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Banking Interview Questions

It is very important to prepare yourself before going for an interview. The basic things that you should remember when you are going for an interview are that you should wear a formal dress and always reply to all the questions with full confidence. When we are talking about Banking interviews, then there are some basic **Banking Interview questions** that you should remember from starting. The basic question in an interview, is the interviewer asks 'tell about yourself to all the candidates. So, you should be aware to give an answer to this question perfectly, your communication skill should be good, and your non-verbal skills should also be very well. They focus on your attitude.

Firstly, prepare yourself with the common interview questions which are asked in all the Interviews for which you have to prepare by yourself. You should possess a personal and professional attitude that exhibits your personality. (This helps them in judging your personality)

- The areas of your interest in terms of working areas.
- How much you are dedicated to the work.
- Your preferable working time for the job.
- Any previous experience of the job and if yes, then what experiences you have learned, and your work progress.
- What are the reasons for choosing a particular profession?

Hence, these are just basic information that you should always know before going for an interview. Now, the most important thing is that you should be aware of the commonly asked **Banking Interview Questions** and answers. The questions are as follows-

Q1. Tell about the various accounts in the bank.

There are basically four types of main accounts. They are following-

- Savings Account- This is the basic account for all the public. Any individual can open his or her savings account in a bank.
- Current Account- This account is generally opened on the name of the business. You can open your account in a bank but on your firm's name.
- Fixed Deposit Account- In this account, a high rate of interest is paid but there is a fixed time period to put your money.
- Recurring Deposit Account- In this bank account, monthly installment process takes place.

Q2. Tell about the different types of banks.

The main types of banks are the following-

- Nationalized banks
- Private Banks
- Foreign banks
- Regional rural banks
- Co-operative banks
- Industrial banks

These are some types of banks but there are many more banks also.

Q3. Give the difference between cheques and Demand Draft.

The basic difference between cheque and demand draft is:

Cheque

For a cheque, an individual's permission is required to withdraw money from the account.

Demand draft

For a demand draft, firstly you will require to pay the money and then bank issues demand draft.

Q4. If you have to operate your account, what are the various ways you can take?

There are many choices for operating your account like Internet banking, Telephone or Mobile banking, Branch or Over the counter service, and ATM (Automated Teller Machine). You can choose these methods.

Q5. Tell the name of the RBI governor of India.

Shaktikanta Das is the 25th RBI governor.

Q6. Name the Deputy Governor of India.

BP Kanungo, N S Vishwanathan, Viral Acharya, and Mahesh Kumar Jain are the four Deputy Governors of India. (Note- Always aware of the fact of the famous people and the people who hold the main position in the bank or related work.)

Q7. Give brief information about GST.

(Note- This is the most important which is being asked in all the Banking interview questions, so always update yourself with this question and keep detailed information about the topic.)

The full form for GST is Goods and Service Tax. On the supply of any types of services and goods, this GST tax is imposed on those items. In the Parliament on 29th March 2017, this tax was passed. This procedure has a simple online process. It helps in regulating the unorganized sector.

Q8. What is Consumer banking?

This banking is mostly available in foreign countries like Germany and the U.S.A which helps in giving a loan to the customers for buying any products like Car, expensive furniture etc.

Q9. In the Industrial field, what are the different banking software applications present?

There are a few different types of banking software. These are-

- Internet banking system: This system is there for any institution which has a financial approach and also for the customers so that they can do transactions using banks.
- ATM banking (Automated Teller Machine): For the basic or regular transactions process, ATM can be used. This is an outlet for electronic banking.
- Core banking system: This banking system has the services which are there for the customers to withdraw money and they can withdraw from any branch of the bank. This service is provided by network branches of the bank.
- Loan management system: All the details and knowledge regarding the customers when they take money from the bank, is kept under this system.
- Credit management system: To determine the credit offering details to the customer, handling accounts of credits and maintaining the risk to get lower in such conditions.
- Investment management system: All the tax details, budget management, investment details, and banking process is done under this system. It is the system to handle money basically under in all these conditions.
- Stock market management system: Securities and bonds which relates to Financial portfolio are done under this management system.
- Financial management system: Income, Expenditures are recorded or governed under this system for keeping the track of the accountability of its profit.

Q10. What do you understand by Foreign Draft?

When you transfer money from one country to another foreign country, then this is required to get the currency of that particular country.

Hence, this is a basic and most asked question in recent days.

(Note- Always get the information of the different banks their working, and the recent online banking system and update yourself with the current affairs of the banking system. Because in the interview, interviewers like to ask the general awareness and your knowledge skills.

Always, remember that in some interviews there are many people sitting together and they take your interview. One is there to look at your overall confidence, one look at your sitting postures and your eye contact, and they observe how you speak and deliver the answer. Sometimes, they confuse you so that they can check your stress level, so always keep cool minded and give all the answers very calmly. Don't try to speak in the fake language, always speak in your normal language.)

Q11. What is the meaning of the term 'Cost of debt'?

When any company takes money from the bank and pay it back with the interest, this is known as 'cost of debt'.

Q12. What are Cooperative banks?

When money or loan is provided to the small scale business, this bank is known as Cooperative bank.

Q13. What is bfsi domain?

BFSI is the acronym for **Banking Financial Services and Insurance**. BFSI is a name of an industry that is used commonly by different companies (BPO/IT/ITES) to refer to the many services they give to different companies that fall under these domains Banking has many offices or activities that include investment, retailing, core banking, cards, and others. Financial services include mutual funds, stock broking, payment gateways and the like. Insurance, on the other hand, covers the living and the non-living. There are many software development activities, data processing and testing of applications outsourced to different companies specializing in this domain.

Q14. What is GDP?

GDP (Gross Domestic Product) is the measure of the market value of all the goods and services produces in a specific period of time. It is used to measure a country's economic health. The GDP is normally calculated on an annual basis for a country or a state to measure how it performed economically during that period of time. It can in three ways such as the production approach, the income approach, and the expenditure approach.

Q15. Explain Non-banking Financial Company (NBFC)?

The Non-Banking Financial Companies are mainly involved in the business of loans, advances, acquisition of shares/stocks/bonds/securities/debentures

that are issued by the Government. The NBFC companies are registered under the Companies Act, 1956. They are like a bank as they lend and make investments but there are some significant differences between them. The NBFC companies cannot accept demand deposits and do not form part of the payment and settlement system. They also cannot issue cheques drawn on itself. These companies are regulated by the Reserve Bank of India (RBI) within the framework of the RBI Act, 1934 and the directions issued by it.

Q16. What is the difference between the IMF and the World Bank?

IMF and the World Bank have different purposes and functions. The main difference between them is that the IMF oversees the world's monetary system's stability while the World Bank tries to reduce the poverty among the under-developed, and developing countries by aiding them financially. Other differences between these two institutions are,

IMF

With 188 member countries, the IMF works to foster global monetary cooperation, facilitate international trade, promote high employment, sustain economic growth, secure financial stability, and reduce poverty around the world. They mainly try to ensure the stability of the system of exchange rates and international payments between countries. They also provide financial aid to poor nations.

The World Bank

The World Bank aims to provide financial and technical assistance to developing countries around the world. They provide low or no-interest loans to finance different areas such as education, health, public administration, infrastructure, agriculture, and natural resource management to developing or under-developed countries. They also provide advice and guidance to different countries.

Q17. What are accretion and dilution?

Accretion is the growth of assets and earnings of a business. Accretion is also defined as the accumulation of capital gains that an investor expects to get after purchasing a bond at a discount. The rate of accretion is found by dividing the discount by the number of years in the term. When stockholder's ownership of the percentage of the company decreases as the company issues new stock, this results in dilution.

Dilution shifts the fundamental positions of the stock such as the ownership percentage, voting control, earnings per share, and the value of individual shares.

Q18. What is CAPM?

CAPM (Capital Asset Pricing Model) is used to describe the relationship between the risk of investing in security and the expected return from investing in that security. The CAPM gives the investors an idea about the required return for investment on a financial asset. This model uses a formula to calculate the expected returns of an asset. CAPM Formula Expected Return = Risk-Free Rate + (Beta x Market Risk Premium)

Q19. What is PSB?

PSB stands for (**Public Sector Bank**) where the majority of the stake in the bank is held by the government. These banks are also listed on the stock exchanges for the public to buy the shares of these banks. In India, a majority of the banks are the public sector banks with a total of 18.

Some of the major PSBs in India are

- State Bank of India,
- Union Bank of India,
- Punjab National Bank,
- Indian Overseas Bank,
- Canara Bank,
- Indian Bank,
- Central Bank of India, and Bank of Baroda.

Q20. What is investment banking?

Investment banks are a type of bank that engages in financial transactions on behalf of individuals, corporations, and governments. They also assist in raising financial capital by underwriting or acting as the client's agent in the issuance of securities. They also help in merging companies or acquisitions of companies. Other services provided by these investment banks are market making, trading of derivatives, equity securities, and FICC services. But unlike the commercial or retail banks, these investment banks do not take deposits.

Q21. What is NPA? How NPA can be reduced?

Expanded as **Non-Performing Asset**, an **NPA** is a type of loan or advances that are in default or in arrears. These loans are classified as NPA when principal or interest payments are late or missed. They are listed on the balance sheets of a bank and a significant number of NPAs indicate that the financial health of the bank is not good. Some of the ways to reduce NPA are,

Lok Adalats

Small loans can be recovered using the guidelines in the Lok Adalats issued by the RBI in 2001.

Compromise Settlement

With this non-discretionary mechanism, NPAs up to 10 crores can be recovered.

Credit Information Bureau

Here, the Credit Information Bureau (CIB) helps the bank with the financial data about the individual defaulters to help the bank to reduce NPA.

SARFAESI ACT, 200

This act helps the bank to deal with NPA using three alternatives such as Asset Reconstruction, Enforcement of Security, and Securitisation.

Q22. How is NPA calculated?

Non-Performing Asset Ratio is used to assess the quality of the financial situation of the bank. The non-performing asset ratio is the measure of the non-performing asset relative to the total value of the loans made. Simply divide the non-performing assets by the total loans to calculate the non-performing asset ratio.

Q23. What is the role of a PO in banking?

The Probationary Officer role is the starting level managerial position in any bank. They don't have a single task as they are assigned with various banking activities. They are required to handle customer services and guide customers about the facilities and services available in the bank. They are also required to supervise the clerical work in a bank such as **managing cash, opening account, customer dealing**, etc. They are required to handle all the documents before processing a loan to a customer.

Q24. What is overdraft protection?

Overdraft protection prevents all kinds of transactions such as **ATM, debit cards**, etc from causing the account's balance to fall below **zero**. To prevent the insufficient fund transaction, Overdraft protection is done and the bank will charge a fee with an overdraft fee. This acts as a guarantee that all the transactions will be cleared. Also referred to as "**cash reserve checking**" Overdraft protection is mainly used as a cushion for checking accounts.

Q25. What is APR?

APR (Annual Percentage Rate) is the annual rate charged for borrowing an investment. It is normally expressed as a percentage to represent the yearly cost of funds over the term of a loan. The APR doesn't take into account compounding. It provides a number to the borrowers so they can easily compare the rates charged by other lenders.

Q26. What is the inter-bank deposit?

A fund deposit of a bank hold by another bank is called an **inter-bank deposit**. This deposit requires an arrangement by both of the banks to hold a due to account for the other. Inter-bank deposits are a part of the Interbank market which is a system of trading currencies among banks.

Q27. What are FII and FDI?

FII (Foreign Institutional Investor) is an investor investing outside of their registered country. Outside entities investing in a nation's financial market is called as **FII**. The FII may include **hedge funds, insurance companies, pension funds, investment banks, and mutual funds**. The FIIs are an important source of capital for developing countries but still some countries placed restrictions on the size of investment by FII to limit their influence.

FDI (Foreign Direct Investment) is a type of investment in a business registered in one country by an entity based on another country. The investment may include **mergers, acquisitions, building new infrastructure, reinvesting profits**, etc by a company in a different country.

Q28. What is loan grading?

Loan grading is used to assign a quality score to a loan based on the credit history of the borrower, quality of the collateral, and the likelihood of the repayment. This core takes not only the borrower's credit score into account but also a combination of several indicators of credit risk from the credit report and loan application. This loan grading task is done as a part of the lending institution's loan review system.

Q29. What is Reverse Repo Rate?

It the **rate** at which the **central bank of a nation** borrows money from commercial banks within a country. Commercial banks get an interest in their money deposit from the central bank. This rate is used to control the money supply within a country. This is dome to reduce the overall supply of money in the economy. In India, the RBI (Reserve Bank of India) is the central bank with a Reverse Repo Rate of 4.90 percent.

Q30. What is PLR?

Expanded as **Prime Lending Rate**, **PLR** is the internal benchmark rate used for setting up the interest rate on **floating-rate loans**. These loans are sanctioned by **Non-Banking Financial Companies (NBFC)** and **Housing Financial Companies (HFC)**. The PLR is calculated based on the average cost of funds. These financial companies price their loan at a discount on their existing PLR.

Q31. What is BPS?

The Basis Points (BPS) is a unit of measure that is used to describe the change in the value of the financial instruments. It is also used to refer to the yield that a bond pays to the investor in the bond market. One basis point is equal to 0.01 percent in the decimal form.

Q32. What is a crossed cheque?

The crossed cheque is a type of cheque that can only be directly deposited into a bank account. It can be identified with two parallel lines across the whole cheque or just the top left corner. These checks cannot be immediately cashed by a bank. There are specific instructions to a financial institution on how to handle a crossed cheque. Once a cheque is crossed, it cannot be uncrossed by the payee or cannot be signed over to a third party.

Q33. What is a canceled cheque?

A canceled cheque has strike marks on it with the word "**canceled**" written on it. Canceling a cheque makes it impossible for anyone to misuse it. That is, no one can withdraw money using the canceled cheque. A canceled cheque is also used as a proof that you have an account with the bank. It is used to verify your account when investing in mutual funds or the stock market. It is also used when purchasing an insurance policy or creating an electronic clearance service.

Q34. Please explain PCI DSS?

PCI DSS stands for Payment Card Industry Data Security Standard which is a set of requirements intended to ensure that all companies that process, store, or transmit credit card information maintain a secure environment.

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