

Varun Saxena

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## **EPILOGUE**

## **DISCLAIMER**

**Dear Readers,**

This book is based on the experience of running helplines for banking aspirants (SBI and IBPS PO, SO, Clerk, RRB, RBI and other major Banking exams) for 4 years of the author and what it takes to score high in English Descriptive Language section of banking exams, Group Discussions and Personal Interviews for getting coveted jobs in leading banks of the country. This book acts as a facilitator to help you succeed in all the major banking exams.

The views expressed by the author are personal. Neither Disha Publication nor the author shall be held responsible for any undesired result arising out of the use of the information present in the book.

## **ACKNOWLEDGEMENTS**

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To my Mom and Dad who have always supported me at different stages of life. For always encouraging me to share the little knowledge that I have gained with time with others and try to see if I can add value to the lives of others.

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To all the people who are currently working in reputed banks of the country and have shared their experience to lend help to all the readers to prepare well for the Personal Interview.

To my colleagues, friends and well-wishers across, who have always instilled their confidence in me and my abilities to do something constructive in education sector for banking aspirants.

I hope to never disappoint you and to continue providing you the best possible guidance to help you achieve your dreams.

**Varun Saxena**



**SECTION  
1**

# Descriptive English Language

## 1.1 INTRODUCTION

Descriptive English Language paper has become an indispensable part of all the Banking exams today (IBPS Bank PO, SBI and SBI Associates PO and SO, Insurance Sector Exams, RBI Officer in Grade 'B' exam and MT CWE) and it is critical for a candidate to perform well in this paper. Marks and time allocated for Descriptive Language Paper may vary from exam to exam, but the testing parameters and points to remember to do well remain the same across examinations.

However, candidates may note that generally Descriptive Test is only of qualifying nature and one needs to score the minimum cut off marks fixed for the paper by the board conducting examination at its discretion. The marks obtained in the section are not added to prepare the Final Merit List. In other words, while scoring high in the section might not be an advantage, not able to clear the threshold of marks set for the paper could be a huge disadvantage. So one needs to have a high focus on this section of the examination to ensure he/she is not out of the race for a career in coveted Banking industry.

### 1.1.1 Need of Descriptive Test

Bank official needs to write letters, to comprehend the applications and letters received from customers, prepare reports, and send reviews and opinion on issues to the higher management as and when required. This is where importance arises for a candidate who aspires to work in banks to be good with written English and hence the introduction of Descriptive English paper in banking exams was the need of the hour.

The importance of the descriptive test from the examiner's point of view is that it helps to evaluate the candidate at his/her Emotional Quotient, Mental Maturity, Rationale in arguments, Stability of mind, Language proficiency and much more.

### 1.1.2 Guidelines for Effective Descriptive Writing

Descriptive writing is usually characterized by the appeal it makes to the physical senses and emotions of the reader. It should be able to strike a chord with intellectual as well as emotional sensibilities. Before starting off to write, one should determine the purpose of the writing, take audience into consideration, analyse what it will

take to create a dominant impression, organize thoughts and then kick off the play with words to come up with an effective descriptive writing.

Description may use different tools including but not limited to the following:

- **Connotative Language:** Addition of emotional and judgmental characteristics, which may be perceived subjectively. (Example: The ground is as large as a city dump.)
- **Denotative Language:** Using the word as such without any further addition to enhance the effect on reader. (Example: The ground is large.)
- **Figurative Language:** Here the words are used to express a meaning which is different from the straight literal meaning – to add on the emotional impact it may have on the reader. (Example: I am so hungry that I could eat a horse.)

Remember, a good description is the one that paints a vivid picture, creating an effective impression/feeling about the subject of the writing and makes the reader visualize it. You need to strike a balance between facts and your opinion while writing on the subject; and present an effective outcome to the reader.

When it comes to general guidelines which one should keep in mind while trying to come up with effective description, following are the critical pointers:

- Understand the purpose of writing and the topic in hand – Is it to inform the audience, introduce more clarity in his understanding of the subject or is it to persuade him. If you may understand this well, you can easily figure out if you need to be objective or subjective in your approach for writing.
- You should use specific details and describe clearly the topic in hand. Try to avoid redundant and vague details – use only those which are critical for the understanding of the subject and for the purpose of the writing.
- Make your description vivid by using clear and crisp words, be precise, use smaller sentences and select the words which convey the meaning most effectively.
- Be consistent and systematic. Ensure that there is a proper sync in the flow of your writing, nothing seems like to have come out from nowhere, and rather every following paragraph should look like an obvious continuation of the previous one. Each and every single detail mentioned by you should be supporting the bigger message that you want to convey to the reader.
- Strike the emotional chord with the reader because it is one of the best ways to persuade a reader and create a long lasting impression on him. Emotion should be a dominant theme in your description.
- Last but not the least; try to be subtle in the entire description. Do not over stress and push your thoughts on the reader. Rather, mention small details and use them to build a dominant impression on the reader gradually.

Moving ahead in the section, we will talk in detail about the different areas which are covered in the Descriptive Language paper conducted by Bank examination bodies:

- Comprehension Test
- Essay Writing
- Letter Writing
- Paragraph Writing
- Précis Writing
- Report Writing
- Business and Office Correspondence
- What is expected from an aspirant in the paper?
- How to prepare?

## 1.2 COMPREHENSION TEST

In this section, you will be given a passage with a set of questions at the end of it, which need to be answered as per the information given in the passage. Most of the banking aspirants find this section as one of the toughest sections of the paper. To overcome any difficulty in this section, it is important for you as a candidate to develop the habit of reading in a good speed.

However, while developing the habit of speed reading, remember that the major focus is not on reading but on comprehending what you are reading as well. Ability to comprehend while reading at a good speed is the key to success in this section.

Let us now have a quick look at the pointers which one should keep in mind while preparing for this part of the examination paper.

### Broaden your knowledge

What section of the newspaper do you turn to while reading a newspaper? Is it the sports section, the editorials, the celebrity column or some other section? I go with the sports section first. Why? Because I like to read news and reports about sports events. Similarly, the section that you like to read the most if the one you are most comfortable with.

Do you ever get bored reading that section or do you ever have difficulty understanding what's written in that section? The answer, of course, is no. (or else you would not read it)

Reading passages on topics which you understand and know about is very easy as compared to reading on alien topics. Hence, it is very important to develop a broad background of knowledge in various fields. Remember that passages from any field can come in Reading Comprehension questions.

You can improve your knowledge base by reading books, newspapers, magazines, articles and periodicals regularly. Start taking interest in what is happening around the world. This would not only help you develop your reading skills but also help you during your Group Discussion and Personal Interview stage.

### Understand the structure of Passages

Generally the passages used in Reading Comprehension section are taken from books, articles or periodicals written by good writers. These writers generally have a well-defined structure of constructing a paragraph. Their paragraphs will mostly have a proper beginning, middle part and an end section. Knowing the functions of the respective parts can help you understand what the passage is trying to convey. For example, the first sentence will most probably be constructed in such a way that it gives the reader the main idea of what is to come in the passage.



A passage comprises of multiple paragraphs. Every paragraph in the passage will have a central thought around which it is built. This idea will be expressed in eight to ten words maximum. This will be accompanied by multiple supporting arguments in the paragraph. You need to differentiate between the central thought and supporting arguments to be able to crack this part of the paper successfully.

### Select the passages carefully

In the limited time that one has in the paper, it is important to select the passages carefully which may be solved first in less time, ensuring high accuracy. So, try and finish the easy passages first instead of wasting time on tough and long passages. How do I know if a passage is easy? Keep two things in mind: a) Is the topic of the passage something you are familiar with? b) Are the question direct or twisted? Solve passages having direct questions first. It is always easier to solve with higher accuracy if the passage is on a subject which you know about.

### Focus on Comprehension of the passages

While reading speed is a key factor in saving time, it is not the most important criteria when it comes to Reading Comprehension. One can read a passage very fast without really understanding what it is about. Hence, you need to make sure that you pay more attention to comprehension of the passage instead of merely reading speed. You should be able to comprehend the passage fast. This will help you a lot in solving the questions. On the other hand, if you just read fast and do not comprehend properly, you may have to revert to the passage again and again.

Now when you have the basic understanding of the pointers to be kept in mind while preparing for this section, let us see how we can improve the performance in the section.

### Active Reading

Active reading means reading something with a determination to understand and evaluate it for its relevance to your needs. You need to have every bit of your concentration on reading the passage to achieve this objective.

Simply reading and re-reading the material isn't an effective way and neither does it lead to active reading. Actively and critically engaging with the content is something that can be called as active reading, and while it seems as something which will consume time, it actually helps you save time.

You may try following techniques to make your reading active.

- Underline or highlight key words, phrases and sentences as you read. If you return to the passage later on, you can easily see important points. However, remember to be selective while highlighting - too much highlighting will defeat the purpose.

- Read critically by asking questions of the text. Who wrote it? Why was it written? Who is the intended audience? How does it link with other ideas in the passage? What should be inferred from this?
- Test yourself by reading for half an hour, putting the passage source away and penning down the key points from memory on piece of paper. Then go back and see the passage to identify the gaps.
- Look for 'signposts' that help you understand and comprehend the passage more effectively- phrases like 'most importantly', 'in contrast', 'on the other hand'; come handy in this.
- Explain what you have read to someone else. This ensures that you were able to comprehend the passage well.

### **Flexibility**

Be multi-dimensional while reading from different sources to prepare. Try reading from diverse areas like Science, Sports, Social Science, Banking, Politics, Economics, Humanities, Technology etc. You need not be a subject matter expert in all these areas but you should be well aware of the writing style, some basic terminologies so that you are able to comprehend the passage on them in a lesser time.

### **Rigorous Practice**

Last but not the least, there is no substitute of rigorous practice to score high in this part of the paper. Read extensively, solve extensively and ensure that you solve at least 5-6 passages daily, followed by in-depth analysis to see where you went wrong and how you can improve yourself. While practicing, focus on both the pillars- reading in good speed and comprehending effectively at the same time.

Once you start practicing daily, you will realize that not only your reading speed is going up, but also the ability to comprehend is improving which ultimately is helping you to score higher.

## PRACTICE QUESTIONS

### Passage 1

The first step is for us to realise that a city need not be a frustrater of life; it can be among other things, a mechanism for enhancing life, for producing possibilities of living which are not to be realized except through cities. But, for that to happen, deliberate and drastic planning is needed. Towns as much as animals, must have their systems of organs-those for transport and circulation are an obvious example. What we need now are organ systems for recreation, leisure, culture, community expression. This means abundance of open space, easy access to unspoilt Nature, beauty in parks and in fine buildings, gymnasias and swimming baths and recreation grounds, central spaces for celebrations and demonstrations, halls for citizens' meetings, concert halls and theatres and cinemas that belong to the city. And the buildings must not be built anyhow or dumped down anywhere; both they and their groupings should mean something important to the people of the place.

1. Cities can be made to provide full facilities for life, only if:
  - (a) these can be mechanically developed.
  - (b) proper transport system is introduced.
  - (c) cinemas, theatres and concert halls are established there.
  - (d) these are thoughtfully and vigorously designed to serve people's needs.
2. A suitable title for the passage would be:
  - (a) Towns versus Animals.
  - (b) The Need for Planned Cities.
  - (c) Transport and Communication System in a City.
  - (d) The Need for Entertainment Centres in a City.
3. "A city need not be a frustrater of life" means that:
  - (a) one does not expect fulfilment of all life's requirements from a city.
  - (b) city life provides all the essential needs of life.
  - (c) a city does not necessarily lift man's standard of living.
  - (d) a city should not defeat the fulfilment of life's aspirations and aims.
4. Which one of the following has the opposite meaning to the word 'frustrater' in the passage?
  - (a) Promoter
  - (b) Applauder
  - (c) Approver
  - (d) Executer
5. The word 'drastic' in the passage means:
  - (a) orderly
  - (b) powerful
  - (c) consistent
  - (d) determined

**Passage 2**

Banks are places where people can keep their money. Most people use banks to save money in their savings accounts and to pay money from their checking accounts. Today, when a person earns money from their job, their pay check is often electronically deposited (put) into their savings or checking account. Then, he or she can pay their bills by writing checks from their checking accounts or pay online where their bills are electronically connected to their bank accounts.

Banks also give loans to people. Banks use the money that their customers deposit to lend to people to buy new houses, cars, or to start businesses among other reasons. The bank makes money from lending by charging interest. In other words, people have to pay back more than they borrowed. This amount depends on how risky the bank thinks the borrower is and how fast the loan is paid back among other things.

1. How much "interest" do lenders have to pay?
  - (a) Most borrowers don't have to pay interest
  - (b) Everyone pays the same amount of interest
  - (c) It depends on multiple things
  - (d) None of the above
2. What do banks not do?
  1. Provide place to people to save their money
  2. Help people get jobs
  3. Provide place where people can pay bills from
  4. Lend money to people
3. How do banks make money?
  - (a) Charging interest to those whom they lend to
  - (b) Electronically
  - (c) Saving customer deposits
  - (d) Banks do not make money at all
4. How does "interest" work?
  - (a) Banks pay people more money than they borrowed
  - (b) Banks pay people the same amount of money they borrowed
  - (c) Banks require people to pay back the borrowed money very quickly
  - (d) Banks require people to pay back more money than what they borrowed
5. What do banks "not" do?
  - (a) Charge interest
  - (b) Tax people
  - (c) Give loans
  - (d) Online bill payment facility

**Passage 3**

There are two theories that have often been used to explain ancient and modern tragedy. Neither quite explains the complexity of the tragic process or the tragic hero, but each explains important elements of tragedy, and, because their conclusions are contradictory, they represent extreme views and of the limitation of human effort.

- (a) But this theory of tragedy is an oversimplification, primarily because it confuses the tragic condition with the tragic process: the theory does not acknowledge that fate, in a tragedy, normally becomes external to the hero only after the tragic process has as a heroism that creates the splendor and exhilaration that is unique to tragedy. The tragic hero quality of an honest person, but the external antagonist of the criminal. Secondly, this theory of tragedy does not distinguish tragedy from irony. Irony does not need an exceptional central figure: the original destiny never quite fades out of the tragedy. As a rule, the more ignoble the hero the sharper the irony, when irony alone is the objective. It is heroism that creates the splendor and exhilaration that is unique to tragedy. The tragic hero normally has an extraordinary, often a nearly divine, destiny almost within grasp, and the glory of the original destiny never quite fades out of the tragedy.

The second theory of tragedy states that the act that sets the tragic process in motion must be primarily a violation of normal law, whether human or divine; in short, that the tragic hero must have a flaw that has an essential connection with sin. Again it is true that the great majority of tragic heroes do possess hubris, or a proud and passionate mind that seems to make the hero's downfall morally explicable. But such hubris is only the precipitating agent of catastrophe, just as in comedy the cause of the happy ending is usually some act of humility often performed by a noble character who is meanly disguised.

This theory of tragedy as morally explicable runs into the question of whether an innocent sufferer in a tragedy, such as Iphigenia, or Socrates in Plato Apology, is a tragic figure. They are, of course, even though it is not very easy to find crucial moral flaws in them. Cordelia shows sincerity and high spirit in refusing to flatter her father, and Cordelia is hanged. Tragedy, in short, is ambiguous and cannot be reduced to the opposition between human effort and external fate, just as it cannot be reduced to the opposition between good and evil.

1. The primary purpose of the passage is to
  - a) compare and criticize two theories of tragedy.
  - b) develop a new theory of tragedy.
  - c) summarize the thematic content of tragedy.
  - d) reject one theory of tragedy and offer another theory in its place.

2. The author states that the theories discussed in the passage "represent extreme views" because their conclusions are
  - (a) unpopular
  - (b) complex
  - (c) paradoxical
  - (d) contradictory
3. Which of the following comparisons of the tragic with the ironic hero is best supported by information contained in the passage?
  - (a) A tragic hero's fate is an external condition, but an ironic hero's fate is an internal one.
  - (b) A tragic hero must be controlled by fate, but an ironic hero cannot be.
  - (c) A tragic hero's moral flaw surprises the audience, but an ironic hero's sin does not.
  - (d) A tragic hero is usually extraordinary, but an ironic hero may be cowardly or even villainous.
4. The author contrasts an honest person and a criminal primarily in order to
  - (a) prove that fate cannot be external to the tragic hero.
  - (b) establish a criterion that allows a distinction to be made between irony and tragedy.
  - (c) develop the distinction between the tragic condition and the tragic process.
  - (d) introduce the concept of sin as the cause of tragic action.
5. According to the author, Cordellia is an example of a figure who
  - (a) transcended both the laws of fate and the laws of society.
  - (b) sinned, but whose sin did not set the tragic process in motion.
  - (c) disobeyed a moral law, but was not punished for doing so.
  - (d) did not set the tragic process in motion, but is still a tragic figure.

**Passage 4**

Mark Hughes is a master of the fine art of survival. His Los Angeles-based Herbalife International Inc. is a pyramid outfit that peddles weight-loss and nutrition concoctions of dubious value. Bad publicity and regulatory crackdowns hurt his U.S. business in the late 1980s. But Hughes, 41, continues to enjoy a luxurious lifestyle in a \$20 million Beverly Hills mansion. He has been sharing the pad and a yacht with his third wife, a former Miss Petite U.S.A. He can finance this lavish lifestyle just on his salary and bonus, which last year came to \$7.3 million.

He survived his troubles in the U.S. by moving overseas, where regulators are less zealous and consumers even more naive, at least initially. Today 77% of Herbalife retail sales derive from overseas. Its new prowling grounds: Asia and Russia. Last year Herbalife's net earnings doubled, to \$45 million, on net sales of \$632 million. Based on Herbalife's Nasdaq-traded stock, the company has a market capitalization of \$790 million, making Hughes' 58% worth \$454 million.

There's a worm, though, in Hughes' apple. Foreigners aren't stupid. In the end they know when they've been had. In France, for instance, retail sales rose to \$97 million by 1993 and then plunged to \$12 million last year. In Germany sales hit \$159 million in 1994 and have since dropped to \$54 million.

Perhaps aware that the world may not provide an infinite supply of suckers, Hughes wanted to unload some of his shares. But in March, after Herbalife's stock collapsed, he put off a plan to dump about a third of his holdings on the public.

Contributing to Hughes' woes, Herbalife's chief counsel and legal attack dog, David Addis, quit in January. Before packing up, he reportedly bellowed at Hughes, "I can't protect you anymore." Addis, who says he wants to spend more time with his family, chuckles and claims attorney-client privilege.

Trouble on the home front too. On a recent conference call with distributors, Hughes revealed he's divorcing his wife, Suzan, whose beaming and perky image adorns much of Herbalife's literature.

Meanwhile, in a lawsuit that's been quietly moving through Arizona's Superior Court, former Herbalife distributor Daniel Fallow of Sandpoint, Idaho charges that Herbalife arbitrarily withholds payment to distributors and marks up its products over seven times the cost of manufacturing. Fallow also claims Hughes wanted to use the Russian mafia to gain entry to that nation's market.

Fallow himself is no angel, but his lawsuit, which was posted on the Internet, brought out other complaints. Randy Cox of Lewiston, Idaho says Herbalife "destroyed my business" after he and his wife complained to the company that they were being cheated out of their money by higher-ups in the pyramid organization. Will Hughes survive again? Don't count on it this time.

- Herbalife Inc is based in:
  - Los Angeles
  - Columbus
  - New York
  - Austin
- Daniel Fallow:
  - Was a former attorney for Hughes
  - Was a former distributor of Herbalife
  - Co-founded Herbalife
  - Ran Herbalife's German unit
- Which of the following countries is mentioned where Hughes operated Herbalife?
  - India
  - China
  - Germany
  - Ukraine
- The complaint of Randy Cox of Lewiston, Idaho, against Herbalife was:
  - The company did not pay them their dues
  - The products supplied by Hughes were inferior
  - Their higher-ups in the pyramid cheated them
  - Hughes had connections with the Russian mafia
- Which of the following countries is NOT mentioned in the passage?
  - Russia
  - USA
  - France
  - Italy

### Answers

<b>Passage 1</b>	1. (d)	2. (b)	3. (b)	4.(a)	5. (b)
<b>Passage 2</b>	1. (c)	2.(b)	3. (a)	4. (d)	5. (b)
<b>Passage 3</b>	1. (a)	2. (d)	3.(d)	4. (c)	5.(d)
<b>Passage 4</b>	1. (a)	2. (b)	3. (c)	4. (c)	5. (d)



## 1.3 ESSAY WRITING

In day to day life we use spoken language to communicate our thoughts, ideas and opinions, but in offices and other public institutions; written communication is the major means for sharing information and opinion. This is why different examinations test at areas like Essay writing to understand if you can effectively communicate through written media. Essays majorly serve as the purpose to test your thinking and analytical ability along with the writing ability.

Essays can broadly be classified into 4 categories:

**Descriptive Essay:** Includes description of a scenario, situation, place or a thing. Example: Essay on "Visit to Red Fort".

While writing a descriptive essay, try to explain things in a chronological order; to leave a good impact on the reader.

**Expository Essay:** Includes explanation of how a process works or explanation of phenomena or a literary topic. Example: Essay on "All that glitters is not gold".

While writing Expository essay, try to link all the points in a logical sequence.

**Narrative Essay:** Includes narration of an event or a incident. Example: Essay on "Road accident while I was going to school"

Just like while writing a descriptive essay, it should be preferred to write about things in chronological order even in a narrative essay.

**Reflective Essay:** Includes presenting of thoughts, discussion, opinion, arguments on a topic which may otherwise be abstract in nature. Example: Essay on "Does God exist?"

In reflective essay, adopt a balanced approach and talk about both the schools of thought on the given topic. Analyze from all the possible angles and then put forth a logical sequence.

### How to score high in Essay Writing?

#### *Select the appropriate topic*

Generally all the banking exams will give you three topics on essay writing, out of which you need to select one and the write the essay on. Often the breakup of these three topics is like:

- One topic on banking, economic or financial issue
- Second topic on social awareness and causes
- Third topic would be abstract in nature

Go for the topic on which you have most knowledge – do not select a topic if you do not have much idea about it.

### *Effective Introduction and Conclusion*

Try to be as effective as possible with the introduction and the conclusion of the essay. Both of them have the highest impact as compared to rest of the essay. Having a related quote in the introduction always helps in gaining brownie points, while the crisp and clear conclusion always brings extra marks.

If not related quote, you may also start the introduction by asking few questions from the reader. It also has an awe-inspiring effect if write set of questions are posted for the reader.

### *Be Creative*

Remember that evaluator is checking multiple essays and if you write the similar stuff in similar words like many other aspirants, you will not have any advantage. You should try to be creative in the way you present your thoughts so that it immediately grabs the eye balls of the evaluator and he gets convinced to give you extra marks as compared to other candidates.

Being different with words, with the presentation and the coherence will always fetch you additional marks.

## **How to write Essay in Banking exams?**

### *List all your ideas / facts about the topic*

Write short sentence or some keywords of all of the facts about the topic that you can remember. These facts will eventually be the arguments or statements that you will elaborate on and make a good essay.

### *Write a central theme for the entire essay*

This statement should identify the central theme or the point that you will make in your essay, when it is seen at an overall high level. Avoid writing statements about yourself.

For instance, don't write "I think" or "The point I will make today is..."

This central theme statement should be specific. When writing about an interpretation, use neutral language to state your opinion. For example: Write "Jawahar Lal Nehru will always be remembered as a great Indian Prime Minister because he arguably ended the slavery in India." Avoid writing "Everyone thinks Jawahar Lal Nehru is the best Prime Minister in history."

Make every paragraph in your essay after carefully considering the central theme around which your essay should revolve. Entire content should be in the support to this statement.

### *Divide the facts that you listed earlier*

Divide the earlier listed ideas and facts about the topic by you in the group of three to four. This grouping should be on the basis of the common characteristics of the

points. These groups will act as different paragraphs for your essay and the common characteristics will become the topic sentences for your body paragraphs.

Discard ideas that don't support your main points or the centralized theme. Adding additional ideas will make your writing unfocused, so try to avoid this.

Each group formed should be ranked in the order of importance. Start with the least important point in your first body paragraph and conclude with your strongest point in your last body paragraph.

### *Write the topic sentences for your paragraphs*

You have already identified the central theme for the essay body paragraphs through the topic sentence. Now, use 1 or 2 sentences to support this topic sentence point in your paragraphs.

State the supporting point. Then state why the point is important. Never write something down without explaining its significance.

### *Have the concluding statement in each paragraph.*

Restate the argument that you made in your topic sentence.

### *Always have a short introduction for essay*

For example, use a fact, quote or statistic that relates to your central theme. Your central theme should be the last sentence of your introduction.

### *Write a conclusion*

The conclusion should restate the central theme, briefly summarize the arguments that you made and finish by stating the ultimate point of your essay.

### *Few points to remember while writing essay for banking exams*

1. Select the title carefully in which you are perfectly at home. Never choose a title about which you have only ambiguous and non-concrete ideas.
2. You must note down your points or ideas before you start writing the essay.
3. It is suggested to not to go against the title generally.
4. The introduction should be direct and relevant. Do not beat about the bush and deviate from the title too much.
5. Do not have redundant quotations which might can show lack of expression at your end.
6. Avoid using stale idioms and clichés too much, like 'leaving no stone unturned' or 'Rome was not built in a day'.
7. Every main idea supporting the central theme should be in a separate paragraph.
8. Neither give numbers to paragraphs nor any sub-headings.

9. Never use of slang and colloquial terms, rather try to develop a graceful, dignified and literary style.
10. Write in a simple language. Sentences should be crisp and clear.
11. Tone of the essay should preferably be informative and suggestive.
12. Always remember that the beginning and the ending of an essay are very important, so give them the maximum attention.
13. Never have a categorical or one-sided conclusion. The conclusion should always be a balanced one.
14. Write in a beautiful and legible handwriting. A pleasing handwriting is always an asset and it does help to score higher.
15. Do revise your essay after completion so that you have an opportunity to correct the mistakes, if any.

### **Some of the most commonly occurring Essay topics in Banking Exams**

- Do the modern means of telecommunication post a threat to our society and culture?
- Banks are manufacturer of money
- A day when everything went wrong
- Can Laws alone fight corruption?
- Women empowerment and national development
- Security imperatives for India in the emerging geo-political developments
- Freedom of expression is an absolute right –for and against.
- Old is gold –for and against
- The predicaments of democracy
- In India when inflation rises governance stalls
- Modern world's fear about nuclear energy
- Information Technology changing the Indian society
- Inventions generate necessity
- Does Indian cinema shape our popular culture or simple reflect it?
- Can politics be delinked from Indian sport?
- Who must take care of the environment?
- Leadership is doing the right things; Management is doing things right
- Corporate Social Responsibility benefits the bottom line
- Has globalization really worked?

- Integrity at work
- Buying options: A matter of trust
- People: The most important asset of any enterprise
- Cricket a national obsession- detrimental to other sport
- Management styles: Why things go wrong?
- Do we need to dress for success?
- What do Chief Executive Officers do?
- The element of Risk in management.
- Outsourcing to reduce risk
- Management is what managers do
- Terrorism benefits whom
- Nation's growth must be inclusive
- Distribution of free laptop to students is not good
- The secret to winning more gold in the Olympics
- The ban on smoking- Gimmick or success
- Why does a nation need forex reserves?
- What makes you a suitable candidate for an MBA?
- Is India really shining?
- What is revenue deficit?
- What is the job of the Manager?
- Is democracy working for India?
- Performance appraisal- A Useful tool for growth
- Corruption an outcome of Democracy
- Agricultural subsidies: A Boon or a Bane
- Do we need a dictator?
- Does media need censorship?
- Reforms in education – a necessity
- Management objective- Maximise profits
- Classroom learning vs experiential learning
- Is democracy hampering our growth?
- Is peace and non-violence for the 20th century only?
- Is India safe for its citizens?
- One can make a difference
- What does 15th August mean to me?

- Are Gandhi's policies relevant today?
- I believe, success in life comes from...
- Dependence on computers: a blessing or a bane
- Voters and not politicians responsible for criminalization of politics
- Business ethics – a necessity or a luxury?
- Both human and technical intelligence are crucial in combating terrorism
- Twenty overs cricket -- is it helping cricket or takes away the merit of cricket -- in the light of fixing controversies
- Hike in petrol prices -- Is it right for the government to hike or not?
- Social networking websites like Facebook and Twitter -- are they helpful or they affect our privacy?
- Is it advisable to take up a government job or a private sector job and why?
- Correct age to start teaching English in schools (*SBI PO 2014*)
- Financial Inclusion (*SBI PO 2011*)

## SAMPLE ESSAYS

### Topic 1: Right to Education (SBI PO 2011)?

India amended its Constitution in 2009 to recognize that the right to free and compulsory education is fundamental and therefore a justiciable right for the children between 6 and 14 years.

The Act defined a number of physical infrastructure and teacher related norms for the school; these norms are largely guided by internationally established principles of what is considered desirable for schooling of children in that age group. The RTE also defined the responsibilities of the school and teachers: this included making the child free from fear, trauma and anxiety and helping the child to express views comprehensively. All these norms, standards and provisions are applicable to each and every school providing education from grade I to VIII whether run by government or private entities. Considering that a large number of schools, majority of them being located in the state sector, do not currently fulfill these norms, this is indeed huge commitment from the government. The challenge now is to ensure that these commitments are taken seriously and the national as well as various state governments act earnestly to fulfill these norms.

The most common argument used by the private school lobby is that the children from poor neighborhoods and low-income, low-educated families should not be mixed with those coming from highly educated, high-income families, as it would create problems for both kinds of children. Children from poorer families would not be able to cope and would develop inferiority complex. A perusal of research across the globe suggests that though it poses a challenge for the school to effectively deal with the situations where children from diverse backgrounds are attending together, the diversity in reality acts as major learning opportunity. The UK and US experiences of common state schooling, despite their limitations and challenges, have indeed helped in changing the inter racial relations for ever. It is important to view this measure as a desirable one not only for poorer children but also for those coming from relatively richer backgrounds, as the presence of children from diverse background is going to widen their understanding of the socio-religious-linguistic-economic realities of India.

The government is expected to compensate private schools for each child that they admit without charging any fee. This is to be determined by the respective state governments based on the per capita expenditure that they usually incur in running the state system of schools. The fear of interference is also cited as the acceptance of reimbursements is viewed as 'compromise with independence of unaided schools'. Direct cash transfers to students is often suggested as an alternative to this where parents could pay full fee and admit their children to whichever school they want. What this argument ignores is that education is not necessarily a highly valued choice, especially when it comes to girls or cash-starved, very poor families. In such

cases, the risk of diverting the case for other purposes would be high. If the cash transfer were conditional, the costs as well as institutional challenges of monitoring would be very difficult. Also, if the right to education has to be a fundamental right, providing direct access to schooling and not the cash is the answer.

What is more interesting and important in this context is that the Indian legal system does not allow any educational institution at any level to run on a profit basis. All fee-charging private schools operate under the Acts that guide non-profit Trusts or Societies, and therefore cannot have any declared profit. In reality, a number of loopholes in the legal system allow them to make profit without declaring them as profit. Based on their non-profit status, they also access a number of subsidies and concessions such as prime urban land owned by state at throwaway lease amounts and often do not fulfill the necessary requirements that make them eligible for such concessions. For instance, even before the RTE was enacted, the Delhi state law required all private schools and hospitals that had received land from the state at concessional rates to admit 20 percent of students or patients from disadvantaged sections without charging any fee. Most institutions were not practicing this till a PIL (Public Interest Litigation) brought this to light leading to a High Court judgment making it compulsory and legally binding.

Running private educational institutions at all levels has become a highly profitable business in India, especially in absence of any comprehensive regulation and lack of clarity regarding tax liabilities. Informal enquiries have also shown that local politicians own majority of these institutions and therefore vested interests play a major role even in state assembly/parliamentary debates on this issue. Any educational reform involving private institutions need to look into this aspect of legal reform but the problem is that the law makers themselves are often guided by vested interests.

However at present, only one fifth of the school-going children go to private schools at elementary level in India. Considering that nearly 80 percent of children are still going to public schools, this argument seems a little far-fetched. The RTE applies to all schools and if state governments seriously follow all the norms leading to an improvement in the quality, this situation may not arise. However, if the states do not succeed in making their delivery more responsive and if the quality does not improve significantly, privatization may take place more rapidly than imagined with a number of undesirable consequences in the long run, especially from the perspective of ensuring free and compulsory education for all children. Therefore, it is imperative upon the national and state governments to act fast and comprehensively, and in all earnestness to make the spirit of RTE a reality. Or else, the country may find itself as distant as it currently is from achieving the goal of universal basic education.



**Topic 2: Is corruption the reason of economy slowdown in India?**

At a very high level, this topic can be seen as the consolidation of three points which have been the part of heated debates all over since last few months-

1. Widespread corruption in the country.
2. Continuous economic slowdown.
3. Impact of corruption on economy and related point of view.

Lot of points are being put these days across debates at television, newspapers, magazines etc. in the favour of the topic. Let us now dive into few major points in the favour of the topic now, so that you may put them forth in the best possible manner, during WAT or GD.

Those who object and advocate that there is no link between politics, criminals, corruption and economy must just go through the report submitted by Mr. N.N. Vohra, the former Indian Union Home Secretary in 1993. The report categorically mentioned that politicians have the nexus with criminals, which ultimately affect the country. It mentioned that criminal network was then running a parallel government and satisfying the selfish ends of vested interests, for both criminals and politicians. More than 100 Members of Parliament were facing charges of corruption or related criminal charges. Public money which should have been utilized for the growth of economy and for welfare of the public was being misused to satisfy the greed of such networks. This has just grown umpteen times today when politicians and criminals go hand in hand while corruption acts as the bridge.

Today, people have to pay bribe in each and every public office to get even the smallest of the works done. And, this is true across the country – no state is free of this corruption in one form or the other. Not only does government regulators have share in these bribes, even the police has its share. You can easily notice many transporters paying the bribe while crossing the borders. While transportation across many states has been made liberal and should not ideally be needed by a truck to stop at so many checkpoints – trucks are forced to stop due to intentions to extort money of the in charge of the checkpoint or the police around. This effectively reduces the number of trucks that may cross borders in a day and hence leading to the inefficient use of productivity – impacting the economy negatively. According to a report, the travel time for a Delhi-Mumbai trip can be reduced by about 2 days if the corruption and associated regulatory stoppages to extort money was eliminated.

We even see lot of mafia and underworld people making it to the politics, becoming ministers and getting the power. When their underworld power gets coupled with political power, they grab even the public properties, thus impacting the growth of the country.

Leave apart the contractors and politicians, even the officials in Public Work Departments are corrupt, leading to either defected construction in most of the parts or no construction and maintenance at all. Inhibiting the development of roads, bridges etc. due to corruption is affecting the economy negatively.

Even the populist and welfare schemes launched by government are not free of corruption impact and hence neither they bring any welfare nor do they prevent economy from going lower. Due to the corruption prevalent in government systems and public distribution systems, hardly 40% of the total allocated grain reaches the needy. Schemes like MNRGA, NHM etc. could not produce the results as per their potential and have reduced to nothing but just a scheme to make corrupt people richer and with no proper infrastructure in place; poor remains poor despite all these initiatives. Leave apart anything else, even funds allocated to healthcare and medications of poor have fallen in the hands of corruption today, depriving poor of the most basic necessities of life. Hence, impact the economy of the country in one form or the other.

Another very prominent and significant example of the corruption affecting the economy of the country is the role of government officials who work in offices related to minerals. Due to personal vested interests and imbibed corruption, they happen to let either illegal mining continue or roll out the mines at almost no price to those who pay them, no matter if the actual use of mine is being done or not. With minerals playing so important role in the economy of any country, this directly impacts the economy of the nation negatively.

In fact, as per certain reports; corrupt politicians and bureaucrats are making the country poorer by INR 90,000 to 100,000 crore every year (and this is 1-1.5% of GDP), sufficient to ensure a continuous economic slowdown in the country. All this money is present as black money for all these people in either their Swiss bank accounts or other bank accounts across the globe.

So, to conclude we can say that inefficiency and corruption of bureaucrats and diplomats play a major role in the extraction of money from different sources and keeping it away from being used in development work. This takes a hit at the growth plan. And for a given level of income; corruption hence leads to lower and lower economic growth. To support this, there is a figure mentioned by various analysts that if corruption is reduced in India or removed almost, the economy growth will see an additional boost of 5% to 7%.

While no one can disagree with the fact the corruption has spread across the country, the only point which one may argue is that corruption is not the main reason that has led to economy slowdown and there are many other parameters which have played role in bringing the economy down.

In the support of the above logic and against the topic, the first point that comes in everyone's mind is that corruption is not something that is new to India. It

has been there in the system since before independence era and the economy has grown during majority of years since then, so attributing corruption as the major reason for the slowdown is not a wise argument.

Rather, instead of blaming corruption for the same, we should be exploring more ground reasons for the rampant slowdown of economy. These include excessive regulations, complicated taxation system especially for cross state border trading, licensing system etc.

Another major reason for economy slowdown in the country today is the high illiteracy rate and the widespread unemployment. This has not only affected economy but also promoted the corruption. So, it is unfair to say that corruption has led to economic slowdown – rather one should look at the bigger picture where certain other common reasons have led to both corruption as well as economy slowdown.

We have seen that despite the fact that the fight against corruption has been taken up by eminent social workers including but not limited to Anna Hazare as well as politicians like Arvind Kejriwal. However, we are still to see people coming together and take the fight against economic slowdown and come up with implementable measures that can be taken. Isn't countering the economy slowdown a collective responsibility? Or are we happy enough to sit back and just sing the song of corruption.

Among the various points against corruption, one can easily say that at least one thing which works in favour of corruption is that it fastens up the process which otherwise would have taken much longer time and might have prevented some productive results during the time period. There are countries like USA where no one takes bribe and hence the system takes its own time to issue Green Card, making people wait for long time. However, in countries like India- if something happens in issuing visa etc. so much of the productive work will come to halt. In such cases, giving bribe helps as it fastens the process of getting the visa issued. How is the economy getting affected when we consider this example?

Also, there was a point mentioning that all the government officials are corrupt. However, we should not overlook the fact that there are thousands of public servants and other government officials who have never taken any bribes and are trying to sustain in the system despite not following the today's law of system - bribery. Such officials work for the development of the respective organizations, cities and the country at large. But, more often than not, these officials are at the receiving end of the corrupt system and get trapped in some or the other way. There need to be laws, policies etc. put in place which actually protect such honest officials and let them work at their best to contribute to the economy of the country.

While the only way to get rid of corruption is that all the stakeholders work together, same stands true for the economy slowdown as well. It is high time that efforts are made from all the sides to not only curb corruption but also to contribute from one's side to accelerate the economy, be it in any form or in the smallest of the contributions. But the contribution should be there. Time has come to create awareness around these issues among the common men and to work collaboratively to achieve higher economic growth rate as well as to improve the image of India at the world map, by increasing employment, better environment for investment, higher number of jobs and reduced rate of illiteracy. India of today needs a transparent and effective implementation of different policies and move together towards a common goal.

**Topic 3: FDI in Retail: Boon or a Curse**

We all know that government has allowed 51% FDI in retail. However, there are certain pre-conditions which need to be met before permitting 51% FDI:

- Investment amount should be minimum USD 100 million
- At least 30% of the raw material has to be procured from small and medium sized enterprises of India
- At least 50% of the investment has to be made in the backend infrastructure development
- Cities in which such things can put in place through malls or otherwise should have the population of at least 10 lakh
- Government of India will have the first right to procure from the farmers
- Even in the international market, product has to be sold under the same brand name under which it would be sold in India
- The brand owner should be the foreign investor and not any third party

However, before we begin with the debate on pros and cons of FDI in retail and the effects of the same, let us have a look at what exactly FDI refers to.

FDI refers to the investment made by a person living in one country, in the enterprise in another country with the vested interest of establishing a lasting business interest in the investee country. In simpler words, it is nothing but the investment in the business of one country by the individual/organization of another country. There may be several reasons behind the decision of such an investment, including but not limited to cheaper wages, labour, special investment privileges etc.

**But, why do countries advocate allowing FDI?**

- It brings the foreign capital to the investee country
- Domestic limitations to boost the growth beyond a certain point
- Allows to leverage the technical and business expertise of the investor country

Let us now have a look at the major benefits of FDI.

- Despite being the second largest producers of fruits and vegetables, we are not able to make the adequate use because of infrastructural incapability
- With the reduction in pre-harvest wastage and loss of production, this would also contribute in controlling the inflation
- Middle-man is removed from the process, leading to reduced overall costs and hence the reduced rates at which fruits and vegetables would be available in the market
- With the inflow of the foreign capital, it strengthens the FOREX of the country

- Leads to business expansion, hence more employment. Approximately, 1.5 million jobs are expected to be created out of this within a period of 5 years
- Improved productivity with better technical expertise
- Helps the investee country to take away the learnings from expertise of investor country and improve its own technical, logistics and infrastructural expertise
- Enhances the competition in the market and hence good for the consumer
- With higher productivity, helps in increasing the exports as well
- While more productivity leads to better revenues, increase in revenues lead to better revenues for government through taxation

However, the camp that opposes FDI also has some valid reasons to do so. There are quite a few concerns raised against FDI from local kirana shops and activists who advocate the rights of local people at the highest priority.

**Some of the major points put forth against FDI are:**

- Local players are afraid of losing the business to international corporate houses, as they find it difficult to compete with them at price, technology and logistics issues
- In countries where FDI in retail is allowed, these international players have monopolised the market

**Topic 4: Art of Negotiating and its Importance(SBI PO 2014)**

Negotiating is a part of everyday life, but in business it's absolutely much more critical for success. Poor negotiation can result in crippling of a company and may often lead to quickly losing customers as well.

While most negotiating strategies seem like common sense, it is actually not uncommon for people to get caught up in the emotion of the moment and ignore their basic instincts when getting into negotiation. Emotion, luck and magic have no place in a successful negotiation. It takes an iron gut, homework, street smarts and unblinking discipline. These keys will unlock your ability to get the best deal possible under any circumstances.

While experienced negotiators sometimes refer to their methods as the "negotiating game," it's really a misnomer for a process in which the stakes are often extremely high. Check your ego at the door and keep your eye on the big picture at all times.

To be good at negotiating, it is important to know about the party you are negotiating with so that you can capitalize on your strengths and the party's weaknesses. If the other party is very experienced, that means he also has a history that could contain useful information. If possible, talk to business associates who have dealt with this person before. Many negotiators develop patterns and certain styles that you may be able to use to your advantage.

Most negotiators have a price target or goal in mind before they start. It should be based on realistic expectations considering all the constraints that will undoubtedly surface. These may include budget limits, direction from management, pressure to make sales goals, and a myriad of other external forces. During the course of the negotiation, the goal may change based on changes in scope and other unforeseen actions by either party. While your ultimate goal should be realistic, this should not constrain your first offer or counteroffer.

Before you start the negotiation, ensure that the other party is fully empowered to make binding commitments. You don't want to find yourself in a position where you believe you've struck a deal, only to discover that your agreement must be approved by someone higher in the chain of command.

There are certain successful strategies known for the art of negotiating. This leads to certain basic principles that apply to every negotiation. The first offer is usually the most important and the benchmark by which all subsequent offers will be judged and compared. You'll never get what you don't ask for, so make your first offer bold and aggressive. The asking price is just that, and will typically include a pad or margin to give away during negotiations. You want to take all of that and hopefully more, so start lower than the seller expects. Don't worry about insulting the other party. As long as your offer is not ridiculous, the other side will continue the negotiations in hopes of settling at a better number.

Always have something to give away without hurting your negotiating position. If you're submitting a price proposal to a buyer, consider inserting decoys and red herrings for the other party to find. For example, if you are bidding a project, consider including some nice-to-have items that aren't critical to the success of the project. You could also include spare parts that may or may not be needed in the end. If the buyer takes those items out to reduce the overall cost, you haven't lost anything but it may help the buyer reach his price target. Such distractions will help to divert the other party from attacking the meat of your proposal. Employing this strategy must be viewed in the context and in consideration of what other bidders may be doing.

In addition to the above, you should also be watching for clues such as body movement, speech patterns and reactions to what you say. Be prepared to suspend or cancel negotiations if you feel things are getting nowhere or the other party seems stuck in their position. Indicate your reluctance to continue under those conditions and make the other side wonder if you are ever coming back. If they are on the hook to cut a deal, they will feel the pressure to move. Be patient even if the other party isn't. This can be difficult for those with a passion for instant gratification, but the last thing you want is for the other party to think you're under the gun to finish quickly.

From a contractual standpoint, a counteroffer automatically rejects all previous offers. Once an offer is made, you should expect an acceptance or rejection of your offer, or a counteroffer that keeps the negotiation open. If your offer is rejected and you are asked to submit a new and better offer, do not fall into that trap. That would be tantamount to negotiating with yourself, and you should never do this. If the last offer on the table is yours, always insist on a counteroffer to force the other party to move his/her position before you make another offer.

In most of the negotiations, both the involved parties should try to go for a Win-Win solution. Throughout the negotiation, try to determine what you believe to be an acceptable outcome for the other party. It may be a combination of different things that aren't necessarily tied solely to price. For example, the delivery date may be the most important thing to the other party, while product quality may be your primary driver.

Understanding the other side's priorities is just as important as understanding your own, so figure out what you would do if you were in his shoes. When constructing your offers, attempt to satisfy some of his priorities if doing so doesn't weaken your overall position. Be prepared to give up the little things in exchange for the big things you don't want to concede. Know your limits and how far you're willing to go on all aspects of the deal.

While you have the power to influence the negotiation process in your favor, your goal should be to secure a good deal without extracting the last pound of flesh from the other party. This is especially true if you will be negotiating with the same party on a recurring basis. The most effective negotiators are professionals who



know their business and don't let personalities and irrational behavior interfere with their mission. They are capable of making the other party believe they got the best deal they could under the circumstances.

Once the negotiation is completed, you want to be able to work effectively with those in the other party during contract performance. If they are threatened and pounded into submission, they probably won't negotiate with you again, possibly cutting off any future business. While heated confrontation is a common occurrence during negotiations, at some point collaboration and compromise are needed to get a deal. Successful negotiation is like horse-trading in that it requires a sense of timing, creativity, keen awareness and the ability to anticipate the other party's next move. Negotiation is also like chess in that each move should be designed to set up not only your next move, but several moves down the line. Generally, your moves should get progressively smaller, and you can expect the same from the other party.

Always have the endgame in mind as you plot your strategy, and be prepared at some point to split the remaining difference. It's almost inevitable when the parties are close but can't seem to make that last leap to a single number. It's completely arbitrary, but it gets the job done. That's why all the offers leading up to that point are so important: they will set the stage for the final handshake.

**Topic 5: Should business lobbying be made legal in India?**

Before we get into the debate over the topic, let us first understand what business lobbying refers to. Business lobbying is the attempt made by certain corporate groups/organizations to influence the decision/impact of a legislative policy of a country/state in such a way so as to prevent their interests as well as to bring out some benefits for them.

Lobbyist is not necessarily a corporate group, but may even be an individual or group of individuals working as an agent for a certain employer – like labour union leader, corporate representatives etc.

The major objective of the lobbyist is to maximize its own interests and it can be done by either influencing the legislator, members of Parliament etc. by creating a lobby and getting a legislation passed in a manner that benefits its organizational interests.

Countries like USA, Germany and other European nations have already made lobbying legal with specific conditions around the same. These conditions include quarterly disclosure of the amount spent on lobbying and the manner in which the amount was spent. This has introduced more transparency in the lobbying practices and has even curbed the corruption which would have been prevalent in case lobbying was not legal.

Today, India virtually lobbying being done in the guise of other names with houses like Federation of Indian Chambers of Commerce and Industry (FICCI), Confederation of Indian Industry (CII), National Association of Software and Services Companies etc. playing a similar role. While so much lobbying is already around, why not make it legal with good fee being levied upon lobbying activities and adding to the government revenues as well. In addition, introduce transparency in the system.

Lobbying made legal will encourage open debates and discussions on all the forums, leading to a better legislation. It will enable everyone to understand and evaluate the different options available.

Lobbying will force the money to go to the national treasure which today is going unaccounted and in the Swiss bank accounts of politicians, bureaucrats and other influencers.

With the growth potential of India, it is obvious for more and more companies to get into direct/indirect engagement with politicians, bureaucrats etc. to push their agenda. Whether made legal or not, lobbying has become and will become even stronger and more integral part of the Indian business and politics. So, it is in national interest to make it legal with certain strong clauses which introduce transparency in the entire system.

Last but not the least, Government of India also forms a lobby with US lawmakers and even other corporate houses of India lobby in the US to push their agenda. Countries even lobby at international stages like that of the United Nations, Economic Summits, etc. This has in fact brought in more competitiveness in the system. Not to say that India will certainly gain a lot if lobbying is made legal in the country.

The major point that has been raised time and again in India against lobbying is that national interests would be at the stake if lobbying is made legal. Reason being that lobbyists will give the highest priority to their own interests and would not be concerned with national interests and sometimes decisions in their favour might impact the nation adversely. Lobbying in defense purchases and production activities may put national security at stake as well.

Common man will not be benefitted and will keep struggling for his bread and butter needs. Lobbying will make strong people even stronger while poor will become poorer.

While lobbying may curb corruption in one form, it would make corruption of politicians and bureaucrats legal in another form. And this certainly is not in national interest.

Last but not the least, there is no definite mechanism in India to bring accountability to lobbyists and publicly reveal the respective spent and the position. If made legal, it will not do anything but increase the woes of Indian business.

The planning commission of India has already set up an expert group to look into the process and intricacies that are involved in lobbying. However, seeing the political complexities and the nature of Indian polity, there is a huge task in front to make such an activity legal in India.

Lobbying has become a self-sufficient service industry in itself, working in the guise of different names like External Affairs Manager, Public Relations, and Environment experts etc. Today, lobbying industry has been pushing for independence and transparent laws for itself in economy like India.

Time is not far when India has to take a clear stand on if lobbying is legal or not in the country. Irrespective of the decision, India would need to come up with clear and decisive laws to protect its decision and ensure its decision is not underplayed or trespassed.

**Topic 6: What takes you to the top: Vision or Passion?**

Everyone among us wants to be successful. This is not the story of today but since ages, each and every one aspires to be at the top, to be seen as the most successful person. There is no one who doesn't want to taste the sweetness of success. However, only very few get to achieve it. The question that often bothers many people is, what is it about certain people that bring them steps closer to success? What brings people closer to achieving their dreams? Why do few people succeed more than the others? What qualities do the successful people possess and what the unsuccessful people lack?

Generally, there are no specific reasons or sure shot processes that guarantee success. There is no definite path following which it is assured to reach at the realm of success. However, there does exist a combination of a number of different qualities which are generally found to be existing in those who achieve great heights in life. Some of these qualities are hard work, determination, dedication, vision and passion.

While other qualities are quite clear and self-explaining, it is vision and passion that confuse people the most in terms of what they are all about and what is more important of the two to achieve success.

While it is not a cakewalk to find an answer to this question, let us try to dive deeper into these two qualities and the role played by them in one's success.

Passion enables a man to keep going in life not only in good days but even when times get tougher and the sailing is not so smooth. There are times in everyone's life when one's efforts do not produce as expected and when people begin to feel failure around them. During such hard times, it is nothing but the passion that gives a person the strength to fight and keep moving towards achieving their dreams, preventing them to give up. Thus, passion makes people the fighters- one of the most important characteristic that should be present in each and every person who aspires to be successful. And, there have been great leaders in past at national as well as at global stage who have displayed the undying passion for their dreams and goals; which eventually helped them to achieve which not every second man can.

On the other hand, the vision refers to a person's ability to change the circumstances around them and turn them in their own favor. This doesn't happen overnight. One needs to possess the ability to see situations with far sightedness and not just look at short term gains or achievements. One has to go beyond and look at the long term impact of actions. Visionary people do not become happy by achieving something that is easily achievable, short lived and not in sync with the path that takes to achieve the end goal in longer run. People with a vision have a different take on things. They believe at making valuable assets which may help people around them and their goals for long time and also help to sustain the same. Remember that achieving success is much easier than sustaining it. It has been

observed that people with a vision are full of fresh perspectives and bring novelty to the ideas. They are able to see what will work and what will not in long run.

While the above points illustrate the importance of both passion and vision in one's success, this brings us back to the debate- what is more important? What is it that plays a more promising role in creating success stories?

The answer to this is simple if we see the lives and the characteristics of those who have achieved great successes in life be it Nelson Mandela, Mahatma Gandhi from among those who worked for national cause or the likes of JRD Tata who wanted to bring about a change for good for the countrymen and leave a mark for India on the globe. Seeing the lives of these successful personalities, we will notice that to be able to achieve success, a person needs the right amalgamation of vision and passion. They don't work in isolation but need to go hand in hand to facilitate an individual to achieve success in life.

While the vision provides a person with all the ingredients of success, the passion provides a person with the motivation and efforts which are necessary to convert visions into a success story.

So, one should try to have a true passion and right vision to achieve his dreams.

**Topic 7: Legalising Prostitution in India**

Today we live in a world that is trapped in the dilemma of what is 'illegal' and what is 'immoral' and same is the case when it comes to Prostitution.

Prostitution might be illegal in India, but the business of life and intercourse goes on. It is a mere superfluous formality to call it illegal and denouncing it is an immoral blotch on society. In fact, recognizing it as a profession will reduce the real illegalities that come with it, like child prostitution, drug abuse, and crime; and this is something which is being overseen in countries like India.

Whether we like it or not, it is a profession which cannot be curbed and that is why societies in which prostitution is legal have concluded that it is best to regulate a profession, which will never disappear. However, India is yet to learn from these societies. Rather India today continues to pretend that prostitution doesn't exist in the country. That too, when figures reveal that the business of sex-workers takes a dip in India when it is vacation time for colleges.

There are over 2.5 million prostitutes in India and a quarter of them are minors. Child prostitution is one of the issues our country is facing today. The increasing incidence of the HIV virus is on the verge of a threshold, which, if crossed, could see the epidemic affecting, perhaps, everyone in the world.

Globally prostitution is legal in countries like Canada, France, Wales, Denmark, Holland, most of South America, including Mexico, Israel, Australia, and many other countries. Australia has a sex-service company whose stocks are traded on the stock exchange. But, it's either illegal or not tolerated in most of the Asia.

Let us now first have a look at the pros of legalizing prostitution. No governments, no matter how hard they have tried, have been successful in abolishing prostitution across the globe. This has made prostitution a reality with negligible chances of being eliminated. By legalising it, the fight against Sexually Transmitted Diseases (STDs) and the AIDS epidemic will also get legalized in a way. Just like laws have managed to do with untouchability, legalising prostitution will give dignity to sex-workers and save them from living as second grade citizens. A separate hub can be created for it and health of sex workers can be monitored. Legalisation will deter police from extorting money from the helpless sex workers who are forced to give a part of their income to the policemen to let them live in peace. Legalisation of the profession will at least give a human face to the profession, where prostitutes are, otherwise, are treated as outcasts.

We may have norms laid out for registration in terms of space, hygiene and medical facilities available. There could be periodical medical check-ups, and it must be made mandatory for every individual in the profession to possess a proper health certificate. Brothels could also be taxed like any other business house, and a certain amount could even be earmarked by the government for providing medical facilities to sex workers. Families of sex workers and especially their children need to be taken care of.

**Topic 8: Should bribery be there in business?**

Surveys reveal that a minimum of 13 clearances are required to start a new venture and the ordeal could last a minimum of 33 to 35 days. Obtaining a licence requires 20 clearances and could take 225 days if you remain on the fast track with an open purse. Registering property involves six clearances that could take up to 65 days. Whatever new methods may be devised to check corruption, the Indian ingenuity would find ways of over checking them and expand itself.

Sometimes, one may easily wonder how people are able to get into business and make a success of it when there are multiple hindrances in the form of enormous clearances. However, it seems Indian businessmen too are equally corrupt and know how to loot and rob the consumer because, ultimately, the costs of bribe are passed on to the buyer and consumer.

National Knowledge Commission survey's findings are startling. Sixty-one per cent who started businesses between 2000-07 said they did not get a bank loan when they started. "There was a high perception among entrepreneurs that it is very difficult to get bank loans at the start-up stage though it becomes comparatively easy at the growth stage", the survey said. Naturally, once you are running an operation, the Bank officials will themselves advise you as to how to hoodwink and overcome the Banks and bypass rules and conditions for a loan at reasonable bribes because while documents may be signed on the table, bribes are paid under the table. Perhaps not. Now even this formality is done away with. Bribes are being taken and given in the open. The biggest motivating factor for becoming an entrepreneur, according to the survey, was the willingness to be independent of the family and a job. Ambition to become rich also plays a part. Strong motivation appears to be the vital factor in entering and surviving in business because the business world is no bed of roses. Bargaining and calculating risks are a necessary part of an enterprise. On top of that, one has to do unlawful things for survival and success. There is a belief that behind every million made, there is a big crime and hundreds of novels have been written on this theme. Both private individual business and corporate business are rife with bribery. Corporate competition is often carried out as a war and bribery and corruption are resorted to because "everything is fair in love and war". Alcatel, one of the "biggest and cleanest corporate entities", finally got exposed in 2001 when Costa Rica prosecutors combed through the bank records and found Alcatel made \$15 million in illicit payments to top politicians and bureaucrats and former President Miguel Angel Rodriguez was jailed for accepting bribe from Alcatel.

In Europe, governments are finally cracking down on big business. Transparency International is fighting corruption effectively. The OECD agreement took effect in 1999 in 35 countries, imposing criminal penalties on companies found guilty of bribery. "The climate has definitely changed", says Susan Hawley, an anti-corruption research consultant. "The change in laws is beginning to bite." But India continues to be one of the most corrupt nations of the world.

**Topic 9: Role of Media in Democracy**

Media came into existence in 1780 with the introduction of a newspaper namely "The Bengal Gazette" and since then it has matured leaps and bounds. It has been playing a very important role in shaping human minds and in turn impacting democracy in one way or the other. There is not even an iota of doubt that media today is the backbone of any democracy.

Media makes people of the country aware of various social, political, environmental and economic activities happening around the world. It is like a mirror, which shows us or strives to show us the bare realities of life from across the globe. To reach this stage, media has evolved over the years.

It is the media only who reminds politicians about their unfulfilled promises at the time of elections and otherwise as well when any such scenario gets created, through extensive coverage of such issues through news channels and newspapers. The coverage at TV especially helps less aware or illiterate rural people in electing the right person to the power, a significant achievement in educating masses in making them aware of all the events in their language as well through coverage in vernacular languages. This check often forces politicians to keep their promises in order to remain in power and prevent themselves from being in the negative criticism radar of the media. Some of the examples of the same include coverages of exploitative malpractices of village heads and moneylenders that actually helped in taking stringent actions against them by attracting government's attention. In addition to this, media also exposes loopholes in the democratic system, which ultimately helps government in filling the vacuums of loopholes and making a system more accountable, responsive and citizen-friendly. Seeing these positive impacts of media, it won't be a hyperbole to say that democracy without media is like a vehicle without wheels.

In the age of information technology we are bombarded with information. We get the pulse of the world events with just a click of a mouse. The flow of information has increased manifolds. The perfect blend of technology and human resources (journalist) has not left a single stone unturned in unearthing rampant corruption in politics and society. We all are well aware of what tehelka did. Thanks to technology that has brought a kind of revolution in journalism and all these have made the impact of media really noteworthy.

However, sometimes we may believe that the excessive coverage or hype of sensitive news during the times of communal may not be the right role which media should play during such time, which may act as a source of provocation of communities even further. However, the defence to this often comes that it is only the illiterates who are more prone to be provoked through such news rather than the literates.

We may say that media should take utmost care in airing or publishing sensational news that might provoke even the slightest of the population to get



into acts which hurt the unity of the country. But unfortunately, commercialization has created a stiff competition in media and in order to outdo each other, media has often started going a step further in publishing articles, cover stories, etc. on sensational issues. Media experts say this is one of the means of attracting readers who are glued to T.V. news channels, which have cropped up swiftly in a recent past and they believe this is a cheap form of journalism.

No one is perfect in this world and so is the media, hence one should not degrade the media, rather should suggest ways as there is still a lot of scope for improvement by which media can raise up to the aspirations of the people for whom it is meant.

While concluding we may say that it is impossible to think of a democracy without active and neutral media. Media is like a watchdog in a democracy that keeps government active. From being just an informer it has become an integral part of our daily lives and has laid the foundation of a new era in a democracy with innovatively.

**Topic 10: We learn from both success and failure**

It is often said that learning from failure is easier than learning from success, as success often appears to be the last step of the ladder while there is no finality about the failure.

What appears as success in one moment may turn out to be a failure or even worse in the next moment. That is why we cannot say assertively what is ultimately a final failure and what is success. To substantiate this, there are examples of people who became wealthy but renounced all their wealth after a lifetime's effort. The kings like Bharthrihari gave up their kingdoms because of their failure in love. The Duke of Windsor abdicated the throne of England for marrying an American divorcee Miss Simpson.

What happens is that while we can see our failures clearly, success is prone to blind our vision. Yet, the time-world that we live in is a mixture of pain and pleasure, sorrow and delight, light and darkness, success and failure! We gain from both success and failure as well as lose from both. Failure dejects us, success delights us, but experience accretes them both. After a while, success also loses its shine just as failure loses its sting. A wise person learns from both successes and failures of life and begins to see life what it is in its real form.

Most of the people try to achieve what they want. They either fail or succeed in getting what they want. In a difficult world trial and error has become our way of solving life's problems. Yet there are escapists who avoid undertaking the trial because they are scared of meeting failure or committing the error. They, rather, consider making mistake as wrong and harmful but the fact is that, for most of us, trial and error are both helpful and necessary to deal with situations that life throw at us.

Error provides us the feedback for building the ladder to success. It pushes us to put together a new and better trial, leading through more errors and trials and ultimately finding a fruitful and creative solution. Hence they say that to meet with an error is only temporary and often necessary part of the process that leads to success or well-earned achievement. No errors or failures often means no success either in due course because if nothing is going wrong, chances are high that we are not on the right path, contrary to the common belief that we make mistakes only when on wrong path. This is more true in business or while handling a project. According to even some of the popular business theories, an early partial success is not commended. In fact, early success in a long-term project is regarded as a premature outcome of good efforts that is likely to cause complaisance and slackening of effort to achieve the ultimate objective of the project. Early success might tempt one to get fixed on to what seemed to have worked quickly and easily and stop from looking up any further and search for better ways. Later, maybe, a competitor will learn from the slackened 'achiever' to further explore for larger possibilities innovatively and push itself to find a much better and comprehensive

solution that will push the earlier achiever out of the competition. Yet, there are many organisations who believe in what they call 'culture of perfection: a set of organisational beliefs that any failure is unacceptable'. Only a hundred per cent, untainted success will be acceptable. "To retain your reputation as an achiever, you must reach every goal and never, ever make a mistake that you can't hide or blame on someone else". But this is a flawed strategy because the stress and terror in such an organisation, at some point, become unbearable and lead to attrition. The ceaseless covering up of small blemishes, finger-pointing and shifting the blame result into rapid turnover, as people rise high, then fall abruptly from grace. Meanwhile, lying, cheating, falsifying of data, and hiding of problems goes on and swings and shakes the organisation from crisis to crisis and, ultimately, weakens it irreparably. Some ego-driven, 'experienced' achievers forget that time and working environments have changed and demand other kinds of inputs.

However, at the end we all should try to see life as something much more than merely being a count of failures and successes. And as a popular humourist said: "try and try-only twice, the third time let someone else try" is yet another way of looking at life's struggle.

**Topic 11: How to tackle hunger spread globally**

We all know that hunger is one of the indicators of the magnitude of social injustices that exist in the world. It is an injustice whose existence can be traced back very many years back. For example: The French Revolution in the 18th Century was driven not only by demands for political freedom, but also by the lack of bread in Paris. Food has been the cause and effect of many riots occurring whenever government policies caused severe economic hardship and clashed with the basic human right to food. Tea was a non-edible food item that was used as a protest tool by a group of Boston citizens, to protest the British tax on tea imported to the colonies. The food crises around the world prompted the establishment of the World Food Programme. In addition, many other United Nations agencies have included hunger or food security in their work programmes. These include: The United Nations Children Education Fund, the United Nations Development Programme, the World Health Organisation and the different United Nations missions to war torn countries.

However, it is slightly depressing that the term 'hunger' is loosely defined and the meaning is often adapted to serve the purposes of those who may be experiencing it. For many, especially in affluent countries, hunger is the gnawing pain in the stomach when a meal is missed. On the other extreme, hunger is the physical depletion of those suffering from chronic under-nutrition. Hunger is, however, multi-dimensional, encompassing the emotional and political aspects of the society. It includes the anguish of a farmer faced with the choice of selling the produce from his farm, to pay rent for the land or feeding his family with the food. It involves the grief of watching in helplessness as loved ones die for breaking the practices and policies set by a handful of elites. Restrictions and laws are put in place to ensure that the poor and hungry are forced to provide their labour in exchange for low wages or small portions of food. In order to maintain the status quo, regulations are in place to reduce the chances of self-sufficiency for the poor. Even the Indian government's schemes of rice and wheat at extremely subsidized rates is a no-go-either that grain finds its way to the black market or the quality is too poor to be consumed by any human being.

Many try to propel the thought that population growth is the cause of hunger in majority of the parts of the world, as it creates pressure on the world's limited resources. Thomas Malthus, an English economist, argued in the support of this thought mentioning that population growth would inevitably outstrip the food and water supply at some point, since productive land and safe drinking water are finite resources. Mass starvation and anarchy would, therefore, be a consequence of a high rate of population growth. This belief and the problem of addressing the needs of a growing population generally lead to drastic measures to be taken by the government and other agencies to reduce the rate of population growth.

We may also say that hunger is a cause and effect of poverty. It is responsible for the debilitation of people physically, physiologically and psychologically. The most abundant asset available to the poor is labour, which could be used to earn a

living. However, hunger means that this labour is ineffective, entrapping the poor in hunger and poverty. For the abjectly poor, the daily struggle of finding food for the family pushes aside any consideration of long-term development. While modern technology and medical research have discovered many innovative ways of fighting many pests and diseases, famines has been a source of serious distress for many years. The pressure to feed the world's population has resulted in the use of marginal, erosion-prone lands and deforestation. This makes the environment more prone to famine situations and the fertility of the land is undermined. Natural disasters are indiscriminate and affect the poor and rich alike.

The best solution to the hunger in today's world is to reconstruct agriculture to be more self-reliant and discourage specialization. Help from agencies has to be reduced by increasing self-reliance, for that is a long-term measure. The development of farm cooperatives should be encouraged to facilitate and support farming activities among farm workers and urban migrants wishing to return to their rural homes. Increasing the amount of arable land under cultivation can also enhance food security. Reduction or cancellation of debts owed by farmers would be an incentive for their increased contribution towards ensuring food security. The exploitation of farm workers and small farmers is mainly because of their inability to exact a fair price for their labour and the goods they produce in a monopoly-controlled market. No wonder the suicides have become a regular feature in the rural districts.

It is virtually a high time that the initiative to tackle hunger is taken up on a war footing across the world, else we will be put to shame repeatedly by skeletal expressions of people in places like Somalia, Ethiopia, and closer home in Maharashtra, Andhra Pradesh etc., no matter how much progress and development we achieve in other areas.

## 1.4 LETTER WRITING

People have been writing letters for centuries now. Before the telephone and the Internet took over, sending a letter (by messenger, and later by post) was the only way to communicate with someone who was geographically distant. The testimony to the importance of letters in our lives comes from the fact that even with all our modern technology, letters haven't become obsolete.

Most of us would have written and will write many letters during our professional life, including but not limited to a covering letter written to accompany our resume, letter to clients, or a thank you letter after an interview or a success.

In this section, let us go through the common types of letters that you are likely to need to write at some point of work life while working in top banks of the country. The section consists both the general and specific pointers on letter writing which should help you in coming up with better letters not only during bank examinations but also at work.

We will begin the pointers by first talking about business letters and then moving to personal letters.

### Business Letters

The standard format of a business letter varies from country to country, and standards often are not set in stone.

Here are four basic points to be taken into consideration while writing business letters:

1. **You should use a simple, standard font such as Arial or Times New Roman for business letters**, and a font size of 10-12 point (assuming these days we opt to type letters on computers/laptops rather than writing them with pen on paper). Even if the letter is short, do not use a large font size to increase the space it takes up on the page, reason being it looks unprofessional. This goes especially for writers, who are often tempted to use fancy fonts and layout.
2. **Try to avoid handwrite a business letter.** However, you may send a very brief handwritten note on a printed compliments slip, in lieu of a letter. This is to account for the fact that we never know if our handwriting will be easily readable by the recipient of the letter or not.
3. **Always keep your audience in mind while writing the business letter.** Avoid using business jargon when you are writing to customers, as what can be a normal jargon for you might not stand as such for the customer. Keep the letter as short as possible – if you need more than a page; consider whether the information might be better delivered in a leaflet or brochure.
4. **Always cross check spellings and proof-read the letters.** It is surprising how mistakes can slip past your eyes. Remember that errors can alter the meaning and may confuse or even offend the recipient.

## Job Application Letter

Job Application letter gives your first impression to your potential employer and hence it should be very well of. Following are the few pointers that you should always take into account while writing a letter for the job application.

- Ensure that you have provided all the information requested.
- Mention any enclosures (usually your resume and perhaps an application form).
- Address the letter to "Mr. Sharma" or "Mrs. Gupta", rather than using the first name. If you are unsure of the gender of the recipient, use their first name and surname (such as "Aishwarya Sinha" and skip using Mr. or Mrs. or Miss.).

Following is an illustration on how to start an application letter:

Subject: Application for the Junior Manager Role, ref: 643AC

Dear Mr. Sharma

This is with reference to the position of Junior Manager, as advertised on your website. Please find my resume enclosed.

I believe that I would be an ideal fit for this role, as I meet all the requirements mentioned in the job specification. In particular, my spoken communication skills are outstanding (as you can see from my resume, I captained the debate team at my college and have won multiple interstate debate competitions).

## Thank You Letters for Business

Thank you letters are often appropriated and expected in a business eco system. When you have attended an interview, it is considered polite to send a thank you note to the interviewer company or the personnel. You may also send a thank you letter when someone has given you their time and advice.

Following are the few pointers that you should take into account while writing a thank you letter in business.

- Make it very clear that you are writing to thank the recipient.
- Mention a specific detail of how they helped you or facilitated the business purpose.
- Express your gratitude for the time or effort they spent.
- Avoid using the letter just as an excuse to promote yourself (though if you are following up an interview, it's appropriate to highlight your suitability for the job).

A sample paragraph from a thank you letter to help you understand is as follows:

Thank you for giving me your time on May 11th, when you kindly showed me around the factory. It was fascinating to see how the widgets are manufactured, and I now feel even more confident that I want to build a career in the widget

manufacturing. I have attached my resume and request you to kindly keep it on file, in case any openings come up in future positions that I might be suitable for.

## Letters of Complaint

We all face situations where we have received poor service or have been dissatisfied with a product and we all tend to write to the concerned company or the authority to make a complaint. In order to get the best out of the complaint letter, we should follow the pointers mentioned below.

- Explain clearly who you are in relation to the company (example: "I am an XYZ customer").
- Let them know exactly what you are complaining about, without using emotional or abusive language.
- Give specific location, time and date if appropriate as it helps the concerned person during diagnosis.
- Make it clear what you would like them to do in response.
- You might also want to include a warning, such as "If this is not resolved, I will be forced to take my business elsewhere." However, do not be aggressive while including such warnings.
- Throughout your letter of complaint, your tone should be polite but assertive. Don't make ridiculous threats or demand an unreasonable compensation – but also don't be afraid to tell them about the inconvenience or financial loss that you've suffered.

*You may practice writing a letter of complaint using the below illustration as a reference:*

I recently ordered several party platters of food from your store in Bandra, including one platter of seafood. The food was delivered two hours late, and the seafood platter was missing. I had to spend INR 4000 to purchase extra food at short notice for my party. This was very inconvenient, as I had to drive to the store when I had planned to be with my guests.

I have never used your party platter service in the past, and regret to say that I very much doubt if I will be doing so again unless you can assure me that this was an isolated incident. Although I was not charged for the seafood platter, I would be grateful for compensation in view of the inconvenience and the cost of buying replacement food at such short notice.

## Personal Thank You Letters

When someone has given you a gift or has done a favour, it is polite and appreciated to send them a thank you note or letter. If you plan to do this through email, ensure that you do send a separate note to each person, rather than emailing a group of people.



*Thank you letters in personal life may be:*

- In response to wedding gifts.
- For birthday gifts and gifts given on festive occasions.
- When you have stayed as a house guest somewhere.
- After someone has treated you for a meal.
- After a trip, vacation or a similar activity.
- To your parents, grandparents or other relatives who have helped you out with a big purchase or a college degree.

Thank you letter doesn't need to be long. In many cases, a few lines serve as plenty.

For example: Thank you for the beautiful sweater – just the thing for the winter here! I will be thinking of you every time I wrap myself up in it. We are going to be travelling over Christmas, but hope to come down and see you all during the new year. Thanks again!

If you are not very confident about your letter writing skills, sending some personal thank you notes is a great way to get started. People are always delighted and touched by being thanked in this way – they'll overlook any small slips of grammar, and you don't need to worry too much about lay out and formatting in personal letters.

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## **Suggested Format for Letter Writing in Bank Exams** **SBI PO Informal Letter Format and Sample Letter**

### *Address & Date:*

#### **Address**

The return address should be written in the top right-hand corner of the letter & inside address should be written on the left.

#### **Date:**

Some people put the date on the right side of the page and some on the left side. Date can be written on the either side but it should always be the line after the address you are writing to. Preferably, write the month as a word and not the digit.

### *Salutation or Greetings*

Dear Sir or Madam,

### *First paragraph*

The first paragraph should be small & write content to make an enquiry, complain, request something, etc.

*Middle paragraph*

Letter should contain all necessary information behind the writing of the letter. Most letters in English are not very long, so keep the information to the topic and focus on main subject to describe it in a proper way.

*Last Paragraph*

The last paragraph of the letter should state what action you expect the recipient to take- to refund, send you information, etc.

*Ending a letter:*

- (1) Yours faithfully

If you do not know the name of the person, end the letter this way.

- (2) Yours sincerely

If you know the name of the person, end the letter this way.

- (3) Your signature

Sign your name, and then print it underneath the signature. If you think the person you are writing to might not know whether you are male or female, put your title in brackets after your name

# SAMPLE LETTERS

## Sample 1

**You are Branch Manager of a Bank. Write a letter to Head office recommending installation of ATMs in your Office premises and also in the Extension counter in an MBA college. Elaborate the progress your branch will be making on account of this move.**

XYZ BANK LTD  
Bangalore Branch  
Phone: 2359876  
Date: 16 May 2014

To  
The General Manager  
XYZ Bank Ltd, H.O.  
Bangalore

Dear Sir,

Sub: Request for installation of ATMs in our office premises and MII Bangalore campus.

\*\*\*\*\*

Our Branch has been making a lot of progress since 2012 August. The deposits of the branch as on 31st March 2012 were Rs.240 crore and advances were Rs.128 crore. The deposit position of the branch as on the last week – Friday 25th July 2014 is given below:

Total Deposits – Rs. 260 crore (target for March 2015 Rs. 270 crore)

Total advances - Rs. 145 crore (target for March 2015 Rs. 140 crore)

Many of our customers have expressed the need for having our bank's ATM in our office premises since it would facilitate their withdrawing cash any time they need. Similarly the professors, lecturers and students of MII Bangalore where our branch extension counter is there, have also requested us to install an ATM in their college premises.

We also feel that establishing ATMs in these two places will improve customer service at our counter since people interested in drawing small amounts need not stand in the queue in our office and also extension counter. This will enable us to concentrate on improving our clientele base and further enhance our business position. There are four ATMs of other banks but our customers desire to use our ATMs for convenience and sentimental reasons also.

Kindly issue orders for installation of ATMs as requested above.

Yours faithfully,

(S. Mehta)

Branch Manager

cc. to Regional Manager, Bangalore – with a request to recommend the above to Head Office.

**Sample 2****Letter to bank requesting extension of business hours**

You are the Chairman of local Business Establishments Committee. Write a letter to the Manager of local Bank branch requesting that banks' working hours should be increased by one hour in the evening to facilitate depositing of cash by your members into their account. Give additional reasons justifying your request.

EXPORTS PROMOTION COMMITTEE

25 MG ROAD

MUMBAI 500003

Ref. ABCbank/7/2014

Date: 14th July 2014

The Manager

ABC Bank Ltd

MG Road, Mumbai 500003

Dear Sir,

Sub: Request for extension of business hours by one more hour per day

\*\*\*\*\*

As you are aware many members of our Export Promotion committee have been maintaining their current accounts with you for a long time. Even our committee has also opened its current account with you in the first week of April 2014.

The service rendered by your staff members is very good and satisfying. However, we find that your branch functions from 10.00 am to 2.00 pm and 2.30 to 3.30 pm only. Many of our members collect cash from their clients and return to their offices only by 3.30 pm and hence are not able to remit that day's collection into their bank account immediately. They are forced to retain the collections overnight in their office posing risk of robbery and allied problems.

Many customers have requested to take this concern up with you so that your bank branch functions for one more hour every day i.e. 10.00 am to 2.00 pm and 2.30 pm to 4.30 pm. Subsequently, one hour service can be extended on Saturday also. In case this request is accepted it will not only help your existing customers, many of our members who do not have their accounts with you will also be opening their accounts and your business position will improve considerably.

We are sure that your bank management will consider our request favorably.

Thanking you,

Yours faithfully,

(Ajay Pawar)

Secretary

**Sample 3**

**Write a letter to the Bank Manager seeking time for payment of EMI.**

From Ramesh Ramalingam

No.10 , 100 feet Road

K M Nagar

Delhi 400 084

Date: 16 June, 2014

To

The Manager

State Bank of India

K M Nagar, Delhi

Dear Sir,

Sub: My Education Loan A/c No. KMN/23916/20011-- EMI repayment

\*\*\*\*\*

I availed Education Loan of Rs.14 lakhs in the year 2011 from your branch for study in MII Mumbai. I completed my MBA degree in May 2014. I attended campus recruitment tests conducted at the college. But I could not get placed since I had lesser percentage of marks than what the recruiters insisted upon in the eligibility criteria. After completing the degree I am currently applying to various companies for recruitment and am hopeful of getting employed shortly. In the meantime I have received your letter dated 11th June 2014 asking me to pay EMI. My father has retired from government service two years ago and we are living on his monthly pension. My mother is home maker. Under the circumstances, I am unable to repay the EMI as per schedule. Kindly grant me holiday for further six months period.

I am hopeful of getting employed in a company or in a nationalized bank by that time and I will commence paying my EMI of Rs 26000/ p.m. from March 2015. I am sure you will consider my request favorably.

Thanking you,

Yours faithfully,

(Ramesh Ramalingam)

**Sample 4**

**Write a letter to the Bank explaining delay in payment of EMI, on behalf of your company. (SBI Associates PO 2011)**

V.S. Enterprises

(Dealers in Televisions, Washing Machines, AC etc.)

North Road I.Nagar Lucknow 260017

Ref. IB/Term loan/1/2014

Date: 26 th May 2014

To The Manager

Fifth Third Bank

North Road branch

Lucknow 260017

Dear Sir,

Sub: Our Term Loan account – Request for EMI postponement

\*\*\*\*\*

We would like to thank your Bank management for having sanctioned us term loan of Rs. 100 lakhs, using which we were able to decorate our show room and provide AC and other facilities. We availed the term loan on 16th August 2013 and started the work in right earnest. However on account of delay in execution of work at different levels the full decoration of the shop could not be completed. In spite of that we commenced our sales show room on 15th February 2014 and are receiving good number of enquiries.

As you are aware there is a lot of competition faced by us from other leading companies like Vivek & Co, Vasanth & Co, Shah & co etc. and we are employing MBA graduates as Sales Marketing personnel to push up our sales. Our team is visiting different business establishments, offices and is canvassing for more sales of television, home theatres, music systems etc. We are hopeful of improved sales in the next few months – say by April 2015.

We were given a holiday of 6 months for payment of EMI (Equated Monthly Instalments) of Rs.5 lakhs. Our first EMI will have to be paid by 16th September 2014. Since the complete decoration work could not be completed on time and sales having not picked up well as per our estimates, we are unable to pay our EMI from September 2014. We request you to give us a further holiday of six months and we shall commence remitting our EMI starting from April 2015. We have been paying the interest on loan debited in our account regularly by debit to our cash credit account.

In view of the reasons explained above, we are sure you will consider our request for postponement for payment of EMI to April 2015.

Thanking you,

Yours faithfully

(General Manager (Finance))

cc.to H.O. Fifth Third Bank, V.S. Enterprises, Lucknow, 260002

**Sample 5**

**You are director of a small limited company engaged in construction business. Please write a letter to your Bank requesting for credit facilities for expanding business. (SBI Associates PO – August 7, 2011 exam.)**

Mehta Constructions  
25, 11th Main, Kormangala  
Bangalore, 560001

Ref. Philbank/734/2011

Date: May 16, 2011

The Manager  
XYZ Bank  
Kormangala  
Bangalore

Dear Sir,

Sub: Request for Secured Overdraft limit of Rs. One crore

\*\*\*\*\*

We have our current account in your bank for the last seven years. We are engaged in construction business and are having a turnover of over INR Twenty crore in our account during the last financial year.

Ours is a private limited company incorporated in 2004. We are constructing small houses costing around Rs. 50 lakhs each and are selling to government employees, public sector employees.

We have taken up a new project near Yelahanka. We have entered into agreement with the owners of the land for offering the site to us for construction of houses to be sold to others and to pay them amounts as and when the proposed houses are sold.

We are enclosing the following documents:

1. Company's balance sheet for the year ending March 2009, March 2010 and March 2011.
2. Income Tax assessment orders for the year ending March 2009, March 2010 and March 2011.
3. Project report giving details of projects completed by us so far and details of this project.
4. Details of our property valued at Rs.7 crore for offering as security.

As stated above we are offering property worth Rs.7 crore as security for the above overdraft and we request you to sanction the limit to us early. We hope this project to be completed in 2/3 years from date.

We are sure you will consider our application favorably and accord sanction at the earliest.

Thanking you,  
Yours faithfully  
(Gaurav Mehta)  
Director

## Most Frequently Asked topics for Letter Writing in Banking Exams

- A letter to Complaint Letter : Being a customer of a so and so bank, you have to write a complaint letter to the Bank Manager about the negligence / irresponsibility of the employees
- Letter to Editor: About tampering the currency notes by punching pins to it.
- An Informal Letter about telling your friend about the advantages of PPF account and suggesting him to open a PPF account.
- You are withdrawing money from ATM but the ATM turn out to be malfunctioned. So, money didn't come out but deducted from account. Write a letter to bank manager for refund.
- Letter to regional manager for change in bank timing as it is inconvenient for customers.
- A Letter to Superintendent of Police raising the concern over the increased cases of theft near ATM.
- A letter to bank for applying educational loan providing all particulars.
- A letter to friend for encouraging and wishing him for civil service examination which he is writing for the third time.
- A letter to the editor for publishing few articles on stress management since exam season is going on.
- A letter to bank manager about the bad habit of stapling currency notes.
- A letter to friend to aware him about the importance and benefit of PPF account.
- A letter to the Bank Manager for the rude behavior of one of the employee.
- A letter to the Manager of the Bank for the Overdraft Facility which you stopped long ago with the bank.
- Write a letter to the K/S for giving you consignment glassware in which one of the consignments was damaged and asked for the compensation to the K/S Company.



## 1.5 PARAGRAPH WRITING

### How to write an effective paragraph

#### *Step 1: Plan what you want to write*

Decide what the main topic of the paragraph is going to be. Before you begin writing your paragraph, you must have a clear idea of what the paragraph is going to be about. This is because a paragraph is essentially a collection of sentences which all relate to one central topic. Without a definite idea of what the main topic is, your paragraph will lack focus and unity.

In order to pin down the exact topic of your paragraph, you should ask yourself a number of questions:

- **What is the prompt I have been given?** If you are writing a paragraph as a response or answer to a particular prompt, such as “You have decided to donate money to charity. Which charity do you choose and why?” or “Describe your favorite day of the week”, you will need to think carefully about the prompt and make sure you are directly addressing it, rather than going off topic. In simpler words, prompt is the entity mentioned in the topic about which you have to write, example: charity and day of the week, in above two topics.
- **What are the main issues that I need to address?** Think about the topic you are being asked or have decided to write about and consider what the most relevant issues related to that topic are. As paragraphs are usually relatively short, it is important that you try to hit on all of the main ideas, without going off topic.
- **Who am I writing for?** Think about who the intended readership of this paragraph or paper is going to be. What is their prior knowledge? Are they familiar with the topic at hand, or will it require a number of explanatory sentences?

#### *Step 2: Write down information and ideas related to the topic.*

Once you have a better idea of what you want to address in the paragraph, you can start organizing your thoughts by writing down the ideas on a notepad or word document. There is no need to write full sentences, just jot down few key words and phrases that help you to not to forget any major point while you are writing the required paragraph. Once you see everything on paper, you may get a clearer idea of which points are essential to include in your paragraph, and which points are superfluous, and accordingly you can filter them.

At this point of time (when you are less prepared), you may feel that there is a gap in your knowledge and that it will be necessary to look up some facts and figures to support your argument and to enhance your knowledge base by reading. It is always a good idea to do some basic research on trending topics as well as to read a lot, so that you have all the relevant information easily at hand when it comes to the writing stage in the main exam.

***Step 3: Understand and plan how you want to structure the paragraph.***

After step 1 and step 2, you are all set with your thoughts, ideas, and facts and figures. This brings you to the stage where you can start thinking about how you want to structure the paragraph. Consider all points you plan to include in the paragraph and arrange them in a logical order - this will make your paragraph more coherent and easier to read.

This order of points may be chronological, may put the most important information first, or may just make the paragraph easier and more interesting to read - it all depends on the topic and style in which you want to write the paragraph.

- Once you have decided where you want everything to go, you can rewrite your points according to this new structure - this will help to make the writing process a lot faster and more straightforward.

***Step 4: Time to start writing what you planned in earlier steps***

Write a topic sentence. The first sentence of your paragraph needs to be the topic sentence. A topic sentence is an introductory line which addresses what the main idea or gist of the paragraph is going to be. It could contain the most important and relevant point you wish to make regarding your topic, thus summarizing the paragraph as a whole.

Every other sentence you write should support the topic sentence and provide further detail and discussion of the issues or ideas it raises. If any sentence you write cannot be directly related to the topic sentence, it should not be included in this particular paragraph.

More experienced writers have the ability to include their topic sentence at any point in the paragraph; it doesn't necessarily need to be the first line. However, writers who are new or less comfortable with paragraph writing should stick with having the topic sentence first, as it will help to guide you throughout the rest of the paragraph

***Step 5: Fill in the supporting details.***

Once you have written and are satisfied with the topic sentence of the paragraph, you can start filling in the rest of the paragraph. This is where the detailed, well-structured notes you wrote earlier in step 2 and 3 will come handy. Make sure that your paragraph is coherent, which means that it is easy to read and understand, that each sentence connects with the next and that everything flows in sync as one entity. To achieve this, try to write clear, simple sentences that express exactly what you want to say. Avoid using complex words unnecessarily.

You may link each sentence with transition word which forms a bridge between one sentence and the next. Transition words can help you compare and contrast, show sequence, show cause and effect, highlight important ideas, and progress

smoothly. Such transition words include “furthermore”, “in fact” and “in addition to”. You can also use chronological transitions, such as “firstly”, “secondly” and “thirdly” etc.

Remember that supporting sentences are the soul of your paragraph, so you should fill them with as much evidence to support your topic sentence as possible. Depending on the topic, you can use facts, figures, statistics and examples or you can use stories, anecdotes and quotes. Anything may go in as a supporting sentence as long as it is relevant.

In terms of length, three to five sentences will usually be enough to cover your main points and adequately support your topic sentence, but this may vary depending on the topic as well as if any word limit is prescribed in the examination for the paragraph.

#### ***Step 6: Know when to move to a new paragraph.***

Sometimes it can be difficult to tell where one paragraph should end and the other should begin. Luckily, there are some proven guidelines that one can follow to make the decision on when to move to a new paragraph much easier.

The most basic guideline to follow is that every time you start to discuss a new idea, you should move on to a new paragraph. Paragraphs should never contain more than one central idea. If a given idea has multiple points or facets, then each individual aspect of the idea should be given its own paragraph.

A new paragraph is also used each time you are contrasting two points or presenting each side of an argument. For example, if your topic is “should civil servants receive lower salaries?” One paragraph would deal with the arguments supporting lower pay for civil servants, while the other paragraph would provide arguments against it.

Paragraphs make a piece of writing easier to comprehend and give readers a “break” between new ideas in order to digest what they have just read. If you feel that the paragraph you are writing is becoming too complex, or contains a series of complex points, you may want to think about splitting it up into individual paragraphs.

Introduction and conclusion should always be given their own paragraphs. The introductory paragraph should define the aim of the paper and what it hopes to achieve, while also giving a brief outline of the ideas and issues it will go on to discuss. The concluding paragraph provides a summary of the information and arguments contained in the paper and states in clear terms what the paper has shown and/or proven. It may also introduce a new idea, one that opens the reader’s mind to the questions raised by the paper.

#### ***Step 7: Write a concluding sentence.***

Concluding sentence of the paragraph should tie everything together and reiterate the gist of paragraph, though in slightly different word from how you expressed it

in the topic sentence. A good concluding sentence will reinforce the idea outlined in your topic sentence, and this time it even has all the weight of the evidence or arguments contained in your supporting sentences behind it. After reading the concluding sentence, the reader should have no doubt on relevance of the paragraph as a whole and what message did the author wish to convey through the paragraph.

Concluding sentence of the paragraph is generally the rephrased version of the topic sentence, while drawing in some of the information presented in the body of the paragraph for support.

For example: in a paragraph dealing with the topic "Why is Mumbai a great city to live?" The concluding sentence might look something like "From all the evidence provided above, such as Mumbai's fantastic professional opportunities' provisions, its top-notch education system and its connectivity with rest of the globe, we can conclude that Mumbai is indeed a great city to live."

#### *Step 8: Review comprehensively what you have written*

Once you have written the paragraph, it is important to review it comprehensively so that you can ensure as per the best of your capabilities that there are no mistakes in the writing. Following are the few areas which you may focus on while reviewing the paragraph.

**Check your paragraph for spelling and grammar.** Once you have finished writing, it is essential that you re-read your paragraph two or three times to check it for misspelled words and poor grammar. Spelling mistakes and bad grammar can significantly impact the perceived quality of your paragraph, even if the ideas and arguments it contains are of a high quality. It is very easy to overlook small mistakes when writing, so don't skip this step, even if you're in a rush to submit the paragraph.

Ensure that each sentence has a subject and that all the subjects and verbs agree with each other. Also, do cross check that you have used the same tense across the paragraph.

Also, check the paragraph for correct use of punctuation, making sure that you use marks such as commas, colons, semicolons and others in the correct context.

**Check your paragraph for coherency and style.** Not only should the technical aspects of your writing be spot on, but you should also try to achieve certain clarity in your writing, as well as stylistic flow. You can do this by varying the length and format of your sentences and by using transitional words and a varied vocabulary. This helps in engaging the reader better.

Check the consistency. Ensure that the point of view being expressed and the mode of expression remain consistent throughout the paragraph. For example, if you are writing in the first person (e.g., "I believe that...") you should not switch to a passive voice ("it is believed that") halfway through the paragraph.

Also try to avoid beginning every sentence with "I think..." or "I contend that..." Try to vary the format of your sentences, as this will make the paragraph more interesting for the reader and help it to flow more naturally. You should also stick to short, to-the-point sentences which clearly express your point. Long, rambling sentences can very quickly become incoherent or fall victim to grammatical errors, so try to avoid them until you gain more experience as a paragraph writer.

Once you have re-read the paragraph and fixed any grammatical or stylistic errors, you should have one more glance over it to determine whether it is complete. Try to look at the paragraph objectively and decide whether it sufficiently supports and develops your topic sentence, or whether it needs a few more details.

If you feel that the main claim of your topic sentence is sufficiently supported and well-developed by the contents of the rest of your paragraph, then your paragraph is probably complete. However, if any important aspect of the topic remains unexplored or unexplained or if the paragraph is shorter than three sentences, it probably needs a little more work before the final submission.

## Points to Remember during Paragraph Writing

Let us have a quick look at the points which we should never miss out at while writing paragraph on a given topic in any Banking exam.

- A paragraph should consist of:
  - Topic sentence
  - Supportive sentence
  - Concluding sentence
- There are no hard and fast rules for how long a paragraph should be. Instead, just try to ensure there are natural breaks without bothering much about the word limit. Each paragraph should contain one main idea and supporting sentences to support it.
- When you are reading, notice how paragraphs are divided. If you learn what a paragraph is by experience, you can divide writing into appropriate parts by feel.
- Adjust your writing to its purpose. Just as you wear different clothes for different occasions and different climates, you should write in a style that suits your aim and the target reader base for the paragraph been written.
- Spelling and grammatical errors can detract from even the well-planned writing. Use a spell-checker or ask someone to read your work if you are unsure about any specific spelling or grammar.
- If you are writing a conversation, start a new paragraph each time somebody else speaks.
- The secret to write a successful paragraph lies in:
  - o Unity: Have a single idea to be expressed.

- o Order: The way you organize your sentences helps the reader to understand better.
  - o Coherence: Quality that makes your writing understandable. Sentences need to be connected with each other.
  - o Completeness: All sentences used in a paragraph should convey complete message.
- Format your paragraphs appropriately and consistently. You may indent the first line of each paragraph or leave a blank line between one paragraph and the next. Whichever way you choose, be consistent with it across the paragraph.

## **SAMPLE PARAGRAPHS**

### **Sample 1**

**Topic: Changes in the Family**

Changes in our society in recent years have weakened family life. First of all, today's mothers spend much less time with their children. A generation ago, most houses got by on Father's pay-check, and Mother stayed home. Now many mothers work, and their children attend an after school program, stay with a neighbour, or go home to an empty house. Another change is that families no longer eat together. In the past, Mother would be home and fix a full dinner. Dinner today is more likely to be take-out food or TV dinners eaten at home, or fast food eaten out, with different members of the family eating at different times. Finally, television has taken the place of family conversation and togetherness. Back when there were meals together, family members would have a chance to eat together, talk with each other, and share event of the day in a leisurely manner. But now families are more likely to be looking at the TV set than talking to one another. Many homes even have several TV sets, which people watch in separate rooms. Clearly, modern life is a challenge to family life.

### **Sample 2**

**Topic: Charity begins at home**

It is a common old saying which holds good in every instance. Any act of goodness can have solid foundations only if it spreads goodness around. An act of charity must not be undertaken by spreading starvation at home. Any good act must have its beginning from one's own environment. Similarly, it is sheer hypocrisy to preach to others what we do not practise ourselves. In India today everybody shouts that there is corruption and nepotism in the country but when the same person is placed in a position of authority, he himself cannot resist these temptations. The greatness of Gandhiji lay in this that in any political programme he chalked out for the nation, he would place himself in the forefront unmindful of the sufferings it would entail. The world judges us by our deeds and not by our professions.

### **Sample 3**

**Topic: Does nationalism check the growth of world's civilizations**

Nationalism limits the attachments of a person to his own motherland, thus blinding him to the larger interests of the whole wide world; If a man is faithful to his own country, he would start hating some other nations whose interests clash with his own. Thus the principle of the world civilisation is reduced to a mere illusion; it simply remains something idealistic but hardly practicable, confined to his notion, a citizen is likely to lose contacts with the outside world, and thus defeat the ideal

of internationalism. A strict nationalist cannot recognise his opponents as brothers. Nationalism and human brotherhood do not go hand in hand; they contradict each other. Thus, in this atomic era when man has annihilated time and space, aggressive nationalism and national egos are standing in the way of this small 'good earth' becoming the cradle of a single human civilisation.

### Sample 4

#### **Topic: Appearances are always deceptive**

So deceptive are appearances that for age's men thought that the sun goes round the earth and the earth is flat. It is the central problem of all knowledge to probe beneath that which is so carefully hidden from the view. Reality is complex and truth proverbially baffling. In everyday life this problem is equally acute, for our experience tells us that fine feathers do not always make fine birds nor is all that glitters by any means gold. A person may smile and yet be a villain, for a scoundrel can without much effort acquire the polish of a perfect gentleman. An old hag (ugly woman) may appear desirable from a distance because of a liberal use of cosmetics. Democracy, as practised in the capitalistic countries, seems to give power into the hands of the people, and yet even Lincoln could note that it was in reality the rule of monopolies.

### Sample 5

#### **Topic: A Good Bank Account, a Good Cook and a Good Digestion is the formula of happiness**

To most of the people, it is the Epicurean life of 'eat, drink and be merry' that has a great appeal. They want superfluity to ensure security from poverty and hunger, with enough to eat, to live a merry living. In the materialistic society money speaks, money talks, money broadcasts. It purchases all happiness for man. Let love be measured in kilogrammes. But to enjoy life and its bounties, one should have a good health, without which all the material resources will be of little avail. Carefree life is an essential part of happiness, when a person would feel that he lives to eat and dance about. Such people, possess a good health, have a good time up, pass with their life insured against penury. This is the motto of western living and a passport to happiness and progress. This is what is called the bright life with all its rosy dreamland.



### **Most Frequently Asked topics for Paragraph Writing in Banking Exams**

- Should betting be legalised in India?
- The outdoor games in schools are mandatory or not
- Downside of education loan
- Types of Banks and RBI policies.
- The addictive influence of Online gaming
- Slate boards to papers, fountain pen to ball point pen, what's next?
- The unpredictable human life.
- Downside of education loan
- A stitch in time saves nine.
- Dignity of Labour.
- Travel as education
- Peaceful use of Atomic Power
- Evaluation of Money causes Inflation
- Labour is Key for Success

## 1.6 PRÉCIS WRITING

Précis writing, simply put refers to writing an intelligent summary of a long passage. To write a précis one should have a clear understanding of the passage in hand. Only then it is possible to include all the essential points, tips and tricks of the given passage in the précis.

A well written précis is like a miniature portrait of the passage, it retains the absolute essential points accompanied with the mood and tone of the author of the passage. The one aspect one has to be careful about is that one should not add one's subjective interpretation or comments to the précis and should try to retain the author's original voice and opinions.

As far as the writing style is concerned, one must write crisply and clearly and use effective sentences. Ultimately, it the coherence of the views that you present in the précis that matter, and this can be achieved by making sure that one is precise and to the point in. Unnecessary long sentences or rambling thoughts are not required in précis writing, and one should make sure that one shifts from one point to another in a smooth manner. At the end of the day, the précis should make sense and be logical in its presentation. Thus a précis is not:

- simply a summary of a passage.
- simply an abstract of a passage.
- an outline of a passage.
- a mere selection of a few important sentences from a passage.
- a collection of disconnected facts and statements.

### Features of a good précis

A good précis is:

- marked by clarity, brevity and precision.
- not the mere lifting of sentences from the original paragraph.
- précis writer's own words.
- a miniature version of the original passage.
- a well-knit, connected and has a logical order.
- written in reported speech and has a title.
- limited to the ideas presented in the original passage.

### *Do's in a précis*

Let us now have a look at the pointers which are the must Do's for writing a good précis.

- Start by highlighting the main idea of the passage and you should create contextual environment where you can include the necessary points.

- Once the main idea is established in the précis, you can present the methods, points, facts etc. used by the author of the passage; but in your own words.
- Compress and clarify a lengthy passage, article, etc. while retaining important concepts, key words, and important data.
- Remove what is superfluous and retain only the core essence of the passage in hand.
- Ensure that mentions about history are done in the past tense.
- State the purpose of the research or piece of writing (example: why was it important to conduct this research or write on this topic?)

### *Don'ts in a précis*

Anything that has associated Do's; also has Don'ts associated with it and précis writing is no different. Let us now have a look at the most suggested Don'ts to be taken into account while writing a précis.

#### **You should not:**

- Express your own opinion, wish, remark or criticism. Stick to the author's views.
- Insert any question in your précis. Its significance may be expressed by a statement.
- Use abbreviations or contractions.
- Be jerky. This suggests that most probably, you have not understood the sense of the passage properly.

#### **General Pointers for writing a précis**

1. You should keep the précis short, crisp and clear; but cover the gist and all major supporting facts, rephrased in your words.
2. Précis should be one third of the given passage. If the original passage has 300 words, the précis should not be more than 110 words in length. The original passage is not to be reduced in length by just removing unimportant or unnecessary sentences and by reproducing the rest as the précis. It should be a brief gist or summary of the passage expressed in the writer's own words.
3. Précis should contain all the essential thoughts, ideas or fact in the original passage. It should not contain repetitions or observations that are not relevant to the main theme of the original.
4. Précis should always be written in reported speech. The passage given may be a speech made by a person in Direct Speech, but the précis is to be in Reported Speech or the Third Person or in the Past tense.

## How to write an appreciated Précis

There are three keys to write a précis that is appreciated by one and all:

- Reading
- Writing
- Revision

### *Reading*

#### **Read the passage carefully.**

If you feel that one reading is not enough to give you a general idea of its meaning, read it second time. And as you read, find out the subject or the theme of the passage and what is said about the subject. It will be a good thing if you find out the lead or the topic sentence. The lead sentence will help you to see the subject clearly. It will also help you to think of a title.

Remember that the writer of the précis writing passages has to decide what facts or ideas in the passage are essential and what are of secondary or no importance. Taking the main ideas of the passages as your point of reference, it should not be too difficult to write out the important points in the original in a corner of your writing work sheet.

### *Writing*

First prepare a draft of the précis, keeping in mind, the need to reduce the original to one-third its length.

The main thoughts expressed in the passage, the ideas and the opinions presented and the conclusion arrived at should figure in the rough draft. Unimportant things like the names of people and places and dates should not figure in it.

It may so happen that your first draft is too long or sounds slightly jerky. Shorten it if necessary and write out a careful second draft. Sometimes you may need to work out three or even four drafts, but with reasonable care and concentration, you should normally succeed in producing good précis writing by the second draft.

### *Revision*

Review comprehensively the written précis.

When you are ready with the final draft of the précis, carefully revise it before writing out the copy for submission. Look for any mistakes or slips in grammar or spelling and correct them. Don't forget to give your précis a title.

# SAMPLE PRÉCIS WRITING

## Passage 1

Today there are 3000 million people in the world. Fifty years ago only about 2000 million people lived in it. If earth's population were evenly distributed over its land surface, there would be about 550 persons to the square mile. But Earth has vast areas of forest, mountains and desert which are almost totally inhabited. On the other hand, it has great cities each with millions of people living in a few square miles.

To feed the fast growing population of our earth, scientists and planners have to discover new ways to produce more. One possible way is to bring more land not under cultivation. This can be done only in places where there is lot of land not used for productive purposes. In many places there is no longer possible all the arable land is already cultivated. A second way is to make use of new types of seeds to produce more. Already a number of new strains of paddy and wheat have been developed in different parts of the world. India is one of the countries where a lot of useful work has been done in the field of agriculture research.

### **Précis Title: World Population and Food Production**

**Précis:** During the last fifty years, the world population has increased from 2000 to 3000 million. It is unevenly distributed with millions of people living in a few big cities. Scientists in India and abroad are, therefore, busy with agriculture research to find out new methods of increased food production to feed them all and they have already developed many new strains of paddy and wheat.

## Passage 2

There is an enemy beneath our feet - an enemy more deadly for his complete impartiality. He recognizes no national boundaries, no political parties. Everyone in the world is threatened by him. The enemy is the earth itself. When an earthquake strikes, the world trembles. The power of a quake is greater than anything man himself can produce. But today scientists are directing a great deal of their effort into finding some way of combating earthquakes, and it is possible that at some time in the near future mankind will have discovered a means of protecting itself from earthquakes. An earthquake strikes without warning. When it does, its power is immense. If it strikes a modern city, the damage it causes is as great as if it has struck a primitive village. Gas mains burst, explosions are caused and fires are started. Underground railways are wrecked. Buildings collapse, bridges fall, dams burst, gaping crevices appear in busy streets. If the quake strikes at sea, huge tidal waves sweep inland. If it strikes in mountain regions, avalanches roar down into the valley. Consider the terrifying statistics from the past 1755: Lisbon, capital of Portugal - the city destroyed entirely and 450 killed. 1970: Peru: 50,000 killed. In

1968 an earthquake struck Alaska. As this is a relatively unpopulated part, only a few people were killed. But it is likely that this was one of the most powerful quakes ever to have hit the world. Geologists estimate that during the tremors, the whole of the state moved over 80 feet farther west into the Pacific Ocean. Imagine the power of something that can move an entire subcontinent! This is the problem that the scientists face. They are dealing with forces so immense that man cannot hope to resist them. All that can be done is to try to pinpoint just where the earthquake will strike and work from there. At least some precautionary measures can then be taken to save lives and some of the property.

**Précis Title: Earthquake - The Great Destroyer**

**Précis:** Earthquake is the mankind's deadly enemy. Earthquake strikes all without a distinction of nationality or political affiliation. The power of a quake is greater than that of any man made weapon of destruction. An earthquake strikes mankind without a warning. A modern city when struck is reduced -to a nibble. A quake strikes plains, seas and mountains causing all round destruction. The quake struck Lisbon in 1755 killing 450; Peru in 1970 killing 50,000; Alaska in 1968 moving it 80 feet into the Pacific Ocean. Scientists are trying to find out means to combat earthquakes, to predict the origin of the quake so that precaution can be taken to save man and property from destruction.

**Most frequently occurring areas from which Précis Writing comes in Banking Exams**

- Economy
- Inflation
- Devaluation of money
- Investment Banker
- Role of a good banker.
- A Précis emphasizing on temperature, precipitation and how it affects primary industries and economy
- Banking system in India

## 1.7 REPORT WRITING

Pointers mentioned in this section will help you come up with reports which not only help you score high in banking exams but also in your professional life. If you use these tips while writing reports at work, you will be able to complete your paperwork more quickly and efficiently. In addition, anyone who reads your report will be impressed by your professionalism and writing ability.

Let us now begin with the pointers which are going to play a critical role in your success when it comes to report writing.

1. Use names and pronouns (I, he, her) when you write about yourself and others at the scene. Avoid outdated expressions like "this officer" and "the abovementioned person" or "official 1."

There are certain people who advocate that use of impersonal terminology brings in guaranteed objectivity and accuracy, but it not true. You have the same integrity whether you are calling yourself "I" or "this officer." And think about this: if you were testifying in court, and sworn to tell the truth, you would use everyday language ("I," "me") in your testimony. Follow the same practice in your reports.

2. Limit yourself to one idea per sentence.

Short, straightforward sentences are easy to read, understand and save time for everyone. You will appreciate this time-saving tip when you are reviewing a report to prepare for an important business meeting. Also, the longer a sentence is, the more likely you are to make an error.

Short sentence and its structure in English generally begin with a noun, and the grammar is simple. Complicated sentences, on the other hand, require complicated punctuation, and they open the door to sentence errors.

Try to limit yourself to three commas per sentence. If a sentence has more than three commas, it's probably too complicated to be read easily, and it may contain usage or punctuation errors.

3. Be as clear and specific as possible.

"Contacted" is vague: Did you visit, phone, or email the witness? "Residence" is just as confusing: House, apartment or mobile home? Always strive for clarity.

4. Use simple language.

"Since" is easier to understand (and write) than "inasmuch as." "Pertaining to" is a fancy (and time-wasting) way to write "about."

5. Stick to observable facts.

Conclusions, guesses, hunches, and other thought processes do not belong in a report. Stick to the facts. A statement like "He was aggressive" won't stand up in court. You can, however, write "Jackson clenched his fists and kicked a chair."

6. Write in paragraphs.

Organizing information in groups has two important benefits: Your report is more logical, and it's easier to read and understand later on.

7. Use active voice.

A widespread mistaken notion is that passive voice guarantees objectivity and accuracy. However, it is not true. Writing a sentence like "A revolver was seen under the nightstand" does not guarantee that you are telling the truth. It is much simpler to just write "I saw a revolver under the nightstand." That is what you would prefer to read in the report submitted by someone else as well, isn't it?

8. Use bullet style.

Bullet style is nothing but the style you have probably been writing shopping lists all your life when your mother asks you to bring something from the grocery shop nearby. Use the same format when you're recording several pieces of related information, like this:

Michael Jordan told me:

- He and Maria have been "fighting a lot"
- She was drunk when he came home from work
- She threw a package of frozen chicken at him
- He didn't touch her

## Business and Office Correspondence

An important part of successful business office correspondence is determining the correct tone you need to adopt for the target audience of the correspondence. Writing to your boss, your office mate, or your client is no different—you will still need to pick the appropriate tone so that they respond to you in a favourable manner. Sounding professional is not just about your tone of voice over the phone or during a meeting; it starts with your email or your memo. A professionally written message can set the tone that will make or break your transaction with other people.

In this section, let us discuss some pointers which will help you write professionally for an effective business correspondence, both in the examination as well as while being at work in real.

### Know clearly what you want to be communicated

Before you start to write the business correspondence, it is important to know what you really want from the person to whom you are writing and what actually do you want to communicate to him. Read up on whatever it is that you need. You might be surprised to find you may have overlooked a table or page that has all the



information you need. This may save time as well as even embarrassment in certain cases.

Doing some effective research before kicking off to start writing is also a good way of adding more insights when expressing what you need. Try to answer the questions yourself first before asking others. Being knowledgeable in your query gives your reader the impression that you know what you want and you have exhausted all avenues for getting it save for asking him or her for it.

### **Clarify the subject properly**

While writing the subject in your email composer's Subject field, take time to write down what it is you need from the recipient. "Hi there" or "Greetings" are not the best ways to state your intention in the Subject field, while "Q4 2014 Budget Report Questions" is much more informative. The subject of your email will give your recipient an idea of what you need to know, getting the gears in motion for a quicker answer.

### **Use proper English in the body of the correspondence**

If you need to put in Hindi words, set them in italics, but please note that you only use this for nouns and not anything else. "We will be serving vada and sambhar" is good while "Please inform me naman of the progress" is not. Hindi words should be used when no English word suffices to get your meaning across. This is especially essential in rural banks—in which case, you may still need to give a Hindi description of the item.

### **No colloquialisms in business correspondence**

Always remember that no colloquialisms should be used when writing a formal letter of intent or request, because you are writing as a representative of your business or company. You can chat or talk informally via your instant messengers or SMS. Your business-related emails are always to be kept formal.

### **Thesaurus is not a dinosaur**

Using synonyms for frequently-used words can help make your letter less tiring to read. As an extension, a dictionary is helpful as well. While your word processor in computer has a built-in synonym finder and spell check function, it is always better to expand your knowledge and have these tomes with you.

### **Brush up the grammar**

Few people still fall for the your and you're or the its and it's dilemma. Having an appropriate grammar will take your effective in business correspondence writing a long way. Keep practicing grammar during your free time and be free of grammatical errors as much as possible.

## **Avoid the fancy formatting**

Do not use any cutesy backgrounds, multi-colored fonts, stationery, or signatures. If your company or bank has prescribed email stationery or signature formats, you should of course use them, but you should resist the urge to have your emails show a little personal flavor by including pictures of yourself and or scenic in your signature or having a colorful background. You may love designs with hearts or puppies or curlicues in them, but they have no place in formal business communications. Moreover, they may annoy your clients, colleagues, and bosses and will give the impression that you are not a professional person. A plain white background and a signature with your name, position, and company information may seem spartan to you, but to the rest of the world, it says that you are straightforward and focused on business.

## **Business says Black-On-White**

Use only plain black or dark blue font colors in your emails, and use black exclusively in your printed memos and letters—it's impersonal and easy on the eyes for your recipients. If you do need to use colors other than these, they should be used sparingly and only for emphasis—and that only when putting things in bold or italics doesn't serve the purpose.

Also, for printed material, black is much cheaper—using colored ink for no reason at all is frankly a waste of office resources.

## **Business Correspondence Writing is all about structure**

Formalities are easy to write. The real soul of your message is what your recipient will be reading. Clearly state why you are sending the email, and then go to possible solutions or what you want to accomplish. Be open about receiving ideas or other options that your recipient might give.

## **Be Polite with words**

There would be times in your career when you want to claw your recipient's brains out, and this will show when you write your messages. People can "feel" the emotions behind the text, so keep this in mind. As a rule, be as objective as possible and as polite as you can while writing for professional communication. Take time to cool down before you reply to an incendiary message or draft a new message about a topic that stresses you out. Remember that politeness can get you results faster as opposed to being rude or combative. A simple "thank you and hope to receive a reply soon" before your name or signature can help in garnering a very favorable response.

## **When in doubt, ask the experts around**

If you want to cover all your bases when it comes to your concern and you think you are ready to send that very important email to a client or manager, have your

immediate supervisor or a colleague look the text of your email over. Having a fresh pair of eyes to spot any errors can be a saver at times.

Sounding professional in your emails or letters doesn't need pretending or putting up the illusion of professionalism. The more practice you have in this kind of exercise, the more you will realize it becomes second nature.

### **Pointers for effective business E-mail Correspondence**

Let us now have a look at few pointers which will often come handy to have an effective business e-mail correspondence.

- State the purpose of the letter early, preferably in the first paragraph itself.
- Incorporate what relates to your initiative or goal.
- Know your audience. It will help you customize the communication to their interests.
- Research the topic thoroughly. If you do not understand the topic, it comes through in the writing.
- Write in simple, clear, direct language. Remain consistent throughout the piece.
- Do not overstate or use vague language. For the most part, do not use contractions, exclamation points, or other informal elements.
- Edit carefully. Eliminate words and phrases that do not advance the main idea of the communication. Be sure sentences and paragraphs transition logically from one to the next.
- Include an action item in each communication, as applicable.

## **SECTION** **2** **Personal Interview (PI)**

### **2.1 INTRODUCTION**

Personal Interviews are majorly conducted to evaluate the candidate more closely. It allows a one on one interaction which facilitates the panel in assessing more accurately if the candidate is the right fit for the respective Bank. It helps in judging the thinking process of candidates, know what are the future goals of the candidate and if he/she would be a right fit for a career in banking.

## **2.2 IMPORTANCE OF A PERSONAL INTERVIEW**

You might think that you have already cleared a very exhaustive examination of bank recruitment, then why a personal interview to follow as the culminating part of the second stage of recruitment process. Well, let me answer this for you.

What is in it for a Bank recruitment team?

If I had to put in one liner, I will say that Personal Interview actually allows the evaluation panel to know WHO YOU ARE.

It allows the panel to ask you anything about which they needed some clarification while examining your candidature for the respective opening in the bank.

Let us take few of the above points in detail.

### *Clarifications and more information about the candidate*

During the face to face interaction, panels may know each and every thing they want to know for arriving at a decision if the respective candidate is the best fit for the bank or not. This may include seeking some clarifications on the information already submitted through application forms as well as asking an entirely new set of questions. These questions may revolve around academic background, work experience, communication skills, personality traits, social behaviour etc.

In addition to the above, sometime while filling the application form in hurry; candidates might miss answering some of the questions entirely or answering them completely. This is an opportunity with the panel to seek the answers to those questions as well.

### *Helps to select the best fit*

Seeing a person and talking to him is always the best way to arrive at a conclusion about the respective person as compared to other ways like telephonic interviews, just reading the forms, seeing in a group etc. Thus, these face to face interviews provide the best way to select the best fit for the respective bank, making it a very important stage of recruitment process before selecting or rejecting a candidate.

### *What is in it for you as a candidate?*

Personal Interview has a lot to offer even to a candidate.

While on one end it provides you an opportunity to showcase yourself independent of external factors; on the other end it provides you an opportunity to know more about the bank and banking as a career by asking relevant questions to the panel. It can even help you in deciding if the career in banking is the correct destination for you or not. However, TRY TO AVOID ASKING DIRECT QUERIES ON COMPENSATION – it would reflect that you are interested more in compensation but the long term in career based out of interest and passion in the banking sector.

## **2.3 WHAT ARE YOU TESTED AT??**

There are quite a few parameters at which a candidate can be tested at during a personal interview. Common parameters at the broad level against which a candidate is evaluated in a personal interview are as follows.

### *Clarity of Vision*

It is of high importance for a professional to be clear in his vision, goals and the strategic path needed to achieve the same. For this, panel first wants to ensure that the potential candidates know the importance of the same and are first clear about their own goals and objectives.

Because of this, panel lays stress on finding out the clarity in the respective candidates with regard to the goal, what they want to achieve out of a career in banking and how they see it as a best fit for their long term goals.

Hence, it is significant for the candidates to answer these questions well. We will deal in later section with the pointers required to be kept in mind to answer these questions effectively.

### *Subject Knowledge*

A successful banking professional is expected to have acumen to discuss different areas of banking and finance with anyone at any given time; be it economy, financial ethics, social aspects, strategy, vision etc. To be able to attain a level where he/she can reach the above state, it is important for the individual to have developed a basic level of subject knowledge in the field of banking and finance before joining the bank. Also, it is required that the individual makes the best use of learning opportunities provided by the different knowledge/information resources in the world of finance and while pursuing graduation / post-graduation and implements the learnings successfully.

To check the above, interview panel of bank recruitment process asks questions on past academics, finance, banking achievements and extra-curricular. They want to know how much you remember the things learnt in past academics and how much are you aware about the financial industry happenings around. Panel needs to ensure that you will implement the learnings and the knowledge to solve different challenges you face in career in banking to serve the customers well as well as to help the bank achieve its business objectives. All these make subject knowledge an important criterion.

The strategy to score high in this parameter is to be thorough with few of your academic subjects at least and have in-depth subject knowledge of almost all the important happenings in banking and finance sector. For example: If you mentioned economics as a subject during graduation, then be thorough on nuances of economics and popular terms in the field.

### *Analytical Skills*

Not only subject knowledge is what is important, but the ability to analyse the information in hand and arrive at key decisions is equally important to have a successful career in banking. Major reason being there is lot of analytical work involved while performing the day to day operational activities in a bank and one needs to be good at it both while doing those activities one self and while reviewing those activities at a managerial level.

This makes analytical skills as another significant area at which the interview panel assesses the candidate. The panel might give a situation to the candidate and ask him to assess the same and arrive at certain logical decisions.

### *Communication Skills and Attitude*

We all understand that as a professional in a reputed bank, one needs not only to arrive at valuable information and decisions, but also to communicate the same to subordinates, peers, clients etc. To succeed in this, it is important to possess good communication skills as well as a positive outlook at the things.

This is why the panel keeps communication skills and attitude as another important parameter while evaluating the candidates.

A face to face interview helps here in judging the candidate by engaging in talks with him/her, watching the body language, assessing the comfort level of the candidate when put under stress, seeing how is he/she able to convince the panel with their logic and determining the confidence through the frequency and assertiveness in eye contacts.

### *Presentation*

To be successful in one's career and to build a good reputation of a bank in front of its customers; it is not only important to have a good knowledge, good analytical skills, ability to service etc.; but it is also important for a banking personnel to be able to present oneself in a professional manner to the bank customers. This is why this also forms an important criterion in a personal interview.

## **2.4 LISTEN TO WHAT THE INTERVIEW PANEL SAYS**

Before we move to the next sub-section that deals with Frequently asked Questions, let me talk here about another important aspect which many of us miss out while sitting in the personal interview.

It has been observed many times that due to nervousness/anxiety, people try to answer the question in a hurry. This leads them to either cut off the panel towards the end of the question OR start with the answer without understanding the question properly. You should in fact, take your own time and come up with the best possible answer. There are no marks for answering in hurry; marks are there for answering appropriately!

So, do keep this in mind and do not overlook this!!



## **2.5 DONOTGUESSINTHEPERSONALINTERVIEW, WITHOUT TELLING THE PANEL**

Faculties sitting in the interview panel are experienced enough to know that you actually know the answer or are just throwing a guess at them. So, refrain from guessing as it reflects a bad image and can break your case for the candidature, especially if you intend to do this to bluff the panel.

You may guess! But, do it after telling it to the panel. Any panel appreciates a person who is willing to think even on the topics on which he/she doesn't have much idea.

Do not panic if you do not know the answer. Tell the panel in such a case that you do not know the answer but you are willing to think and would like to take a shot at the answer as per your experience and learning. Panel would certainly like your willingness and it would definitely turn out to a positive thing when they score you in interview.

## 2.6 POINTERS FOR 6 MOST FREQUENTLY ASKED QUESTIONS

### 1. Tell us something about yourself

In this answer after giving a brief academic and professional profile background, try to introduce some of your most important skills from the perspective of employment in bank. You may talk about any relevant certificates, accomplishments etc.

You should take this answer as an opportunity to showcase your communication skills by speaking clearly and concisely. There is no right or wrong answer to this question; hence it is important to let the good and relevant side of you to come out in this answer. However, the most important thing is to make sure that you present and structure the answer in a way that it is in sync with what the bank is looking for in a prospective employee for the respective opening.

### 2. Why do you want to join Banking sector?

This is a make or break question in quite a few places, so candidates need to be very thorough with the question to this answer. Some of the major areas that a candidate should cover in this question are:

- Talk about banking industry: You may include statements like "According to RBI, the banking sector in India is sound and adequately regulated."
- Identify your strengths and link them to career in banking and how it helps you achieve long term career goals.
- You may also talk about banking being among the very few sectors which offer well paid, secured and a status job.
- To showcase your further interest, you may talk about aspects of banking industry where you say that the emergence of technology driven new banks have broadened the scope and range of banking services and hence there is a wide scope for career growth and learning in the sector.

### 3. What are your long term goals?

This is another one of the key answers that a candidate needs to prepare well. One needs to put forth to the panel that you are very clear with your vision and know what you want to achieve.

Remember that long term career goals tell about your destination in life, in terms of career, in terms of where you see yourself may be 15-20 years down the line. You may give an ambitious answer here and show your interest to be the part of the most esteemed organizations. Try to be descriptive in the answer and link it back to how joining this bank (whose interview you are giving) is critical to achieve long term goals and hence you are keen to join it.

Some of the points/questions that you may ask yourself while writing the answer to this question are:

- What do I enjoy doing?
- What am I good at?
- What characteristics I would like the most in the job?
- What kind of job suits my skill set the most?
- What kind of work life balance I want to have in long run?
- Where do I see myself 15-20 years down the line?

4. What are your short term goals?

Before we begin with the pointers on writing the answer to this question, remember that you have written your long term goals answers first and then move to this answer.

Short term goals need to be the stepping stones to achieve the long term goals. So, your answer to this question has to be prepared in a way that it is in complete sync with your long term goals (may be this question was preceded or can be succeeded by question on long term goals).

Some of the points/questions that you may ask yourself while writing the answer to this question are:

- What is my long term career goal?
- How can I break the path to achieve long term goal into small stepping stones?
- What can I do to facilitate a smooth achievement of these stepping stones?
- What are the timelines I need to set to achieve my short term goals?
- Am I able to use my analytical skills to achieve these goals?

5. Why do you want to work with us?

You need to know about the respective bank before going for the interview. You have to do research on the bank, its strengths, market positioning, where it is headed in the future, financial position, HR policy and why do you think it is placed better to provide your career a Launchpad which its competitors may not be able to.

However, there are certain points which one needs to keep in mind while responding to this question because as per the evaluation of panel, this question is a make or a break in few banks. Including following points in the answer shall be helpful to the candidates:

- How the respective bank would help in achieving short term and long term goals?
- Talk about bank history, how it has been a dream and how you are assured of it helping you out in carving out a successful career.

- You may even talk about your friends/people in your professional or social network and let the panel know about the positive image of bank which you have and the reasons you trust the brand of the respective bank.

6. What are your strengths and weaknesses?

Identifying one's strengths and weaknesses is very important not from an individual's perspective but knowing that you know to identify them is important from the institution's perspective where you are aspiring to get an admit to.

Quite a few times I have seen that people get into dilemma on what to mention in strengths and weaknesses. The major reason is that people don't know how to identify the same.

To help you out in solving this dilemma, we list down a set of questions below which you may ask yourself and arrive at your strengths and weaknesses.

*For strengths*

- What do most people appreciate you about?
- What is the skill set at which you are very comfortable in working with?
- What motivates you to give your best?
- What is your passion and you love doing?

*For weaknesses*

- What do most people criticize you about?
- What are the areas of improvement you find in your personality and skill set?

*Some general pointers*

- Do not try to bluff the panel when asked about strengths and weaknesses. The panel is experienced enough to come to know the same.
- Always couple the mentioned strengths with real life examples to elaborate why do you think them to be your strength.
- While talking about strengths, be very confident and do not take time to reflect to the panel that you are trying to build the strengths on the spot, while you actually don't know them.
- Always be ready for a cross question on how are you working to improve your weaknesses. Any example of the real life practice already put in place by you for the same shall be very helpful.

## **2.7 BEHAVIORAL QUESTIONS AND POINTERS FOR THE ANSWERS**

In this section, we are going to mention a comprehensive list of questions which are asked in Personal Interview to test the behavioral aspect of the candidates. At least 80% of the questions asked in a personal interview will revolve around the question bank presented in this sub-section.

### **Tell us something about your past work experience**

Try to put forth the experience in such a manner that it influences the bank positively in terms of knowledge, expertise and value add that you will bring to the table after joining, due to the past work experience.

However, do not cook up unnecessary stories of heroism and adventures. Be true, honest, put forth yourself as a team player and leader as per the situations and present other aspects of your personality which you might not have showed to the panel while answering the question on describe yourself.

### **Have you applied to any other sector apart from banking?**

You should either say 'no' to this or if saying 'yes', be sure that those other sectors are related to banking in a way or the other. It may include some finance role, or sales and marketing role in insurance sector etc.

### **Who are our major competitors and what differences do you notice?**

In this answer, interview wants to check if you are serious enough for the bank and have done the required background research. You should be familiar with the bank's products and services.

Example: If appearing for a SBI interview, do you know about SBI products and services, strengths and weaknesses of SBI, it's positioning against competitors and their products and services.

Always keep up to the date data handy with you for the bank in whose interview you are appearing for, to help you answer this question in the best possible manner.

### **What salary are you expecting?**

Try to avoid getting into the salary details in the initial part of the interview. You may mention that you would prefer to get into salary discussion after the job offer and for now, you are ok with the salary that matched the industry standards for the respective opening. But do ensure that you do not sound tentative while answering this and are convincing enough.

## How much do you expect?

Do the research for the salary range of people in similar job and similar scale, and quote the figure in the similar range here. You may also support it with the facts and research done as the rationale behind quoting the figure.

What is more important for you: salary, perks or career growth opportunities?

Be true and honest while answering this, especially if you see it as a negotiation move. However, always try to show your passion and enthusiasm the most for career growth opportunities.

## 2.8 ECONOMY RELATED QUESTIONS

### What do you mean by FDI?

Foreign Direct Investment (FDI) refers to an investment made by a company or entity based in one country, into a company or entity based in another country. Entities making direct investments typically have a significant degree of influence and control over the company into which the investment is made. It is believed and observed that economies with skilled workforces and good growth prospects tend to attract larger amounts of foreign direct investment than closed, highly regulated economies. Therefore, the amount of FDI flowing into an economy is taken as one of the many parameters to gauge the potential of a respective economy.

The investing company may make its overseas investment in a number of ways - either by setting up a subsidiary or associate company in the foreign country, by acquiring shares of an overseas company, or through a merger or joint venture. The accepted threshold for a foreign direct investment depends on the sector to which a company belongs and is usually driven by the directives of the government of the respective country.

### *Types of FDIs*

- **Horizontal FDI** refers to the scenario when an organization duplicates its home country-based activities at the same value chain stage in a host country through FDI
- **Vertical FDI** refers to the scenario when an organization moves upstream or downstream in different value chains through FDI
- **Platform FDI** refers to the scenario where FDI from a source country into a destination country is for the purpose of exporting to a third country

### What do you mean by FII?

Foreign Institutional Investor refers to an investor or an investment fund that is from or registered in a country outside of the one in which it is currently investing. In India, FII is used to refer the outside companies investing in the financial markets of India. International institutional investors must register with the Securities and Exchange Board of India (SEBI) to participate in the market. One of the major market regulations pertaining to FIIs involves placing limits on FII ownership in Indian companies.

Institutional investors include hedge funds, insurance companies, pension funds and mutual funds.

### What do you mean by GDR?

Global Depository Receipt (GDR) refers to the bank certificate issued by a depository bank which purchases shares of foreign companies and are held by the international branches of the respective banks in different countries.

These shares trade as domestic shares but are sold globally through various bank branches. GDRs are kind of an unsecured security and are listed and traded in the Stock Exchange.

International banks like Citibank, JP Morgan Chase, Deutsche Bank and others issue GDRs. GDR is also known as International Depository Receipt (IDR).

### **What is economic crisis?**

Economic crisis refers to the situation in which the economy of a country experiences a sudden dip in its nominal value, with value of its assets and financial institutions dropping rapidly. It is often a result of institutions or assets being overvalued, and exacerbated by investor behaviour. A rapid string of sell offs can further result in lower asset prices or more savings withdrawals.

Most commonly occurring types of economic crisis are:

- Domestic Bank crisis
- Speculative bubbles and crashes
- International financial crisis

An economy facing economic crisis will face falling GDP, dried liquidity and variation in prices due to inflation and deflation. If left further unchecked, the economic crisis can cause the economy to go into a recession or depression.

### **What do you mean by Recession and Depression?**

Contraction in GDP for 6-8 months or longer is termed as recession. It leads to a significant downturn in employment, industrial production, wholesale-retail trade, income and wages. Generally, recession doesn't last for longer than 12 months to 18 months and is much milder than depression. As a cure, interest rates are reduced during recession to stimulate the economy by facilitating loans at cheaper rates.

Depression is the lowest point in an economic cycle and is the result of prolonged downturn in economic activity. It is much more stronger than recession in terms of adversary impact and is often characterized by:

- Mass unemployment
- Excess of supply over demand
- Reduced Purchasing Power
- Drop in available credit
- Prolonged volatility in currency value
- Bankruptcies and debt defaults
- Fallen wages
- Lack of confidence on future

### **What is the difference between Cost-Push Inflation and Demand-Pull Inflation?**

#### **Cost Push Inflation**

It refers to the inflation caused by an increase in prices of inputs like labour, raw material, etc. The overall price level increases due to higher costs of production



which reflects in terms of increased prices of goods and commodities which majorly use these inputs. The increased price of the factors of production leads to a decreased supply of these goods. While the demand remains constant, the prices of commodities increase causing a rise in the overall price level. This is in essence cost push inflation. In a gist, it is the inflation resulting due to the challenges in supply side.

Other factors leading to such inflation are natural disasters or depletion of natural resources, monopoly, government regulation or taxation, change in exchange rates, etc.

Generally, cost push inflation may occur in case of an inelastic demand curve where the demand cannot be easily adjusted according to rising prices.

#### **Demand Pull Inflation**

Demand Pull inflation is the result of the causes which are completely opposite to the causes of Cost Pull inflation.

Demand Pull inflation results from the increase in aggregate demand which is often the result of increased supply of money, government purchases and price level in rest of the world.

### **What is Deflation and Deflationary spiral?**

Deflation refers to the continuous fall in general level of prices. It generally happens when the inflation rate becomes negative and stays there for a longer period. Major reasons for deflation are reduction in money supply, credit availability and reduced investment spending by government or individuals. Deflation often leads to a problem of increased unemployment due to slack in demand.

Deflationary spiral is the phase of deflation where prices and wages decrease at an increased rate and currency gains in value. This leads to the decrease in supply of money which leads to further stronger currency. Though it might look as something positive, deflationary spirals are actually considered to be negative because they generally occur during the time of recession and tend to worsen it.

### **What do you mean by Most Favoured Nation (MFN)?**

Most Favoured Nation is the status accorded to one state by the other state for international trade. As the result, the recipient country enjoys equal trade advantages as the ones enjoyed by the country granting such a treatment.

This often leads to the reduction in tariffs and other benefits to be enjoyed by the recipient country.

### **What is a balanced budget?**

A balanced budget is the one in which the net tax revenue equals the expenditure and hence there is zero surplus in the government budget.

## **2.9 TAX RELATED QUESTIONS**

### **What is Black Market?**

It is the market in which goods and services are traded illegally, with transactions themselves being illegal. Operations constitute purchases and selling outside of official government sanctioned channels. These markets tend to increase when government fixes price without providing all the necessary supply and demand by itself.

Common motives for operating in black markets are to trade contraband, avoid taxes, or skirt price controls. It is estimated that more than 2 billion people worldwide are employed in black market.

Some of the most traded good and services in black market are:

- Animals and Animal Products
- Alcohol
- Currency
- Copyrighted Material
- Counterfeit medicine, aircraft and automobile parts
- Biological Organs
- Fuel
- Illegally logged timber
- Tobacco
- Sexual exploitation and forced labor
- Prostitution
- Weapons

Black Market is different from Gray market, which despite being legal has distribution channels which are unauthorized, unofficial and unintended by the original manufacturer.

### **What is Black Money?**

Black Money is the unaccounted money that has been concealed from the tax authorities. Black Money virtually runs a parallel economy adversely affecting wealth distribution and income in the respective economy.

The total amount of black money is estimated to be between USD 2.1 TO 2.5 trillion globally, almost seven percent of the world's GDP. India alone contributes to almost USD 1.5 trillion of operational black money.

Some of the measures that may be taken to prevent Indian Black Money:

- Reducing disincentives against voluntary compliance

- Reforms in vulnerable sectors of the economy like gold trading and real estate
- Reforms in Banking Transaction Tax
- Better reforms for economic liberalization
- Creating effective credible deterrence in combination with reforms, transparency, simple processes, elimination of bureaucracy and discretionary regulations

### **What is Direct Tax?**

It is the tax directly paid to taxing authorities. House tax, property tax and income tax are some of the examples of direct tax.

### **What is Indirect Tax?**

It is not paid directly to the taxing authorities but is actually passed on to others in the form of increased cost. Sales tax and VAT are examples of Indirect Tax.

### **What is Entertainment Tax?**

It is tax paid against the entertainment through movies, large commercial shows and large private festival celebrations. It is a revenue source exclusively reserved for the state government and it takes the call to see if any movie or any other commercial show needs to be made entertainment tax free.

### **What is VAT?**

VAT is the acronym for value added tax and is a form of consumption tax. The purpose of VAT is to generate tax revenues to the government similar to the corporate income tax or the personal income tax.

Buyer pays VAT on the purchase price while for the seller, it is something that can be taxed only on the value added to the product, material, or service, by this stage of its manufacture or distribution. The value added to a product by or with a business is the sale price charged to its customer, minus the cost of materials and other taxable inputs. Manufacturers remit to the government the difference between the two amounts, and retain the rest for themselves to offset the taxes they had previously paid on the inputs.

### **What is excise duty?**

An excise duty (or excise tax) is an inland indirect tax on the sale, or production for sale, of specific goods or a tax on a good produced for sale, or sold, within a country or licenses for specific activities.

Excise duty is generally applied to a narrower and selected range of products as compared to sales or value added tax. It is typically heavier and accounts for a greater fraction of the retail price when compared to sales tax. Typical examples of excise duties are taxes on gasoline, other fuels, tobacco and alcohol.

Excise duty is different from customs duties, which are taxes on imported goods and are commonly known as border tax as well. However, excise duty is for goods produced within the country.

### **What is the Central Sales Tax and what is its present rate in India?**

Central Sales Tax (CST) is a tax on sales of goods levied by the Central Government of India. It is applicable only in the case of inter-state sales and not on sales made within the state or import/export of sales. The tax collected is retained by the state in which the tax is collected. CST is administered by Sales Tax authorities of each state. Thus, the State Government Sales Tax officer who assesses and collects local (state) sales tax also assesses and collects CST.

- The rate of CST is 4% or local sales tax rate whichever is lower, for sales of declared goods with form C or form D
- If under the local sales tax law, sale or purchase is exempt from CST then the CST is Nil
- Rate of CST in case of inter-state sale of declared goods without form C or D is twice the rate of tax applicable to the local sale or purchase of such goods in that state
- Rate of CST in case of non-declared goods is 10% or the applicable local sales tax of that state, whichever is higher.

## 2.10 OTHER FREQUENTLY ASKED QUESTIONS

Request to prepare the answers for these questions with dedication and do not avoid them. This is the most comprehensive list and majority of interviews are expected to revolve around the questions mentioned.

- Be prepared to face questions on topics related to current affairs, mainly related to what has happened in last 5-6 months!! Keep yourself abreast with latest happenings, go through online newspapers, listed to different debates at television and discuss with your friends to develop a good perspective on all the latest topics.
- Your views on recent political, economic, technology and social developments – both at your city level, national level and international level as well.
- Questions on your hobbies and areas of interests.
- Explain Planning Commission and its functions
- Explain Finance Commission and its functions
- What is PERT and CPM
- Explain the difference between a smart worker and a hard worker
- Tell one strength on the basis of which we should select you
- What is the meaning of your name and few cross questions on it.
- Your views on the latest book/novel you have read.
- You can be asked to solve few puzzles, majorly to test you at analytical skills.
- Can you work under pressure?
- Why do you want to leave your current job?
- Do you prefer to work in a team or as an individual?
- Why didn't you pursue a career in the major of your graduation?
- Are you willing to travel or relocate?
- Be ready with all the nuances of your favorite sport.
- Be aware about National/international conferences/summits taken place recently.
- Whom do you think you resemble to in your family and how?
- Give an example where you have successfully worked in a team. What did you learn from the experience?
- What role do you generally play in a team?
- Are you a team player or good leader?
- How do you evaluate success?
- What will you do if asked to take a bribe by a bank customer?
- What is the most significant achievement of your life? What have you learnt from it?
- What is the one thing in life that you have not achieved and you want to achieve it badly?
- Give an example to showcase your ability to maintain work life balance without affecting your performance at work.

**SECTION**  
**3**

## Personal Interview Experience

### 3.1 TEN FIRST-HAND ACCOUNT OF INTERVIEWS OF BANK MANAGERS

#### IBPS Clerk Interview Experience I

I was asked questions from general topics such as banking terms, heads of financial firms & organizations.

If there is a panel member who is well aware of your home state they expect questions related to your location. I was asked lot about my state like famous spots near my town, local business trends, crops etc., to which I answered quite easily.

An official in the room asked me (in Gujarati) that "If fishermen are well aware that fishing during monsoon is very dangerous why are they doing that". I think she knew my home town is near the seashore & wanted to know if I am aware of my surroundings. I answered this easily.

Candidates who don't belong to that particular state should put in efforts to gain knowledge about the state & its language.

It is also necessary to know little about the local political scene as I was asked to name the MLA of my district & governor of the state. So reading newspapers is necessary to stay alert on political affairs.

Commerce graduates must definitely know about accounting, type of accounts, balance sheet, share capital etc., as they were commonly asked to B.com candidates.

#### Do's & Don'ts:

- Once you enter the interview room, don't forget to greet the panel. Say good morning or good afternoon according to the time of day.
- Don't be in the mindset of "I have to answer all the questions". If u don't know the answer don't panic. Simply say "I don't know sir/madam". They will ask another question.
- Remember to say 'Thanks' once you have completed the interview. It doesn't matter whether you were able to answer all questions or not.

## IBPS Clerk Interview Experience II

### *Candidate Profile: Bachelor of Science in Computers*

I had a very short interview with no question on banking been asked from me, something that came as a surprise to me as I was expecting lot of banking related questions.

1. Direct questions from my bio data
2. Questions on academic and family background.
3. Questions on computer hardware, focus majorly on CPU and its components
4. Questions on measuring instruments like Vernier Calipers and screw gauge.
5. Who is Pranab Mukherjee?
6. Which country does Sonia Gandhi belong to?
7. What is H<sub>2</sub>O?
8. Questions on Telangana issue.
9. Who is the editor of The Hindu?
10. Questions on Russia and its international relations.
11. Questions on physics like definition of velocity and acceleration
12. Who is the vice president of India?

With this they told me that interview is over and I can leave. I wished everyone and left the room.

## SBI Associates Interview Experience I

### *Candidate Profile: Graduation in Commerce from Kanpur.*

M1 : You are living opposite to PNB, why don't you join it?

I : Answered

M1 : Tell us the meaning of your name?

I : Answered

M2 : What is the difference between saving and investment?

I : Answered

M2 : What is the difference between expenditure and investment?

I : Answered

M1 : What is depreciation?

I : Answered

M1 : Are you sure?

I : Answered, lot of cross questioning happened here.

M3 : This is your first interview?

I : Answered

M3 : Why couldn't you get interview calls from other exams so far?

I : Answered

M3 : What is advertisement expenditure?

I : Answered

M1 : Let us now end the interview. Thank you and all the best.

I wished everyone and left the room.

## **SBI Associate Interview Experience II**

*Candidate Profile : Graduation in Commerce from Kanpur.*

M1 : Tell us something about yourself.

I : Answered

M1 : What does your father do?

I : Answered

M1 : How will you manage an angry customer?

I : Answered

M2 : What do you know about financial statements?

I : Answered

M2 : Which side of the balance sheet does have assets?

I : Answered

M1 : What is RBI?

I : Answered

M1 : What are the different functions of RBI?

I : Answered

F1 : Are you married?

I : Answered.

F1 : How will you manage family with work?

I : Answered

M3 : Why a career in banking?

I : Answered



M3 : How do you add formulae in excel sheet?

I : Answered

M1 : Let us end the interview. All the best.

I wished everyone and left the room.

## IBPS PO Interview Experience I

*Candidate Profile: Working professional in a marketing company, BCA Graduate with 72% marks and MBA in Marketing with 74% marks.*

I entered the interview room at 11:10 AM. There were 4 male panellists (M1, M2, M3 and M4). I wished them Good Morning, they replied the same and asked me to sit. I sat and said thanks.

M1 : Introduce yourself.

I : Answered, was an easy one – have prepared it well.

M1 : Tell us about your company and work

I : Answered, again was a prepared one

M2 : Where is Mahatama Gandhi road in Ranchi? (I am from Ranchi)

I : Answered, though was not very sure how to explain

M2 : Are you sure?

I : Yes sir, I am

M2 : Why Ranchi has been in news for last few days?

I : Answered, it was due to the opening up of a new international cricket stadium and the President rule being implemented

M3 : Tell us about the advisors of Governor of Jharkhand? Who are they?

I : Answered

M3 : Do you think President rule will help Jharkhand to develop as compared to the development that happened during the rule of last government?

I : Answered

M3 : Is C&T rule acting as hindrance in Jharkhand's development?

I : Answered. Said yes and elaborated with facts.

M4 : If we make you Chief Minister of Jharkhand, what will you do for its development?

I : Answered

M4 : Under which section are tribal people defined?

I : Didn't know the answered, told that I don't know.

M2 : What is BASEL?

I : Answered

M2 : What is the difference between BASEL II and BASEL III?

I : Answered

M1 : What are the new amendments in Banking Regulation Act?

I : Answered

M3 : What is your opinion on FDI? Is it good or bad?

I : Answered, elaborated with facts and figures

Then they said thank you. I wished them and came out of the room. Total duration of the interview was around 30 minutes.

## **IBPS PO Interview Experience II**

*Candidate Profile: Interview venue was Hyderabad. Graduation (B.Tech) with 67% marks*

All the panellists were males, referred to as M1, M2, M3 and M4 going forward.

I : May I come in sir?

M1 : Yes, please.

I : Good Afternoon sirs.

Panel : Good Afternoon, take your seat.

M1 : Tell us about your parents? What do they do?

I : Answered

M1 : In which department your father used to work?

I : Answered

M2 : What is a Bank?

I : Answered

M2 : Why do you want to do Banking job being an engineer?

I : Answered

M2 : Ok, can you work anywhere in bank?

I : Definitely.

M2 : In Amritsar?

I : Yes sir.

M3 : Do you know something about RBI?

- I : Yes sir.
- M3 : Tell us about the functions of RBI.
- I : Answered
- M3 : Asked some bank related questions
- I : Could not answer them.
- M4 : What is deposit account?
- I : Answered
- M4 : What is IMPS?
- I : Sorry sir, I read about it but am not able to recall right now.
- M4 : Do you want any clue?
- I : Yes sir
- M4 : Mobile
- I : Answered, was able to recall after the clue.
- M2 : What is RTGS?
- I : Answered
- M2 : Will they charge for it?
- I : Yes, answered in detail.
- M1 : Did you attend any other bank interview in past?
- I : No sir, this is my first interview.
- M1 : Ok, All the best
- I : Thank you sir and then I left the room.

### **IBPS PO Interview Experience III**

Candidate Profile: Originally from Andhra Pradesh, B.Tech in Electronics and Communication Engineering

All the panellists were males, referred to as M1, M2, M3 and M4. M4 was North Indian while other 3 seemed to be from South India.

- I : May I come in sir?
- M1 : Yes, come in.
- M3 : Take the seat.
- I : Took the seat and thanked the panel.
- M2 : Tell us about yourself.

I : Answered in detail

M2 : What does your brother do?

I : Answered

M2 : What was your engineering branch?

I : Answered

M2 : You have good scope to work in steel plant, why banking job then?

I : Answered in detail, related to my interests

M4 : What is your IBPS Score?

I : Told

M4 : When did you complete your engineering?

I : Told

M4 : What you have been doing since then?

I : Told

M4 : There have been many banking exams since then, why weren't you able to qualify them?

I : Answered

M4 : You have done engineering from which institute?

I : Answered

M2 : What is your father's salary?

I : Answered

M2 : How much time is left for his retirement?

I : Answered

M2 : Is he an engineer?

I : Answered

M2 : You should go for core job and not come to banking only for monetary benefits

I : Answered

M2 : Cut me in between, every job has its advantages and disadvantages, I think you should go for core job.

I : Replied

M2 : We do not serve people directly. We do what government asks us to.

I : Responded

- M4 : What do you know about banking?  
I : Answered
- M4 : Have you done any software course?  
I : Answered
- M3 : Can you operate systems well (showed his hands in typing mode)?  
I : Answered
- M3 : How are your communication skills?  
I : Answered
- M3 : How can you help in banks? We need only B.Com people.  
I : Answered
- M1 : Why do not you become an entrepreneur?  
I : This came as a shocker, was not ready for this. Answered somehow.
- M1 : What are your hobbies?  
I : Answered (Mentioned blogging as the major hobby)
- M1 : How will you populate your blogs with your friends?  
I : Answered
- M4 : Do you understand Hindi? (asked this in Hindi)  
I : Replied in hindi that I understand it.
- M3 : You may leave now.
- M4 : Take a chocolate and leave.

I thanked everyone and left the room. My interview lasted for around 45 minutes.

## **SBI PO Interview Experience I**

*Candidate Profile: Graduation in Science and MBA.*

All the panellists were males, referred to as M1, M2 and M3. M1 was asking questions on banking while M2 and M3 asked questions on my qualification and General Knowledge

- M1 : Define Indian economy  
I : Answered
- M1 : What is bank? Who operates it?  
I : Answered

M1 : Why we keep changing ratios?

I : Answered

M2 : You are sitting at the cash counter. Senior manager passes by and finds 1000 rupee note lying down, he picks it up and walks away. What will you do in this situation or will you ignore it?

I : Answered

M3 : What is India's rank in world economy?

I : Answered

M3 : Which is the largest PSU?

I : Answered

M3 : Asked authors of few novels

I : Answered few of them.

M1 : Why banking?

I : Answered

M2 : How will you manage customer problems?

I : Answered

M2 : How will you work in technology enabled banks?

I : Answered

M3 : Who is the father of micro biology?

I : Answered

M3 : Who wrote "Bottom of Pyramid"?

I : Answered

M2 : Asked few questions on my graduation

I : Answered most of them.

M2 : Said thank you and asked me to leave.

I : Wished the panel, smiled and left the room.

## SBI PO Interview Experience II

*Candidate Profile: Graduation (B.Com) from Lucknow*

2 panellists were males and one was female, referred to as M1, M2 and F1. Document verification desk told me that there were supposed to be 4 members but due to some reasons, 4th panellist had to leave.

M1 : How are you?

I : Answered

M1 : What is the meaning of your name?

I : Answered

M1 : Tell us about your family.

I : Answered

M2 : Why is your date of birth famous? (It is 4th September)

I : Answered

M2 : What happened at that day?

I : Answered

M2 : Who was S. Radhakrishnan?

I : Answered

M3 : Which number president was he?

I : Answered

M3 : Who was the first president?

I : Answered

M3 : Who was the first chief minister of UP?

I : Answered. Short discussion happened on it.

M2 : What role do you play in a cricket team? (I mentioned cricket as hobby)

I : Answered

M2 : Tell us the name of three famous wicket keepers

I : Answered

M2 : Who is marich? Is he a Brahmin?

I : Answered

M2 : Who is bhelni?

I : Answered

F1 : What is an organization?

I : Answered

F1 : What do you mean by accounting standards?

I : Answered

F1 : What is accounting?

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I : Answered

F1 : What is banking?

I : Answered

M2 : Tell us something about Hazratganj in Lucknow.

I : Answered

M2 : Why is it named so? What is the history associated with it?

I : Answered

F1 : Tell us few major banking events of this year.

I : Answered

M1 : Name one famous city of UP?

I : Banaras

M1 : Why is it called banaras?

I : Answered

M1 : Tell us the capital of Bihar?

I : Answered

M1 : Who is the chief minister of Bihar?

I : Answered

F1 : Thank you, the interview is over. You may leave.

I wished everyone and left the room.

### **SBI PO Interview Experience III**

*Candidate Profile: B.Tech in Electronics from Andhra Pradesh*

2 panellists were males and one was female, referred to as M1, M2 and F1.

M1 : Are you ready to work in Vizag?

I : Said yes

M1 : Which is the website that you visit the most?

I : Facebook

M1 : Smiled and said, tell the career oriented website.

I : Answered

M1 : How is SBI website?

I : Answered



M2 : What are the different types of dancing styles in India?

I : Answered

M2 : What is the most famous dancing style in Andhra Pradesh?

I : Answered

M2 : What do you like more, western filmy dance or traditional dance?

I : Answered

F1 : Tell us something about your experience as a lecturer.

I : Answered

F1 : Tell us something about recent developments in the field of Electronics.

I : Answered

M1 : Do you have a bank account anywhere?

I : Answered

M1 : Tell us something about their branch service.

I : Answered

F1 : Why do you want to join SBI and not private banks?

I : Answered

F1 : How will you be helpful for the bank if selected?

I : Answered

F1 : Thank you, the interview is over.

I wished the panel and left the interview room



**SECTION**  
**4**

## **Banking Awareness**

### **4.1 EVOLUTION OF BANKING IN INDIA**

Modern banking in India could be traced back to the establishment of Bank of Bengal (Jan 2, 1809), the first joint-stock bank sponsored by Government of Bengal and governed by the royal charter of the British India Government. It was followed by establishment of Bank of Bombay (Apr 15, 1840) and Bank of Madras (Jul 1, 1843). These three banks, known as the presidency banks, marked the beginning of the limited liability and joint stock banking in India and were also vested with the right of note issue.

In 1921, the three presidency banks were merged to form the Imperial Bank of India, which had multiple roles and responsibilities and that functioned as a commercial bank, a banker to the government and a banker's bank. Following the establishment of the Reserve Bank of India (RBI) in 1935, the central banking responsibilities that the Imperial Bank of India was carrying out came to an end, leading it to become more of a commercial bank. At the time of independence of India, the capital and reserves of the Imperial Bank stood at Rs 118 mn, deposits at Rs 2751 million and advances at Rs 723 million and a network of 172 branches and 200 sub offices spread all over the country.

In 1951, in the backdrop of central planning and the need to extend bank credit to the rural areas, the Government constituted All India Rural Credit Survey Committee, which recommended the creation of a state sponsored institution that will extend banking services to the rural areas. Following this, by an act of parliament passed in May 1955, State Bank of India was established in Jul, 1955. In 1959, State Bank of India took over the eight former state-associated banks as its subsidiaries. To further accelerate the credit to flow to the rural areas and the vital sections of the economy such as agriculture, small scale industry etc., that are of national importance, Social Control over banks was announced in 1967 and a National Credit Council was set up in 1968 to assess the demand for credit by these sectors and determine resource allocations. The decade of 1960s also witnessed significant consolidation in the Indian banking industry with more than 500 banks functioning in the 1950s reduced to 89 by 1969.

For the Indian banking industry, Jul 19, 1969, was a landmark day, on which nationalization of 14 major banks was announced that each had a minimum of

Rs 500 million and above of aggregate deposits. In 1980, eight more banks were nationalized. In 1976, the Regional Rural Banks Act came into being, that allowed the opening of specialized regional rural banks to exclusively cater to the credit requirements in the rural areas. These banks were set up jointly by the central government, commercial banks and the respective local governments of the states in which these are located.

The period following nationalization was characterized by rapid rise in banks business and helped in increasing national savings. Savings rate in the country leapfrogged from 10-12% in the two decades of 1950-70 to about 25 % post nationalization period. Aggregate deposits which registered annual growth in the range of 10% to 12% in the 1960s rose to over 20% in the 1980s. Growth of bank credit increased from an average annual growth of 13% in the 1960s to about 19% in the 1970s and 1980s. Branch network expanded significantly leading to increase in the banking coverage.

Indian banking, which experienced rapid growth following the nationalization, began to face pressures on asset quality by the 1980s. Simultaneously, the banking world everywhere was gearing up towards new prudential norms and operational standards pertaining to capital adequacy, accounting and risk management, transparency and disclosure etc. In the early 1990s, India embarked on an ambitious economic reform programme in which the banking sector reforms formed a major part.

The Committee on Financial System (1991) more popularly known as the Narasimham Committee prepared the blue print of the reforms. Few of the major aspects of reform included:

- moving towards international norms in income recognition and provisioning and other related aspects of accounting
- liberalization of entry and exit norms leading to the establishment of several New Private Sector Banks and entry of a number of new Foreign Banks
- freeing of deposit and lending rates (except the saving deposit rate)
- allowing Public Sector Banks access to public equity markets for raising capital and diluting the government stake
- greater transparency and disclosure standards in financial reporting
- suitable adoption of Basel Accord on capital adequacy
- introduction of technology in banking operations etc.

The reforms led to major changes in the approach of the banks towards aspects such as competition, profitability and productivity and the need and scope for harmonization of global operational standards and adoption of best practices. Greater focus was given to deriving efficiencies by improvement in performance and rationalization of resources and greater reliance on technology including promoting in a big way computerization of banking operations and introduction of electronic banking.

The reforms led to significant changes in the strength and sustainability of Indian banking. In addition to significant growth in business, Indian banks experienced sharp growth in profitability, greater emphasis on prudential norms with higher provisioning levels, reduction in the non-performing assets and surge in capital adequacy. All bank groups witnessed sharp growth in performance and profitability.

Indian banking industry is preparing for smooth transition towards more intense competition arising from further liberalization of banking sector that was envisaged in the year 2009 as a part of the adherence to liberalization of the financial services industry.

## **4.2 STRUCTURE OF THE BANKING INDUSTRY IN INDIA**

According to the RBI definition, commercial banks which conduct the business of banking in India and which (a) have paid up capital and reserves of an aggregate real and exchangeable value of not less than Rs 0.5 mn and (b) satisfy the RBI that their affairs are not being conducted in a manner detrimental to the interest of their depositors, are eligible for inclusion in the Second Schedule to the Reserve Bank of India Act, 1934, and when included are known as 'Scheduled Commercial Banks'. Scheduled Commercial Banks in India are categorized in five different groups according to their ownership and/or nature of operation. These bank groups are (i) State Bank of India and its associates, (ii) Nationalised Banks, (iii) Regional Rural Banks, (iv) Foreign Banks and (v) Other Indian Scheduled Commercial Banks (in the private sector). All Scheduled Banks comprise Schedule Commercial and Scheduled Co-operative Banks. Scheduled Cooperative banks consist of Scheduled State Co-operative Banks and Scheduled Urban Cooperative Banks.

### **Nationalized Banks**

Nationalised banks dominate the banking system in India. The history of nationalised banks in India dates back to mid-20th century, when Imperial Bank of India was nationalised (under the SBI Act of 1955) and re-christened as State Bank of India (SBI) in July 1955. Then on 19th July 1960, its seven subsidiaries were also nationalised with deposits over 200 crores. These subsidiaries of SBI were State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Indore (SBIR), State Bank of Mysore (SBM), State Bank of Patiala (SBP), State Bank of Saurashtra (SBS), and State Bank of Travancore (SBT).

However, the major nationalisation of banks happened in 1969 by the then-Prime Minister Indira Gandhi. The major objective behind nationalisation was to spread banking infrastructure in rural areas and make cheap finance available to Indian farmers. The nationalised 14 major commercial banks were Allahabad Bank, Andhra Bank, Bank of Baroda, Bank of India, Bank of Maharashtra, Canara Bank, Central Bank of India, Corporation Bank, Dena Bank, Indian Bank, Indian Overseas Bank, Oriental Bank of Commerce (OBC), Punjab and Sind Bank, Punjab National Bank (PNB), Syndicate Bank, UCO Bank, Union Bank of India, United Bank of India (UBI), and Vijaya Bank.

In the year 1980, the second phase of nationalisation of Indian banks took place, in which 7 more banks were nationalised with deposits over 200 crores. With this, the Government of India held a control over 91% of the banking industry in India. After the nationalisation of banks there was a huge jump in the deposits and advances with the banks. At present, the State Bank of India is the largest commercial bank of India and is ranked one of the top five banks worldwide. It serves over 90 million customers through a network of over 9,000 branches.

List of Public Sector Banks in India is as follows:

- Allahabad Bank
- Andhra Bank
- Bank of Baroda
- Bank of India
- Bank of Maharashtra
- Canara Bank
- Central Bank of India
- Corporation Bank
- Dena Bank
- Indian Bank
- Indian Overseas Bank
- Oriental Bank of Commerce
- Punjab and Sind Bank
- Punjab National Bank
- State Bank of Bikaner & Jaipur
- State Bank of Hyderabad
- State Bank of India (SBI)
- State Bank of Indore
- State Bank of Mysore
- State Bank of Patiala
- State Bank of Saurashtra
- State Bank of Travancore
- Syndicate Bank
- UCO Bank
- Union Bank of India
- United Bank of India
- Vijaya Bank
- IDBI Bank

### 4.3 BANKING RELATED TERMINOLOGY

Both in the banking written examinations and the personal interviews, there are few questions which revolve around the basic banking terminology. This makes the knowledge and understanding of these basic terms critical for achieving your dream of being the part of reputed banks of the country.

Let us now have a look at the terms.

**Account Agreement:** The contract governing your open-end credit account, it provides information on changes that may occur to the account.

**Account History:** The payment history of an account over a specific period of time, including the number of times the account was past due or over limit.

**Account Holder:** Any and all persons designated and authorized to transact business on behalf of an account. Each account holder's signature needs to be on file with the bank. The signature authorizes that person to conduct business on behalf of the account.

**Acquiring Bank:** In a merger, the bank that absorbs the bank acquired.

**Accrued interest:** Interest due from issue date or from the last coupon payment date to the settlement date. Accrued interest on bonds must be added to their purchase price.

**Adjustable-Rate Mortgages (ARMS):** Also known as variable-rate mortgages. The initial interest rate is usually below that of conventional fixed-rate loans. The interest rate may change over the life of the loan as market conditions change. There is typically a maximum (or ceiling) and a minimum (or floor) defined in the loan agreement. If interest rates rise, so does the loan payment. If interest rates fall, the loan payment may as well.

**Arbitrage:** Buying a financial instrument in one market in order to sell the same instrument at a higher price in another market.

**Adverse Action:** Under the Equal Credit Opportunity Act, a creditor's refusal to grant credit on the terms requested, termination of an existing account, or an unfavorable change in an existing account.

**Adverse Action Notice:** The notice required by the Equal Credit Opportunity Act advising a credit applicant or existing debtor of the denial of their request for credit or advising of a change in terms considered unfavorable to the account holder.

**AER:** Annual earnings rate on an investment.

**Affidavit:** A sworn statement in writing before a proper official, such as a notary public.

**Alteration:** Any change involving an erasure or rewriting in the date, amount, or payee of a check or other negotiable instrument.

**Amortization:** The process of reducing debt through regular installment payments of principal and interest that will result in the payoff of a loan at its maturity.

**Anytime Banking:** With introduction of ATMs, Tele-Banking and internet banking, customers can conduct their business anytime of the day and night. The 'Banking Hours' is not a constraint for transacting banking business.

**Anywhere Banking:** Refers to banking not only by ATMs, Tele-Banking and internet banking, but also to core banking solutions brought in by banks where customer can deposit his money, cheques and also withdraw money from any branch connected with the system. All major banks in India have brought in core banking in their operations to make banking truly anywhere banking.

**Annual Percentage Rate (APR):** The cost of credit on a yearly basis, expressed as a percentage.

**Annual Percentage Yield (APY):** A percentage rate reflecting the total amount of interest paid on a deposit account based on the interest rate and the frequency of compounding for a 365-day year.

**Annuity:** A life insurance product which pays income over the course of a set period. Deferred annuities allow assets to grow before the income is received and immediate annuities (usually taken from a year after purchase) allow payments to start from about a year after purchase.

**APR:** The annual percentage rate of interest, usually on a loan or mortgage, usually displayed in brackets and representing the true cost of the loan or mortgage as it shows any additional payments beyond the interest rate.

**Application:** Under the Equal Credit Opportunity Act (ECOA), an oral or written request for an extension of credit that is made in accordance with the procedures established by a creditor for the type of credit requested.

**Appraisal:** The act of evaluating and setting the value of a specific piece of personal or real property.

**Ask Price:** The lowest price at which a dealer is willing to sell a given security.

**Asset-Backed Securities (ABS):** A type of security that is backed by a pool of bank loans, leases, and other assets. Most ABS are backed by auto loans and credit cards – these issues are very similar to mortgage-backed securities.

**At-the-money:** The exercise price of a derivative that is closest to the market price of the underlying instrument.

**ATM:** ATMs are Automatic Teller Machines, which do the job of a teller in a bank through Computer Network. ATMs are located on the branch premises or off branch premises. ATMs are useful to dispense cash, receive cash, accept cheques, give balances in the accounts and also give mini-statements to the customers.



**Authorization:** The issuance of approval, by a credit card issuer, merchant, or other affiliate, to complete a credit card transaction.

**Automated Clearing House (ACH):** A computerized facility used by member depository institutions to electronically combine, sort, and distribute inter-bank credits and debits. ACHs process electronic transfers of government securities and provided customer services, such as direct deposit of customers' salaries and government benefit payments (i.e., social security, welfare, and veterans' entitlements), and preauthorized transfers.

**Automated Teller Machine (ATM):** A machine, activated by a magnetically encoded card or other medium that can process a variety of banking transactions. These include accepting deposits and loan payments, providing withdrawals, and transferring funds between accounts.

**Automatic Bill Payment:** A checkless system for paying recurring bills with one authorization statement to a financial institution. For example, the customer would only have to provide one authorization form/letter/document to pay the cable bill each month. The necessary debits and credits are made through an Automated Clearing House (ACH).

**Availability Date:** Bank's policy as to when funds deposited into an account will be available for withdrawal.

**Availability Policy:** Bank's policy as to when funds deposited into an account will be available for withdrawal.

**Available Balance:** The balance of an account less any hold, uncollected funds, and restrictions against the account.

**Available Credit:** The difference between the credit limit assigned to a cardholder account and the present balance of the account.

**Balance Transfer:** Balance transfer is an option included under credit card payments and is useful for persons holding more than one card. On availing this facility, the cardholder can transfer the balance amount outstanding on card one to card two and vice versa, if he/she is not able to make full payment that is due on a particular card.

In any case, the payment due date is only delayed but the payment has to be made at the scheduled time as stated in card two. Balance transfer facility is useful in reducing the interest outgo (on card one) and extending the payment due date on the original card.

**Banking:** Accepting for the purpose of lending or investment of deposits of money from Public, Repayable on demand or otherwise and withdraw able by cheques, drafts, order, etc.

**Bank Ombudsman:** Bank Ombudsman is the authority to look into complaints against Banks in the main areas of collection of cheque / bills, issue of demand

drafts, non-adherence to prescribed hours of working, failure to honour guarantee / letter of credit commitments, operations in deposit accounts and also in the areas of loans and advances where banks flout directions / instructions of RBI. This Scheme was announced in 1995 and is functioning with new guidelines from 2007. This scheme covers all scheduled banks, the RRBs and co-operative banks.

**Bancassurance:** Bancassurance refers to the distribution of insurance products and the insurance policies of insurance companies which may be life policies or non-life policies like home insurance - car insurance, medi-policies and others, by banks as corporate agents through their branches located in different parts of the country by charging a fee.

**Banker's Lien:** Banker's lien is a special right of lien exercised by the bankers, who can retain goods bailed to them as a security for general balance of account. Bankers can have this right in the absence of a contract to the contrary.

**Basel-II:** The Committee on Banking Regulations and Supervisory Practices, popularly known as Basel Committee, submitted its revised version of norms in June, 2004. Under the revised accord the capital requirement is to be calculated for credit, market and operational risks. The minimum requirement continues to be 8% of capital fund (Tier I & II Capital) Tier II shall continue to be not more than 100% of Tier I Capital.

**Brick & Mortar Banking:** Brick and Mortar Banking refers to traditional system of banking done only in a fixed branch premises made of brick and mortar. Now there are banking channels like ATM, Internet Banking, tele banking etc.

**Business of Banking :** Accepting deposits, borrowing money, lending money, investing, dealing in bills, dealing in Foreign Exchange, Hiring Lockers, Opening Safe Custody Accounts, Issuing Letters of Credit, Travelers' Cheques, doing Mutual Fund business, Insurance Business, acting as Trustee or doing any other business which Central Government may notify in the official Gazette.

**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'.

**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.

**Basis Point:** One hundredth of 1%. A measure normally used in the statement of interest rate e.g., a change from 5.75% to 5.81% is a change of 6 basis points.  
**Bear Markets:** Unfavourable markets associated with falling prices and investor pessimism.

**Base Rate:** It is the minimum rate a bank charges its most credit worthy customer. The bank cannot lend below this rate (with an exception to banks employees, loans to bank's depositors against their own deposits, albeit with the subvention of the central bank).

For a retail customer, the Base Rate will cover all loans from auto, personal to home loans effective from July 1, 2010.

**Bid-ask Spread:** The difference between a dealers's bid and ask price.

**Bid Price:** The highest price offered by a dealer to purchase a given security.

**Blue Chips:** Blue chips are unsurpassed in quality and have a long and stable record of earnings and dividends. They are issued by large and well-established firms that have impeccable financial credentials.

**Bond:** Publicly traded long-term debt securities, issued by corporations and governments, whereby the issuer agrees to pay a fixed amount of interest over a specified period of time and to repay a fixed amount of principal at maturity.

**Book Value:** The amount of stockholders' equity in a firm equals the amount of the firm's assets minus the firm's liabilities and preferred stock.

**Broker:** Individuals licensed by stock exchanges to enable investors to buy and sell securities.

**Brokerage Fee:** The commission charged by a broker.

**Bull Markets:** Favorable markets associated with rising prices and investor optimism.

**Call Option:** The right to buy the underlying securities at a specified exercise price on or before a specified expiration date.

**Callable Bonds:** Bonds that give the issuer the right to redeem the bonds before their stated maturity.

**Capital Gain:** The amount by which the proceeds from the sale of a capital asset exceed its original purchase price.

**Capital Markets:** The market in which long-term securities such as stocks and bonds are bought and sold.

**Certificate of Deposits (CDs):** Savings instrument in which funds must remain on deposit for a specified period and premature withdrawals incur interest penalties.

**Certificate of Deposit:** Certificate of Deposits are negotiable receipts in bearer form which can be freely traded among investors. This is also a money market instrument, issued for a period ranging from 7 days to f one year .The minimum deposit amount is Rs. 1 lakh and they are transferable by endorsement and delivery.

**Cheque:** Cheque is a bill of exchange drawn on a specified banker ordering the banker to pay a certain sum of money to the drawer of cheque or another person. Money is generally withdrawn by clients by cheques. Cheque is always payable on demand.

**Cheque Truncation:** Cheque truncation truncates or stops the flow of cheques through the banking system. Generally truncation takes place at the collecting branch, which sends the electronic image of the cheques to the paying branch through the clearing house and stores the paper cheques with it.

**Closed-end (Mutual) Fund:** A fund with a fixed number of shares issued, and all trading is done between investors in the open market. The share prices are determined by market prices instead of their net asset value.

**Collateral:** A specific asset pledged against possible default on a bond. Mortgage bonds are backed by claims on property. Collateral trusts bonds are backed by claims on other securities. Equipment obligation bonds are backed by claims on equipment.

**Commercial Paper:** Short-term and unsecured promissory notes issued by corporations with very high credit standings.

**Common Stock:** Equity investment representing ownership in a corporation; each share represents a fractional ownership interest in the firm.

**Compound Interest:** Interest paid not only on the initial deposit but also on any interest accumulated from one period to the next.

**Contract Note:** A note which must accompany every security transaction that contains information such as the dealer's name (whether he is acting as principal or agent) and the date of contract.

**Controlling Shareholder:** Any person who is, or group of persons who together are, entitled to exercise or control the exercise of a certain amount of shares in a company at a level (which differs by jurisdiction) that triggers a mandatory general offer, or more of the voting power at general meetings of the issuer, or who is or are in a position to control the composition of a majority of the board of directors of the issuer.

**Convertible Bond:** A bond with an option, allowing the bondholder to exchange the bond for a specified number of shares of common stock in the firm. A conversion price is the specified value of the shares for which the bond may be exchanged. The conversion premium is the excess of the bond's value over the conversion price.

**Corporate Bond:** Long-term debt issued by private corporations.

**Coupon:** The feature on a bond that defines the amount of annual interest income.

**Coupon Frequency:** The number of coupon payments per year.

**Coupon Rate:** The annual rate of interest on the bond's face value that a bond's issuer promises to pay the bondholder. It is the bond's interest payment per dollar of par value.

**Covered Warrants:** Derivative call warrants on shares which have been separately deposited by the issuer so that they are available for delivery upon exercise.

**Credit Rating:** An assessment of the likelihood of an individual or business being able to meet its financial obligations. Credit ratings are provided by credit agencies or rating agencies to verify the financial strength of the issuer for investors.

**Collecting Banker:** Also called receiving banker, who collects on instruments like a cheque, draft or bill of exchange, lodged with himself for the credit of his customer's account.

**Consumer Protection Act:** It is implemented from 1987 to enforce consumer rights through a simple legal procedure. Banks also are covered under the Act. A consumer can file complaint for deficiency of service with Consumer District Forum for amounts upto Rs.20 Lacs in District Court, and for amounts above Rs.20 Lacs to Rs.1 Crore in State Commission and for amounts above Rs.1 Crore in National Commission.

**Co-operative Bank :** An association of persons who collectively own and operate a bank for the benefit of consumers / customers, like Saraswat Co-operative Bank or Abhyudaya Co-operative Bank and other such banks.

**Co-operative Society :** When an association of persons collectively own and operate a unit for the benefit of those using its services like Apna Bazar Co-operative Society or SahakarBhandar or a Co-operative Housing Society.

**Core Banking Solutions (CBS):** Core Banking Solutions is a buzz word in Indian banking at present, where branches of the bank are connected to a central host and the customers of connected branches can do banking at any breach with core banking facility.

**CRR Rate:** Cash reserve Ratio (CRR) is the amount of funds that the banks have to keep with RBI. If RBI decides to increase the percent of this, the available amount with the banks comes down. RBI is using this method (increase of CRR rate), to drain out the excessive money from the banks.

**Creditworthiness:** It is the capacity of a borrower to repay the loan / advance in time along with interest as per agreed terms.

**Crossing of Cheques:** Crossing refers to drawing two parallel lines across the face of the cheque. A crossed cheque cannot be paid in cash across the counter, and is to be paid through a bank either by transfer, collection or clearing. A general crossing means that cheque can be paid through any bank and a special crossing, where the name of a bank is indicated on the cheque, can be paid only through the named bank.

**Customer:** A person who maintains any type of account with a bank is a bank customer. Consumer Protection Act has a wider definition for consumer as the one who purchases any service for a fee like purchasing a demand draft or a pay order. The term customer is defined differently by Laws, softwares and countries.

**Current Account:** Current account with a bank can be opened generally for business purpose. There are no restrictions on withdrawals in this type of account. No interest is paid in this type of account.

**Currency Board:** A monetary system in which the monetary base is fully backed by foreign reserves. Any changes in the size of the monetary base have to be fully matched by corresponding changes in the foreign reserves.

**Current Yield:** A return measure that indicates the amount of current income a bond provides relative to its market price. It is shown as:  $\text{Coupon Rate} \div \text{Price} \times 100\%$ .

**Custody of Securities:** Registration of securities in the name of the person to whom a bank is accountable, or in the name of the bank's nominee; plus deposition of securities in a designated account with the bank's bankers or with any other institution providing custodial services.

**Debit Card:** A plastic card issued by banks to customers to withdraw money electronically from their accounts. When you purchase things on the basis of Debit Card the amount due is debited immediately to the account. Many banks issue Debit-Cum-ATM Cards.

**Debtor:** A person who takes some money on loan from another person.

**Demand Deposits:** Deposits which are withdrawn on demand by customers. Eg. savings bank and current account deposits.

**Demat Account:** Demat Account concept has revolutionized the capital market of India. When a depository company takes paper shares from an investor and converts them in electronic form through the concerned company, it is called Dematerialization of Shares. These converted Share Certificates in Electronic form are kept in a Demat Account by the Depository Company, like a bank keeps money in a deposit account. Investor can withdraw the shares or purchase more shares through this demat Account.

**Derivative Call (Put) Warrants:** Warrants issued by a third party which grant the holder the right to buy (sell) the shares of a listed company at a specified price.

**Derivative Instrument:** Financial instrument whose value depends on the value of another asset.

**Discount Bond:** A bond selling below par, as interest in-lieu to the bondholders.

**Dishonour of Cheque:** Non-payment of a cheque by the paying banker with a return memo giving reasons for the non-payment. **Default Risk:** The possibility that a bond issuer will default ie, fail to repay principal and interest in a timely manner.

**Diversification:** The inclusion of a number of different investment vehicles in a portfolio in order to increase returns or be exposed to less risk.

**Duration:** A measure of bond price volatility, it captures both price and reinvestment risks to indicate how a bond will react to different interest rate environments.

**Earnings:** The total profits of a company after taxation and interest.

**Earnings per Share (EPS):** The amount of annual earnings available to common stockholders as stated on a per share basis.

**Earnings Yield:** The ratio of earnings to price (E/P). The reciprocal is price earnings ratio (P/E).

**E-Banking :** E-Banking or electronic banking is a form of banking where funds are transferred through exchange of electronic signals between banks and financial institution and customers ATMs, Credit Cards, Debit Cards, International Cards, Internet Banking and new fund transfer devices like SWIFT, RTGS belong to this category.

**EFT - (Electronic Fund Transfer):** EFT is a device to facilitate automatic transmission and processing of messages as well as funds from one bank branch to another bank branch and even from one branch of a bank to a branch of another bank. EFT allows transfer of funds electronically with debit and credit to relative accounts.

**Either or Survivor:** Refers to operation of the account opened in two names with a bank. It means that any one of the account holders have powers to withdraw money from the account, issue cheques, give stop payment instructions etc. In the event of death of one of the account holder, the surviving account holder gets all the powers of operation.

**Electronic Commerce (E-Commerce):** E-Commerce is the paperless commerce where the exchange of business takes place by Electronic means.

**Endorsement:** When a Negotiable Instrument contains, on the back of the instrument an endorsement, signed by the holder or payee of an order instrument, transferring the title to the other person, it is called endorsement.

**Endorsement in Full:** Where the name of the endorsee or transferee appears on the instrument while making endorsement.

**Equity:** Ownership of the company in the form of shares of common stock.

**Equity Call Warrants:** Warrants issued by a company which give the holder the right to acquire new shares in that company at a specified price and for a specified period of time.

**Ex-dividend (XD):** A security which no longer carries the right to the most recently declared dividend or the period of time between the announcement of the dividend and the payment (usually two days before the record date). For transactions during

the ex-dividend period, the seller will receive the dividend, not the buyer. Ex-dividend status is usually indicated in newspapers with an (x) next to the stock's or unit trust's name.

**Execution of Documents:** Execution of documents is done by putting signature of the person, or affixing his thumb impression or putting signature with stamp or affixing common seal of the company on the documents with or without signatures of directors as per articles of association of the company.

**Face Value/ Nominal Value:** The value of a financial instrument as stated on the instrument. Interest is calculated on face/nominal value.

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

**FII (Foreign Institutional Investor):** It is used to denote an investor, mostly in the form of an institution. An institution established outside India, which proposes to invest in Indian market, in other words buying Indian stocks. FIIs generally buy in large volumes which has an impact on the stock markets. Institutional Investors includes pension funds, mutual funds, Insurance Companies, Banks, etc.

**FDI (Foreign Direct Investment):** It 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 an Indian Company.

**Fixed-income Securities:** Investment vehicles that offer a fixed periodic return.

**Fixed Rate Bonds:** Bonds bearing with fixed interest payments until maturity date are termed as Fixed Rate bonds.

**Floating Rate:** An interest rate that is referenced to a market rate and is revised as per the change in the interest rate in the economy is termed as Floating rate. When interest rates in the economy rise, floating rates rise and vice versa.

**Floating Rate Bonds:** Bonds bearing interest payments that are tied to current interest rates are termed as Floating Rate Bonds.

**Factoring:** Business of buying trade debts at a discount and making a profit when debt is realized is generally referred to as factoring. It also refers to taking over collection of trade debts at agreed prices.

**Foreign Banks:** Banks incorporated outside India but operating in India and regulated by the Reserve Bank of India (RBI), e.g., Barclays Bank, HSBC, Citibank, Standard Chartered Bank, etc.

**Forfeiting:** In International Trade when an exporter finds it difficult to realize money from the importer, he sells the right to receive money at a discount to a forfeiter, who undertakes inherent political and commercial risks to finance the exporter, of course with assumption of a profit in the venture.



**Forgery:** when a material alteration is made on a document or a Negotiable Instrument like a cheque, to change the mandate of the drawer, with intention to defraud.

**Fundamental Analysis:** Research to predict stock value that focuses on such determinants as earnings and dividends prospects, expectations for future interest rates and risk evaluation of the firm.

**Future Value:** The amount to which a current deposit will grow over a period of time when it is placed in an account paying compound interest.

**Future Value of an Annuity:** The amount to which a stream of equal cash flows that occur in equal intervals will grow over a period of time when it is placed in an account paying compound interest.

**Futures Contract:** A commitment to deliver a certain amount of some specified item at some specified date in the future.

**Garnishee Order:** When a Court directs a bank to attach the funds to the credit of customer's account under provisions of Section 60 of the Code of Civil Procedure, 1908.

**General Lien:** A right of the creditors to retain possession of all goods given in security to him by the debtor for any outstanding debt.

**Guarantee:** A contract between guarantor and beneficiary to ensure performance of a promise or discharge the liability of a third person. If promise is broken or not performed, the guarantor pays contracted amount to the beneficiary.

**Hedge:** A combination of two or more securities into a single investment position for the purpose of reducing or eliminating risk.

**Holder:** Holder means any person entitled in his own name to the possession of the cheque, bill of exchange or promissory note and who is entitled to receive or recover the amount due on it from the parties. For example, if I give a cheque to my friend to withdraw money from my bank, he becomes holder of that cheque. Even if he loses the cheque, he continues to be holder. Finder cannot become the holder.

**Holder in due course :** A person who receives a Negotiable Instrument for value, before it was due and in good faith, without notice of any defect in it, he is called holder in due course as per Negotiable Instrument Act. In the earlier example if my friend lends some money to me on the basis of the cheque, which I have given to him for encashment, he becomes holder-in-due course.

**Home Equity Line of Credit (HELOC):** A line of credit secured by the equity in a consumer's home. It can be used for home improvements, debt consolidation, and other major purchases. Interest paid on the loan is generally tax deductible (consult a tax advisor to be sure). The funds may be accessed by writing checks against the line of credit or by getting a cash advance.

**Home Equity Loan:** A home equity loan allows you to tap into your home's built-up equity, which is the difference between the amount that your home could be sold for and the amount that you still owe. Homeowners often use a home-equity loan for home improvements, to pay for a new car, or to finance their child's college education. The interest paid is usually tax-deductible.

Because the loan is secured by your home's equity, if you default, the bank may foreclose on your house and take ownership of it. This type of loan is sometimes referred to as a second mortgage or borrowing against your home.

**Hypothecation:** Charge against property for an amount of debt where neither ownership nor possession is passed to the creditor. In pledge, possession of property is passed on to the lender but in hypothecation, the property remains with the borrower in trust for the lender.

**Identification:** When a person provides a document to a bank or is being identified by a person, who is known to the bank, it is called identification. Banks ask for identification before paying an order cheque or a demand draft across the counter.

**Indemnifier:** When a person indemnifies or guarantees to make good any loss caused to the lender from his actions or others' actions.

**Indemnity:** Indemnity is a bond where the indemnifier undertakes to reimburse the beneficiary from any loss arising due to his actions or third party actions.

**Income:** The amount of money an individual receives in a particular time period.

**Index Fund:** A mutual fund that holds shares in proportion to their representation in a market index, such as the S&P 500 is termed as Index Fund.

**Initial Public Offering (IPO):** An event where a company sells its shares to the public for the first time. The company can be referred to as an IPO for a period of time after the event.

**Inside Information:** Non-public knowledge about a company possessed by its officers, major owners, or other individuals with privileged access to information.

**Insider Trading:** The illegal use of non-public information about a company to make profitable securities transactions

**Insolvent:** Insolvent is a person who is unable to pay his debts as they mature, as his liabilities are more than the assets. Civil Courts declare such persons insolvent. Banks do not open accounts of insolvent persons as they cannot enter into contract as per law.

**Interest Warrant:** When cheque is given by a company or an organization in payment of interest on deposit, it is called interest warrant. Interest warrant has all the characteristics of a cheque.

**International Banking:** involves more than two nations or countries. If an Indian Bank has branches in different countries like State Bank of India, it is said to do International Banking.

**Introduction:** Banks are careful in opening any account for a customer as the prospective customer has to be introduced by an existing account holder or a staff member or by any other person known to the bank for opening of account. If bank does not take introduction, it will amount to negligence and will not get protection under law.

**Intrinsic Value:** The difference of the exercise price over the market price of the underlying asset.

**Investment:** A vehicle for funds expected to increase its value and/or generate positive returns.

**Investment Adviser:** A person who carries on a business which provides investment advice with respect to securities and is registered with the relevant regulator as an investment adviser.

**IPO price:** The price of share set before being traded on the stock exchange. Once the company has gone Initial Public Offering, the stock price is determined by supply and demand.

**JHF Account :** Joint Hindu Family Account is account of a firm whose business is carried out by Karta of the Joint family, acting for all the family members.. The family members have common ancestor and generally maintain a common residence and are subject to common social, economic and religious regulations.

**Joint Account:** When two or more individuals jointly open an account with a bank.

**Junk Bond:** High-risk securities that have received low ratings (i.e. Standard & Poor's BBB rating or below; or Moody's BBB rating or below) and as such, produce high yields, so long as they do not go into default.

**Karta:** Manager of a Hindu Undivided Family (HUF) who handles the family business. He is usually the eldest male member of the undivided family.

**Kiosk Banking:** Doing banking from a cubicle from which food, newspapers, tickets etc. are also sold.

**KYC Norms:** Know your customer norms are imposed by R.B.I. on banks and other financial institutions to ensure that they know their customers and to ensure that customers deal only in legitimate banking operations and not in money laundering or frauds.

**Law of Limitation:** Limitation Act of 1963 fixes the limitation period of debts and obligations including banks loans and advances. If the period fixed for particular debt or loan expires, one cannot file a suit for its recovery, but the fact of the debt or loan is not denied. It is said that law of limitation bars the remedy but does not extinguish the right.

**Lease Financing:** Financing for the business of renting houses or lands for a specified period of time and also hiring out of an asset for the duration of its economic life. Leasing of a car or heavy machinery for a specific period at specific price is an example.

**Letter of Credit:** A document issued by importers bank to its branch or agent abroad authorizing the payment of a specified sum to a person named in Letter of Credit (usually exporter from abroad). Letters of Credit are covered by rules framed under Uniform Customs and Practices of Documentary Credits framed by International Chamber of Commerce in Paris.

**Limited Companies Accounts:** Accounts of companies incorporated under the Companies Act 1956 . A company may be private or public. Liability of the shareholders of a company is generally limited to the face value of shares held by them.

**Leverage Ratio:** Financial ratios that measure the amount of debt being used to support operations and the ability of the firm to service its debt.

**Libor:** The London Interbank Offered Rate (or LIBOR) is a daily reference rate based on the interest rates at which banks offer to lend unsecured funds to other banks in the London wholesale money market (or interbank market). The LIBOR rate is published daily by the British Banker's Association and will be slightly higher than the London Interbank Bid Rate (LIBID), the rate at which banks are prepared to accept deposits.

**Limit Order:** An order to buy (sell) securities which specifies the highest (lowest) price at which the order is to be transacted.

**Limited Company:** The passive investors in a partnership, who supply most of the capital and have liability limited to the amount of their capital contributions.

**Line of Credit:** A pre-approved loan authorization with a specific borrowing limit based on creditworthiness. A line of credit allows borrowers to obtain a number of loans without re-applying each time as long as the total of borrowed funds does not exceed the credit limit.

**Loan-to-Value Ratio (LTV):** The ratio of the loan principal (amount borrowed) to the appraised value (selling price). For example, on INR 100,000 home, with a mortgage loan principal of INR 80,000, the loan-to-value ratio is 80 percent. The LTV will affect programs available to the borrower; generally, the lower the LTV, the more favourable the program terms offered by lenders.

**Liquidity:** The ability to convert an investment into cash quickly and with little or no loss in value.

**Listing:** Quotation of the Initial Public Offering company's shares on the stock exchange for public trading.

**Listing Date:** The date on which Initial Public Offering stocks are first traded on the stock exchange by the public

**Margin Call:** A notice to a client that it must provide money to satisfy a minimum margin requirement set by an Exchange or by a bank / broking firm.

**Market Capitalization:** The product of the number of the company's outstanding ordinary shares and the market price of each share is termed as market capitalization.

**Market Maker:** A dealer who maintains an inventory in one or more stocks and undertakes to make continuous two-sided quotes.

**Market Order:** An order to buy or an order to sell securities which is to be executed at the prevailing market price.

**Money Market:** Market in which short-term securities are bought and sold.

**Marginal Standing Facility Rate:** MSF scheme has become effective from 09th May, 2011 launched by the RBI. Under this scheme, Banks will be able to borrow upto 1% of their respective Net Demand and Time Liabilities. The rate of interest on the amount accessed from this facility will be 100 basis points (i.e. 1%) above the repo rate. This scheme is likely to reduce volatility in the overnight rates and improve monetary transmission.

**Mandate:** Written authority issued by a customer to another person to act on his behalf, to sign cheques or to operate a bank account.

**Material Alteration:** Alteration in an instrument so as to alter the character of an instrument for example when date, amount, name of the payee are altered or making a cheque payable to bearer from an order one or opening the crossing on a cheque.

**Merchant Banking :** When a bank provides to a customer various types of financial services like accepting bills arising out of trade, arranging and providing underwriting, new issues, providing advice, information or assistance on starting new business, acquisitions, mergers and foreign exchange.

**MICR Code:** MICR stands for Magnetic Ink Character Recognition. MICR Code comprises 9 digits given at the bottom (right side) of the cheque number. It is a unique code and varies between each bank branch.

MICR Code is required for cheque clearance. MICR Code is different from the IFSC code, which is also mentioned on a cheque.

**Micro Finance:** Micro Finance aims at alleviation of poverty and empowerment of weaker sections in India. In micro finance, very small amounts are given as credit to poor in rural, semi-urban and urban areas to enable them to raise their income levels and improve living standards.

**Minor Accounts:** A minor is a person who has not attained legal age of 18 years. As per Contract Act a minor cannot enter into a contract but as per Negotiable Instrument Act, a minor can draw, negotiate, endorse, receive payment on a Negotiable Instrument so as to bind all the persons, except himself. In order to boost their deposits many banks open minor accounts with some restrictions.

**Mobile Banking :** With the help of M-Banking or mobile banking customer can check his bank balance, order a demand draft, stop payment of a cheque, request for a cheque book and have information about latest interest rates.

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

**Money Market:** Money market is not an organized market like Bombay Stock Exchange but is an informal network of banks, financial institutions who deal in money market instruments of short term like CP, CD and Treasury bills of Government.

**Moratorium:** R.B.I. imposes moratorium on operations of a bank; if the affairs of the bank are not conducted as per banking norms. After moratorium R.B.I. and Government explore the options of safeguarding the interests of depositors by way of change in management, amalgamation or take over or by other means.

**Mortgage:** Transfer of an interest in specific immovable property for the purpose of offering a security for taking a loan or advance from another. It may be existing or future debt or performance of an agreement which may create monetary obligation for the transferor (mortgagor).

**Mutual Fund:** A company that invests in and professionally manages a diversified portfolio of securities and sells shares of the portfolio to investors.

**NABARD:** National Bank for Agriculture & Rural Development was setup in 1982 under the Act of 1981. NABARD finances and regulates rural financing and also is responsible for development agriculture and rural industries.

**Negotiation:** In the context of banking, negotiation means an act of transferring or assigning a money instrument from one person to another person in the course of business.

**Net Asset Value:** The underlying value of a share of stock in a particular mutual fund; also used with preferred stock.

**No-frills Account:** This account is a basic savings account provided by banks to make banking simpler and more accessible for all customers. In a no-frills account, you do not have to maintain minimum balance and enjoy basic banking facilities such as electronic funds transfer (EFT), netbanking, free cheque book issuance.

**Non-Fund Based Limits:** Non-Fund Based Limits are those type of limits where banker does not part with the funds but may have to part with funds in case of default by the borrowers, like guarantees, letter of credit and acceptance facility.

**Non-Resident:** A person who is not a resident of India is a non-resident.

**Non-Resident Accounts:** Accounts of non-resident Indian citizens opened and maintained as per R.B.I. Rules.

**Notary Public:** A Lawyer who is authorized by Government to certify copies of documents.

**NPA Account:** If interest and instalments and other bank dues are not paid in any loan account within a specified time limit, it is being treated as non-performing assets of a bank.

**Off Balance Sheet Items:** Those items which affect the financial position of a business concern, but do not appear in the Balance Sheet. Example: guarantees, letters of credit . The mention "off Balance Sheet items" is often found in Auditors Reports or Directors Reports.

**Offer for Sale:** An offer to the public by, or on behalf of, the holders of securities already in issue.

**Offer for Subscription:** The offer of new securities to the public by the issuer or by someone on behalf of the issuer.

**Online Banking:** Banking through internet site of the bank which is made interactive.

**Open-end (Mutual) Fund:** There is no limit to the number of shares the fund can issue. The fund issues new shares of stock and fills the purchase order with those new shares. Investors buy their shares from, and sell them back to, the mutual fund itself. The share prices are determined by their net asset value.

**Open Offer:** An offer to current holders of securities to subscribe for securities whether or not in proportion to their existing holdings.

**Open-End Credit:** A credit agreement (typically a credit card) that allows a customer to borrow against a preapproved credit line when purchasing goods and services. The borrower is only billed for the amount that is actually borrowed plus any interest due.

**Operating Subsidiary:** National banks conduct some of their banking activities through companies called operating subsidiaries. These subsidiaries are companies that are owned or controlled by a national bank and that, among other things, offer banking products and services such as loans, mortgages, and leases. The Office of the Comptroller of the Currency supervises and regulates the activities of many of these operating subsidiaries.

**Option:** A security that gives the holder the right to buy or sell a certain amount of an underlying financial asset at a specified price for a specified period of time.

**Oversubscribed:** When an Initial Public Offering has more applications than actual shares available. Investors will often apply for more shares than required in

anticipation of only receiving a fraction of the requested number. Investors and underwriters will often look to see if an IPO is oversubscribed as an indication of the public's perception of the business potential of the IPO company.

**Pass Book:** A record of all debit and credit entries in a customer's account. Generally all banks issue pass books to Savings Bank/Current Account Holders.

**Par Bond:** A bond selling at par (i.e. at its face value).

**Par Value:** The face value of a security.

**Perpetual Bonds:** Bonds which have no maturity date.

**Placing:** Obtaining subscriptions for, or the sale of, primary market, where the new securities of issuing companies are initially sold.

**Personal Identification Number (PIN):** Personal Identification Number is a number which an ATM card holder has to key in before he is authorized to do any banking transaction in an ATM.

**Plastic Money:** Credit Cards, Debit Cards, ATM Cards and International Cards are considered plastic money as like money they can enable us to get goods and services.

**Pledge:** A bailment of goods as security for payment of a debt or performance of a promise, e.g. pledge of stock by a borrower to a banker for a credit limit. Pledge can be made in movable goods only.

**PLR Rate:** The Prime Interest Rate is the interest rate charged by banks to their most creditworthy customers (usually the most prominent and stable business customers). The rate is almost always the same amongst major banks. Adjustments to the prime rate are made by banks at the same time; although, the prime rate does not adjust on any regular basis. The Prime Rate is usually adjusted at the same time and in correlation to the adjustments of the Fed Funds Rate. The rates reported below are based upon the prime rates on the first day of each respective month. Some banks use the name "Reference Rate" or "Base Lending Rate" to refer to their Prime Lending Rate.

**Post-Dated Cheque:** Cheque which bears the date which is subsequent to the date when it is drawn. For example, a cheque drawn on 8th of February, 2014 bears the date of 12th February, 2015.

**Power of Attorney:** It is a document executed by one person - Donor or Principal, in favour of another person, Donee or Agent - to act on behalf of the former, strictly as per authority given in the document.

**Portfolio:** A collection of investment vehicles assembled to meet one or more investment goals.



**Preference Shares:** A corporate security that pays a fixed dividend each period. It is senior to ordinary shares but junior to bonds in its claims on corporate income and assets in case of bankruptcy.

**Premium (Warrants):** The difference of the market price of a warrant over its intrinsic value.

**Premium Bond:** Bond selling above par.

**Present Value:** The amount to which a future deposit will discount back to present when it is depreciated in an account paying compound interest.

**Present Value of an Annuity:** The amount to which a stream of equal cash flows that occur in equal intervals will discount back to present when it is depreciated in an account paying compound interest.

**Price/Earnings Ratio (P/E):** The measure to determine how the market is pricing the company's common stock. The price/earnings (P/E) ratio relates the company's earnings per share (EPS) to the market price of its stock.

**Privatization:** The sale of government-owned equity in nationalized industry or other commercial enterprises to private investors.

**Prospectus:** A detailed report published by the Initial Public Offering company, which includes all terms and conditions, application procedures, IPO prices etc., for the IPO.

**Put Option:** The right to sell the underlying securities at a specified exercise price on or before a specified expiration date.

**Premature Withdrawals:** Term deposits like Fixed Deposits, Call Deposits, Short Deposits and Recurring Deposits have to mature on a particular day. When these deposits are sought to be withdrawn before maturity, it is premature withdrawal.

**Prime Lending Rate (PLR):** The rate at which banks lend to their best (prime) customers.

**Priority Sector Advances :** consist of loans and advances to Agriculture, Small Scale Industry, Small Road and Water Transport Operators, Retail Trade, Small Business with limits on investment in equipment, professional and self-employed persons, state sponsored organisations for lending to SC/ST, Educational Loans, Housing Finance up to certain limits, self-help groups and consumption loans.

**Promissory Note:** Promissory Note is a promise / undertaking given by one person in writing to another person, to pay to that person, a certain sum of money on demand or on a future day.

**Provisioning:** Provisioning is made for the likely loss in the profit and loss account while finalizing accounts of banks. All banks are supposed to make assets classification and make appropriate provisions for likely losses in their balance sheets.

**Public Sector Bank:** A bank fully or partly owned by the Government.

**Rate of Return:** A percentage showing the amount of investment gain or loss against the initial investment.

**Real Interest Rate:** The net interest rate over the inflation rate. The growth rate of purchasing power derived from an investment.

**Reconciliation:** The process of analyzing two related records and, if differences exist between them, finding the cause and bringing the two records into agreement. Example: Comparing an up-to-date check book with a monthly statement from the financial institution holding the account.

**Redlining:** The alleged practice of certain lending institutions of not making mortgage, home improvement, and small business loans in certain neighborhoods—usually areas that are deteriorating or considered by the lender to be poor investments.

**Redemption Value:** The value of a bond when redeemed.

**Reinvestment Value:** The rate at which an investor assumes interest payments made on a bond which can be reinvested over the life of that security.

**Relative Strength Index (RSI):** A stock's price that changes over a period of time relative to that of a market index such as the Standard & Poor's 500, usually measured on a scale from 1 to 100, 1 being the worst and 100 being the best.

**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.

**Residual Interest:** Interest that continues to accrue on your credit card balance from the statement cycle date until the bank receives your payment.

**For example, if your statement cycle date was January 10 and the bank received your payment on January 20, there were ten days for which interest accrued. This amount will be posted on your next statement.**

**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 these attractive interest rates.

**Reverse Mortgage:** A reverse mortgage is a special home loan product that allows a homeowner aged 62 or older the ability to access the equity that has accumulated in their home. The home itself will be the source of repayment. The loan is underwritten based on the value of the collateral (home) and the life expectancy of

the borrower. The loan must be repaid when you die, sell your home, or no longer live there as your principal residence.

**Revolving Credit:** A credit agreement (typically a credit card) that allows a customer to borrow against a preapproved credit line when purchasing goods and services. The borrower is only billed for the amount that is actually borrowed plus any interest due.

**Repurchase Agreement:** An arrangement in which a security is sold and later bought back at an agreed price and time.

**Resistance Level:** A price at which sellers consistently outnumber buyers, preventing further price rises.

**Return:** Amount of investment gain or loss.

**Rescheduling of Payment:** Rearranging the repayment of a debt over a longer period than originally agreed upon due to financial difficulties of the borrower.

**Restrictive Endorsement:** Where endorser desires that instrument is to be paid to particular person only, he restricts further negotiation or transfer by such words as "Pay to Ashok only". Now Ashok cannot negotiate the instrument further.

**Right of Appropriation:** As per Section 59 of the Indian Contract Act, 1972 while making the payment, a debtor has the right to direct his creditor to appropriate such amount against discharge of some particular debt. If the debtor does not do so, the banker can appropriate the payment to any debt of his customer.

**Right of Set-Off:** When a banker combines two accounts in the name of the same customer and adjusts the debit balance in one account with the credit balance in other account, it is called right of set-off. For example, debit balance of Rs.50,000/- in overdraft account can be set off against credit balance of Rs.75,000/- in the Savings Bank Account of the same customer, leaving a balance of Rs.25,000/- credit in the savings account.

**Rights Issue:** An offer by way of rights to current holders of securities that allows them to subscribe for securities in proportion to their existing holdings.

**Risk-Averse, Risk-Neutral, Risk-Taking:** Risk-averse describes an investor who requires greater return in exchange for greater risk.

Risk-neutral describes an investor who does not require greater return in exchange for greater risk.

Risk-taking describes an investor who will accept a lower return in exchange for greater risk.

**RTGS:** The RTGS or Real Time Gross Settlement System facilitates fund transfer within same bank or inter-bank transfers, but unlike NEFT, RTGS ensures the fund transfer fast and smooth in 'real-time' for a nominal fee.

The minimum transfer amount is higher than NEFT (usually Rs 2 lakh and above).

**Safe Custody:** When articles of value like jewellery, boxes, shares, debentures, Government bonds, Wills or other documents or articles are given to a bank for safe keeping in its safe vault, it is called safe custody.. Bank charges a fee from its clients for such safe custody.

**Savings Bank Account:** All banks in India are having the facility of opening savings bank account with a nominal balance. This account is used for personal purposes and not for business purpose and there are certain restrictions on withdrawals from this type of account. Account holder gets nominal interest in this account.

**Senior Bond:** A bond that has priority over other bonds in claiming assets and dividends.

**Settlement:** Conclusion of a securities transaction when a customer pays a broker/ dealer for securities purchased or delivered, securities sold, and receive from the broker the proceeds of a sale.

**Short Hedge:** A transaction that protects the value of an asset held by taking a short position in a futures contract.

**Short Position:** Investors sell securities in the hope that they will decrease in value and can be bought at a later date for profit.

**Short Selling:** The sale of borrowed securities, their eventual repurchase by the short seller at a lower price and their return to the lender.

**Signature Card:** A card signed by each depositor and customer of a bank which may be used as a means of identification. The signature card represents a contract between the bank and the depositor.

**SLR Rate:** 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.

SLR rate is determined and maintained by the RBI (Reserve Bank of India) in order to control the expansion of bank credit. SLR is determined as the percentage of total demand and percentage of time liabilities. Time Liabilities are the liabilities a commercial bank liable to pay to the customers on their anytime demand. SLR is used to control inflation and propel growth. Through SLR rate tuning the money supply in the system can be controlled efficiently.

**SDR (Special Drawing Rights):** It is an artificial currency created by the IMF in 1969. SDRs are allocated to member countries and can be fully converted into international currencies so they serve as a supplement to the official foreign reserves of member countries. Its value is based on a basket of key international currencies (U.S. dollar, euro, yen and pound sterling).

**Speculation:** The process of buying investment vehicles in which the future value and level of expected earnings are highly uncertain.

**Stale-Dated Check:** Presented to the paying bank 180 days (6 months) or more after the original issue date. Banks are not required by the Uniform Commercial Code to honor stale-dated checks and can return them to the issuing bank unpaid. The maker of a check can discourage late presentment by writing the words "not good after X days" on the back of the check.

**Standing Order:** It is an instruction that you give a bank to take a particular amount of money out of your account on a particular date, usually each month, to pay a person or an organization for you. A direct debit is a similar arrangement, except that the amount can change and is decided by the person who you are paying.

**Stock Splits:** Wholesale changes in the number of shares. For example, a two for one split doubles the number of shares but does not change the share capital.

**Stop Payment:** An order not to pay a check that has been issued but not yet cashed. If requested soon enough, the check will not be debited from the payer's account. Most banks charge a fee for this service.

**Subordinated Bond:** An issue that ranks after secured debt, debenture, and other bonds, and after some general creditors in its claim on assets and earnings. Owners of this kind of bond stand last in line among creditors, but before equity holders, when an issuer fails financially.

**Substantial Shareholder:** A person acquires an interest in relevant share capital equal to, or exceeding, 10% of the share capital.

**Support Level:** A price at which buyers consistently outnumber sellers, preventing further price falls.

**Teller:** Teller is a staff member of a bank who accepts deposits, cashes cheques and performs other banking services for the public.

**Technical Analysis:** A method of evaluating securities by relying on the assumption that market data, such as charts of price, volume, and open interest, can help predict future (usually short-term) market trends. This is contrasted with fundamental analysis which involves the study of financial accounts and other information about the company. (It is an attempt to predict movements in security prices from their trading volume history.)

**Time Horizon:** The duration of time an investment is intended for.

**Trading Rules:** Stipulation of parameters for opening and intra-day quotations, permissible spreads according to the prices of securities available for trading and board lot sizes for each security; are generally termed as trading rules.

**Trust Deed:** A formal document that creates a trust. It states the purpose and terms of the name of the trustees and beneficiaries.

**Uncollected Fund:** A portion of a deposit balance that has not yet been collected by the depository bank.

**Uniform Commercial Code (UCC):** A set of statutes enacted by the various States to provide consistency among the States' commercial laws. It includes negotiable instruments, sales, stock transfers, trust and warehouse receipts, and bills of lading.

**Uniform Gift to Minors Account:** A UGMA provides a child under the age of 18 (a minor) with a way to own investments. The money is in the minor's name, but the custodian (usually the parent) has the responsibility to handle the money in a prudent manner for the minor's benefit. The parent cannot withdraw the money to use for his or her own needs.

**Usury:** Charging an illegally high interest rate on a loan.

**Usury Rates:** The maximum rate of interest lenders may charge borrowers. The usury rate is generally set by State law.

**Underwriting:** is an agreement by the underwriter to buy on a fixed date and at a fixed rate, the unsubscribed portion of shares or debentures or other issues. Underwriter gets commission for this agreement.

**Universal Banking :** When Banks and Financial Institutions are allowed to undertake all types of activities related to banking like acceptance of deposits, granting of advances, investment, issue of credit cards, project finance, venture capital finance, foreign exchange business, insurance etc. it is called Universal Banking.

**Valuation:** Process by which an investor determines the worth of a security using risk and return concept.

**Virtual Banking:** Virtual banking is also called internet banking, through which financial and banking services are accessed via internet's World Wide Web. It is called virtual banking because an internet bank has no boundaries of brick and mortar and it exists only on the internet.

**Warrant:** An option for a longer period of time giving the buyer the right to buy a number of shares of common stock in company at a specified price for a specified period of time.

**Wholesale Banking:** Wholesale banking is different from Retail Banking as its focus is on providing for financial needs of industry and institutional clients.

**Window Dressing:** Financial adjustments made solely for the purpose of accounting presentation, normally at the time of auditing of company accounts.

**Yield (Internal rate of Return):** The compound annual rate of return earned by an investment

**Yield to Maturity:** The rate of return yield by a bond held to maturity when both compound interest payments and the investor's capital gain or loss on the security are taken into account.

**Zero Coupon Bond:** A bond with no coupon that is sold at a deep discount from par value.

## 4.4 ECONOMY RELATED TERMINOLOGY

**Absolute advantage:** The ability to produce something with fewer resources than other producers would use to produce the same thing

**Alternatives:** Options among which to make choices.

**Amortisation:** The running down or payment of a loan by instalments. An example is a repayment mortgage on a house, which is amortised by making monthly payments that over a pre-agreed period of time cover the value of the loan plus interest. With loans that are not amortised, the borrower pays only interest during the period of the loan and then repays the sum borrowed in full.

**Backwardation:** When a commodity is valued more highly in a spot market (that is, when it is for delivery today) than in a futures market (for delivery at some point in the future). Normally, interest costs mean that futures prices are higher than spot prices, unless the markets expect the price of the commodity to fall over time, perhaps because there is a temporary bottleneck in supply.

**Balance of trade:** The part of a nation's balance of payments that deals with merchandise (or visible) imports or exports.

**Barter:** The direct trading of goods and services without the use of money.

**Benefit:** The gain received from voluntary exchange.

**Bond:** A certificate reflecting a firm's promise to pay the holder a periodic interest payment until the date of maturity and a fixed sum of money on the designated maturity date.

**Business (firm):** Private profit-seeking organizations that use resources to produce goods and services.

**Capital:** All buildings, equipment and human skills used to produce goods and services.

**Capital resources:** Goods made by people and used to produce other goods and services. Examples include buildings, equipment, and machinery.

**Choice:** What someone must make when faced with two or more alternative uses of a resource (also called economic choice).

**Circular flow of goods and services (or Circular flow of economic activity):** A model of an economy showing the interactions between households and business firms as they exchange goods and services and resources in markets.

**Collateral:** Anything of value that is acceptable to a lender to guarantee repayment of a loan.

**Command economy:** A mode of economic organization in which the key economic functions--what, how, and for whom--are principally determined by government directive.

**Comparative advantage:** The principle of comparative advantage states that a country will specialize in the production of goods in which it has a lower opportunity cost than other countries.

**Competition:** The effort of two or more parties acting independently to secure the business of a third party by offering the most favourable terms.

**Complements:** Products that are used with one another such as hamburger and hamburger buns

**Consumers:** People whose wants are satisfied by consuming a good or a service.

**Consumption:** In macroeconomics, it is defined as the total spending, by individuals or a nation, on consumer goods during a given period. Strictly speaking, consumption should apply only to those goods totally used, enjoyed, or "eaten up" within that period. In practice, consumption expenditures include all consumer goods bought, many of which last well beyond the period in question --e.g., furniture, clothing, and automobiles.

**Consumer spending:** The purchase of consumer goods and services.

**Corporation:** A legal entity owned by stockholders whose liability is limited to the value of their stock.

**Costs of production:** All resources used in producing goods and services, for which owners receive payments.

**Deflation:** A sustained and continuous decrease in the general price level.

**Demand:** A schedule of how much consumers are willing and able to buy at all possible prices during some time period.

**Demand decrease:** A decrease in the quantity demanded at every price; a shift to the left of the demand curve.

**Demand increase:** An increase in the quantity demanded at every price; a shift to the right of the demand curve.

**Determinants of demand:** Factors that influence consumer purchases of goods, services, or resources.

**Determinants of supply:** Factors that influence producer decisions about goods, services, or resources.

**Distribution:** The manner in which total output and income is distributed among individuals or factors (e.g., the distribution of income between labour and capital).

**Division of labour:** The process whereby workers perform only a single or a very few steps of a major production task (as when working on an assembly line.)



**Durables:** Consumer goods expected to last longer than three years.

**Earn:** Receive payment (income) for productive efforts.

**Economic growth:** An increase in the total output of a nation over time. Economic growth is usually measured as the annual rate of increase in a nation's real GDP.

**Economic system:** The collection of institutions, laws, activities, controlling values, and human motivations that collectively provide a framework for economic decision making.

**Economic wants:** Desires that can be satisfied by consuming a good or a service. Some economic wants range from things needed for survival to things that are nice to have.

**Entrepreneur:** One who organizes, manages, and assumes the risks of a business or enterprise.

**Entrepreneurship:** The human resource that assumes the risk of organizing other productive resources to produce goods and services.

**Equilibrium price:** The market clearing price at which the quantity demanded by buyers equals the quantity supplied by sellers.

**Exchange:** Trading goods and services with others for other goods and services or for money (also called trade). When people exchange voluntarily, they expect to be better off as a result.

**Exchange rates:** The rate, or price, at which one country's currency is exchanged for the currency of another country.

**Excise Tax:** Taxes imposed on specific goods and services, such as cigarettes and gasoline.

**Exports:** Goods or services produced in one nation but sold to buyers in another nation.

**Factors of production:** Resources used by businesses to produce goods and services.

**Federal Reserve System:** The central bank and monetary authority of the United States.

**Final goods:** Products that end up in the hands of consumers.

**Fiscal policy:** A government's program with respect to (1) the purchase of goods and services and spending on transfer payments, and (2) the amount and type of taxes.

**Functions of money:** The roles played by money in an economy. These roles include medium of exchange, standard of value, and store of value.

**Full employment:** A term that can be used for multiple meanings depending on the context and the subject in focus. Historically, it was taken to be that level of employment at which no (or minimal) involuntary unemployment exists. Today economists rely upon the concept of the natural rate of unemployment to indicate the highest sustainable level of employment over the long run.

**Goods:** Objects that can satisfy people's wants.

**Government:** National, state and local agencies that use tax revenues to provide goods and services for their citizens.

**Gross domestic product (GDP):** The value, expressed in dollars, of all final goods and services produced in a year.

**Households:** Individuals and family units which, as consumers, buy goods and services from firms and, as resource owners, sell or rent productive resources to business firms.

**Human capital:** The health, strength, education, training, and skills which people bring to their jobs.

**Human resources:** The quantity and quality of human effort directed toward producing goods and services (also called labour).

**Incentives:** Factors that motivate and influence the behaviour of households and businesses. Prices, profits, and losses act as incentives for participants to take action in a market economy.

**Imports:** Goods or services bought from sellers in another nation.

**Income:** The payments made for the use of borrowed or loaned money.

**Increase in productivity:** When the same amount of an output can be produced with fewer inputs; more output can be produced with the same amount of inputs; or a combination of the two.

**Inflation:** A sustained and continuous increase in the general price level.

**Interdependence:** Dependence on others for goods and services; occurs as a result of specialization.

**Interest rates:** The price paid for borrowing money for a period of time, usually expressed as a percentage of the principal per year.

**Investment in capital goods:** Occurs when savings are used to increase the economy's productive capacity by financing the construction of new factories, machines, means of communication, and the like.

**Investment:** The purchase of a security, such as a stock or bond.

**Investment in capital resources:** Business purchases of new plant and equipment, or the investment in human capital - An action taken to increase the productivity of workers. These actions can include improving skills and abilities, education, health, or mobility of workers.

**Labour force:** Refers to that group of people 16 years of age and older who are either employed or unemployed.

**Labour market:** A setting in which workers sell their human resources and employers buy human resources.

**Labour union:** A group of employees who join together to improve their terms of employment.

**Land:** Natural resources or gifts of nature that are used to produce goods and services.

**Law of demand:** The principle that price and quantity demanded are inversely related.

**Law of supply:** The principle that price and quantity supplied are directly related.

**Loss:** Business situation in which total cost of production exceeds total revenue; negative profit.

**Market:** A setting where buyers and sellers establish prices for identical or very similar products, and exchange goods and/or services.

**Market economy:** An economic system where most goods and services are exchanged through transactions by private households and businesses. Prices are determined by buyers and sellers making exchanges in private markets.

**Medium of exchange:** One of the functions of money whereby people exchange goods and services for money and in turn use money to obtain other goods and services.

**Mixed economy:** The dominant form of economic organization in non-communist countries. Mixed economies rely primarily on the price system for their economic organization but use a variety of government interventions (such as taxes, spending, and regulation) to handle macroeconomic instability and market failures.

**Monetary policy:** The objectives of the central bank in exercising its control over money, interest rates, and credit conditions. The instruments of monetary policy are primarily open-market operations, reserve requirements, and the discount rate.

**Money:** Anything that is generally accepted as a medium of exchange with which to buy goods and services, a good that can be used to buy all other goods and services, that serves as a standard of value, and has a store of value.

**Money market:** A term denoting the set of institutions that handle the purchase or sale of short-term credit instruments like Treasury bills and commercial paper.

**National debt:** The net accumulation of federal budget deficits.

**National income:** The amount of aggregate income earned by suppliers of resources employed to produce GNP; net national product plus government subsidies minus indirect business taxes.

**Natural resources:** "Gifts of nature" that are used to produce goods and services. They include land, trees, fish, petroleum and mineral deposits, the fertility of soil, climatic conditions for growing crops, and so on.

**Non-durables:** Consumer goods expected to last less than three years.

**Non-price determinants of supply:** The factors that influence the amount a producer will supply of a product at each possible price. The non-price determinants of supply are the factors that can change the entire supply schedule and curve.

**Normal profit:** The minimum payment an entrepreneur expects to receive to induce the entrepreneur to perform entrepreneurial functions.

**Normative economics:** Normative economics considers "what ought to be" --value judgments, or goals, of public policy. Positive economics, by contrast, is the analysis of facts and behaviour in an economy, or "the way things are."

**Opportunity cost:** The next best alternative that must be given up when a choice is made.

**Physical capital:** Manufactured items used to produce goods and services.

**Price:** The money value of a unit of a good, service, or resource

**Prices:** The amounts that people pay for units of particular goods or services.

**Private goods:** A commodity that benefits the individual. An example is bread, which, if consumed by one person, cannot be consumed by another person.

**Producers:** People who use resources to make goods and services (also called workers).

**Production:** The making of goods available for use; total output especially of a commodity or industry.

**Productive resources:** All natural resources (land), human resources (labor), and human-made resources (capital) used in the production of goods and services.

**Productivity:** The ratio of output (goods and services) produced per unit of input (productive resources) over some period of time.

**Profit:** The difference between total revenues and the full costs involved in producing or selling a good or service; it is a return for risk taking.

**Property tax:** Taxes paid by households and businesses on land and buildings.

**Public goods:** A commodity whose benefits are indivisibly spread among the entire community, whether or not particular individuals desire to consume the public

good. For example, a public-health measure that eradicates smallpox protects all, not just those paying for the vaccinations. These goods are often provided by the government. To be contrasted with private goods.

**Quantity demanded:** The amount of a product consumers will purchase at a specific price.

**Quota:** A legal limit on the quantity of a particular product that can be imported or exported.

**Quantity supplied:** The amount of a product producers will produce and sell at a specific price

**Revenue:** Payments received by businesses from selling goods and services.

**Sales tax:** Taxes paid on the goods and services people buy.

**Save:** Set aside earnings (income) for a future use.

**Saving:** Occurs when individuals, businesses, and the economy as a whole do not consume all of current income (or output).

**Scarcity:** The condition that results from the imbalance between relatively unlimited wants and the relatively limited resources available for satisfying those wants.

**Services:** Activities that can satisfy people's wants.

**Shortage:** The situation resulting when the quantity demanded exceeds the quantity supplied of a good or service, usually because the price is for some reason below the equilibrium price in the market.

**Specialists:** People who produce a narrower range of goods and services than they consume (also called specialized workers).

**Specialization:** The situation in which people produce a narrower range of goods and services than they consume.

**Spend:** Use earnings (income) to buy goods and services.

**Standard of living:** A minimum of necessities, comforts, or luxuries held essential to maintaining a person or group in customary or proper status or circumstances.

**Standard of value:** One of the functions of money whereby the value of goods and services is expressed in money terms (prices).

**Stock:** A certificate reflecting ownership of a corporation.

**Store of value:** One of the functions of money allowing people to save current purchasing power to buy goods and services in a future time period.

**Substitutes:** Products that can replace one another such as butter and margarine.

**Supply:** A schedule of how much producers are willing and able to sell at all possible prices during some time period.

**Supply decrease:** A decrease in the quantity supplied at every price; a shift to the left of the supply curve.

**Supply increase:** An increase in the quantity supplied at every price; a shift to the right of the supply curve.

**Surplus:** The situation resulting when the quantity supplied exceeds the quantity demanded of a good or service, usually because the price is for some reason below the equilibrium price in the market.

**Tariff:** A tax on an imported good.

**Taxes:** Required payments of money made to governments by households and business firms.

**Total cost:** Cost of resources used in producing a product multiplied by the quantity produced.

**Total revenue:** Selling price of a product multiplied by the quantity demanded.

**Trade agreement:** An international agreement on conditions of trade in goods and services.

**Trade-off:** Giving up some of one thing to get some of another thing.

**Traditional economy:** A mode of economic organization which borrows economic decisions made at an earlier time or by an earlier generation

**Unemployment:** The situation in which people are willing and able to work at current wage rates, but do not have jobs.

**Wages:** The payment resource earners receive for their labour.

**Work:** Employment of people in jobs to make goods or services.

## 4.5 STOCK MARKET TERMINOLOGY

Stock market trading goes back about 200 years. In the US, the colonial government used to sell bonds in order to finance the war. The government promised to pay the buyers of bonds at a later date. It was during this time that private banks started issuing stocks of companies to raise money.

In 1972, twenty four big merchants joined hands to create the New York Stock Exchange (NYSE). The daily meeting in Wall Street for trading bonds and stocks was also initiated during this time. In the early half of the 19th century, the US witnessed rapid economic growth. The companies understood that investors were eager to have partial ownership so they offered stocks. By the turn of the 20th century, stocks worth millions of dollars were traded and the stock markets began to grow globally. Today the stock exchanges such as NYSE, London Stock Exchange, and the Tokyo Stock Exchange have a major impact on global economy and commerce.

Exchanges act as the clearinghouse for every transaction which means that they collect and deliver the shares, guaranteeing payment to the sellers.

- **NYSE:** A history of the New York Stock Exchange.
- **SEC:** The official website of the US Securities and Exchange Commission.
- **London Stock Exchange:** Here's a history of the London Stock Exchange.
- **NASDAQ:** The largest electronic-based stock exchange in the United States.
- **CBOE:** The largest options exchange in the world.

Now, let us have a look at the detailed glossary of stock market terms, suitable for banking exams.

**After-hours Deal:** The stock market usually closes at 4:00pm. After this scheduled time, deals can also be made but the transaction is dated the next day, known as an after-hours deal.

**Annual Report:** An audit report to shareholders produced yearly. This report is produced by all publicly quoted companies.

**Averaging Down:** This refers to an investor buying more stock as the price goes down. This makes it so your average purchase price decreases.

**Balance Sheet:** The financial statement which shows the liabilities and assets of a company.

**Bargain:** Regarding sale or purchase in the stock market, bargain is a common word.

**Bear Market:** This is trading talk for the stock market being in a down trend, or a period of falling stock prices. This is the opposite of a bull market.

**Bearer Stocks:** This is the stock that is unregistered with the owner's name.

**Bed and Breakfast Deal:** This refers to the sale of share and repurchase on another day. It's done to set up profit or loss for the purpose of tax.

**Beta:** A measurement of the relationship between the price of a stock and the movement of the whole market. If stock XYZ has a beta of 1.5, that means that for every 1 point move in the market, stock XYZ moves 1.5 points and vice versa.

**Bid Price:** This term indicates the sale price of stocks or shares.

**Blue Button:** Refers to the stockbroker's clerk. Only a blue button is allowed on the trading floor.

**Blue Chip:** These are shares of big and reputed companies.

**Bull:** A person who considers the share price of the stock exchange to be on the rise.

**Call:** An extra installment due on shares.

**Capital:** The amount of money used for setting up a new business.

**Cash Settlement:** In the stock exchange, there are certain deals like Gilts which are rendered for cash and not for account settlement. They are settled the next day of the deal.

**Contract Note:** This is a printed confirmation letter from any broker indicating a bargain which is carried out.

**Coupon:** Refers to interest amount payable only for fixed interest stock.

**Cum Dividend:** These are shares that are sold, allowing the buyer to receive the following dividend.

**Dawn Raid:** Refers to the buying of a huge amount of shares in the morning at the opening of stock market.

**Dealing:** This means the purchase and sale of shares.

**Debenture:** The stock that a company issues which are backed by assets.

**Depreciation:** The amount of money set aside for replacement of the assets.

**Dividend:** The part of the company's profits which is usually distributed to company's shareholders, normally on regular basis.

**Equities:** These are the ordinary shares. They are different from debenture and also from loan stock.

**Ex-dividend:** The share which is bought without any right for receiving the next dividend. This is usually retained by sellers.

**Final Dividend:** This is the dividend which is declared according to the company's annual results.

**Futures:** Contracts that allow any holder the legal right to buy or sell Indexes and Commodities in the future at a price set today.

**Gross:** The interest paid without deducting of tax.

**Hedge:** This means to insure the risk. This is used to limit your losses. You can do this by taking an offsetting position. For example, if you hold 100 shares of XYZ, you could short the stock or futures positions on the stock.



**Index:** An index is a benchmark which is used as a reference marker for traders and portfolio managers. A 10% may sound good, but if the market index returned 12%, then you didn't do very well since you could have just invested in an index fund and saved time by not trading frequently. Examples are the Dow Jones Industrial Average and Standard & Poor's 500.

**Initial Public Offering:** The issue of new shares by a previously private company as it becomes a public company.

**Limit Order:** This is an order to any stockbroker specifying any fixed price limit.

**Liquidation:** Converting the prevailing assets to cash.

**Loan Stock:** It is the stock that bears a fixed interest rate. It's different from debenture stock because it's not required to be secured by any asset.

**Nominee:** The term refers to a person acting on the behalf of another in the stock market in documentary as well as financial affairs.

**Offer Price:** Refers to the specific price at which one can buy stocks and shares.

**Options:** The term means the right to purchase and sell a particular share at a particular price within a particular period.

**Ordinary Share:** This is a share where the dividends usually vary in the amount.

**Over the Counter Market (OTC):** Refers to a marketplace outside the main stock market.

**PLC:** This means Public Limited Company (formerly Ltd). In the stock market, some public limited companies are not always quoted.

**Portfolio:** A selection of shares usually held by a person or fund.

**Proxy:** Anybody who votes on another person's behalf if the person is unable to attend a shareholders' meeting.

**Rally:** A rapid increase in the general price level of the market or of the price of a stock.

**Sector:** A group of stocks that are in the same business. An example would be the "Technology" sector including companies like Apple and Microsoft.

**Spread:** This is the difference between the bid and the ask prices of a stock, or the amount someone is willing to buy it and someone is willing to sell it.

**Stock Symbol:** A one-character to three-character, alphabetic root symbol, which represents a publically traded company on a stock exchange. Apple's stock symbol is AAPL.

**Volatility:** This refers to the price movements of a stock or the stock market as a whole. Highly volatile stocks are ones with extreme daily up and down movements and wide intraday trading ranges. This is often common with stocks that are thinly traded, or have low trading volumes.

**Yearlings:** Bonds issued for twelve-month term, mainly by local authorities.

**Yield:** The gross dividend presented as the percentage of the share price

## **4.6 BANKING RELATED GOVERNMENT SCHEMES**

In this sub-section, we have listed the most popular banking related government schemes. The list gives an overview of all similar schemes where banks have a role to play.

### **Scheme: Affordable Housing in Partnership**

The Government had launched the Affordable Housing In Partnership (AHIP) scheme with an outlay of Rs. 5000 crore for construction of one million houses for the EWS/ LIG/ middle income group (MIG) with at least 25 per cent for the EWS category. The scheme aimed at partnership between various agencies/ Government/ parastatals/ ULBs/ developers for realizing the goal of affordable housing for all.

### **Scheme: Bharat Nirman**

The scheme was implemented and extended in three phases, from (2005 - 2009), (2009 - 2012), (2012- 2014). It is centrally sponsored scheme for the rural development of India started.

There are 6 objectives in the scheme:

- To provide all weather road connectivity to the villages which have more than 1000 population in plain areas and 500 population in hilly areas.
- To bring 10 million hectares of land under irrigation facility and to make 1.4 million hectares of additional land for arable land (for the use of agriculture)
- To provide clean drinking water to all the villages by the end of 2012 under Rajiv Gandhi payjalyojana
- To electrify 1, 76,000 villages by the end of 2012 under Rajiv Gandhi Vidyutikaranyojna
- To construct Pakka houses for BPL house- holds under Indira AwasYojana (Now from April 1st 2013 cash assistance Rs. 70000 for plain areas and Rs. 75000 for hilly areas) previously it was Rs. 40000 for plain areas and Rs. 45000 for hilly areas
- To provide telephone connectivity to all villages and all BPL holders by 2012

Note: Later, all these objectives are extended till 2014.

### **Scheme: Jawaharlal Nehru National Urban Renewal Mission**

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) scheme was implemented and extended in two phases, (2005 - 2012), (2012 - 2014). It started in the year 2005 to make million plus cities squatter (Slum area) free. There are 2 components of the scheme:

- To construct pakka houses for urban poor dwelling in squatter under Rajiv AwasYojana
- To make transportation system faster and greener

**Scheme: National Rural Health Mission**

National Rural Health Mission (NRHM) was started on 12th April 2005 to enhance the health facilities in rural areas. It also included the appointment of ASHA (Accredited social health activist) workers in Anganwadi Kendra to provide basic information on health and hygiene conditions as well as to guide people regarding conservation of water.

**Scheme: Mahatma Gandhi National Rural Employment Guarantee Act**

The scheme was started on 2nd February, 2006 to provide minimum 150 days (from 1st April 2013) of employment to Below Poverty Line households. This scheme was both for Urban and Rural areas. The old name of this scheme is NREGA and it was changed to MGNREGA on 2nd Oct 2009. The wages under the scheme is fixed on the basis of CPI-AL (Consumer Price Index for Agricultural Laborers) which is calculated by the state government on the basis of their Per capita Income.

**Scheme: Unique Identification Authority of India**

The scheme was started in the year 2010 to provide multipurpose national identity card (MNIC) to every citizen aged above 5 years. Later, its name was changed to Aadhar. The model state for the scheme was Karnataka. The scheme had 7 components like address, PAN number, Passport number, retinal identity etc. Nandan Nilkani was appointed as the chairman for the scheme.

**Scheme: Indira Gandhi National Old age Pension Scheme**

The scheme was meant for the people aged above 65 years. Under this scheme, the amount of Rs. 400 per month (Central government + State government = Rs. 200 + Rs. 200) will be provided by both Central government and State government to the people who were aged between 65 – 80 years and Rs. 500 per month (Central government + State government = Rs. 250 + Rs. 250) were to be provided to the people who aged more than 80 years.

**Scheme: Indira Gandhi National Widow Pension Scheme**

The beneficiaries of the scheme are in the age group of 40-64 years. Assistance of Rs. 400 per month (Central government + State government = Rs. 200 + Rs. 200) was to be provided as part of the scheme.

**Scheme: Pooled Finance Development Fund Scheme**

The Pooled Finance Development Fund Scheme (PFDF) has been set up by the Central Government of India. The main aim of the Government authorities is to provide credit enhancement facilities to Urban Local Bodies based on their credit

worthiness. This will enable them to access market borrowings through state- level pooled mechanism. PFDF is to ensure availability of resources to Urban Local Bodies in order to improve urban infrastructure and ultimately attain the goal of self - sustainability.

Objectives of the Scheme are as follows:

- Decentralization of economic growth and power.
- Improving infrastructural facilities and creating durable public assets in cities.
- Promoting resource generated schemes for Urban Local Bodies to improve overall financial scenario.

### **Scheme: Swarnjayanti Gram SwarajgarYojana**

The Swarnjayanti Gram SwarajgarYojana (SGSY) is a major ongoing scheme launched in April 1999 to help poor rural families (Swarozgaris) cross the poverty line by assisting them to take up income-generating economic activities through a mix of bank credit and government subsidy. The scheme involves selection of key activities, planning of activity clusters, organization of the poor into self-help groups (SHGs), and building of their capacities through training and skill development, creation of infrastructure, and technological and marketing support.

The SGSY specially focuses on vulnerable sections among the rural poor with SCs/STs to account for at least 50 per cent and women 40 per cent of the swarozgaris. The share of minorities and disabled persons will be 15 per cent and 3 per cent respectively. Also, 15 per cent of the SGSY allocation is set apart for special projects that are implemented with different models of self-employment generation and to enhance the income-generating capacity of the rural poor.

## **4.7 TECHNOLOGY AND INNOVATION IN BANKING**

Managing costs effectively can only take your business so far. What banks really need is accelerated growth, especially in fast paced developing nations like India. Whether banks are entering new markets, introducing innovative new products, or initiating transformational process changes, they need to aggressively unlock the key value levers of technology. The advent of the digital consumer, new commerce changing the rules of the game, and the emergence of the cloud are some significant examples.

Accelerating innovation will enable banks to withstand any tremors, counter market forces, spark growth, and create competitive advantage. However, banks must be careful to invest energies in meaningful innovation, which contributes to agility, efficiency, growth, and value creation for the organization, customers, and partners. Product, service, or process innovation initiatives must be aligned with the new reality defined by higher customer expectations, tighter resources, fiercer competition, and stricter regulations.

Although banks innovate from time to time, most do not have a cohesive innovation strategy in place. That needs to change, and quickly. While laying down the vision for innovation, senior management must ensure ground-level support by way of technology infrastructure, employee training, and a collaborative partner network. This is the proven path to accelerate innovation and build tomorrow's bank.

The future of banking institutions depends on how successfully they meet the following expectations:

- Managing consumer-driven sales
- Complying with emerging regulations
- Tackling competition
- Coping with organizational restructuring
- Regaining consumer confidence
- Managing green regulations
- Staying abreast with changing technologies
- Adopting cross-industry best practices

While innovation is often considered to be something new, it very often can be based on rethinking how existing processes or systems are used; in other words, doing it better. Innovation from banks perspective can merely be an activity which helps to achieve the increase in directly touching the customers and come up with newer products and services as the result of the same. In the highly commoditized transaction banking market, like that of India, it is critical that innovation is used to improve accessibility of banking products and services, improve the client experience and reduce operational cost for both the corporate client and the banks.

It is overwhelming to see that banks in India have started the journey of transformation leveraging innovation and technology and the results of the same have already started reflecting the benefits to both the customers and the banks.

### **Biometrics**

Today, banks across the country have started setting up ATMs enabled with biometric technology to tap the potential of rural markets. A large proportion of the population in such centers does not adopt technology as fast as the urban centers due to the large scale illiteracy. Development of biometric technology has made the use of self-service channels like ATMs viable with respect to the illiterate population. Though expensive to install, the scope of biometrics is expanding rapidly. It provides for better security system, by linking credentials verification to recognition of the face, fingerprints, eyes or voice.

Some large banks of the country have taken their first steps towards large scale introduction of biometric ATMs, especially for rural banking. At the industry level, however, this technology is yet to be adopted; the high costs involved largely accounting for the delay in adoption.

### **Multi-lingual and Multi-Functional ATMs**

Installation of multilingual ATMs has now become a running reality in many parts of the country. This technological innovation is also aimed at the rural banking business that is believed to have large untapped potential.

Multifunctional ATMs have been introduced as well in many parts of the country, especially in the urban areas. Multifunctional ATMs are equipped to perform other functions, besides dispensing cash and providing account information. Mobile recharges, ticketing, bill payment, and advertising are relatively new areas that are explored these days via multifunctional ATMs, which have the potential to become revenue generators for the banks by effecting sales, besides acting as delivery channels.

### **Satellite Banking in India**

Satellite banking is one of the latest technological innovations in the Indian banking industry, and it is expected to help solving the problem of weak terrestrial communication links in many parts of the country.

The use of satellites for establishing connectivity between branches will help banks to reach rural and hilly areas in a better way, and offer better facilities, particularly in relation to electronic funds transfers. However, this involves very high costs to the banks. Hence, RBI would be bearing a part of the leased rentals for satellite connectivity, if the banks use it for connecting the north eastern states and the under banked districts.

## **SMAC Technologies being used by Banks in India**

Disruptive technologies as latest as SMAC (Social, Mobile, Analytics and Cloud) are carving a new path of innovation in banking functions and strategy in Indian banking sector.

Today, banks in India use social media campaigns quite frequently to get leads. They are using social media aggregators to help interpret unstructured data. In addition, banks are also leveraging technology in bringing improvements in operational efficiency. In coming days, major investments by banks in technology will be primarily around how it can help with regular maintenance and improvements in infrastructure.

Indian banks have reached a stage where technology is being used as a value lever to traverse a fast-paced growth trajectory.

Innovation to help develop the product, process and service is the new mantra. Increased customer awareness has mandated banks to align their strategies to provide an enhanced customer experience. The advent of social media, changing regulatory environments and other macro-economic factors are further strengthening the strategic role that technology is playing in the banking industry. Innovations in technology will help banks change the equation between cost and access to a wider customer base.

Banks are already investing in platforms such as integrated payment hubs which supplement existing core banking systems and provide a consolidated view across all payment channels. Big data use in payments or unstructured areas like social media, customer care and internal communications will mature. The sector is likely to witness increased use of mobile specific features such as geo location, camera or scanning and voice identification.

Banks in the small to medium space will start looking for entire core banking platforms as a service, while more established banks increase cloud adoption in non-core areas such as HR. There is a lot of opportunity in the social media universe to target customers, garner their interest and cater to their specific requirements.

Considering the huge volume of data that is actually available across these sites, there is a need to segregate and filter it all to gain an insight into customer behaviour trends and preferences. The use of smart phones and tablets has also helped increase the traffic on mobile banking transactions. However, there still remains scope for growth.

## **Technology Vendors of Indian Banks**

Many Indian banks handled technological issues and innovations in house till the late 1990s. However, the complications of the business necessitated the engagement of specialized vendors to handle complex issues and have the technology outsourced to IT vendors to facilitate the banks in functioning. IT Vendors have helped respective client banks to introduce specialized software solutions to help in their

risk management systems, retail and corporate banking, card management systems, complete back office support including data management systems.

Some of the major technology vendors for banks are listed in the table below.

<b>Infosys</b>	<b>Finacle</b> – Core banking solution, e-banking, CRM, Treasury Management, Cash Management, Wealth Management and much more.
<b>i-Flex</b>	<b>Flexcube</b> – Core banking solution, retail, corporate and internet banking, asset management and investor services. Other services include Flexcube lending suite, Islamic Banking and Risk Management solutions.
<b>Nucleus Software</b>	<b>Finnone</b> – Retail Banking solution, Cash Management, Internet Banking, Card Management, Risk Management and much more.
<b>TCS</b>	<b>TCS BaNCS</b> – suit of solutions covering banking, capital market and insurance related solutions



## **4.8 COMMON ISSUES FACED BY BANKS IN INDIA**

The Indian banking sector is subject to frequent modifications in risk and regulatory requirements. A few are currently doing the rounds and it is essential for banks to understand the implications regulations such as foreign account tax compliance act (FATCA) and anti-money laundering (AML) on their operations and take the necessary measures to mitigate risk.

Compliance with ADF- the Automated Data Flow (ADF) mandate by the RBI was initiated to strengthen the regulatory reporting model. Till today, only 63% of the banks are fully compliant with the ADF requirement and have implementation plans in place.

The key challenges for banks include:

- Lack of consistent, yet personalized services across multiple channels
- Lack of smart customer-segmentation to increase the cross-selling and up-selling abilities
- Inability to increase the wallet share of existing customers
- Optimizing the initial stages of customer interaction
- Lack of a robust mechanism for customer grievance and query resolution • Inadequate training to staff on how to provide a rich holistic experience
- Low focus on providing the service experience to smaller retail client
- Data aggregation and mining to detect frauds

In addition to the above, some other common issues being faced by banks in India are:

- Increasing the penetration to rural areas and tapping the untapped rural market potential
- Deceleration in economic growth impacting expansion of banking sector
- Maintaining asset quality in the face of growing non-performing assets and restructuring of advances
- Augmenting capital and maintaining prudential capital
- Preserving and augment profitability in a stressed environment
- Implementing financial inclusion & Direct Benefits Transfer
- Increased competition from both within the banking sector with various banks becoming aggressive
- Adopting and adapting to technological changes/innovation to meet regulatory norms and tap alternative channels
- Improving quality of human resources for working efficiently under the latest technological developments

# SECTION 5 Reserve Bank of India

## 5.1 INTRODUCTION TO RESERVE BANK OF INDIA

The 'Reserve Bank of India' is India's Central Banking Institution, controls the Monetary Policy of the Indian Rupee and plays an important role in the Development Strategy of the Government of India. It was established on April 1, 1935 and has the head quarter at Shahid Bhagat Singh Marg, Mumbai, Maharashtra.

It is also a member bank of the Asian Clearing Union.

### 5.1.1 Structure of Reserve Bank of India

#### *Central Board of Directors*

The general superintendence and direction of the RBI is entrusted with the 21-member Central Board of Directors. This is the main and the most critical committee of the Central Bank, with the directors appointed for a 4 year term by the Government of India.

The Central Board consists of:

- Governor of Reserve Bank of India (currently Dr. Raghuram Rajan)
- 4 Deputy Governors
- 2 Finance Ministry Representatives
- 4 directors to represent local boards headquartered at Mumbai, Kolkata, Chennai and New Delhi.
- 10 government-nominated directors to represent important elements from India's economy

#### *Governors*

The current Governor of RBI is Raghuram Rajan. In addition, there are 4 Deputy Governors:

- H R Khan
- Dr. Urjit Patel

- R Gandhi, and
- SSMundra

One of the four Deputy Governors is traditionally from RBI ranks, and is selected from the Bank's Executive Directors. As for the rest, one is nominated from among the Chairpersons of Public Sector Banks, and the other is an economist of repute.

It is also often seen that an officer of Indian Administrative Service is appointed Deputy Governor of RBI and later as the Governor of RBI. The case of Y. Venugopal Reddy, an officer of Indian Administrative Service batch of 1964 is a noted example for this trend in the RBI.

## Supportive bodies

The Reserve Bank of India has four regional representations:

- New Delhi for North
- Chennai for South
- Kolkata for East
- Mumbai for West

Each regional representation consists of five members, appointed for four years by the central government to serve as a forum for regional banks and to deal with delegated tasks from the central board. The institution has 22 regional offices.

The Board of Financial Supervision (BFS), formed in November 1994, serves as a CCBD committee to control the financial institutions. It has four members, appointed for two years, and takes measures to strengthen the role of statutory auditors in the financial sector, external monitoring and internal controlling systems.

On 1 July 2007, the Reserve Bank of India created a new customer service department to enhance the quality of customer service and strengthen the grievance redressal mechanism.

## Offices and Branches

The Reserve Bank of India has four zonal offices and 19 regional offices at most of the state capitals and at a few major cities in India. Few of these are located at:

- Ahmedabad
- Bangalore
- Bhopal
- Bhubaneswar
- Chandigarh
- Chennai (Zonal Office)
- Delhi (Zonal Office)
- Guwahati
- Hyderabad

- Jaipur
- Jammu
- Kanpur
- Kolkata (Zonal Office)
- Lucknow
- Mumbai (Zonal Office)
- Nagpur
- Patna
- Thiruvananthapuram

The Central Bank also has 10 sub-offices located at:

- Agartala
- Dehradun
- Gangtok
- Kochi
- Panaji
- Raipur
- Ranchi
- Samana
- Shillong
- Shimla
- Srinagar

The bank has also two training colleges for its officers:

- Reserve Bank Staff College at Chennai
- College of Agricultural Banking at Pune

### **5.1.2 Functions of Reserve Bank of India**

#### **Banker of Banks**

The Reserve Bank of India works as a central bank for all the banks, where commercial banks are the account holders and can deposit money. RBI maintains banking accounts of all scheduled banks.

Commercial banks create credit. RBI controls the credit to the banks through the Cash Reserve Ratio (CRR), bank rate and open market operations. As banker of banks, the RBI facilitates the clearing of cheques between the commercial banks and helps inter-bank transfer of funds. It can also grant financial accommodation to scheduled banks. It acts as the lender of the last resort by providing emergency

advances to the banks. Last but not the least, the RBI supervises the functioning of commercial banks and takes action against them if need arises.

## Bank of Issue

Under Section 22 of the Reserve Bank of India Act 1934, the Central Bank has the sole right to issue bank notes of all denominations (except one rupee notes and coins, which were issued by the Ministry of finance, and now are stopped from being issued. The distribution of one rupee notes and coins and small coins all over the country was undertaken by the Reserve Bank as agent of the Government.).

The Reserve Bank has a separate Issue Department which is entrusted with the issue of currency notes. The assets and the liabilities of the Issue Department are kept separate from those of the Banking Department.

For printing of notes, the Security Printing and Minting Corporation of India Limited (SPMCIL), a wholly owned company of the Government of India, has set up printing presses at Nashik, Maharashtra and Dewas, Madhya Pradesh. The Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL), a wholly owned subsidiary of the Reserve Bank, also has set up printing presses at Mysore in Karnataka and Salboni in West Bengal. In total, there are four printing presses for notes and minting of coins. The four coin mints are at Mumbai, Noida (UP), Kolkata and Hyderabad.

## Regulator and Supervisor of the Indian Financial System

The Reserve Bank of India also acts as the regulator and supervisor of the Indian Financial System. It prescribes and recommends the broad financial parameters of banking operations within which the country's banking and financial system functions.

Major objectives of the Reserve Bank revolve around maintaining public confidence in the system, protecting depositors' interest and providing cost-effective banking services to the public.

## Regulation of Policy Rates and Reserve Ratios

**Bank Rate:** It is the rate of interest which a central bank charges on the loans and advances to a commercial bank. Whenever a bank has a shortage of funds, they can typically borrow from the central bank based on the monetary policy of the country.

RBI lends (no collateral required for long term lendings) to the commercial banks through its discount window to help the banks meet depositor's demands and reserve requirements for long term. If the RBI wants to increase the liquidity and money supply in the market, it will decrease the bank rate and if RBI wants to reduce the liquidity and money supply in the system, it will increase the bank rate.

**Cash Reserve Ratio:** Cash Reserve Ratio (CRR) is a specified minimum fraction of the total deposits of customers, which commercial banks have to hold as reserves

either in cash or as deposits with the central bank. CRR is set according to the guidelines of the central bank. The amount specified as the CRR is held in cash and cash equivalents, is stored in bank vaults or parked with the Reserve Bank of India. The aim here is to ensure that banks do not run out of cash to meet the payment demands of their depositors.

CRR is a crucial monetary policy tool and is used for controlling money supply in an economy. CRR specifications give greater control to the central bank over money supply. RBI can prescribe Cash Reserve Ratio (CRR) for scheduled banks without any floor rate (minimum limit) or ceiling rate (maximum limit).

RBI uses this tool to increase or decrease the reserve requirement depending on whether it wants to affect a decrease or an increase in the money supply. An increase in Cash Reserve Ratio (CRR) will make it mandatory on the part of the banks to hold a large proportion of their deposits in the form of deposits with the RBI. This will reduce the size of their deposits and they will lend less. This will in turn decrease the money supply.

**Statutory Liquidity Ratio:** Statutory Liquidity Ratio (SLR) refers to the amount that the commercial banks require to maintain in the form of gold or government approved securities before providing credit to the customers. Approved securities refer to bonds and shares of different companies.

SLR is determined and maintained by the Reserve Bank of India in order to control the expansion of bank credit. Higher SLR forces commercial banks to maintain a larger proportion of their resources in liquid form and thus reduces their capacity to grant loans and advances, thus it is an anti-inflationary impact. A higher liquidity ratio diverts the bank funds from loans and advances to investment in government and approved securities.

**Repo Rate:** It is the rate at which the central bank of a country lends money to commercial banks in the event of any shortfall of funds. Repo rate is used by monetary authorities like Reserve Bank of India (for India) to control inflation. In the event of inflation, central banks increase repo rate as this acts as a disincentive for banks to borrow from the central bank. This ultimately reduces the money supply in the economy and thus helps in arresting inflation. The central bank takes the contrary position in the event of a fall in inflationary pressures.

**Difference between Repo Rate and Bank Rate:** Repo rate is the rate at which banks borrow funds from the RBI to meet the gap between the demand they are facing for money (loans) and how much they have on hand to lend. If the RBI wants to make it more expensive for the banks to borrow money, it increases the repo rate; similarly, if it wants to make it cheaper for banks to borrow money, it reduces the repo rate. However, Bank Rate reflects the central bank's long-term outlook on interest rates. If the bank rate moves up, long-term interest rates also tend to move up, and vice-versa. Banks make a profit by borrowing at a lower rate and lending the same funds at a higher rate of interest. If the RBI hikes the bank rate, the interest that a bank

pays for borrowing money (banks borrow money either from each other or from the RBI) increases. It, in turn, hikes its own lending rates to ensure it continues to make a profit.

**Reverse Repo Rate:** It is the rate at which the central bank of a country borrows money from commercial banks within the country. It is a monetary policy instrument which can be used to control the money supply in the country.

An increase in the reverse repo rate will decrease the money supply and vice-versa, other things remaining constant. An increase in it means that commercial banks will get more incentives to park their funds with the RBI, thereby decreasing the supply of money in the market.

**Value of the above discussed ratios and rates (as of July 15, 2014)**

S. No	Rate / Ratio	Value
1.	Bank Rate	9.00%
2.	Cash Reserve Ratio	4.00%
3.	Statutory Liquidity Ratio	22.00%
4.	Repo rate	8.00%
5.	Reverse Repo Rate	7.00%

### Management of exchange control

The central bank manages exchange control to achieve the goals of the Foreign Exchange Management Act, 1999. Objective of the Act is to facilitate external trade and payment and promote orderly development and maintenance of foreign exchange market in India.

### Mitigating the circulation of fake currencies

The Reserve Bank of India also works towards mitigating the circulation of fake currencies. In order to curb the menace, RBI has also launched a website ([www.paisaboltahai.rbi.org.in](http://www.paisaboltahai.rbi.org.in)) to raise awareness among masses about fake notes in the market.

### Contribution to Country's Development

RBI also performs multiple support functions which aim at maintaining the economic structure of the country so that it can help the Government of India achieve the objective of price stability as well as economic development, because both objectives are diverse in themselves.

## **5.2 ROLE OF RESERVE BANK OF INDIA IN INDIAN ECONOMY**

In addition to the functions mentioned in the previous section, central banks especially in the developing country like India have to perform numerous functions to contribute to the country's economy. These functions are country specific functions and can change according to the requirements of that country.

The Reserve Bank of India has been performing similar functions as a promoter of the Indian financial system since its inception.

Some of the major development functions of the RBI are maintained below.

### **Development of the Financial System**

The financial system comprises the financial institutions, financial markets and financial instruments. The sound and efficient financial system is a precondition of the rapid economic development of the nation. The RBI has encouraged establishment of main banking and non-banking institutions to cater to the credit requirements of diverse sectors of the economy.

### **Development of Agriculture**

In an agrarian economy like ours, the Reserve Bank of India has to provide special attention for the credit need of agriculture and allied activities. It has successfully rendered services in this direction by increasing the flow of credit to the agricultural sector. It has also formed the Agriculture Refinance and Development Corporation (ARDC) to look after the credit, National Bank for Agriculture and Rural Development (NABARD) and Regional Rural Banks (RRBs).

### **Provision of Industrial Finance**

Rapid industrial growth is the key to faster economic development for a country like India and to promote it, the adequate and timely availability of credit to small, medium and large industries is very significant. To achieve this objective, the RBI has always played an instrumental role and has set up special financial institutions such as IDBI, SIDBI, EXIM Bank etc.

### **Provision for Training**

The RBI also provides the essential training to as much staff of the banking industry as possible. It has set up the bankers' training colleges at several places. National Institute of Bank Management, Bankers Staff College and College of Agriculture Banking are few to mention.



## **Collection of Data**

Being the apex monetary authority of the country, the RBI collects process and disseminates statistical data on several topics. It includes interest rate, inflation, savings and investments etc. This data proves to be quite useful for researchers and policy makers.

## **Publication of the Reports**

The Reserve Bank has its separate publication division. This division collects and publishes data on several sectors of the economy. The reports and bulletins are regularly published by the RBI. It includes RBI weekly reports, RBI Annual Report, Report on Trend and Progress of Commercial Banks India., etc. This information is made available to the public also at cheaper rates.

## **Promotion of Banking Habits**

As an apex organization, the Reserve Bank of India also promotes the banking habits in the country. It institutionalizes savings and takes measures for an expansion of the banking network. It has set up many institutions such as the Deposit Insurance Corporation-1962, UTI-1964, IDBI-1964, NABARD-1982, NHB-1988, etc. These organizations develop and promote banking habits among the people. During economic reforms it has taken many initiatives for encouraging and promoting banking in India.

## **Promotion of Export through Refinance**

The RBI also tries to encourage the facilities for providing finance for foreign trade especially exports from India. The Export-Import Bank of India (EXIM Bank India) and the Export Credit Guarantee Corporation of India (ECGC) are supported by refinancing their lending for export purpose.

# SECTION 6

## Group Discussions

### 6.1 INTRODUCTION

Despite the fact that quite a few exams have today given away with GD round, Group Discussion still holds a significant importance in many other examinations and play an important role in the success of any banking aspirant's career, be it from exam perspective or later on at the time of job during discussions. This makes it important from an aspirant perspective to spend good time preparing for Group Discussion and to know the nuances which can be a make or a break for their case to get the desired job.

At a broad level, Group discussion can be seen as a methodology that gives an opportunity to a group of candidates to discuss on a topic, while trying to bring out their personality and managerial traits to the evaluation panel.

Let us now dive deeper into the ocean called Group Discussion to know the nuances which play a make or break role!!

#### How to start a GD

If one says that starting a GD means you have got through - it is a wrong perception!

If one says that since you were third or fourth to enter a discussion, you are highly unlikely to succeed in GD - it is again a wrong perception!!

Irrespective of the umpteen myths around starting the GD, let me tell you that more than just starting a GD, what matters more is HOW YOU START A GD?

- Start a GD only when you believe that you are well verse with the topic and are in situation to introduce the topic to entire group
- The person who starts the GD is expected to let the house open for discussion after he has introduced the topic in good detail to the entire group
- In case the topic asks for an opinion in Yes/No, Agree/Disagree format- the person who starts the GD should not start on the note of "I agree...", "Yes, I think..." Rather, the person who starts the GD should explain the topic to the group; introduce both sides of the topic and let others chip in with their views (can afford to allow at least 1-2 to chip in), before the person who started the GD comes back and chips in with his view. During this second iteration in the

discussion, the person who started can take a binary stand on the topic and use statements like 'I agree.'

- One should not speak for more than 120-150 seconds and let others speak after this duration. Continuing for long might project you as a dominating person who wants to talk and talk and not give chance to his peers
- The person who starts the discussion is more seen as a leader and he should try to behave like a leader and an assertive (not an aggressive) moderator and try to keep the group together, preventing any kind of deviation from the topic. These expectations arise from the fact that since you started the GD, you are considered as the person who knows the most about the topic and are in a position to gauge if the ongoing discussion is in sync with the topic or is getting deviated.
- Having said this, do keep in mind that do not be in a hurry to start a GD. There is no rule that if you did not start the GD, your chances of converting the discussion in your favour are gone. Rather, if you rush in to start the discussion and end up showing limited knowledge/incorrect knowledge of the subject of discussion; you have done much more harm to yourself. And this harm can be almost irreparable.
- So, start if and only if you believe that you can drive things ahead in the discussion and do not start just for the sake of starting.

### **How to participate when one doesn't have much idea about the topic?**

This is another question I have seen candidates asking a lot. Popping up of this question is quite obvious as no matter how much we have read, how much we have practiced with our friends offline as well as online – we are bound to not know everything under the sun. And may be on not a very good day, we end up encountering a topic for Group Discussion about which we have no idea.

Even if this happens, there is NO need to panic! Rather PATIENCE and ACTIVE LISTENING becomes demand of the time.

Let couple of people speak first on the topic, try to get an idea of the topic and then chip in with your thoughts that you have built till now. Do ensure that you are not just repeating the points already mentioned by earlier speakers, but are coming up with a value add to the discussion whose base may revolve around what you have come to know about the topic from earlier speakers.

### **How to participate in a GD with an abstract topic?**

At times, you may encounter an abstract topic in the Group Discussion. While one can easily get lost and beat around the bush handling such topics, there are certain

intelligent ways in which these topics can be handled to one's advantage to reflect the managerial qualities to the evaluation panel.

The intelligent way to handle is nothing but to relate the abstract topic to something realistic, practical and happening around. This helps you as a candidate to think in a concrete manner and put forth the points which might not have come to your mind otherwise.

It has been observed that relating abstract topics to something real is what the panels actually look for. This enables the panel to check your thinking ability as well as stress management capability. Do not feel that just a blind creativity is expected out from you when an abstract topic is thrown at you for a group discussion.

#### *To elaborate the above scenario with an example:*

Consider that the GD topic given to you is "Everyone lives only twice".

Now when it comes to correlating the above topic to something real, you can map it to the change in attitude and approach to life which one undergoes due to certain situations. A terrorist might surrender and become a good person earning a respectable life and hence get to live 2 lives.

#### *How to conclude a GD*

There are quite a few people who confuse conclusion of Group Discussion with the opportunity to put forth new points or their own points.

Remember that conclusion of a GD refers to the conclusion of the DISCUSSION THAT HAS ALREADY HAPPENED and the panel wants you to let them know what one can conclude from the discussion. For example: Suppose a discussion was on the topic "Should A company go for buying a company B for lateral growth?" You are expected to tell Yes or No (as the result of the discussion) and what were the major drivers arrived in the discussion that led to the respective conclusion.

You may go through the following pointers to understand the nuances of concluding a GD and strengthen your case when asked to conclude GD or when you grab an opportunity to conclude a GD.

- Never ever come up and mention a new point which was never discussed in GD while it was on.
- You are expected to present a crisp and clear conclusion. So, ensure that you are not being verbose and beating around the bush while concluding
- If the topic for the discussion was an opinion based, then do remember that you put forth the opinion of the group while concluding and are not repeating your personal opinion when asked to conclude. For ex: If 'yes' to the subject was your opinion but the overall discussion and group was in favour of 'no' to the subject – then while concluding mention that 'no' and not 'yes'

- If you feel that the group could not arrive at the conclusion, then try to infer logically from the points that were discussed by all the participants, and state a conclusion based on your inference. Do not just say that the group did not arrive at a conclusion and stop. However, if you do want to mention that the group could not arrive at a conclusion- then just do not stop there, but follow it up by saying "However/Having said that, based on the points put forth by the group we can infer the conclusion as.....".

### *Preferred Body Language and Dressing Etiquette*

Though GD Panel mainly looks for your ability to discuss the topic analytically, precisely and in a meaningful manner coupled with display of good aptitude, body language also plays a role in facilitating your attempt to impress the panel. Reason being dressing sense, body language and the soft skills also play a major role in reflecting an individual as an effective manager while engaging with other individuals.

Going through following pointers shall help you in getting a good hold over the body language and dressing etiquette.

- Look simple, natural and comfortable
- Be sober in your gesture and body posture
- Do not slouch in the chair
- Have a comfortable posture that does not hinder anyone to look at anyone else in group. Sit as a responsible person throughout the discussion
- Do not stretch your legs much or keep shaking them
- Avoid acts like biting nails, moving fingers, shaking heads showing approval or disapproval, keeping pen or pencil in the lips or under teeth while listening very carefully and so on
- When you speak or listen, always have soft eye contacts. It should not appear that you are gazing at any time. You should not look down or upwards while speaking or listening to anyone
- Do not get conscious about the panellists watching you
- If there is any inconvenience due to gesture or posture of any other member, either correct yourself (if possible) OR request the respective person to address your issue so that you may get convenient sitting in the group
- While using hand movement for emphasizing on your point, ensure that your hands remain in your zone. Do not end up moving your hands in front of people sitting beside you. However, it is suggested that one should try to avoid the hand movement to the possible extent

- Be assertive, not dominating while putting forth your points in the discussion
- Maintain a balanced tone in your discussion and analysis. Don't lose your cool if anyone says anything you that you disagree with
- Stay objective. Don't take the discussion personally

Keeping all above pointers in mind, you may give practicing them a shot. Be in front of a mirror and practice the posture. And while you are observing yourself in the mirror, you can identify your own mistakes and then take corrective measures to improve the identified gaps. You may also ask your friends to evaluate you against these parameters of body posture and let you know where you are going wrong.

Last but not the least, be yourself!!

Do not get into the nervous or the panic mode due to any consciousness about appearing in a Group Discussion. Stay calm, confident and composed.



### *Dress Code*

The generally accepted Dress code includes Business formals.

Business formals consist of shirt, trousers, tie and well-polished shoes. Blazer is not essential; however wearing a blazer helps you in reflecting even more professional look. You should prefer to wear the blazer if wearing blazer doesn't make you uncomfortable and the weather permits as well. While deciding the colour of the blazer, you may go for black/blue blazer that is either plain or has very light stripes. Avoid bright colours or distinctly visible bright patterns.

### *How to tackle a GD that turns into a chaotic discussion*

You might encounter participants in GD who despite appearing for admission process to a professional degree have the basics wrong. Such participants believe that the only way to score high in GD is to shout, shout and when anyone else tries to chip, shout even harder. These people not only spoil their chances but also spoil the chances of other participants by either not letting them speak or by forcing them to shout too.

We should not forget that the evaluation panel is sitting there to identify the potential managers. And some of the typical qualities of a potential manager are: assertion (not aggression), maturity and balance of mind. After all managers are

required to work in teams and have to engage with not only subordinates but with peers as well as people up the ladder in their organization as well as in other organizations. You cannot expect them to not be ready to listen to others.

So, now we move to the bigger question!! That is, how to tackle such chaotic discussions?



The solution to the problem in hand lies in remembering the fact that no participating faculty in the evaluation panel expects you to speak throughout the stipulated time for discussion nor do they expect you to chip in at every alternate iteration. What the panel expects is that you remain calm and balanced even in such state of discussion. And the focus on the panel in such cases would be more on the value that you add to the discussion whenever you are able to chip in the discussion and not on the number of times you were able to chip in.

Even if you are able to make just couple of points in such type of discussions but the points that added a real value to the discussion, you are through and have won the marks for staying as a team player, who is ready to listen others and able to add value at the appropriate time. Last but not the least, it also reflects strong stress management capability in you, one of the very essential qualities expected in a potential manager.

### ***Another question that might bug you at this stage is that HOW TO CHIP IN?***

Well, no matter how much aggressive a person is and how much is he shouting in the discussion, it is obvious for him to take a pause in between, may be for a couple of seconds. Now, these 2 seconds are there which you watch out for and chip as soon as they happen in the course of the discussion.

*You may now think that would just waiting help and what if I am not able to get catch of those 2 seconds?*

There is another way. While everyone is going towards east in the discussion, try to come up with a valid and relevant point in discussion that takes it to north. This would get you the immediate attention of the entire group as well as put forth your innovativeness across the board in front of the evaluation panel. In this way, you project yourself as a person who just doesn't follow the crowd but applies mind as well and is not running away from putting new ideas on the table.

*An easily understandable example of this is as follows:*

Suppose the GD Topic is: Does Sachin Tendulkar deserve Bharat Ratna? And everyone is shouting in favour of Sachin getting Bharat Ratna, and then you enter the discussion putting forth a point against Sachin deserving Bharat Ratna over certain other sportsperson and back it with a proper rationale. It will certainly draw the attention of everyone as well as get you brownie points for thinking on a topic from all the possible perspectives and not being very stereotyped.

### *Parameters against which one is evaluated in GD*

Let us here try to understand the expectations from participants and the parameters against which a panel generally evaluates a candidate.

There are certain skills that the evaluation panel tries to find in the participants. Few of these skills are:

- Analytical skills
- Communication skills
- Clarity in thoughts
- Leadership
- Team player
- Interpersonal skills
- Stress Management
- Innovation
- Listening skills
- Objective in thought process
- Ability to see long term impact and devise a strategy

All the above parameters might not be in the direct scope of the topic given for a specific discussion, but at the hindsight they constitute the framework around which the entire evaluation of a candidate revolves.

The parameters discussed above form the part of different broad categories in the scoring sheets which are with the evaluation panel. Sample of the scoring sheet with GD panels is as shown below. Kindly note that weightage of marks against every parameter might vary depending on the institute. Also, there may be addition of new parameters or exclusion of any of the parameters mentioned below depending on the characteristics of a potential student at which the respective B-Schools stresses upon.



	Candidate 1	Candidate 2	Candidate 3	Candidate 4	Candidate 5
Communication Skills (15 marks)					
Subject Knowledge (10 marks)					
Leadership skills (15 marks)					
Body Language (10 marks)					

Do remember that the skills mentioned above are nothing but the traits needed in an individual who is a potential manager. This enables the B-School grind of 2 years to churn out a more effective and efficient manager as compared to the scenario in which the grind is applied to a person who doesn't possess these skills.

### *How to prepare for Group Discussion?*

Rather than giving a story on how to prepare for Group Discussion, I will rather keep this section very objective, sharing the specific activities that you should do as the part of preparation for a Group Discussion.

- Despite the fact that a yearbook is too much to read, try to see if you can get a hold of it. Not to read everything in it in detail, but to ensure that you do not miss out any major topic or happening of the year. Not missing this reduces the possibility of getting a topic in group discussion about which you have no idea at all
- The most important part of the preparation for group discussion is going through newspapers. While you might have heard it from many people, you will find very few following this religiously. You should not be the one who avoids reading newspaper. Read at least 1 newspaper on regular basis.
- While reading newspaper, lay special emphasis on the editorial page (However this does not mean that you read JUST the editorial page). This will help you in understanding different perspectives and later to generate your own perspective on varied topics. You should also skim through one or two more newspapers in addition to the one you have read completely, just the headlines. This is to ensure that you do not miss out on any news.
- In addition to the above, it is equally important to go through 1 business magazine and one regular magazine. This will again help you to develop a perspective on key issues. You may also browse through online blogs to develop some knowledge on the recent happenings in the banking arena.
- While reading from all the above resources, you may make the habit to note down important points or statistics in a separate copy to refer later.

- Form study groups and discuss as many topics as possible amongst yourselves. Initially, you will find that you are not able to put forth all the points that come in your mind. This will improve with time and more and more practice.

Next question that might be popping up is which newspapers, magazines etc. should be referred. Following are the few suggestions (we leave it to your discretion to go for the resources suggested below or to go for resources of your choice).

*Newspapers:* Times of India/The Hindu (as a regular newspaper) and Economic Times/Business Standard (as a business newspaper).

*Magazines:* India Today/Outlook (as a regular magazine) and Business World/Business Today (as a business magazine)

## **EPILOGUE**

I hope that the pointers and the questions mentioned in the book help you get into the best and the most reputed banks of the country.

As a friend, I suggest you all to keep this book with you for future reference as well. Reason being Personal Interviews and Group Discussions are something which will never let you live alone and you will have to go through them at different stages of career progression in Banking industry.

Also at times, whenever you find writing something challenging, coming back to this book will always be handy.

Before I put the pen down, I wish all of you a terrific career ahead as banking professionals.

All the best for your aspirations in life and wish you all achieve your dreams!!

Cheers!