SBI Clerk Interview Questions 2010

भारतीय स्टेट बैंक
State Bank of India
With you - all the way

Why do you want to enter banking?

> You need to talk about Banking – what the interviewer seeks for is a person who is flexible to be along with the given timings, someone who can cope up with writing bits and bobs or a person who can benefit them with more development .Your answer can have following bulleted points.

- Banking is a fast changing environment
- Retail banking is now very competitive – from telephone banking, retailers and etc Banking is thus now largely sales driven.

You can even talk about IT getting changes and clearing banks offers a wide range of career opportunities for graduates – not just in branch banking but also in financial services, consultancy and corporate banking.

Have you applied to any other areas apart from banking?

Here off course your answer will hold some other finance or sales and marketing careers – insurance or accountancy, altogether these careers should have skills related to banking.

How do you feel about committing yourself to another three years of exams?

The professional examinations that you will almost certainly be required to take as part of your training are not always difficult in themselves, but do require determination and focus- especially as much of your study will be done in the evenings after a hard days work.

You should also be aware of the range of qualifications open to you – many of the large clearing banks offer the opportunity to gain qualifications in marketing, personnel or accountancy – not just banking.

Tell me about an experience in which you had to use tact?
Tact and diplomacy are important qualities in retail banking – the customer is (almost!) always

right. You may have to tell an account holder diplomatically why they can't have a loan for example, without provoking them into moving their account elsewhere.
To answer this type of question, think through everything you have done in the last five years – school, university, sports, clubs, societies, travel, vacation jobs etc. and try to think of situations where you had to demonstrate this and other qualities – do this before your interview.
If you have completed a number of employer application forms, then you should already have done this as this type of question is now common on application forms.

Who are our major competitors and what differences do you notice in our products?
The company will be expecting that you have done your research on the industry generally. You should be familiar with the bank's products and services – literature on these can be picked up at any branch. Read the banks brochures and annual reports – these may be in the careers information room.

Be aware of current trends in the market and try to find out what each bank is doing in these areas.

What is SLR?
Every bank is required to maintain at the close of business every day, a minimum proportion of their Net Demand and Time Liabilities as liquid assets in the form of cash, gold and un-encumbered approved securities. The ratio of liquid assets to demand and time liabilities is known as Statutory Liquidity Ratio (SLR). Present SLR is 24%. (reduced w.e.f. 8/11/208, from earlier 25%) RBI is empowered to increase this ratio up to 40%. An increase in SLR also restrict the bank's leverage position to pump more money into the economy.

What is SLR ? (For Non Bankers)
SLR stands for Statutory Liquidity Ratio. This term is used by bankers and indicates the minimum percentage of deposits that the bank has to maintain in form of gold, cash or other approved securities. Thus, we can say that it is ratio of cash and some other approved to liabilities (deposits) It regulates the credit growth in India.

What are Repo rate and Reverse Repo rate?
Repo (Repurchase) rate is the rate at which the RBI lends shot-term money to the banks. When the repo rate increases borrowing from RBI becomes more expensive. Therefore, we can say that in case, 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

What are Repo rate and Reverse Repo rate?
Repo (Repurchase) rate is the rate at which the RBI lends shot-term money to the banks. When the repo rate increases borrowing from RBI becomes more expensive. Therefore, we can say that in case, 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

Thus, we can conclude that Repo Rate signifies the rate at which liquidity is injected in the banking system by RBI, whereas Reverse repo rate signifies the rate at which the central bank absorbs liquidity from the banks.

What is the difference between Bank Rate and Repo Rate?

Bank Rate vs Repo Rate
Bank Rate is the rate at which RBI allows finance to commercial banks in India. There are difference types of refinance that can be availed by banks and these are linked to Bank Rate. Thus, banks can borrow at this rate only to the extent of their eligibility for refinance.

On the other hand, Repo is a money market instrument, which enables collateralised short term borrowing and lending through sale/purchase operations in debt instruments. Under a repo transaction, a holder of securities sells them to an investor with an agreement to repurchase at a predetermined date and rate. In the case of a repo, the forward clean price of the bonds is set in advance at a level which is different from the spot clean price by adjusting the difference between repo interest and coupon earned on the security. In the money market, this transaction is nothing but collateralised lending as the terms of the transaction are structured to compensate for the funds lent and the cost of the transaction is the repo rate. Thus, a bank can borrow under repo provided he has the extra securities which it can lend temporarily to RBI for borrowing short term funds.

What is relation between Inflation and Bank interest Rates?
Now a days, you might have heard lot of these terms and usage on inflation and the bank interest rates. Bank interest rate depends on many other factors, out of that the major one is inflation. Whenever you see an increase on inflation, there will be an increase of interest rate also

What is a bank?
A bank is a financial institution whose primary activity is to act as a payment agent for customers and to borrow and lend money. It is an institution for receiving, keeping, and lending money

What is the activity of Banks?
Banks act as payment agents by conducting checking or current accounts for customers, paying cheques drawn by customers on the bank, and collecting cheques deposited to customers' current accounts. Banks also enable customer payments via other payment methods such as telegraphic transfer, EFTPOS, and ATM.

Banks borrow money by accepting funds deposited on current account, accepting term deposits and by issuing debt securities such as banknotes and bonds. Banks lend money by making advances to customers on current account, by making installment loans, and by investing in marketable debt securities and other forms of money lending.

Banks provide almost all payment services, and a bank account is considered indispensable by most businesses, individuals and governments. Non-banks that provide payment services such as remittance companies are not normally considered an adequate substitute for having a bank account.

Banks borrow most funds from households and non-financial businesses, and lend most funds to households and non-financial businesses, but non-bank lenders provide a significant and in many cases adequate substitute for bank loans, and money market funds, cash management trusts and other non-bank financial institutions in many cases provide an adequate substitute to banks for lending savings to.

What is Banking Business?
"Banking Business" means the business of receiving money on current or deposit account, paying and collecting cheques drawn by or paid in by customers, the making of advances to customers, and includes such other business as the Authority may prescribe for the purposes of this Act.

What is Accounting for Bank Accounts?
Bank statements are accounting records produced by banks under the various accounting standards of the world. Under GAAP and IFRS there are two kinds of accounts: debit and credit. Credit accounts are Revenue, Equity and Liabilities. Debit Accounts are Assets and Expenses. This means you credit credit accounts to increase their balances and you debit debit accounts to increase their balances.

This also means you debit your savings account every time you deposit money into it (and the account is normally in deficit) and you credit your credit card account every time you spend money from it (and the account is normally in credit).

However, if you read your bank statement, it will say the opposite- that you have credited your account when you deposit money, and you debit when you withdraw it. If you have cash in your account you have a positive or credit balance and if you are overdrawn it will say you have a negative or a deficit balance.

The reason for this is because the bank, and not you, has produced the bank statement. Your savings might be your assets, but it is the bank's liability, so your savings account is a liability account which is a credit account and should have a positive credit balance. Your loans are your liabilities but the bank's assets so they are debit accounts which should have a negative balance.

Below where bank transactions, balances, credits and debits are discussed, they are done so from the viewpoint of the account holder which is traditionally what most people are used to seeing.

What are the commercial roles of the Banks ?

However the commercial role of banks is wider than banking, and includes:

- However the commercial role of banks is wider than banking, and includes:
- issue of banknotes (promissory notes issued by a banker and payable to bearer on demand)

- processing of payments by way of telegraphic transfer, EFTPOS, internet banking or other means
- issuing bank drafts and bank cheques
- accepting money on term deposit
- lending money by way of overdraft, installment loan or otherwise
- providing documentary and standby letters of credit (trade finance), guarantees, performance bonds, securities underwriting commitments and other forms of off balance sheet exposures
- safekeeping of documents and other items in safe deposit boxes
- currency exchange
- sale, distribution or brokerage, with or without advice, of insurance, unit trusts and similar financial products as a 'financial supermarket'

What are the Economic functions of Banks?

The economic functions of banks include:
1. issue of money, in the form of banknotes and current accounts subject to cheque or payment at the customer's order. These claims on banks can act as money because they are negotiable and/or repayable on demand, and hence valued at par and effectively transferable by mere delivery in the case of banknotes, or by drawing a cheque, delivering it to the payee to bank or cash.

2. netting and settlement of payments — banks act both as collection agent and paying agents for customers, and participate in inter-bank clearing and settlement systems to collect, present, be presented with, and pay payment instruments. This enables banks to economise on reserves held for settlement of payments, since inward and outward payments offset each other. It also enables payment flows between geographical areas to offset, reducing the cost of settling payments between geographical areas.

3. credit intermediation – banks borrow and lend back-to-back on their own account as middle men

4. credit quality improvement – banks lend money to ordinary commercial and personal borrowers (ordinary credit quality), but are high quality borrowers. The improvement comes from diversification of the bank's assets and the bank's own capital which provides a buffer to absorb losses without defaulting on its own obligations. However, since banknotes and deposits are generally unsecured, if the bank gets into difficulty and pledges assets as security to try to get the funding it needs to continue to operate, this puts the note holders and depositors in an economically subordinated position.

5. maturity transformation — banks borrow more on demand debt and short term debt, but provide more long term loans. In other words; banks borrow short and lend long. Bank can do this because they can aggregate issues (e.g. accepting deposits and issuing banknotes) and redemptions (e.g. withdrawals and redemptions of banknotes), maintain reserves of cash, invest in marketable securities that can be readily converted to cash if needed, and raise replacement funding as needed from various sources (e.g. wholesale cash markets and securities markets) because they have a high and more well known credit quality than most other borrowers.

What are the different channels of Banking you use in your daily life ?

Banks offer many different channels to access their banking and other services:

- A branch, banking centre or financial centre is a retail location where a bank or financial institution offers a wide array of face-to-face service to its customers.
- ATM is a computerized telecommunications device that provides a financial institution's customers a method of financial transactions in a public space without the need for a human clerk or bank teller. Most banks now have more ATMs than branches, and ATMs are providing a wider range of services to a wider range of users. For example in Hong Kong, most ATMs enable anyone to deposit cash to any customer of the bank's account by feeding in the notes and entering the account number to be credited. Also, most ATMs enable card holders from other banks to get their account balance and withdraw cash, even if the card is issued by a foreign bank.
- Mail is part of the postal system which itself is a system wherein written documents typically enclosed in envelopes, and also small packages containing other matter, are delivered to destinations around the world. This can be used to deposit cheques and to send orders to the bank to pay money to third parties. Banks also normally use mail to deliver periodic account statements to customers.
- Telephone banking is a service provided by a financial institution which allows its customers to perform transactions over the telephone. This normally includes bill payments for bills from major billers (e.g. for electricity).
- Online banking is a term used for performing transactions, payments etc. over the Internet through a bank, credit union or building society's secure website.

How many type of banks there are ?
Banks' activities can be divided into retail banking, dealing directly with individuals and small businesses; business banking, providing services to mid-market business; corporate banking, directed at large business entities; private banking, providing wealth management services to high net worth individuals and families; and investment banking, relating to activities on the financial markets. Most banks are profit-making, private enterprises. However, some are owned by government, or are non-profits.

Central banks are normally government owned banks, often charged with quasi-regulatory responsibilities, e.g. supervising commercial banks, or controlling the cash interest rate. They generally provide liquidity to the banking system and act as the lender of last resort in event of a crisis.

Type of Retail Banks

- **Commercial bank:** the term used for a normal bank to distinguish it from an investment bank. After the Great Depression, the U.S. Congress required that banks only engage in banking activities, whereas investment banks were limited to capital market activities. Since the two no longer have to be under separate ownership, some use the term "commercial bank" to refer to a bank or a division of a bank that mostly deals with deposits and loans from corporations or large businesses.

- **Community Banks:** locally operated financial institutions that empower employees to make local decisions to serve their customers and the partners
- Community development banks: regulated banks that provide financial services and credit to under-served markets or populations.
- **Postal savings banks:** savings banks associated with national postal systems.
- **Private banks:** manage the assets of high net worth individuals.
- **Offshore banks:** banks located in jurisdictions with low taxation and regulation. Many offshore banks are essentially private banks.
- **Savings bank: i**n Europe, savings banks take their roots in the 19th or sometimes even 18th century. Their original objective was to provide easily accessible savings products to all strata of the population. In some countries, savings banks were created on public initiative, while in others socially committed individuals created foundations to put in place the necessary infrastructure. Nowadays, European savings banks have kept their focus on retail banking: payments, savings products, credits and insurances for individuals or small and medium-sized enterprises. Apart from this retail focus, they also differ from commercial banks by their broadly decentralised distribution network, providing local and regional outreach and by their socially responsible approach to business and society.
- Building societies and Landesbanks: conduct retail banking.
- **Ethical banks:** banks that prioritize the transparency of all operations and make only what they consider to be socially-responsible investments.
- **Islamic banks**: Banks that transact according to Islamic principles.