



Banking interview question & Answer

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Why do you want to make a career in the banking sector?

This question is common in bank interviews as the answer helps the interviewer understand your reasons behind the choice of career.

Talking points can include the importance of the banking sector, its influence and growth trends.

Avoid sharing personal reasons like salary, reputation, perks, etc., and answer with reasons and factual opinions.



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Sample Answer:

The banking industry is lucrative and plays an important role in our economy. It offers challenging roles and opportunities to develop skills and knowledge.

The dynamic nature of the industry and its relevance in the economic scenario is why I want to pursue a career in the banking sector.

Can you elaborate on the types of bank accounts?

Various bank accounts meet different objectives to fulfill the need of the account holder. The 5 most commonly used bank accounts to save or invest money are:

1. **Savings Account**- It is a commonly used deposit account that allows the account holders to save and withdraw money while earning monetary interests.
2. **Current Account**- Meant for daily transactions, the current account is a type of deposit account that allows the users to make multiple transactions regularly and withdraw money as many times as required.
3. **Fixed Deposits**-Fixed deposits are used for long term savings. It entitles the investors to the interest earned on deposits, given the



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money is not withdrawn for a fixed period. The rate of interest for a fixed deposit is higher than the savings account and may vary from 4 %-7.5%.

4. **Recurring Deposit Account**- It is a personalized deposit account offered by banks to help people with regular incomes, save a fixed amount every month while earning interests.
5. **Demat Account**- Demat Account is used to buy and store shares in an electronic format. Investors living in India can use the regular Demat account and the NRIs can use the Repatriable Demat account.

Are you well-versed with the old tax regime and the new tax regime?

The union budget 2020-21 brought a major change for all individual taxpayers, with the announcement of the new tax regime.

The taxpayers can now choose between:

- The **old income tax regime** with existing income tax deductions and exemptions.



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- The **new income tax regime** with lower tax rates and fewer exemptions.
So while you prepare for your bank interview, make sure that you know everything about the two tax regimes and what impact it may have on the taxpayers.

To prepare well, you can read [New VS Old Tax Regime: Which One Should You Choose?](#)

What do you understand by APR?

APR (Annual Percentage Rate) is the rate of interest charged for services like credit cards, bank loans, etc.

The interest is calculated annually and is the yearly expense incurred on funds over a loan term.

APR (Annual Percentage Rate) is of 2 types:

1. Fixed APR- The rate of interest is the same through-out the mortgage term.
2. Variable APR- Rate of interest changes based on factors like a prime rate.



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Can you differentiate between FDI and FII?

FDI (Foreign Direct Investment) is the investment made by a company situated in one country in a foreign company, making them stakeholders.

FII (Foreign Institutional Investors) refers to the investment made by foreign companies in the stock market of a country. Some of the differences between FDI and FII are:

FDI	FII
Investments made by a parent company in a foreign business	Investment made in a foreign market by investors
Flows in primary market	Flows in the secondary market
Long-term investment	Short-term investment
Entering and exiting the stock market is comparatively difficult as FDI targets a specific market	Easy entry and exit in the stock market

Can you elaborate on amortization?

Amortization is an accounting technique that divides the sum amount of a loan into small fixed payments to be paid to the lender.



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In simpler words, it is the repayment of a loan in installments to write-off its book value over a period of time.

When the loan payment for a period is lesser than the amount to be paid, it is called negative amortization.

How will you calculate the debt to income ratio?

To calculate the debt to income ratio, I would divide the total debt by the applicant's gross income.

What do you understand by a charge-off?

A charge off is a type of write-off. It is the amount that is considered a bad-debt when the borrower fails to pay the creditor.

Traditionally, a charge off is declared when no payment against the loan is made for six-months.

With the banking scenario changing constantly, what do you think are the needs of the banking sector?



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This is a frequently asked bank interview question. Interviewers ask this question to assess your understanding of the changing trends and needs of the banking sector.

To answer, research well on the current banking environment and the strategies banks use to function.

You can also discuss the evolution in terms of technology and business methods that the sector has witnessed, and what according to you needs improvement.

Sample Answer:

Given the current economic situation, I think banks need to work towards the adequate distribution of savings to all sectors for growth.

We also need professional and modern management techniques to make the banking processes efficient.

Banks must also implement strategies to fulfill the credit needs of all sections of society and must restrict giving out loans to frequent defaulters that fail to pay the money back.



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What are the common ways to operate your bank accounts?

Bank accounts can be operated through:

1. Branches of Bank.
2. Mobile Banking.
3. ATM.
4. Internet Banking.

What do you understand by loan grading?

Loan grading is a classification system used by banks to grade loans based on borrower's credit payment history, repayment risks associated with the loan, etc.

It involves assigning a quality score from 1 to 6 to assess the nature and risks associated with the loan.

What is the line of credit?

The line of credit is the amount of loan that a borrower can take from the bank. It is agreed upon by both the bank and the borrower.



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These are readily available funds available for the borrower to withdraw when required.

The borrower can loan the amount needed from the total credit and pay interest only on the money withdrawn.

What do you understand by overdraft protection?

Overdraft protection is a service provided by banks to its account holders.

It allows customers to transfer money across different accounts to avoid check bounce, payment failures, etc.

Customers may transfer money from the current account to the savings account and vice-versa.

What are the software banking applications available in the industry?

The 8 commonly used software banking applications are:

1. Internet banking system
2. ATM banking



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3. Core banking system
4. Loan management system
5. Credit management system
6. Investment management system
7. Stock-market management system
8. Financial management system

What is a financial management system?

A financial management system is a software used by banks and other organizations to record and control the income, assets, and expenses.

This is done to maximize profits and manage finances to ensure sustainability.

Why do we need a credit management system?

Bank interview questions include an assortment of bank related questions.

Credit management system helps control the monetary transactions credited to the account holders.



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We need a credit management system as it helps the banks to control credit and optimize profits.

The system controls bad debt and expenses by directly managing credit terms. 11

An effective credit management system makes the funds sustainable and prevents bankruptcy.

What is the source of income for banks?

Banks make most of their profit by lending loans. All loans are lent at a rate of interest which acts as an income for banks.

Banks also earn from the additional charges levied on online bill payments, maintaining accounts and other such services.

What do you understand by the term balloon payment?

Balloon payment is a final amount to be paid after the amortization of a loan.



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This due balance may be paid off with fixed or variable mortgage, basis the terms of the loan.

What are the different types of loans that banks provide?

Banks give out different types of loans to meet various objectives. The 5 types of loans provided by banks are:

1. Secured personal loan
2. Unsecured personal loan
3. Small Business loan
4. Mortgage loan
5. Auto loan

How is a cheque different from DD (Demand Draft)?

Both cheque and DD are used to transfer money but are very different from each other. Some of the differences between the two are:



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CHEQUE	DD (DEMAND DRAFT)
Issued by account holders	Issued by banks
Cheques can be dishonored in case of insufficient account balance	Amount for DD is paid before-hand
The drawer and payee are two different parties	The drawer and payee are both banks

What are CRR and SLR?

CRR and SLR are banking tools used to maintain economic flow. CRR is short for Cash Reserve Ratio and SLR stands for Statutory Liquidity Ratio.

Both CRR and SLR are used by the RBI (Reserve Bank of India) to manage inflation and the flow of money by controlling the lending capacity.

Under CRR, commercial banks are required to keep a certain percentage of total deposits in the current account with the RBI.

It regulates inflation, money supply, and liquidity.



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Similar to CRR, SLR is another method of maintaining liquidity in the economy.

It is the amount of money that a bank must preserve in the form of cash, gold or bonds before lending money to its customers.

The SLR rate is defined by the RBI to control bank credit.

How would you define ACH?

ACH (Automated Clearing House) refers to the electronic transfer of funds.

It allows the user to collect payments electronically by debiting the customer's savings account.

It is a faster payment method and is an alternative to cash, cheques and credit cards.

Can you explain repo rate and reverse repo rate?

Repo rate and reverse repo rate are a part of the liquidity adjustment facility.



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Repo rate is the rate of interest at which the RBI lends money to commercial banks when they are short of funds.

It plays a very important role in controlling inflation as an increase in repo rate reduces the money supply.

Reverse repo rate is the rate of interest at which the commercial banks deposit excess money with the RBI.

An increase in reverse repo rate leads to an increase in the cost of borrowing and lending, discouraging the public to take loans.

What are the main functions of the RBI (Reserve Bank of India)?

Interviewers ask this question to evaluate your knowledge about the basics of the banking sector.

The RBI is the central bank of India. It plays a crucial role in managing the economy.

The 8 most important functions of RBI are:



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1. Responsible for the issue and exchange of currency in notes and coins.
2. Regulation and supervision of commercial banks and financial systems.
3. Managing foreign exchange to facilitate external trade and development.
4. Functions to support national banking and financial objectives.
5. Acts as the banker to central and state governments.
6. Central bank to all other banks, maintains records of all banking accounts.
7. Responsible for formulating and implementing the national monetary policy.
8. Maintains economic stability across all sectors to enable growth.

Can you elaborate on currency convertibility?

Currency convertibility defines how easily a country's currency can be converted into gold or any other asset.

It plays an important role in international commerce by enabling the currency to be used to make payments for globally sourced goods.



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Poor currency convertibility means that a country's currency is difficult to exchange with another currency, making foreign trade transactions difficult.

What is a foreign draft?

A foreign draft is used to send money to people in foreign countries. It acts as an effective alternative to foreign currency and can be easily purchased from commercial banks.

It is a safer and cheaper method of transferring funds internationally and allows the receiver to use funds quicker than cheque or cash.

Tips to Prepare for Bank Interview Questions

Here are 5 few tips to help you ace bank interview questions and answers:

Research about the bank

The first step to prepare for bank interviews is researching the bank for which you are interviewing.



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You can start by going through the bank's website to gather information like the bank's size, position and the services it provides.

Learn important banking terms

Interviewers assess the candidate's knowledge of basic banking terms to assess their understanding of the process.

Read about all the important terms like CRR, SLR, Repo rate, Reverse repo rate, inflation, deflation, FDI, etc. before appearing for the interview.

Read all the new policies and investment clauses that have been introduced.

It is a plus if you can also do your homework on the policies that have been discontinued in recent years.

Learn about your city/state

Read all about the events and history of your city, state and gather information on current affairs.



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Basic Interview Tips

Now that you have read everything about bank interview questions, here are a few general tips to help you prepare better.

Prepare questions to ask the interviewer

Asking questions about your job profile and workplace provides clarity and reflects curiosity and interest to the interviewer.

Prepare a list of questions that seem important to ask. Talking points could be the position of the bank, future, the importance of the role you are interviewing for, the bank's vision for the upcoming years, etc.

Also Read: [Best Questions To Ask In An Interview \(And What Not to Ask!\)](#)

Reach before time

Reaching the interview venue before time helps you assess the environment and gives you enough time to get comfortable with your surroundings.



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Dress Well

The first impression is often the last. Wear well-ironed, clean formals to the interview. Not only will it make you look good, but it will also help you feel more confident too.

Also Read: [Interview Dress Code For Males and Females](#)

Focus on Body Language

Banking professionals are smart individuals who are expected to deal with people from all walks of life.

Focus on maintaining the right body language to reflect confidence, dedication, and intelligence.