



# MUTHAYAMMAL ENGINEERING COLLEGE

(An Autonomous Institution)

(Approved by AICTE, New Delhi, Accredited by NAAC & Affiliated to Anna University)

Rasipuram - 637 408, Namakkal Dist., Tamil Nadu.



**MUST KNOW CONCEPTS**

**MKC**

**MBA**

**2020 - 21**

**Course Code & Course Name : 19MBC14 & Banking and Indian Financial system**  
**Year/Sem/Sec : II / III**

| S.No.                                 | Term                   | Notation (Symbol) | Concept / Definition / Meaning / Units / Equation / Expression   | Units |
|---------------------------------------|------------------------|-------------------|--|-------|
| <b>Unit-I : INDIAN BANKING SYSTEM</b> |                        |                   |  |       |
| 1.                                    | Banking                |                   | A bank is a financial institution whose primary activity is to act as a payment agent for customer and to borrow and lend money.                         | I     |
| 2.                                    | Types of Deposits      |                   | savings deposit, Current deposit & Fixed deposits  | I     |
| 3.                                    | Agency services        |                   | Collection and payment of credit instruments, Purchase and sale of securities, Collection of dividends on shares,  | I     |
| 4.                                    | Co-operative bank      |                   | Co-operative banks fill up the gaps of banking needs of small and medium income groups not adequately met through by the public and private sector banks | I     |
| 5.                                    | Non scheduled banks    |                   | The banks which are not entitled from reserve bank of India  | I     |
| 6.                                    | Negotiable instrument  |                   | A negotiable instrument means promissory note, bill of exchange or by cheque payable either to order or to bearer”                                       | I     |
| 7.                                    | Banker                 |                   | A banker is a dealer in capital or more properly a dealer in money. He is an intermediate between borrower and the lender                                | I     |
| 8.                                    | Customer               |                   | A customer is a person who has some sort of account, either deposit or current or some similar relation with a bank                                      | I     |
| 9.                                    | Fiduciary Relationship |                   | A banker who receives a customer’s money is under a duty not to part with it which is inconsistent with the customer’s fiduciary                         | I     |

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|-----|-------------------------------|--|--|---|
|     |                               |  | character and duty.  |   |
| 10. | Right of lien                 |  | Right of lien is a right to retain property belonging to debtor until he has discharged a debt to the retainer of the property.  | I |
| 11. | Retail Banks                  |  | The majority of people are the most familiar with retail banks, as they are aimed primarily at consumers. Typically, consumers will use their local branch for everyday banking and other financial services. These local branches connect to a larger bank that services commercial customers | I |
| 12. | Commercial Banks              |  | Commercial banks service primarily individuals and small businesses  | I |
| 13. | Central Banks                 |  | Central banks serve a more governmental role than the other kinds of banks discussed here. They help their country meet the nation's overarching economic goals.   | I |
| 14. | Cooperative or Mutual Banks   |  | Cooperative or mutual banks can offer the financial products that both retail and commercial banks provide.  | I |
| 15. | Investment Banks              |  | Investment banks serve as intermediaries and advisers for large corporations, governments, hedge funds, and other financial institutions   | I |
| 16. | Private Banks                 |  | Like many other banks, private banks offer a suite of financial products and services, but to a much more specific audience  | I |
| 17. | Online Banks                  |  | While retail banks have traditionally had physical locations, many are beginning to migrate to a purely digital space.   | I |
| 18. | Credit Unions                 |  | A credit union is a type of cooperative bank that is entirely member-owned.  | I |
| 19. | Savings and Loan Associations |  | Savings and loan associations are mutually owned financial institutions that concentrate on offering mortgages and helping people buy a home.  | I |
| 20. | Banking Regulation Act, 1949  |  | The Banking Regulation Act, 1949 is a legislation in India that regulates all banking firms in India   | I |
| 21. | ALM                           |  | Asset Liability Management (ALM) is concerned with strategic balance sheet management involving all market risks. It also deals with liquidity management, funds management, trading and capital planning.   | I |
| 22. | ATM                           |  | Acronym for automated teller machine, a machine at a bank branch or other location, which enables a customer to perform basic banking activities (checking one's balance,  | I |

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|--|--------------------------|--|---|----|
|  |                          |  | withdrawing or transferring funds) even when the bank is closed.  |    |
| 23.  | Attestation              |  | Authentication of signatures of a customer of the branch required by the customer for any legal purposes.   | I  |
| 24.  | Acquirer                 |  | Acquirers are banks and financial institutions that collaborate with businesses to accept credit / debit card payments.   | I  |
| 25.  | Active Account           |  | A bank account in which there are regular transactions. A bank account that is not dormant or inoperative or under an attachment order of the court or enforcement authorities. | I  |
| <b>Unit-II : SOURCES AND MOBILIZATION OF FUNDS</b> |                          |  |   |    |
| 26.  | Garnishee order          |  | The term “garnishee” is derived from the latin word “garnire” which means to “warn  | II |
| 27.  | Balance sheet            |  | A bank balance sheet record of the assets ,liabilities and networth of a bank at a given point of time  | II |
| 28.  | capital adequacy         |  | According to the capital adequacy standard set by bank for international settlements, banks must have a primary capital base equal at least to eight percent of their assets    | II |
| 29.  | BCBS                     |  | Basel Committee for bank supervision  | II |
| 30.  | CAR                      |  | Capital Adequacy Ratio  | II |
| 31.  | Capital Adequacy Ratio   |  | $\text{CAR} = \frac{\text{Tier one capital} + \text{Tier two capital}}{\text{Risk weighted assets}}$  | II |
| 32.  | Credit Risk              |  | It is defined as the potential that a bank’s borrower or counterparty may fail to meet its obligations in accordance with agreed terms.   | II |
| 33.  | Market Risk              |  | Market risk is the risk to the bank’s earnings and capital due to changes in the market level of interest rates or prices of securities   | II |
| 34.  | Deposits                 |  | The term deposit is used by the banking industry in financial statements to describe the liability owed by the bank   | II |
| 35.  | Types of deposit Account |  | Saving deposits account, Current deposit account, Fixed deposit account ,Recurring deposit account, Non resident Indians Account  | II |
| 36.  | Retained Earnings        |  | Profit after tax - dividend paid / proposed.  | II |
| 37.  | Reference                |  | A person who can vouch for your reliability, employment history or other  | II |

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|-----|------------------------------------|--|---|----|
|     |                                    |  | factor needed to determine your creditworthiness / employability.   |    |
| 38. | Recurring Billing                  |  | In recurring billing the credit card holder authorizes a merchant or vendor to charge his credit card on a regular basis  | II |
| 39. | Revalidation                       |  | Duly authenticated extension of the validity period for negotiation / payment of cheque / draft or a negotiable instrument.   | II |
| 40. | Rests                              |  | Rests refers to the length of time between the dates on which the interest (on loans and deposits) is compounded  | II |
| 41. | Part-prepayment                    |  | Making Partial prepayment towards the Principal of the loan account.  | II |
| 42. | Part-prepayment fee                |  | The quantum of charges levied at the time of Part pre-payment   | II |
| 43. | Passbook                           |  | Book issued by a bank or financial institutions to record deposits, withdrawals, and interest earned in a savings account.  | II |
| 44. | Past Due                           |  | The status of an account when the minimum payment has not been received by the due date.  | II |
| 45. | Payee(Drawee)                      |  | The person who receives a payment. This often applies to cheque. If you receive a cheque you are the payee and the person or company who wrote the cheque is the payer or drawer. | II |
| 46. | Payer(Drawer)                      |  | The person who makes a payment. This often applies to cheque. If you write a cheque you are the payer and the recipient of the cheque is the payee.                               | II |
| 47. | Profit Before Tax (PBT)            |  | (Net operating profit + / - realized gains / losses on sale of assets)  | II |
| 48. | Profit After Tax (PAT)             |  | Profit before tax - provision for tax.  | II |
| 49. | Processing Fee                     |  | The charges collected by the Bank to process the customer's loan application.   | II |
| 50. | Processing Date (Card Transaction) |  | It is the date on which the transaction is processed by the acquiring bank.   | II |

### Unit-III : INDUSTRIAL AND AGRICULTURAL BANKING SYSTEMS

|     |                   |  |   |     |
|-----|-------------------|--|---|-----|
| 51. | CD's              |  | CD's stands for certificate of deposits   | III |
| 52. | Commercial papers |  | CPs are those unsecured promissory notes which are issued by banks and well reputed companies.            | III |
| 53. | SLR Investments   |  | Central banks require lenders to maintain a portion of their deposits in liquid deposits in liquid assets | III |

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| 54. | principles of lending and loan policy |  | Safety, Profitability, Object of loan, Margin money, Liquidity, Diversification, security, national interest and character of borrower  | III |
| 55. | Fund based lending                    |  | It commits the physical outflow of funds. bank lend for working capital requirements in the form of loans, overdraft, cash credit and Purchase of bills of exchange.                              | III |
| 56. | letter of credit                      |  | written undertaking issued by the buyer's bank to the seller to reimburse the cost of goods and services  | III |
| 57. | Project finance                       |  | Raising of funds required to finance an economically separable capital investment proposal  | III |
| 58. | Securitization.                       |  | It means the conversion of existing or future cash in flows of any person in to trade able security which then may be sold in the market  | III |
| 59. | IBRD                                  |  | International bank of reconstruction and development  | III |
| 60. | IFC                                   |  | International finance corporation.  | III |
| 61. | SLR                                   |  | Statutory liquidity ratio is in the form of cash (book value), gold (current market value) and balances in unencumbered approved securities.  | III |
| 62. | Savings Account                       |  | An account maintained by a customer with a bank for the purpose of accumulating funds over a period of time   | III |
| 63. | Scenario Analysis                     |  | A method in which the earnings or value impact is computed for different interest rate scenario.  | III |
| 64. | Second Loss Facility                  |  | Credit enhancement providing the second or subsequent tier of protection to an SPV against potential losses.  | III |
| 65. | Secured Card                          |  | A credit card that is guaranteed by a cash deposit held in a special savings account or certificate of deposit  | III |
| 66. | Secured Debt                          |  | Debt for which repayment is guaranteed through collateral property of equal or greater value than the amount of the loan  | III |
| 67. | Securitization                        |  | A process by which a single asset or a pool of assets are transferred from the balance sheet of the originator (bank) to a bankruptcy remote SPV (trust) in return for an immediate cash payment. | III |
| 68. | Security Documents                    |  | This refers to the list of original documents to be collected from the customer towards the security of the loan amount sanctioned / disbursed  | III |

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| 69.   | Security Stock Balances Settings for Trades |  | Primary Members shall update the Security Stock Balances for each of their GAH  | III |
| 70.   | Service Charges                             |  | Charges levied by a Bank for providing various banking services   | III |
| 71.   | Simple Interest                             |  | Simple interest is calculated solely as a percentage of the principal sum from the date of the availment to the date of repayment (also see compount interest). | III |
| 72.   | Single Order Limit (SOL) for Trades         |  | SOL shall mean the maximum order quantity (in terms of face value) that can be placed by the concerned user through a single order.                             | III |
| 73.   | Surcharge                                   |  | Surcharge is an additional charge imposed for a specific service, product or purpose.   | III |
| 74.   | Supervisory Review Process (SRP)            |  | Supervisory review process envisages the establishment of suitable risk management systems in banks and their review by the supervisory authority.              | III |
| 75.   | Substandard Assets                          |  | A substandard asset would be one, which has remained NPA for a period less than or equal to 12 months   | III |
| <b>Unit-IV: CREDIT MONITORING AND RISK MANAGEMENT</b> |   |  |   |     |
| 76.   | NABARD                                      |  | National bank for and rural development   | IV  |
| 77.   | NHB   |  | National Housing Bank (NHB), a wholly owned subsidiary of Reserve Bank of India (RBI), was set up on 9 July 1988 under the National Housing Bank Act, 1987      | IV  |
| 78.   | IDA   |  | International Development Association   | IV  |
| 79.   | Investment                                  |  | An investment bank is typically a private company that provides various financial-related and other services to individuals, corporations, and governments      | IV  |
| 80.   | Types of world banks                        |  | International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC)      | IV  |
| 81.   | IDBI bank                                   |  | Industrial Development Bank of India  | IV  |
| 82.   | ICICI                                       |  | Industrial Credit and Investment Corporation of India   | IV  |
| 83.   | credit monitoring                           |  | The credit monitoring in a bank is to ensure that the funds are utilized for the sanctioned purposes  | IV  |

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| 84. | Risk Management            |  | It is the process by which various risk exposures are identified, measured and controlled. Our understanding of risk has been much improved by the development of derivatives markets.              | IV |
| 85. | ways to manage the risk    |  | Avoidance of risk in the stock market, Control of loss, Risk retention , Non Insurance Transfers and Insurance.   | IV |
| 86. | Tenure of the Loan         |  | The repayment period assigned for the account.  | IV |
| 87. | Transaction Date           |  | The date a purchase is made or cash is withdrawn.   | IV |
| 88. | Transaction Fee            |  | An extra charge for various credit activities such as using an ATM or receiving a cash advance  | IV |
| 89. | Transactional' User (GAH)  |  | These are GAH employees (GAH Users) who are authorized by PM to place, modify, cancel their bids, view status of their bids and view the limits set by the PM & along with the current utilization. | IV |
| 90. | Transfer of Funds          |  | A movement of funds from one account to another.  | IV |
| 91. | Travelers Cheque           |  | Travellers' cheque - are issued through banks acting as sales agents  | IV |
| 92. | Turnover Limits for Trades |  | Turnover limits represent the gross amount in face value terms computed by aggregating individual "buys" + "sells"  | IV |
| 93. | Trading Book               |  | Investments in trading book are held for generating profits on the short term differences in prices / yields  | IV |
| 94. | Total Operating Expenses   |  | Sum of interest expended, staff expenses and other overheads.   | IV |
| 95. | Total Income               |  | Sum of interest / discount earned, commission, exchange, brokerage and other operating income   | IV |
| 96. | Time deposit               |  | An account for a fixed term with the understanding that the funds will remain on deposit until the end of the term. Penalties for early withdrawals may apply.                                      | IV |
| 97. | Tenure of Fixed Deposit    |  | It is the period for which a customer deposits a sum of amount with a Bank  | IV |
| 98. | Safe Custody               |  | Documents and articles placed with the Bank for safe keeping under mutually agreed terms and conditions and payment of fee / rent on a regular basis.   | IV |
| 99. | Sale deed                  |  | It is a legal document, which transfers the ownership of the property or objects for a mentioned price.   | IV |

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| 100.                            | Slippage Ratio                      |  | (Fresh accretion of NPAs during the year / Total standard assets at the beginning of the year)*100   | IV |
| <b>Unit-V : VIRTUAL BANKING</b> |                                     |  |  |    |
| 101.                            | Interest Rate Risk                  |  | Interest Rate Risk refers to potential impact on NII or NIM or Market Value of equity (MVE) caused by unexpected changes in market interest rates      | V  |
| 102.                            | liquidity risk                      |  | Liquidity risk arise from specific individual products or business lines, meaning that an overall framework is required for total liquidity management | V  |
| 103.                            | Types of liquidity risk             |  | Funding risk, Time risk, Call risk and Opportunity risk  | V  |
| 104.                            | Forex risk                          |  | Foreign exchange exposure refers to the change in the exchange rate due to change in the value of the assets, liability                                | V  |
| 105.                            | Credit risk                         |  | Credit risk is due to uncertainty in a counter party will fail to meet its obligations   | V  |
| 106.                            | ECS                                 |  | Electronic clearing system   | V  |
| 107.                            | Internet Banking                    |  | More Convenience to use, Increase in efficiency, Friendlier rates, High yield certificate of deposits, Easy monitoring, Ease of transaction            | V  |
| 108.                            | E-Banking                           |  | E-banking means any user with a personal computer and a browser can get connected to his bank's website to perform any of the virtual banking function | V  |
| 109.                            | MICR                                |  | Magnetic Ink Character Recognition   | V  |
| 110.                            | RTGS                                |  | Real Time Gross Settlement   | V  |
| 111.                            | Uncollected Funds                   |  | Refers to items deposited in an account that have not yet been collected, or paid, by the bank on which they were drawn.                               | V  |
| 112.                            | Unsecured Debt                      |  | This is debt that is not guaranteed by collateral  | V  |
| 113.                            | Taxable Income                      |  | Any money you earn or receive - such as salary, bonuses or interest from investments - that can be taxed by the government                             | V  |
| 114.                            | Transaction AccountLinked HomeLoans |  | A special home loan that allows the customer to link a transaction account to his / her loan account   | V  |



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|------|---------------------------|--|--|---|
| 115. | Valuation                 |  | Before disbursement of a loan against a property, usually the bank conducts a valuation check on the property being offered as collateral  | V |
| 116. | Variable Interest Rate    |  | An interest rate that is not fixed but can vary within a pre-fixed band by the loan-issuing bank   | V |
| 117. | Value at Risk (VAR)       |  | VAR is a single number (currency amount) which estimates the maximum expected loss of a portfolio over a given time horizon (the holding period) and at a given confidence level   | V |
| 118. | Variable Expenses         |  | Variable expenses are those that can change from month to month.   | V |
| 119. | Venture Capital Fund      |  | A fund set up for the purpose of investing in startup businesses that is perceived to have excellent growth prospects but does not have access to capital markets  | V |
| 120. | 'View Only' User (GAH)    |  | These are GAH employees (GAH Users) who have been provided with 'View only' rights by the PM   | V |
| 121. | Wire Transfer             |  | An electronic payment service for transferring funds by wire   | V |
| 122. | Withdrawal                |  | A removal of funds from an account.  | V |
| 123. | YTM                       |  | The Yield to maturity (YTM) is the yield promised to the bondholder on the assumption that the bond will be held to maturity and coupon payments will be reinvested at the YTM. It is a measure of the return of the bond. | V |
| 124. | Zero Liability Protection |  | The Zero Liability Protection program is free and automatically available on all bank consumer credit cards.   | V |
| 125. | Zero Balance              |  | Zero balance is when the total outstanding balance is paid and there are no new charges or cash advances during a billing cycle.   | V |

### Placement Questions

|      |  |  |  |  |
|------|--|--|--|--|
| 126. | What are the types of accounts in a bank?  |  | Checking Account, Money Market Account   |  |
| 127. | Why do you want to join the banking sector?                                      |  | fastest-growing sector   |  |
| 128. | What are the necessary documents a person requires to open an account in a bank? |  | photographs, proof of identity proof like Andhra card or Pan Card etc., and address proof as well.                                       |  |
| 129. | What are the types of Commercial Banks?  |  | Retail or Consuming Bank, Non- traditional Options   |  |
| 130. | What is the annual percentage rate (APR)?  |  | APR is known as the Annual percentage rate   |  |
| 131. | What is Amortization and negative amortization?                                  |  | Amortization refers to the repayment of the loan by instalment to cover principal amount with interest whereas, negative amortization is |  |

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|------|-----------------------------------|--|---|--|
|      |                                   |  | when the repayment of the loan is less than the loans accumulated interest, then negative amortization takes places   |  |
| 132. | What is the debt to income ratio? |  | Debt to income ratio is calculated by dividing a loan applicant's total debt payment by his gross income.   |  |
| 133. | What is loan grading?             |  | Loan grading is the classification of the loan based on various risks and parameters like repayment risk, borrowers credit history etc  |  |
| 134. | What do you mean by Co-Maker?     |  | A person who signs a note to guarantee the payment of the loan on behalf of the main loan applicant's is known as Co-maker or signer.   |  |
| 135. | What is the line of credit?       |  | Line of credit is an agreement between the bank and a borrower, to provide a certain amount of loans on borrower's demand   |  |
| 136. | How banks earn a profit?          |  | Accepting deposit, Banking Value chain , Interest spread  |  |
| 137. | What is the payroll card?         |  | Payroll cards are types of smart cards issued by banks to facilitate salary payments between employer and employees   |  |
| 138. | What is the card-based payment?   |  | Credit Card Payment, Debit Card Payment   |  |
| 139. | What is a Payday loan?            |  | A Payday loan refers to a small amount and a short term loan available at the high-interest rate.   |  |
| 140. | What is a charge off?             |  | Charge off is a declaration by a lender to a borrower for non- payment of the remaining amount when borrower badly falls into debt. The unpaid amount is settled as a bad debt. |  |
| 141. | Ujjivan Bank                      |  | Which bank has launched the Garima Savings Account for women?   |  |
| 142. | State Bank of India               |  | Which bank has topped the list of "Digital Payment Scorecard" released by Ministry of Electronics & Information Technology (MeitY)  |  |
| 143. | IDBI Bank                         |  | Which bank has been taken out of the Prompt Corrective Action (PCA) framework by RBI  |  |
| 144. | Indian Bank                       |  | Imran Amin Siddiqui has been appointed as te Executive Director (ED) of which bank  |  |
| 145. | Axis Bank                         |  | Which bank has launched a range of wearable contactless payment devices under the brand Wear 'N' Pay  |  |
| 146. | HDFC Bank                         |  | Which bank has launched the dedicated mentoring programme 'SmartUp Unnati', to support women entrepreneurs  |  |
| 147. | Fastrack                          |  | Who has tied up with Yono-SBI to launch a   |  |

|      |                     |  |   |  |
|------|---------------------|--|---|--|
|      |                     |  | smart fitness band with digital payment components  |  |
| 148. | Kotak Mahindra Bank |  | Which bank has signed an MoU with the Indian army to handle salary accounts of personnel  |  |
| 149. | SBI Payments        |  | Which bank has partnered with the National Payments Corporation of India and the umbrella entity for digital payments in India to launch "RuPay SoftPoS |  |
| 150. | Axis Bank           |  | Which bank has tied up with WhatsApp to start WhatsApp banking service?   |  |

**Faculty Team Prepared**

Mrs.M.Priyadharsini

**Signatures**

**HoD**

