Banking Terms

Banking Terms : Set 1

APR: It stands for Annual Percentage Rate. APR is a percentage that is calculated on the basis of the amount financed, the finance charges, and the term of the loan.

ABS: Asset-Backed Securities. It means a type of security that is backed by a pool of bank loans, leases, and other assets.

EPS: Earnings Per Share means the amount of annual earnings available to common stockholders as stated on a per share basis.

CHAPS: Clearing House Automated Payment System. It's a type of electronic bankto-bank payment system that guarantees same-day payment.

IPO: Initial Public Offerings is defined as the event where the company sells its shares to the public for the first time. (or the first sale of stock by a private company to the public.)

FPO: Follow on Public Offerings: An issuing of shares to investors by a public company that is already listed on an exchange. An FPO is essentially a stock issue of supplementary shares made by a company that is already publicly listed and has gone through the IPO process.

Difference: IPO is for the companies which have not been listed on an exchange and FPO is for the companies which have already been listed on an exchange but want to raise funds by issuing some more equity shares.

RTGS: Real Time Gross Settlement systems is a funds transfer system where transfer of money or securities takes place from one bank to another on a "real time". ('Real time' means within a fraction of seconds.) The minimum amount to be transferred through RTGS is Rs 2 lakh. Processing charges/Service charges for RTGS transactions vary from bank to bank.

NEFT: National Electronic Fund Transfer. This is a method used for transferring funds across banks in a secure manner. It usually takes 1-2 working days for the transfer to happen. NEFT is an electronic fund transfer system that operates on a Deferred Net Settlement (DNS) basis which settles transactions in batches. (Note: RTGS is much faster than NEFT.)

CAR: Capital Adequacy Ratio. It's a measure of a bank's capital. Also known as "Capital to Risk Weighted Assets Ratio (CRAR)", this ratio is used to protect depositors and promote the stability and efficiency of financial systems around the world. It is decided by the RBI.

NPA: Non-Performing Asset. It means once the borrower has failed to make interest or principal payments for 90 days, the loan is considered to be a non-performing asset. Presently it is 2.39%.

Banking Terms : Set 2

IMPS: Inter-bank Mobile Payment Service. It is an instant interbank electronic fund transfer service through mobile phones. Both the customers must have MMID (Mobile Money Identifier Number). For this service, we don't need any GPS-enabled cell phones.

BCBS: Basel Committee on Banking Supervision is an institution created by the Central Bank governors of the Group of Ten nations.

RSI: Relative Strength Index.

IFSC code: Indian Financial System Code. The code consists of 11 characters for identifying the bank and branch where the account in actually held. The IFSC code is used both by the RTGS and NEFT transfer systems.

MSME and SME: Micro Small and Medium Enterprises (MSME), and SME stands for Small and Medium Enterprises. This is an initiative of the government to drive and encourage small manufacturers to enjoy facilities from banks at concessional rates.

LIBOR: London Inter Bank Offered Rate. An interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market.

LIBID: London Interbank Bid Rate. The average interest rate at which major London banks borrow Eurocurrency deposits from other banks.

ECGC: Export Credit Guarantee Corporation of India. This organisation provides risk as well as insurance cover to the Indian exporters.

SWIFT: Society for Worldwide Interbank Financial Telecommunication. It operates a worldwide financial messaging network which exchanges messages between banks and other financial institutions.

STRIPS: Separate Trading for Registered Interest & Principal Securities.

CIBIL: Credit Information Bureau of India Limited. CIBIL is India's first credit information bureau. Whenever a person applies for new loans or credit card(s) to a financial institution, they generate the CIBIL report of the said person or concern to judge the credit worthiness of the person and also to verify their existing track record.

CIBIL actually maintains the borrower's history.

CRISIL: Credit Rating Information Services of India Limited. Crisil is a global analytical company providing ratings, research, and risk and policy advisory services.

AMFI: Association of Mutual Funds of India. AMFI is an apex body of all Asset Management Companies (AMCs) which have been registered with SEBI. (Note: AMFI is not a mutual funds regulator)

FCCB: Foreign Currency Convertible Bond. A type of convertible bond issued in a currency different from the issuer's domestic currency.

CAC: Capital Account Convertibility. It is the freedom to convert local financial assets into foreign financial assets and vice versa. This means that capital account convertibility allows anyone to freely move from local currency into foreign currency and back, or in other words, transfer of money from current account to capital account.

Banking Terms : Set 3

BANCASSURANCE: Is the term used to describe the partnership or relationship between a bank and an insurance company whereby the insurance company uses the bank sales channel in order to sell insurance products.

Balloon payment: Is a specific type of mortgage payment, and is named "balloon payment" because of the structure of the payment schedule. For balloon payments, the first several years of payments are smaller and are used to reduce the total debt remaining in the loan. Once the small payment term has passed (which can vary, but is commonly 5 years), the remainder of the debt is due – this final payment is the one known as the "balloon" payment, because it is larger than all of the previous payments.

CPSS: Committee on Payment and Settlement Systems

FCNR Accounts: Foreign Currency Non-Resident accounts are the ones that are maintained by NRIs in foreign currencies like USD, DM, and GBP.

M3 in banking: It's a measure of money supply. It is the total amount of money available in an economy at a particular point in time.

OMO: Open Market Operations. The buying and selling of government securities in the open market in order to expand or contract the amount of money in the banking system. Open market operations are the principal tools of monetary policy. RBI uses this tool in order to regulate the liquidity in economy.

Umbrella Fund: A type of collective investment scheme. A collective fund containing several sub-funds, each of which invests in a different market or country.

ECS: Electronic Clearing Facility is a type of direct debit. Tobin tax: Suggested by Nobel Laureate economist James Tobin, was originally defined as a tax on all spot conversions of one currency into another. Z score is a term widely used in the banking field.

POS: Point Of Sale, also known as Point Of Purchase, a place where sales are made and also sales and payment information are collected electronically, including the amount of the sale, the date and place of the transaction, and the consumer's account number.

LGD: Loss Given Default. Institutions such as banks will determine their credit losses through an analysis of the actual loan defaults.

Junk Bonds: Junk bonds are issued generally by smaller or relatively less well known firms to finance their operations, or by large and well-known firms to fund leveraged buyouts. These bonds are frequently unsecured or partially secured, and they pay higher interest rates: 3 to 4 percentage points higher than the interest rate on blue chip corporate bonds of comparable maturity period.

ARM: Adjustable Rate Mortgage is basically a type of loan where the rate of index is calculated on the basis of the previously selected index rate.

Banking Terms : Set 4

ABO: Accumulated Benefit Obligation, ABO is a measure of liability of pension plan of an organisation and is calculated when the pension plan is terminated.

Absorption: A term related to real estate, it is a process of renting a real estate property which is newly built or recently approved.

AAA: A type of grade that is used to rate a particular bond. It is the highest rated bond that gives maximum returns at the time of maturity.

DSCR: Debt Service Coverage Ratio, DSCR is a financial ratio that measures the company's ability to pay their debts.

FSDC: Financial Stability and Development Council, India's apex body of the financial sector.

ITPO: India Trade Promotion Organisation is the nodal agency of the Government of India for promoting the country's external trade.

FLCC: Financial Literacy and Counseling Centres.

ANBC: Adjusted Net Bank Credit is Net Bank Credit added to investments made by banks in non-SLR bonds.

M0, M1, M2 AND M3: These terms are nothing but money supply in banking field.

BIFR: Bureau of Industrial and Financial Reconstruction.

Gold Standard: A monetary system in which a country's government allows its currency unit to be freely converted into fixed amounts of gold and vice versa.

Fiat Money: Fiat money is a legal tender for settling debts. It is a paper money that is not convertible and is declared by government to be legal tender for the settlement of all debts.

BCSBI: The Banking Codes and Standards Board of India is a society registered under the Societies Registration Act, 1860 and functions as an autonomous body, to monitor and assess the compliance with codes and minimum standards of service to individual customers to which the banks agree to.

OLTAS: On-Line Tax Accounting System.

EASIEST: Electronic Accounting System in Excise and Service Tax.

SOFA: Status of Forces Agreement, SOFA is an agreement between a host country and a foreign nation stationing forces in that country.

CALL MONEY: Money loaned by a bank that must be repaid on demand. Unlike a term loan, which has a set maturity and payment schedule, call money does not have to follow a fixed schedule. Brokerages use call money as a short-term source of funding to cover margin accounts or the purchase of securities. The funds can be obtained quickly.

FEDAI: Foreign Exchange Dealers Association of India. An association of banks specialising in the foreign exchange activities in India.

PPF: Public Provident Fund. The Public Provident Fund Scheme is a statutory scheme of the Central Government of India. The scheme is for 15 years. The minimum deposit is Rs 500 and maximum is Rs 70,000 in a financial year.

Banking Terms : Set 5

SEPA: Single Euro Payment Area.

GAAP: Generally Accepted Accounting Principles. The common set of accounting principles, standards and procedures that companies use to compile their financial statements.

Indian Depository Receipt: Foreign companies issue their shares and in return they get the depository receipt from the National Security Depository in return of investing in India.

Hot Money: Money that is moved by its owner quickly from one form of investment to another, as to take advantage of changing international exchange rates or gain high short-term returns on investments.

NMCEX: National Multi-Commodity Exchange.

PE RATIO: Price to Earnings Ratio, a measure of how much investors are willing to pay for each dollar of a company's reported profits.

CASA: Current Account, Savings Account.

CAMELS: CAMELS is a type of Bank Rating System. (C) stands for Capital Adequacy, (A) for Asset Quality, (M) for Management ,(E) for Earnings, (L) for Liquidity and (S) for Sensitivity to Market Risk.

OSMOS: Off-site Monitoring and Surveillance System. Free market: A market economy based on supply and demand with little or no government control.

Retail banking: It is mass-market banking in which individual customers use local branches of larger commercial banks.

Eurobond: A bond issued in a currency other than the currency of the country or market in which it is issued.

FEMA Act: Foreign Exchange Management Act, it is useful in controlling HAWALA.

Hawala Transaction: It's a process in which large amount of black money is converted into white.

Teaser Loans: It's a type of home loans in which the interest rate is initially low and then grows higher. Teaser loans are also called terraced loans.

ECB: External Commercial Borrowings, taking a loan from another country. Limit of ECB is $500 million, and this is the maximum limit a company can get.

CBS: Core Banking Solution. All the banks are connected through internet, meaning we can have transactions from any bank and anywhere. (e.g. deposit cash in PNB, Delhi branch and withdraw cash from PNB, Gujarat)

CRAR: For RRB's it is more than 9% (funds allotted 500 cr) and for commercial banks it is greater than 8% (6000 cr relief package).

NBFCs: NBFC is a company which is registered under Companies Act, 1956 and whose main function is to provide loans. NBFC cannot accept deposit or issue demand draft like other commercial banks. NBFCs registered with RBI have been classified as AssetFinance Company (AFC), Investment Company (IC) and Loan Company (LC).

IIFCL: India Infrastructure Finance Company Limited. It gives guarantee to infra bonds.

IFPRI: International Food Policy Research Institute. It identifies and analyses policies for meeting the food needs of the developing world.

Banking Terms : Set 6

Currency swap: It is a foreign-exchange agreement between two parties to exchange aspects (namely the principal and/or interest payments) of a loan in one currency for equivalent aspects of an equal in net present value loan in another currency. Currency swap is an instrument to manage cash flows in different currency.

WPI: Wholesale Price Index is an index of the prices paid by retail stores for the products they ultimately resell to consumers. New series is 2004 2005. (The new series has been prepared by shifting the base year from 1993-94 to 2004-05). Inflation in India is measured on WPI index.

MAT: Minimum Alternate Tax is the minimum tax to be paid by a company even though the company is not making any profit.

Future trading: It's a future contract/agreement between the buyers and sellers to buy and sell the underlying assets in the future at a predetermined price.

Reverse mortgage: It's a scheme for senior citizens.

Basel 2nd norms: BCBS has kept some restrictions on bank for the maintenance of minimum capital with them to ensure level playing field. Basel II has got three pillars: Pillar 1- Minimum capital requirement based on the risk profile of bank. Pillar 2- Supervisory review of banks by RBI if they go for internal ranking. Pillar 3- Market discipline.

Microfinance institutions: Those institutions that provide financial services to lowincome clients. Microfinance is a broad category of services, which includes microcredit. Microcredit is provision of credit services to poor clients.

NPCI: National Payments Corporation of India.

DWBIS: Data Warehousing and Business Intelligence System, a type of system which is launched by SEBI. The primary objective of DWBIS is to enhance the capability of the investigation and surveillance functions of SEBI.

TRIPS: Trade Related Intellectual Property Rights is an international agreement administered by the World Trade Organisation (WTO) that sets down minimum standards for many forms of intellectual property (IP) regulation as applied to nationals of other WTO Members.

TRIMs: Trade Related Investment Measures. A type of agreement in WTO. SDR: Special Drawing Rights, SDR is a type of monetary reserve currency, created by the International Monetary Fund. SDR can be defined as a "basket of national currencies". These national currencies are Euro, US dollar, British pound and Japanese yen. Special

Drawing Rights can be used to settle trade balances between countries and to repay the IMF. American dollar gets highest weightage.

LTD: Loan-To-Deposit Ratio. A ratio used for assessing a bank's liquidity by dividing the bank's total loans by its total deposits. If the ratio is too high, it means that banks might not have enough liquidity to cover any fund requirements, and if the ratio is too low, banks may not be earning as much as they could be.

Banking Terms : Set 7

CAD: Current Account Deficit. It means when a country's total imports of goods, services and transfers is greater than the country's total export of goods, services and transfers.

LERMS: Liberalized Exchange Rate Management System.

FRP: Fair and Remunerative Price, a term related to sugarcane. FRP is the minimum price that a sugarcane farmer is legally guaranteed. However sugar Mills Company gives more than FRP price.

STCI: Securities Trading Corporation of India Limited was promoted by the Reserve Bank of India (RBI) in 1994 along with Public Sector Banks and All India Financial Institutions with the objective of developing an active, deep and vibrant secondary debt market.

IRR: Internal Rate of Return. It is a rate of return used in capital budgeting to measure and compare the profitability of investments.

CMIE: Centre for Monitoring Indian Economy. It is India's premier economic research organisation. It provides information solutions in the form of databases and research reports. CMIE has built the largest database on the Indian economy and companies.

TIEA: Tax Information Exchange Agreement. TIEA allows countries to check tax evasion and money laundering. Recently India has signed TIEA with Cayman Islands. Contingency Fund: It's a fund for emergencies or unexpected outflows, mainly economic crises. A type of reserve fund which is used to handle unexpected debts that are outside the range of the usual operating budget.

P-NOTES: "P" means participatory notes.

FIU: Financial Intelligence Unit set by the Government of India on 18 November 2004 as the central national agency responsible for receiving, processing, analysing and disseminating information relating to suspect financial transactions.

ASBA: Application Supported by Blocked Amount. It is a process developed by the SEBI for applying to IPO. In ASBA, an IPO applicant's account doesn't get debited until shares are allotted to him.

DEPB Scheme: Duty Entitlement Pass Book. It is a scheme which is offered by the Indian government to encourage exports from the country. DEPB means Duty Entitlement Pass Book to neutralise the incidence of basic and special customs duty on import content of export product.

LLP: Limited Liability Partnership, is a partnership in which some or all partners (depending on the jurisdiction) have limited liability. Balance sheet: A financial statement that summarises a company's assets, liabilities and shareholders' equity at a specific point in time.

TAN: Tax Account Number, is a unique 10-digit alphanumeric code allotted by the Income Tax Department to all those persons who are required to deduct tax at the source of income.

Banking Terms : Set 8

PAN: Permanent Account Number, as per section 139A of the Act obtaining PAN is a must for the following persons:- 1. Any person whose total income or the total income of any other person in respect of which he is assessable under the Act exceeds the maximum amount which is not chargeable to tax. 2. Any person who is carrying on any business or profession whose total sales, turnover or gross receipts are or are likely to exceed Rs. 5 lakh in any previous year. 3. Any person who is required to furnish a return of income under section 139(4) of the Act.

JLG: Joint Liability Group, when two or more persons are both responsible for a debt, claim or judgment.

REER: Real Effective Exchange Rate.

NEER: Nominal Effective Exchange Rate. Contingent Liability: A liability that a company may have to pay, but only if a certain future event occurs.

IRR: Internal Rate of Return is a rate of return used in capital budgeting to measure and compare the profitability of investments.

MICR: Magnetic Ink Character Recognition. A 9-digit code which actually shows whether the cheque is real or fake.

UTR Number: Unique Transaction Reference number. A unique number which is generated for every transaction in RTGS system. UTR is a 16-digit alphanumeric code.

The first 4 digits are a bank code in alphabets, the 5th one is the message code, the 6th and 7th mention the year, the 8th to 10th mentions the date and the last 6 digits mention the day's serial number of the message.

MFI: Micro Finance Institutions. Micro Finance means providing credit/loan (micro credit) to the weaker sections of the society. A microfinance institution (MFI) is an organisation that provides financial services to the poor.

PRIME LENDING RATE: PLR is the rate at which commercial banks give loans to its prime customers (most creditworthy customers).

EMI: Equated Monthly Installment. It is nothing but a repayment of the loan taken. A loan could be a home loan, car loan or personal loan. The monthly payment is in the form of post dated cheques drawn in favour of the lender. EMI is directly proportional to the loan taken and inversely proportional to time period. That is, if the loan amount increases the EMI amount also increases and if the time period increases the EMI amount decreases.

Basis points (bps): A basis point is a unit equal to 1/100th of a percentage point. i.e. 1 bps = 0.01%. Basis points are often used to measure changes in or differences between yields on fixed income securities, since these often change by very small amounts.

Liquidity: It refers to how quickly and cheaply an asset can be converted into cash. Money (in the form of cash) is the most liquid asset.

Banking Terms : Set 9

Certificate of Deposit (CD) is a negotiable money market instrument and issued in dematerialised form for funds deposited at a bank or other eligible financial institution for a specified time period.

AGM – Annual General Meeting, it is the year meeting held by every registered company. Agenda is to explain the performance during the year, presentation of annual financial statements, voting on important financial decisions. Any shareholder can participate in AGM.

Asset turnover ratio – This ratio can be explained as Net assets / Total turnover or sales. This ratio measures the operational efficiency of business assets. In simple terms this measures how many time total assets turned in a year and how efficiently the assets are used in a business.

Acid test ratio – This is one of the important ratio to measure business liquidity. Business liquidity is defined as ability of a business to pay it;s short term debts. Acid test ratio = Highly liquid assets / current liabilities

American Depository Receipts – This is the way non-US companies raises money from US investors. These shares can be traded in US stock exchanges and denominated in US $.

Amortization – It is an accounting technique by which intangible assets are written off over a period of time. For example provision for doubtful debts or preliminary expenses are written off over a certain period of time.

Annuity – It is an investment scheme under which investor makes recurring investments and lump sum payment is made to him at the end. Common example is Recurring deposit account at a post office where people makes small monthly deposits and gets their money back at the end of period. Benefit of Annuity is investor gets compound interest over a period of time.

Asset Management Company – AMC is a company that pools and invests investor money in pre-determined goals. Pool of funds is known as Mutual fund.

Audit – Financial statement and physical stock is checked annually by professional auditor (Chartered Accountant affiliated by ICAI in India)

Book-keeping – Recording of financial transactions in books of account.

Bear market – A market situation in which most of the investors thinks that markets will fall.

Capital – Wealth invested by an entrepreneur on his business. Capital = Assets – Liabilities

Capital gain – Gain by selling a capital asset in which a person is not doing business. Income by selling a house by a bank employee is a capital gain whereas when a builder do the same thing it is Income from business and professional.

Banking Terms : Set 10

Current asset – An asset that can be converted into cash with 12 months. For example – debtors, stock etc.

Credit rating – A ranking applied to an individual, business or a nation based upon its credit history and current financial position. There are various credit rating companies in India such as Crisil.

CPI – Consumer price index is measure to find price of a bundle of commodities. CPI is used to measure the inflation in a country.

Debt consolidation – Debt consolidation is a process by which various loans and converted into a single loan to reduce interest rate and instalment value.

Dividend – Dividend is the amount per share paid by a company to its shareholders. Dividend value is based upon company's profitability.

Dividend payout ratio – It is the ratio of dividend paid per share and EPS (Earning per share)

Double entry book keeping – It is a method of bookkeeping in which every transaction is recorded two accounts. Once in debit side and once in credit side.

Earning per share – Earnings made by a company in a financial year divided by number of issued shares.

Equity – Value of a business. Equity = Total assets – Total liabilities

Ex-divided – Ex-dividend means without dividend. When a seller makes a exdividend sales contract then he is entitled to get dividend or interest payment.

EBIT – Earning before interest and taxes

EBT – Earning before tax

EAT – Earning after tax

Face value – The amount mentioned on face of a bond certificate.

Fixed assets – Assets which can be seen such as machinery

Financial year – A period of 12 months from 1st April to 31st march

Fundamental analysis – Analysis of a company based upon financial and operational performance.

Fiscal policy – Income and expenses management by Government.

Flat rate – Rate of interest in a contract which remains same irrespective of market rate in future.

Floating rate – Rate of interest which changes with change in market rate.

Fund manager – A person who manages a mutual fund and tries to maximize fund's returns while sticking to fund's objectives.

Gearing – It is the ratio of debt to equity

Goodwill – Intangible assets that defines firm's reputation in monetary terms.

Gross profit = Net sales – Net purchases – Direct expenses

GDP – Gross domestic product is the aggregate value of goods and services produced by every person of a nation.

GST – Goods and services tax is the same tax system for everything. GST will be implanted in India from July 1, 2017 onwards.

Banking Terms : Set 11

Hedging – Hedging is a technique used by investors to protect themselves from adverse price movements. Derivatives are used for hedging in which hedgers takes the risk of price fluctuations.

Hedge funds – Mutual funds which invests in derivatives

Index – It is statistical measure used to find price variations in market. In stock markets most dominating stocks are grouped to make an index. For example – Sensex.

Income statement - A statement that represents both income and expenditure of a business during a specific period of time.

IPO – Initial public offer is issue of stocks for the first time in the market.

Intangible assets – Assets which can't be seen but have value for business. For example – Goodwill.

Indemnity – A legal contract under which one party promises to pay another for any loses incurred to them by their acts.

Interest rate risk – Risk that value of financial assets will deteriorate because of fall in interest rate. For example value of bonds decreases with decrease in interest rate.

Irredeemable stocks – Stocks which can't be exchanged for cash in future.

Indirect Costs – Indirect cost is a cost incurred on product that is not directly related to its production.

Junk fund – A fund which invests investor's money in junk investments means high risk investments which high returns.

KYC – Know Your Customer policy is mandatory in India and every investor irrespective of his investment volume needs to furnish his identity and residence details.

Liquidity – Ability of a business to pay off its short term debts with current assets. Currently NISL is facing liquidity crunch.

Liquid assets – Assets which can be readily converted into cash

Liquid ratio – Liquid assets/Current liabilities

Limited liability – Liability of an individual or a business up to the value of investment made in a business

Monopoly – A situation in market where there are many buyers but a single seller exist.

Monetary policy – Set of actions by Central bank of a country (RBI in case of India) to control the supply of money. These actions included increase in interest rate, open market purchases, changing commercial bank's reserve funds ratio (SLR) etc.

Marginal cost – Additional cost to produce an extra unit of product.

Margin – Amount of profit added to cost price of each unit of a product

Margin call – Margin call term is used in two situations. First – Whenever a lender gives a secured loan and loan value is a fixed percentage of loan then whenever the value of security decrease below the decided ratio then lender given a margin call to borrower to bring loan to security ratio to decided level. Secondly in stock exchanges traders trades in various securities by paying 20-30% of the value of securities.

Whenever the value of security goes below that margin, broker gives margin call to trader to bring the margin to desired level.

Banking Terms : Set 12

Mark-to-market – As explained above while defining margin call, value of assets in case of securities is measured on daily basis. If the trader's asset value increased, increased value is transferred to his account. In case the value of assets decreased margin call is made to adjust the margin.

NPV – Net Present Value is aggregate of future cash flows from a project minus total costs. NPV is a capital budgeting technique used to check feasibility of projects.

Net profit – Net profit is Gross profit minus indirect cost. See indirect costs

Net worth – Net assets – Total liabilities

Nationalization – When Government takes control of a business, this is known as nationalization.

NAV – Net Assets Value is mutual fund's per unit exchange traded price

Opportunity cost – Additional cost in production of an addition unit of product.

Options – Option is right to buy at pre-determined price at a future date. Option is used for hedging. Options safeguards option-holder from future price fluctuations.

Overdraft – Facility given by a bank which allows its customers to withdraw more money than account balance. Overdraft generally have high rate of interest as borrower can demand and return the loan anytime.

Preference shares – A type of shares having no voting rights and have higher rate of dividend.

Ponzi schemes – It is a kind of fraud scheme which use Network marketing as a tool. Investors are paid out of new investments. These schemes end when new investments stop coming and large number of investors wants to withdraw their money. Latest Ponzi scheme in India was "Speak Asia".

PLR – Prime lending rate is the minimum rate of interest that is to be charged by a bank. Each bank decides its own PLR.

ROI – Rate on investment is return divided by value of investment

Redemption – Maturity date of a security or a bond

Recession – An economic situation of negative growth

Right issue – Issue of shares in which existing shareholders gets right to buy shares in proportion of their existing holding

Risk free return – Rate of return, normally it is 90 days bills issued by a national government

Stagnation – An economic situation of slow economic growth, high rate unemployment and inflation.

Shorting – Selling securities which an investors don't have in expectation of price drop

Underwriters – In case of an IPO, new companies makes contracts with underwriter where underwriters promises to purchase unsubscribe shares.

Working capital – Money required by a business to run its day to day business. Working capital = Current assets / Current liabilities

Warrants – A document which gives right to holder to get shares at stated price

Yield – Yield is the return on investment which may in form dividend or interest