

# Banking Terminology

## Automated Teller Machine (ATM)

ATM is the machine that dispense cash and also provides mini statements to the customer. When the customer opens bank account in the bank, s/he will be provided ATM card. By using this card s/he can withdraw money from any ATM machines.

## Debit Card

A debit card is a payment card that deducts money directly from your checking account. Also called “check cards” or "bank cards," debit cards can be used to buy goods or services or to get cash from an ATM. Debit cards can help you reduce the need to carry cash, although using these cards can sometimes entail fees.

## Credit Card

A credit card is a thin rectangular piece of plastic or metal issued by a bank or financial services company that allows cardholders to borrow funds with which to pay for goods and services with merchants that accept cards for payment. Credit cards impose the condition that cardholders pay back the borrowed money, plus any applicable interest, as well as any additional agreed-upon charges, either in full by the billing date or over time.

## **Mobile Banking**

Mobile banking is a service that allows customers to access their bank accounts and perform various banking tasks, such as transferring money, checking account balances, and paying bills, using a mobile device, such as a smartphone or tablet.

## **Internet Banking**

Internet banking, is a service offered by banks that allows customers to access various banking services and perform financial transactions online. With internet banking, customers can complete a range of banking tasks, including money transfers, creating fixed deposits and recurring deposits, and tracking transactions, without the need to visit a physical bank branch.

## **SMS Banking**

SMS Banking is Text Based Banking Facility provided by BFIs to its Account Holders. Short message is typed in specified syntax structure in message box and it is sent to **xxxx** for Banking Transaction and Enquiry.

Every Mobile Banking Registered Account Holder can use this Service and there is no any Extra charge. Smart Phone User can also use SMS Banking Facility through the BFIs Smart Mobile Banking App and those who do not have smart phone can send message in specified syntax.

## **QR (Quick Response)**

**QR code payment** is a contactless payment method where payment is performed by scanning a QR code from a mobile app. This is an alternative to doing electronic funds transfer at point of sale using a terminal. This avoids a lot of the infrastructure traditionally associated with electronic payments such as payment cards, payment networks, payment terminal and merchant accounts.

To make a QR code payment, the consumer scans the QR code displayed by the merchant with their smartphone to pay for their goods. They enter the amount they have to pay and finally submit. This is a more secure card-not-present method than others.

## **ASBA**

ASBA stands for Application Supported by Blocked Amount. It is the system through which the account holder can apply for shares (IPOs and FPOs). The value of applied share will be in the same bank account but will be blocked or freeze. Once the share is allotted, only the allotted amount will be deducted from that bank account.

## **Bancassurance**

Bancassurance is the selling of the insurance policies and products of insurance companies by banks as a corporate agent through their branches.

## **Bank Rate**

Bank rate is the rate of interest that is charged on the amount lent by the Central Bank to the banks and financial institutions.

## **Bank Statement**

Bank statement is the summary record of all the transaction of an account holder of a particular bank showing all the debits (withdrawals) and credits (deposits).

## **Base Rate**

Base rate is the minimum rate of interest on which bank can issue loans. Base rate is calculated as per the formula provided by the Central Bank.

## **Bounced Cheque**

It refers to the unsuccessful processing of the cheque. A situation where the account of the person does not have enough balance in his/her bank account to cash the amount written in cheque.

## **Capital Market**

Capital market is the financial market where the long-term financial instruments like stocks, bonds and others are traded. These instruments generally have maturity period of more than a year.



## **Cost of Fund**

Cost of fund refers to the rate of interest that the bank and financial institutions has to bear while collecting the funds. In other words, it is the weighted average of the all types of interest rates paid to various types of deposit accounts (short term and long term).

## **Credit Crunch**

Credit crunch is the condition where banks are in a tight position to offer loans. During credit crunch the demand of loan is high but supply of deposit is very low or negligible.

## **Cash Reserve Ratio (CRR)**

CRR is the certain rate of amount of the cash that the bank and financial institutions should hold as reserves in the Central Bank.

## **Demat Account**

Demat Account is the account in which the investors can hold their shares in electronic form.

## **Digital Wallet / E-Wallet**

Digital wallet is an application or system that allows the customer to perform financial transaction (receive and payment) in the electronic medium. You will have unique user id where you can load money through bank account and the make payments in exchange of goods and services to supplier/seller.

## **E-Banking**

E-banking is an electronic system which allows customers of bank and financial institution to conduct their banking transaction, check the bank statements and other available services through their respective banks website. It is also popularly known as online banking and internet banking. The use of e-banking in Nepal is also increasing as it is easy to use and saves time.

## **Electronic Fund Transfer**

Electronic fund transfer (EFT) is electronic transfer of money from one bank account to another, either within a single financial institution or across multiple institutions, without the direct intervention of bank staff.

## **Fiscal Policy**

Fiscal policy is the policy of the government which adjusts its spending levels (expenditure) in different sectors on the basis of its priority and tax rates (revenue) to influence the economy.

## **Initial Public Offering (IPO)**

Initial Public offering is an act of raising the investment capital by offering the stock of a company on a public stock exchange for the first time. In Nepal the face value of IPOs are generally Rs 100.

## **Interest Rate Corridor**

Interest rate corridor is the system or framework that is designed by the Central Bank to stabilize the short term interest rates by implementing on short term monetary instruments like interbank rate, repo rate, treasury bills and others by setting the upper limit and lower limit of the interest rate.

## **Liquidity**

Liquidity refers to the ability of converting (selling or buying) the liquid assets into the cash without affecting the assets price.

## **Monetary Policy**

Monetary policy is the policy that is introduced by the Central Bank of the country which controls the money supply using the interest rates in the market in order to maintain the normal inflation rate to ensure the price stability and maintain the financial stability in the country.

## **Money Market**

Money market is the market where the short term financial instruments which are highly liquid are traded. These money market instruments have maturity less than a year and possess less risk.

## **Mortgage**

Mortgage is a legal agreement by which a bank and financial institutions lends money at certain interest rate in exchange for a collateral (debtor's property which includes current and fixed assets) as a security of loan,

with the condition that in case of the default by the borrower the bank will have right on that property to recover its loan amount along with interest receivable and the banks have to return the collateral upon the payment of the debt

### **Mutual Funds**

Mutual fund is the professionally managed investment fund that is collected from many small and large investors for the purpose of investing in the securities such as stocks, bonds, money market instruments etc.

### **Non-Performing Assets (NPA)**

NPA refers to those kinds of loans and advances issued by the banks which are default or about to be default where borrowers are not paying their loan principle as well as interest.

### **Plastic Money**

Plastic Money refers to the hard plastic cards like credit cards, debit cards, cash cards, dollar cards and other similar cards that is being used in everyday life for making payments and replacing the use of paper cash.

### **Point of sale (POS)**

Point of sale (POS) also known as point of purchase is the time and place where a customer completes its retail transaction by making payment in exchanges of goods and services.

## **Point of Sale (POS) terminal/ Process Data Quickly (PDQ) machine**

A point of sale terminal (POS terminal) is an electronic hand held device used to process card payments at retail location and prints a receipt.

## **Premium Rate**

In banking, premium is the cost or reward of the risk borne or taken by banks while issuing the loans to its customers. It is the percentage that is added with base rate of the particular bank which gives interest rate for lending. Premium rate differs from one customer to another and also on different package and sector.

## **Prime Interest Rate**

Prime interest rate is the lowest rate of interest charged by banks to its largest, most secure, and most creditworthy customers on short-term loans. This rate is used as a guide for computing interest rates for other borrowers.

## **Repo Rate**

The word “repo” means repurchase agreement. Repo rate is the rate at which the Central Bank of a country lends money to its commercial banks against securities in the event of any shortfall of funds.

## **Reserve Repo Rate**

Reserve Repo is just the opposite if the repo where the Central Bank borrows money from the commercial banks. So the reverse repo rate is the rate at which the central bank of the country borrows money from its commercial banks for short term purposes.

## **Retail Banking**

Retail banking is the services that is provided by bank to general public on individual basis. It is also known as consumer banking.

## **Real Time Gross Settlement(RTGS)**

RTGS is a form of electronic fund transfer system that transfers or clear and settle the high value funds or cheques from one bank to other banks within a country in few seconds.

## **Statutory Liquidity Ratio (SLR)**

SLR is a provision of reserve requirement set by the central bank to its bank and financial institutions for maintaining some liquidity in the form of cash, government bonds or other convertible assets.

## **SWIFT**

SWIFT stands for Society for Worldwide Interbank Financial Telecommunication. SWIFT is an electronic system that connects financial institutions all over the world to through a network and allows to perform the financial transaction (receive and payment) internationally.

## **Teller**

Teller is the staff of the bank who cashes cheques, accepts deposits and performs different banking services for customers.

## **Wholesale Banking**

Wholesale Banking is the services that is provided by bank to companies or corporation or institutions. It is also known as commercial banking