Mr. Dilip Asbe

20. What is BHIM app?

- Bharat Interface for Money (BHIM) is an app that lets us make simple, easy and quick payment transactions using Unified Payments Interface (UPI).
- We can make instant bank-to-bank payments and Pay and collect money using just Mobile number or Virtual Payment Address (UPI ID).

21. What is RuPay card?

- "RuPay" is the coinage of two terms Rupee and Payment
- RuPay is an Indigenously developed Payment System – designed to meet the expectation and needs of the Indian consumer, banks and merchants
- RuPay supports the issuance of debit, credit and prepaid cards by banks in India and thereby supporting the growth of retail electronic payments in India.
- We can Shop, pay bills, withdraw cash and do so much more with RuPay Debit Cards.

22. What is Bharat QR?

- In an attempt to encourage more and more people to use less cash and make digital payments, the RBI authorized a few card payment networks to implement QR Code operated mechanisms.
- As a result, Visa, MasterCard and NPCI partnered to launch Bharat QR – a QR Code-based digital payment mechanism

-Merchants need to display QR codes in their premises. User can scan these QR via BQR enabled mobile banking app and pay using Card linked account .

23. What is IMPS?

- IMPS is an innovative real time payment service that is available round the clock.
- This service is offered by National Payments Corporation of India (NPCI) that empowers customers to transfer money instantly through banks and RBI authorized Prepaid Payment Instrument Issuers (PPI) across India.
- The customer has to do the Mobile Banking Registration if he/she wants to initiate the transaction through mobile channel. For internet, ATM and bank branch channels, mobile registration is not required.

24. What is MMID? How do I get this Issued?

- Mobile Money Identifier 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 and helps in identifying the beneficiary details.

25. What is digital banking?

- Digital banking is the digitization of all the traditional banking activities and programs that historically were only available to customers when physically inside of a bank branch
- It allows customers to withdraw money, apply for loans, make payments online or on their smartphone

26. Tell me about Karnataka Bank?

- Karnataka Bank Limited is a Scheduled Commercial Bank in India, which was incorporated on February 18th, 1924 at Mangaluru.
- Over the years the Bank grew with the merger of Sringeri Sharada Bank Ltd., Chitradurga Bank Ltd. and Bank of Karnataka.
- Managing Director & CEO : Mr. Srikrishnan Hari Hara Sarma
- Part time Chairman: Mr. P Pradeep Kumar

27. What is KYC?

- KYC stands for Know Your Customer
- The KYC guidelines of RBI mandate banks to collect three proofs from their customers. They are-
 - (i)Photograph
 - (ii)Proof of identity , Ex: Passport, Aadhar Card, Voter ID, PAN Card, Driving Licence
 - (iii)Proof of address, Ex: Passport, Aadhar Card, Voter ID, Telephone Bill etc
- The Reserve Bank of India (RBI) has advised banks to follow 'KYC guidelines', wherein certain personal information of the account-opening prospect or the customer is obtained.
- The objective of doing so is to enable the Bank to have positive identification of its customers.
- This is also in the interest of customers to safeguard their hard earned money.

28. What is the difference between Nationalized bank and Private Bank ?

A Nationalized bank is one that is owned by the government of the country. Since the people decide who the government is, they are also referred to as public sector banks. The government is responsible for the money deposited into the accounts of these banks. Whereas a private sector bank is one that is owned by an independent individual or a company that is controlled by a few individuals.

In short, the bank is owned by someone else and they run the bank.

The person owning/running the bank is responsible for the money deposited into the accounts of these banks

29. What is RRB'S (regional rural banks)?

Regional Rural Banks are the banking organizations being operated in different states of India. They have been created to serve the rural areas with banking and financial services.

Share capital in RRB's: Central government: 50%, Sponsored bank: 35%, State government: 15%

30. What is Electronic Clearing Service (ECS)?

- ECS is an electronic mode of payment / receipt for transactions that are repetitive and periodic in nature.
- ECS is used by institutions for making bulk payment of amounts towards distribution of dividend, interest, salary, pension, etc.,
- Essentially, ECS facilitates bulk transfer of monies from one bank account to many bank accounts or vice versa.

31. What is Credit card?

- Credit card is a plastic instrument that can be used for the purchase of goods and services.
- You can buy the services and then pay the cash to the bank.
- Limits will be fixed based on the net worth of the customer.

32. What is 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.
- IFSC is used by the NEFT system to identify the originating / destination banks / branches and also to route the messages appropriately to the concerned banks / branches

33. What is meant by Priority Sector?

Priority sector refers to those sectors of the economy which may not get timely and adequate credit in the absence of this special dispensation.

Typically, these are small value loans to farmers for agriculture and allied activities, micro and small enterprises, poor people for housing, students for education and other low income groups and weaker sections.

34. What are the different categories under priority sector?

Priority Sector includes the following categories:

- Agriculture
- Micro and Small Enterprises
- Education
- Housing
- Export Credit

35. What is Right to information Act?

The Right to Information act is a law enacted by the Parliament of India giving citizens of India access to records of the Central Government and State governments.

The Act applies to all States and Union Territories of India.

This law was passed by Parliament on 15 June 2005 and came fully into force on 13 October 2005.

36. What is a Repo Rate?

Repo rate is the rate at which our banks borrow rupees from RBI.

Whenever the banks have any shortage of funds they can borrow it from RBI.

A reduction in the repo rate will help banks to get money at a cheaper rate.

When the repo rate increases, borrowing from RBI becomes more expensive

37. What is Reverse Repo Rate?

This is exact opposite of Repo rate.

Reverse Repo rate is the rate at which Reserve Bank of India (RBI) borrows money from banks.

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

Banks are always happy to lend money to RBI since their money is in safe hands with a good interest.

An increase in Reverse repo rate can cause the banks to transfer more funds to RBI due to this attractive interest rates.

38. What is Bank Rate?

Bank rate, also referred to as the discount rate, is the rate of interest which a central bank charges on the loans and advances that it extends to commercial banks and other financial intermediaries.

Changes in the bank rate are often used by central banks to control the money supply.

39. What is the Banking Ombudsman Scheme?

The Banking Ombudsman Scheme enables an expeditious and inexpensive forum to bank customers for resolution of complaints relating to certain services rendered by banks.

The Banking Ombudsman Scheme is introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from 1995.

40. Which are the banks covered under the Banking Ombudsman Scheme, 2006?

All Scheduled Commercial Banks, Regional Rural Banks and Scheduled Primary Co-operative Banks are covered under the Scheme.

41. What is Inflation?

- Inflation is as an increase in the price of bunch of Goods and services that projects the Indian economy.
- An increase in inflation figures occurs when there is an increase in the average level of prices in Goods and services.
- Inflation happens when there are fewer Goods and more buyers; this will result in increase in the price of Goods, since there is more demand and less supply of the goods.

42. What is Deflation?

- Deflation is the continuous decrease in prices of goods and services.
- Deflation occurs when the inflation rate becomes negative (below zero) and stays there for a longer period.

43. What are Mutual funds?

- Mutual funds are investment companies that pool money from investors at large and offer to sell and buy back its shares on a continuous basis and use the capital thus raised to invest in securities of different companies.
- The mutual fund will have a fund manager that trades the pooled money on a regular basis.
- The net proceeds or losses are then typically distributed to the investors annually.

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

These companies earn income by charging service fees to their clients.

44. What is Farmers Club?

Farmers Club is a forum of farmers to effectively convey the issues/problems of the farming community/village to departments concerned and to find solution.

Some of the objectives of Farmers Club are as below:

1. Having contact with new markets, companies for marketing agricultural produce for good price.
2. To Create awareness among farmers about new and innovative method of farming, post harvesting management of produce, marketing, water conservation e.t.c. for better productivity and profitability.
3. To enlighten the members about new policies of the government, like storage, marketing, exports etc.
4. Farmers Club to educate the villagers/farmers on various matters by arranging meets, seminar and exposure visits.
5. Farmers Club to educate the farmers/villagers to utilise the bank loan for productive purpose and to repay the bank loan within due date.

6. Farmers Club to create awareness among the farmers about social evils like untouchability, communalism, atrocity on women, child labour, bonded labour dowry system etc

45. What is SENSEX and NIFTY?

- SENSEX is the short term for the words "Sensitive Index" and is associated with the Bombay (Mumbai) Stock Exchange (BSE).
- The SENSEX was first formed on 1-1-1986 and used the market capitalization of the 30 most traded stocks of BSE.
- Where as NSE has 50 most traded stocks of NSE.
- SENSEX IS THE INDEX OF BSE. AND NIFTY IS THE INDEX OF NSE. BOTH WILL SHOW DAILY TRADING MARKS.
- Sensex and Nifty both are an "index".
- An index is basically an indicator it indicates whether most of the stocks have gone up or most of the stocks have gone down.

46. What is SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)?

- SIDBI, as a subsidiary of IDBI, commenced its operations from April 2, 1990. (Act passed in Oct 1989)
- its headquarters is at Lucknow.
- Main objective: to ensure larger flow of financial and non-financial assistance to the small scale sector.
- Initiating steps for technological up gradation and modernization of existing units.
- Expanding the channels for marketing the products of SSI Sector in domestic and overseas market.
- Promotion of employment oriented industries especially in semi urban areas to create more employment opportunities
- Major Activities: Refinance of loan and advances, discounting and rediscounting of bills, extension of seed capital/soft loans, granting direct assistance, providing services like factoring, leasing and so on.

47. What is KISAN CREDIT CARD?

- The Kisan Credit Card scheme aims at providing adequate and timely credit support from the banking system under a single window with flexible and simplified procedure to the farmers for their cultivation and other needs
- The Kisan Credit Card (KCC) scheme was introduced in 1998
- Farmers, tenant farmers, SHGs, share croppers are eligible for this scheme.

48. What is Base Rate?

- It is the minimum rate of interest that a bank is allowed to charge from its customers.
- Unless mandated by the government, RBI rule stipulates that no bank can offer loans at a rate lower than Base Rate to any of its customers.
- It is effective from, July 1, 2010. However, all existing loans, including home loans and car loans, will continue to be at the current rate.
- Only the new loans taken on or after July 1, 2010 and old loans being renewed after this date will be linked to Base Rate

49. What is BPS (Basis Points)?

- BPS is an acronym for basis points is used to indicate changes in rate of interest and other financial instrument.
- BASIS POINT IS EQUAL TO 0.01%
- So when we say that repo rate has been increased by 25 bps, it means that the rate has been increased by 0.25%

50. What is Bancassurance ?

Bancassurance stands for distribution of financial products particularly the insurance policies (both the life and non-life), also called referral business, by banks as corporate agents, through their branches located in different parts of the country.

51. What is BSBDA?

- It stands for Basic Savings Bank Deposit Account
- Under the guidelines issued on August 10, 2012 by RBI: Any individual, including poor or those from weaker section of the society, can open zero balance account in any bank.
- BSBDA guidelines are applicable to "all scheduled commercial banks in India, including foreign banks having branches in India".
- All the accounts opened earlier as 'no-frills' account should be renamed as BSBDA.
- Banks are required to convert the existing 'no-frills' accounts' into 'Basic Savings Bank Deposit Accounts'.
- The aim of introducing 'Basic Savings Bank Deposit Account' is very much part of the efforts of RBI for furthering Financial Inclusion objectives.

52. What is Fiscal Policy?

Fiscal policy is the use of government spending and revenue collection to influence the economy. These policies affect tax rates, interest rates and government spending, in an effort to control the economy. Fiscal policy is an additional method to determine public revenue and public expenditure.

53. What is FDI?

FDI (Foreign Direct Investment) occurs with the purchase of the "physical assets or a significant amount of ownership (stock) of a company in another country in order to gain a measure of management control" (Or) A foreign company having a stake in a Indian Company.

54. What is IPO?

IPO is Initial Public Offering. This is the first offering of shares to the general public from a company wishes to list on the stock exchanges.

55. What is GDP?

The Gross Domestic Product or GDP is a measure of all of the services and goods produced in a country over a specific period; classically a year.

56. What is GNP?

Gross National Product is measured as GDP plus income of residents from investments made abroad minus income earned by foreigners in domestic market.

57. What is Revenue deficit?

It defines that, where the net amount received (by taxes & other forms) fails to meet the predicted net amount to be received by the government.

58. What is Disinvestment?

The Selling of the government stake in public sector undertakings.

59. What is Fiscal Deficit?

It is the difference between the government's total receipts (excluding borrowings) and total expenditure.

60. What is National Income?

National Income is the money value of all goods and services produced in a Country during the year.

61. What is POS?

- POS stands for Point of Sale
- It refers to the place where a customer executes the payment for goods or services
- It streamlines retail operations by automating the transaction process and tracking important sales data

62. What is recession?

-A recession is a period of declining economic performance across an entire economy, frequently measured as two consecutive quarters.

- Recessions are visible in industrial production, employment, real income, and wholesale-retail trade.
- The working definition of a recession is two consecutive quarters of negative economic growth as measured by a country's gross domestic product (GDP)

63. What is CASA?

- CASA stands for Current Account Savings Accounts
- These are non-term deposit accounts
- CASA has a lower interest rate than term deposits
- These are low cost deposits
- CASA is cheaper source of funds for the financial institution.

64. What are term deposit accounts?

- Fixed deposits and recurring deposits are term deposit accounts

65. What is SIP?

- SIP stands for Systematic Investment Plan
- A systematic investment plan (SIP) is a plan where investors make regular, equal payments into a mutual fund, trading account or retirement account
- A SIP generally pulls automatic withdrawals from the funding account and may require extended commitments from the investor.

66. What is Mutual Fund?

Mutual funds are a basket of stocks or bonds, depending on the fund's investment objectives, managed by a professional with shares of the portfolio made available for purchase by investors.

67. What is a negotiable instrument?

- A negotiable instrument is a signed document that promises a sum of payment to a specified person or the assignee.

68. What is DEMAT(Dematerialized) A/C?

- To buy or sell stocks we have to open a Demat account.
- Here actual money is replaced by Shares & traded electronically & no physical possession of share.
- It is mandatory for Demat account holder to possess a permanent account number (PAN)

69. What is NBFC?

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 engaged in the business of loans and advances,

70. What is the Difference between Banks & NBFCs?

- NBFC cannot accept demand deposits.
- NBFCs do not form part of the payment and settlement system and cannot issue cheques drawn on itself.
- Deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation (DICGC) is not available to depositors of NBFCs, unlike in case of banks.
- They are not registered in the banking act and don't have a banking license.
- They don't have to maintain CRR, SLR like banks.

71. What is a payment bank?

- Payments banks is a new model of banks conceptualised by the Reserve Bank of India (RBI).
- Payment banks established on the recommendation of Nachiketmor committee.
- These banks cannot issue loans and credit cards.
- Both current account and savings accounts can be operated by such banks.
- Payments banks can issue services like ATM cards, debit cards, net-banking and mobile-banking.
- The minimum paid up equity capital required for bank is 100 crore.
- All the Payment banks must be maintain CRR at RBI

72. Can you name any payment banks?

At present there are 11 payment banks in India

1. Airtel Payment bank
2. Postal payment bank
3. Paytm payment bank
4. FINO Paytech payment bank (Financial Inclusion Network & Operation)

73. What is NPA?

The amount on which if the interest is not paid back by customer until 90 days after the completion of maturity period of a loan is called NPA.

74. What is Money Laundering?

When a customer uses banking channels to cover up his suspicious and unlawful financial activities, it is called money laundering.

75. What is Hypothecation?

- Hypothecation is the charge on movable property
- In case of hypothecation, the possession of the property is with the borrower.

76. What is Mortgage?

- Mortgage is the charge on immovable property
- In case of mortgage, the possession of the property is with the borrower.

77. What is pledge?

- Pledge means taking actual possession of the securities, such as goods, certificates, gold, etc while disbursing the loan)
- the possession of the goods, securities will be with the bank
- In case the borrower is unable to pay back, then the bank has the right to sell the assets, and recover the loan amount with interest
- Example : Gold loans, advances against NSC (National Saving Certificates)

78. What is Lien?

- It is almost similar to Pledge, except that in case of lien, the lender can only detain the asset/goods until the borrower repays the loan,
- but have no right to sell the asset

79. What is GST?

"GST is a comprehensive indirect tax on the sale, manufacture, and consumption of different kinds of goods and services throughout India.

80. Why RBI is banker of Government?

- It transacts all banking business of the government. In return, the government keep their cash balances on current account deposit with the RBI
 - It provides short term credits to the government
- The RBI provides short term advances to the state government called ways and means advances. It acts as advisor to the government.

81. Lender of last resort means?

- RBI is known as the lender of the last resort for banks.
- When a bank is found to lose, RBI will try to help the bank by becoming the lender of the last resort.
- It acts as the lender of last resort to institutions that do not have any other means of borrowing, and whose failure to obtain credit would dramatically affect the economy.
- This is mainly to protect the interest of the customers and shareholders.

82. Tell me about NABARD?

(i) NABARD is an apex development bank in India established on 12 July, 1982 with an aim of providing services to rural India by increasing the credit flow for evaluation of agriculture & rural non form sectors.

- (ii) It was set up by the Reserve Bank of India (RBI) under the chairmanship of Shri B. Sivaraman.
- (iii) NABARD is a development bank for providing and regulating credit and other facilities for the promotion and development of cottages, small scale industries, development of agriculture, village industries, handicrafts and other rural crafts
- (iv) It provides refinance to lending institutions in rural areas
- (v) It provides training for the institutions working for the rural development
- (vi) NABARD is active in developing Financial Inclusion Policy.

83. What is SHG?

- (i) A Self Help Group is an association of the poor people specially women who belong to the same social & economic background.
- (ii) SHGs promote small saving among their members.
- (iii) The savings are kept with the bank.
- (iv) This is the common fund in the name of the SHG.
- (v) The SHG gives small loans to its members from its common fund.
- (vi) After six months, if the SHG satisfies the bank as per the checklist for quality, bank can give loans to the SHG.
- (vii) RBI has classified loans to SHGs as priority sector lending.
- (viii) NABARD gives cent percent refinance to banks for loans to SHGs.

84. What is the checklist to ascertain quality of SHG to give a bank loan?

- Group Size (15 to 20)
- Number of meetings (Four meetings in a month)
- Attendance of members (More than 90%) 70 to 90% Less than 70%
- Savings collection within the group (Four times a month)
- Amount to be saved (Fixed amount)
- Accumulated savings (More than Rs. 5000/-)
- Interest on internal loan (Depending upon the purpose; 24 to 36%)
- Utilisation of Savings amount by SHG (Fully used for loaning)
- Loan recoveries (More than 90%)
- Maintenance of books (All books are regularly maintained)

85. What books a SHG should maintain?

- Minutes Book
- Savings and Loan Register
- Weekly Register (Summary of receipts and payments on a weekly basis)
- Members' Pass books

86. SHG should be registered?

SHG need not be registered

87. What is letter of credit?

- (i) A letter of credit is a financial instrument, which is issued by a buyer to the seller, confirming a payment.
- (ii) A typical LC will have certain clause/terms which have to be met by both buyer and seller for the successful execution of the transaction.
- (iii) Typical cost of LC can run up to 2% of transaction cost

88. What is Bank guarantee?

- (i) A guarantee given by a bank on behalf of his customer (account holder) to the beneficiary, for assurance of payment in the event of default by its applicant is called bank guarantee.
- (ii) Bank guarantee is the usual practice in public tenders/govt related works in domestic markets.
- (iii) Bankers charge commission up to 1.5% per annum on the issuance of bank guarantees.

89. What is the difference between Letter of Credit and Bank Guarantee?

- (i) Bank Guarantee is used for domestic transactions
- (ii) whereas the letter of credit is used for import/export transactions internationally.
- (iii) Under Bank Guarantee, a bank takes responsibility for payment when the client fails to honor commitment
- (iv) In Letter of credit, Primary Liability lies with the bank to collect payment from the seller.
- (v) The number of parties involved in Bank Guarantees is restricted to the applicant, beneficiary and banker
- (vi) whereas in case of LC, it can be more than three, i.e applicant, Applicant/issuing bank, beneficiary, advising bank, negotiating bank and confirming bank.

90. What is SARFAESI Act

- (i) SARFAESI Stands for Securitization And Reconstruction of Financial Assets and Enforcement of Security Interest Act.
- (ii) Banks utilize this act as an effective tool for NPA or Bad loan recovery.
- (iii) Upon loan default banks can seize the securities (except agricultural land) without intervention of court.
- (iv) SARFAESI Act is effective only for secured loans, where bank can enforce the security e.g. hypothecation, pledge & mortgages.

91. What is Priority Sector Lending?

- (i) Priority sector refers to those sectors of the economy which may not get timely and adequate credit
- (ii) Priority Sector includes the following categories: (i) Agriculture (ii) Micro, Small & Medium Enterprises (MSMEs) (iii) Education (iv) Housing (v) Export Credit (vi) Renewable energy (vii) Social Infrastructure (viii) Weaker Sections.

92. What is SWIFT?

- (i) SWIFT stands for Society For Worldwide Interbank Financial Telecommunication
- (ii) SWIFT code is a standard format of bank identifier code.
- (iii) This code is used particularly in international transfer of money between banks.
- (iv) SWIFT code consists of 8 or 11 character.
- (v) SWIFT HQ in La Hulpe, near Brussels in Belgium.

25. What is PAN?

- PAN stands for Permanent Account Number.
- PAN is a ten-digit unique alphanumeric number issued by the Income Tax Department.

26. What is the validity of PAN?

PAN obtained once is valid for life-time of the PAN-holder throughout India.

27. Quoting of PAN is mandatory in which transaction?

- Deposit with a bank, Cash exceeding Rs. 50,000 during any one day
- A time deposit of amount exceeding Rs. 50,000 or aggregating to more than Rs. 5 lakh during a financial year