

# Banking Terms & Concepts

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## **Topics:**

1. Important Banking Terms A-Z
  2. RBI Monetary Policy Tools
  3. MCQ Practice
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# 1. Important Banking Terms

## Repo Rate

Rate at which RBI lends money to commercial banks. Higher repo rate = expensive loans = less money in market (controls inflation). Current repo rate: check RBI website for latest.

## Reverse Repo Rate

Rate at which RBI borrows from commercial banks. Banks park excess money with RBI at this rate.

## CRR (Cash Reserve Ratio)

% of deposits banks must keep with RBI as cash. If CRR = 4%, bank must keep Rs 4 with RBI for every Rs 100 deposit.

## SLR (Statutory Liquidity Ratio)

% of deposits banks must keep in liquid assets (gold, govt securities). Higher SLR = less money for lending.

## Bank Rate

Rate at which RBI provides long-term funds to banks. Different from Repo (short-term).

## MCLR

Marginal Cost of funds-based Lending Rate — minimum rate below which banks cannot lend (replaced Base Rate in 2016).

## NPA

Non-Performing Asset — loan where borrower has not paid interest/principal for 90+ days. Major problem for Indian banks.

## CASA Ratio

Current Account Savings Account ratio — higher CASA = cheaper deposits for bank = higher profitability.

## Inflation

General rise in price level over time. Measured by CPI (Consumer Price Index) and WPI (Wholesale Price Index) in India.

## GDP

Gross Domestic Product — total value of goods and services produced in a country in a year. India uses base year 2011-12.

# 2. MCQ Practice

**Q. Which rate does RBI use to control inflation primarily?**

- (a) Bank Rate
- (b) Repo Rate
- (c) SLR
- (d) CRR

**Answer: (b) Repo Rate**

**Q. Full form of NPA:**

- (a) Non-Profitable Asset
- (b) Non-Performing Asset
- (c) Net Payable Amount
- (d) None of above

**Answer: (b) Non-Performing Asset**

**Q. RBI was established in:**

- (a) 1930
- (b) 1935
- (c) 1940
- (d) 1947

**Answer: (b) 1935**

**Q. Headquarters of RBI:**

- (a) New Delhi
- (b) Mumbai
- (c) Kolkata
- (d) Chennai

**Answer: (b) Mumbai**

**Q. Which is NOT a function of RBI?**

- (a) Issue currency
- (b) Control credit
- (c) Accept deposits from public
- (d) Act as banker's bank

**Answer: (c) Accept deposits from public**