

# Ravi Maths Tuition

## ECO - Money and Credit

### 10th Standard

### Social Science

#### Multiple Choice Question

53 x 1 = 53

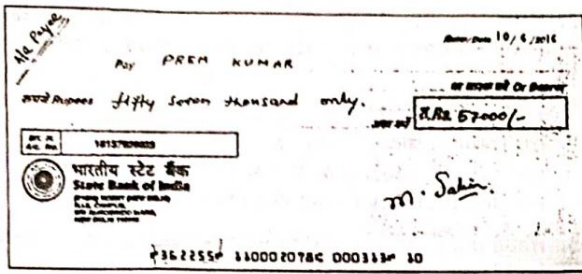
- 1) In SHG most of the decisions regarding savings and loan activities are taken by  
(a) Bank (b) Members (c) Non-government organisations (d) LIC
- 2) Formal sources of credit do not include  
(a) Banks (b) cooperatives (c) employers (d) LIC
- 3) Over the years, Rama's debt  
(a) will rise (b) will remain constant (c) will decline.
- 4) Arun is one of the few people in Sonpur to take a bank loan because  
(a) other people in the village prefer to borrow from the moneylenders  
(b) banks demand collateral which everyone cannot provide.  
(c) interest rate on bank loans is same as the interest rate charged by the traders.
- 5) The exchange of goods for goods is:  
(a) Banker of option (b) Bills of exchange (c) Barter (d) Currency
- 6) Currency is issued by:  
(a) RBI on behalf of central government (b) By president of India (c) By finance minister (d) None of them
- 7) National Sample Survey Organisation is a  
(a) Commercial bank organisation (b) An organisation of World Bank  
(c) An organisation associated with Indian Standard Institute  
(d) An institution responsible to collect data on formal sector credit.
- 8) Gold mohar, a coin so named was brought in circulation by  
(a) Akbar (b) Sher Shah Suri (c) Ashok (d) Shivaji
- 9) A bill of exchange promising to a certain sum written there in  
(a) Currency (b) Collateral (c) Promisory note (d) Bank rate
- 10) Which agency is not included in informal loan sector or agency  
(a) Bank (b) Village money lender (c) Trader (d) Relative of borrower
- 11) Security against loan is  
(a) Collateral (b) Token Coins (c) Promisory Note (d) Currency
- 12) The founder of Grameen bank of Bangladesh is  
(a) Amartya Sen (b) Mohammad Salim (c) Mohammad Yunus (d) None of the above
- 13) Since money acts as an intermediate in the exchange process, it is called  
(a) value for money (b) exchange value
- 14) Modern forms of money include  
(a) paper notes (b) gold coins (c) silver coins (d) copper coins

- 15) Who issues currency notes on behalf of the Central government in India?  
(a) NABARD (b) Reserve Bank of India (RBI) (c) World Bank (d) State Bank of India (SBI)
- 16) Deposits in bank accounts withdrawn on demand are called:  
(a) fixed deposits (b) recurring deposits (c) demand deposits (d) none of these
- 17) Banks in India these days, hold about \_\_\_\_\_ per cent of their deposits as cash  
(a) 50 (b) 20 (c) 15 (d) 10
- 18) Major portion of the deposits is used by banks for  
(a) setting up new branches (b) paying taxes (c) paying interest on loans (d) extending loans
- 19) What is the main source of income for banks?  
(a) Interest on loans (b) Interest on deposits  
(c) Difference between the interest charged on borrowers and depositors (d) None of these
- 20) In rural areas, farmers take credit for?  
(a) Family (b) Health (c) Crop production (d) Education
- 21) A 'debt trap' means:  
(a) inability to repay credit amount (b) ability to pay credit amount (c) overspending till no money is left  
(d) none of these
- 22) What is the 'collateral' demand that lenders make against loans?  
(a) Vehicle of the borrower (b) Building of the borrower (c) Both (a) and (b) (d) None of these
- 23) Terms of credit do not include:  
(a) interest rate (b) collateral (c) documentation (d) lender's land
- 24) Informal sector loans include  
(a) NABARD (b) State Bank of India (c) moneylenders (d) both (b) and (c)
- 25) Banks and cooperatives need to lend more to borrowers because  
(a) high cost of borrowing from informal sources (b) borrowers wish to set up enterprises  
(c) borrowers need more money but cannot ask (d) none of these
- 26) Poor households in urban areas take loans from \_\_\_\_\_ sources  
(a) formal (b) informal (c) both (a) and (b) (d) none of these
- 27) What prevents the poor from getting bank loans?  
(a) Complexity of procedure (b) Absence of collateral (c) High rates of interest (d) None of these
- 28) What is the name of the success story that met the credit needs of the poor, at reasonable rates, in Bangladesh  
(a) Grameen Bank (b) Reserve Bank (c) Cooperative Bank (d) None of these
- 29) Which one of the following is not an informal sector of credit?  
(a) Traders (b) SHGs (c) Money Lenders (d) Employer
- 30) Grameen Bank is a success story of  
(a) India (b) Bangladesh (c) Nepal (d) China
- 31) Which of the following can be considered as the modern form(s) of money?  
(a) Currencies (b) Drafts (c) Cheques (d) All of these
- 32) Which of the following households constitutes the largest segment of borrowers in the formal sector of credit?  
(a) Poor households (b) Rich households (c) Well-off households (d) Households with few assets

- 33) Which one of the following authorises money as a medium of exchange?  
(a) Reserve Bank of India (b) Self Help Groups (c) The Central Government (d) The President of India
- 34) What do you mean by collateral?  
(a) It is the total sum of money with a person (b) It is the things kept in the locker  
(c) It is the guarantee given by the lender to the borrower (d) It is the security to a lender until the loan is repaid
- 35) Banks do not give loans  
(a) to small farmers (b) to marginal farmers (c) to industries (d) without proper collateral and documents
- 36) Which one of the following statement is not true about 'credit'?  
(a) In rural households, moneylenders are the biggest source of credit for the people  
(b) Credit helps the farmers to meet the expenses of food grain production  
(c) Cheap and affordable credit is crucial for the country's development  
(d) Credit can never push a person in debt trap.
- 37) Professor Muhammad Yunus is the founder of which one of the following banks?  
(a) Commercial bank (b) Land development bank (c) Cooperative bank (d) Grameen bank
- 38) Which of the following is crucial for the development of a country?  
(a) High rate of interest on credit (b) Cheap and affordable credit  
(c) Increase the lending activity of informal sector (d) Decrease the lending activity of formal sector
- 39) Which of the following statements is most appropriate regarding the transactions made in money?  
(a) It promotes trade (b) It is the safest way (c) It is the easiest way (d) It is the cheapest way
- 40) Banks provide a high rate of interest on which one of the following accounts?  
(a) Fixed deposits for long period (b) Savings account (c) Current account  
(d) Fixed deposits for short period
- 41) Which of the following is a modern form of currency?  
(a) Silver (b) Gold (c) Paper notes (d) Copper
- 42) Which of the following statement is not true about modern forms money?  
(a) It is a medium of exchange (b) Modern forms of money include paper notes (c) It include coins  
(d) It is made of valuable metals like gold and silver
- 43) Raghav has surplus money so he opens a bank account and deposits in it. Whenever he needs money, he can go to his bank and withdraw from there. This kind of deposit with the banks are known as  
(a) demand deposit (b) term deposit (c) fixed deposit (d) surplus deposit
- 44) Which one of the following banks in India controls the issuance of currency and regulates the credit system in the country?  
(a) Punjab National Bank (b) Indian Bank (c) Reserve Bank of India (d) State Bank of India
- 45) Aruna, a young entrepreneur from a rural village, aspires to start her own tailoring business. She envisions creating employment opportunities for women in her community by providing them with sewing machines and training. Aruna plans to seek financial assistance to initiate her venture and has been contemplating different sources of credit. Considering her aspirations and the information provided, which credit source might be most suitable for Aruna's entrepreneurial endeavor?  
(a) Loan from traders with a promise to sell her products exclusively to them.  
(b) Formal sector credit from banks or cooperatives at a lower interest rate.  
(c) Borrowing from moneylenders within her village.  
(d) Self Help Groups (SHGs) to access loans with reduced interest rates.

- 46) In a country, the financial landscape is supported by various credit sources and systems, affecting individuals and their economic decisions.  
What best describes the importance of formal sector credit?
- (a) Formal sector credit involves higher interest rates and is often unregulated.
  - (b) It requires collateral and provides loans at comparatively lower interest rates.
  - (c) It necessitates only a promise of future payment without any security.
  - (d) It mainly comprises moneylenders and friends as lending institutions.
- 47) Rahul has a sack of cotton but he is in need of wheat and Anush has a sack of wheat and is in need of cotton. Under this situation, both will be able to exchange their goods. In case of absence of such coincidence of wants, they may not exchange their goods. Which one of the following would be the best option that describes the mutual exchange of goods and eliminate the exchange of goods?
- (a) Double coincidence of want, Exchanging commodity for commodity.
  - (b) Double Coincidence of want, Credit on Commodity
  - (c) Double coincidence of want, Loan on commodity.
  - (d) Double coincidence of want, Money
- 48) Select which among the following cannot be purchased through money. Choose the correct option.  
I. Full protection from infectious diseases  
II. A pollution-free atmosphere  
III. High quality education  
IV. A luxury home
- (a) I and III
  - (b) III and IV
  - (c) I and IV
  - (d) I and II
- 49) Which of the following statements accurately describes the role of 'Collateral' in the loan system?
- I. It is a security against loans and is used as a guarantee to a lender until the loan is repaid.
  - II. Collateral is not required by lenders as it increases the risk involved in loaning money.
  - III. Collateral is a term used to describe the process of credit given by moneylenders.
  - IV. Collateral is solely an agreement between borrowers and lenders without any legal backing.
- (a) Only I
  - (b) Only II
  - (c) Both I and III
  - (d) Only IV
- 50) Mr. X is contemplating borrowing money for his agricultural business. Which of the following factors highlights the benefits of obtaining a loan from a formal banking institution?
- I. Lower interest rates compared to other informal Sources.
  - II. A potential risk of being trapped in a debt trap.
  - III. Requirement of surrendering property as collateral.
  - IV. No interest charges on the loan.
- (a) Only I
  - (b) III and IV
  - (c) I and II
  - (d) Only II
- 51) Consider the statements given below and choose the correct answer.  
**Statement I** In the context of modern banking systems, banks act as intermediaries between individuals with surplus funds (depositors) and those in need of funds (borrowers).  
**Statement II** Formal sector credit sources, supervised by the Reserve Bank of India (RBI), offer loans at higher interest rates and do not require collateral security.
- (a) Statement I is correct and statement II is incorrect.
  - (b) Statement I is incorrect and statement II is correct.
  - (c) Both statements I and II are incorrect.
  - (d) Both statements I and II are correct.
- 52) Read the information given below and select the correct option.  
Rohan has taken a loan of Rs 5 lakhs from the bank to purchase a house on 12% rate of interest. He has to submit papers of new house and salary record to the bank. What is this process called as?
- (a) Interest Rate
  - (b) Collateral
  - (c) Principal Amount
  - (d) Installments

- 53) Read the image of the cheque. Identify the cheque number from the given options.



- (a) 362255 (b) 110002078 (c) 000313 (d) 16137926023

Fill up / 1 Marks

6 x 1 = 6

- 54) While taking a loan, borrowers look for easy terms of credit. This means \_\_\_\_\_ (low/high) interest rate, \_\_\_\_\_ (easy/tough) conditions for repayment, \_\_\_\_\_ (less/more) collateral and documentation requirements.
- 55) Majority of the credit needs of the \_\_\_\_\_ household are met from informal sources.
- 56) \_\_\_\_\_ cost of borrowing increase the debt burden.
- 57) \_\_\_\_\_ issues currency notes on behalf of the Central Government.
- 58) Banks charge a higher interest rate on loans than what they offer on \_\_\_\_\_.
- 59) \_\_\_\_\_ is an asset that the borrower owns and uses as a guarantee until the loan is repaid to the lender.

2 Marks

48 x 2 = 96

- 60) What is money?
- 61) What is the meaning of "double coincidence of wants"?
- 62) What is meant by "double coincidence of wants"?
- 63) What is "Barter System"?
- 64) What is the meaning of 'Barter System'?
- 65) Which is the essential feature of barter system?
- 66) Why money is called a medium of exchange?
- 67) Define terms of credit.
- 68) What comprises terms of credit?
- 69) Defined collateral.
- 70) What was fiat money?
- 71) What do you understand by the term cheque?
- 72) What are demand deposits?
- 73) What would happen if all the depositors went to ask for their money at the same time?
- 74) Define central bank.
- 75) What is meant by commercial bank?
- 76) Why do banks ask for collateral giving credit to a borrower?
- 77) Which body supervises the functioning of formal sources of loans?
- 78) How does money act as a medium of exchange?
- 79) Define money.
- 80) Why one cannot refuse a payment made in rupees in India?

- 81) What objects were used as money in India, before the introduction of coins?
- 82) Which metals were used for making coins in India in later stages?
- 83) Give the modern forms of money.
- 84) The modern currency is accepted as a medium of exchange. Why?
- 85) Define a bank.
- 86) What is a cheque?
- 87) What determines the main source of income for the banks?
- 88) For what purpose credit is mainly demanded in rural areas?
- 89) What is a debt-trap?
- 90) What is collateral?
- 91) What are the main 'terms of credit'?
- 92) Why are banks unwilling to lend loans to small farmers?
- 93) What kind of credit is crucial for a country's development?
- 94) Besides banks, what are the other sources of credit from which the small farmers borrow?
- 95) What are SHGs?
- 96) Who issue the currency notes in India?
- 97) For which purpose are a major portion of the deposits with the banks used?
- 98) Whose signatures are found on a 10-rupee note?
- 99) Give an example of how credit pushes a person into debt-trap.
- 100) How many members does a typically SHG comprise of?
- 101) What are the modern forms of money?
- 102) What is the reason for accepting paper notes as a medium of exchange in India?
- 103) State the role of Reserve Bank of India.
- 104) Why payments made in rupees cannot be refused in India?
- 105) What do you mean by the term collateral?
- 106) Samantha owns a small business and seeks financial aid. She's unsure about approaching formal or informal credit sources. Mention the difference between formal and informal sector credit.
- 107) **Read the following source and answer the questions that follow.**  
**A House Loan**  
Megha has taken a loan of Rs 5 lakhs from the bank to purchase a house. The annual interest rate on the loan is 12 per cent and the loan is to be repaid in 10 years in monthly installments. Megha had to submit to the bank, documents showing her employment records and salary before the bank agreed to give her the loan. The bank retained as collateral the papers of the new house, which will be returned to Megha only when she repays the entire loan with interest.
  - (i) From which source of credit Megha has taken loan?
  - (ii) Explain the terms of credit given in the source.
  - (iii) What did the bank retain as collateral from Megha to give her the House Loan?

- 108) The following table shows people in a variety of occupations in urban areas. What are the purposes for which the following people might need loans? Fill in the column.

Occupations	Reason for needing a Loan
Construction worker	-
Graduate student who is computer literate	-
A person employed in government service	-
Migrant labourer in Delhi	-
Household maid	-
Small trader	-
Auto rickshaw driver	-
A worker whose factory has closed down	-

Next, classify the people into two groups based on whom you think might get a bank loan and those who might not. What is the criterion that you have used for classification?

3 Marks

88 x 3 = 264

- 109) How does the use of money make it easier to exchange things?
- 110) Can you think of some example of good services being exchanged or wages being paid through barter?
- 111) Fill the following table.

	Salim	Unfavourable balance of trade
Why did they need credit?		
What was the risk?		
What was the outcome?		

- 112) Suppose Salim continues to get orders from traders. What would be his position after six years?
- 113) What are the reasons that make Swapna's situation so risky? Discuss factors - pesticides; role of money lenders, climate.
- 114) Why do lenders ask for collateral while lending?
- 115) Given that a large number of people in our country are poor, does it in any way affect their capacity to borrow?
- 116) Underline the various uses of credit in Sonpur in the above passages
- 117) Compare the terms of credit for the small farmer, the medium farmer and the landless agricultural worker in Sonpur
- 118) Why will Arun have higher income from cultivation compared to Shyamal?
- 119) Can everyone in Sonpur get credit at a cheap rate? Who are the people who can?
- 120) Talk to some people to find out to find out the credit arrangements that exist in your area. Record your conversation. Note the differences in the terms of credit across people.
- 121) What are the differences between formal and informal sources of credit?
- 122) Why should credit at reasonable rates be available for all?
- 123) In situations with high risks, credit might create further problems for the borrower. Explain.
- 124) How does money solve the problem of double coincidence of wants? Explain with an example of your own.
- 125) How do banks mediate between those who have surplus money and those who need money?
- 126) Look at a Rs 10 note. What is written on top? Can you explain this statement?
- 127) Why do we need to expand formal sources of credit in India?
- 128) What is the basic idea behind the SHGs for the poor? Explain in your own words.
- 129) What are the reasons why the banks might not be willing to lend to certain borrowers?
- 130) In what ways does the Reserve Bank of India supervise the functioning of Banks? Why is this necessary?
- 131) Analyze the role of credit for development.

- 132) Manav needs a loan to set up a small business. On what basis will Manav decide whether to borrow from the bank or moneylender? Discuss.
- 133) In India, about 80% of farmers are small farmers, who need for cultivation.  
(a) Why might banks be unwilling to lend to small farmers?  
(b) What are the other sources from which the small farmers can borrow?  
(c) Explain with an example how the terms of credit can be unfavorable for the small farmer.  
(d) Suggest some ways by which small farmers can get cheap credit.
- 134) Why are demand deposits considered as money?
- 135) Should there be a supervisor, such as the Reserve Bank of India, that looks into the loan activities of informal lenders? Why would its task be quite difficult?
- 136) Why do you think that the share of formal sector credit is higher for the richer households compared to the poorer households?
- 137) List the various sources of credit in Sonpur.
- 138) Compare the terms of credit for the small farmer, the medium farmer and the landless agricultural worker in Sonpur.
- 139) Why were demand deposits considered as money?
- 140) What are the two categories of source of credit? Mention any features of each.
- 141) Should there be a supervisor, such as the Reserve Bank of India, that looks into the loan activities of informal lenders? Why would its task be quite difficult?
- 142) How does the RBI supervise the functioning of banks? Why is this necessary?
- 143) Which government body supervises the functioning of formal source of loans in India? Explain its functioning.
- 144) Explain with example, how credit plays a vital and positive role for development?
- 145) 'Credits has its own unique role for development'. Justify the statement with arguments.
- 146) How is credit helpful for the country's development?
- 147) What is the idea behind the SHG's for the poor? Explain in your words
- 148) 'Cheap and affordable credit is crucial for the country's development'. Explain the statement with four point.
- 149) Cheap and affordable credit is essential for poor households both in rural and urban areas". In the light of the above statement explain the social and economic values attached to it.
- 150) 'Cheap and affordable credit is crucial for country's development'. Assess the statement.
- 151) Why are most of the poor households derived from the sector of loans?
- 152) Why is the supervision of the functioning of formal sources of loans necessary?
- 153) Explain the loan activities of banks.
- 154) Explain 'Loans from Cooperatives'.
- 155) Mention the disadvantages of Barter Exchange.
- 156) Mention any four functions of money.
- 157) How many serves as legal tender money?
- 158) What do the banks do with the 'Public Deposits'? Describe their working mechanism.
- 159) What are demand deposits? Describe any three salient features of demand deposits.
- 160) Why do we need expand formal source of credit in India? Explain any four reasons.
- 161) What are the different kinds/types/forms of money?



- 162) Which are the two major sources of formal sector credit in India? Why do we need to expand formal sources of credit?
- 163) What is meant by term of credit? What does it include?
- 164) What are the modern forms of money currency in India? Why is it accepted as a medium of exchange? How is it executed?
- 165) Why is modern currency accepted as a medium of exchange without any use of its own? Find out the reason.
- 166) Why are banks willing to women organised in SHGs?
- 167) Prove with an argument that there is a great need to expand formal source of credit in rural India.
- 168) What is money? Why is modern currency accepted as a medium of exchange?
- 169) Deposits with the banks are beneficial to the depositors as well as to the nation'. Examine the statement.
- 170) How are deposits with the banks beneficial for an individual as well as for nation? Explain with examples.
- 171) How can money be easily exchanged for goods or services? Give an example to explain.
- 172) Why is it necessary for the banks and cooperative societies to increase their lending facilities in rural areas? Explain.
- 173) "The credit activities of the informal sector should be discouraged'. Support the statement with arguments.
- 174) What are demand deposits? How is money safe with the banks? Explain.
- 175) Explain the procedure involved in the issuing of a cheque.
- 176) How do the deposits with the banks become their source of income?
- 177) Explain the meaning of 'terms of credit'.
- 178) Explain why the supervision of the functioning of formal sources of loans is necessary?
- 179) Why do the poor households rely on informal credit till today? Explain.
- 180) How is the concept of Self-Help Groups (SHGs) important for poor people? Give your viewpoint.
- 181) Describe any three advantages of the Self-Help groups (SHGs) for the poor.
- 182) Explain any three drawbacks of barter system.
- 183) What are the modern forms of money? Why is the rupee widely accepted as a medium of exchange?
- 184) Describe the importance of formal sources of credit in the economic development.
- 185) Explain the role of credit for economic development.
- 186) Which type of deposits with the banks are called demand deposits? State some important features of demand deposits.
- 187) Why are the deposits in bank called demand deposits? What are the benefits of such deposits?
- 188) Credit can play a negative role. Justify the statement.
- 189) "Credit sometimes pushes the borrower into a situation from which recovery is very painful. 'Support the statement with examples.
- 190) Analyse the situation in which credit pushes the borrower into a situation from which recovery is painful.
- 191) Why do most of the rural households still remain dependent on the informal sources of credit? Explain.
- 192) Explain any three reasons for the banks and cooperative societies to increase their lending facilities in rural areas.
- 193) Seema wants to open a small flower shop near the village temple for which she needs Rs 35000. Briefly explain which is the best credit source for her and why?

- 194) Mr S, a farmer in a rural area, wants to expand his agricultural operations but lacks the necessary funds. Explain how Mr S can access credit sources from both formal and informal sectors to support his agricultural expansion. Discuss the advantages and disadvantages of these credit sources for his farming activities.
- 195) Over the years, the evolution of credit systems has significantly impacted economic transactions. Explain the transition from barter systems to modern banking and credit facilities.
- 196) Explain the role of 'Self-Help Groups' in the rural society.

Case Study Questions

5 x 4 = 20

- 197) The use of money spans a very large part of our everyday life. Look around you and you would easily be able to identify several transactions involving money in any single day. Can you make a list of these? In many of these transactions, goods are being bought and sold with the use of money. In some of these transactions, services are being exchanged with money. For some, there might not be any actual transfer of money taking place now but a promise to pay money later. Have you ever wondered why transactions are made in money? The reason is simple. A person holding money can easily exchange it for any commodity or service that he or she might want. Thus everyone prefers to receive payments in money and then exchange the money for things that they want. Take the case of a shoe manufacturer. He wants to sell shoes in the market and buy wheat. The shoe manufacturer will first exchange shoes that he has produced for money, and then exchange the money for wheat. Imagine how much more difficult it would be if the shoe manufacturer had to directly exchange shoes for wheat without the use of money. He would have to look for a wheat growing farmer who not only wants to sell wheat but also wants to buy the shoes in exchange. That is, both parties have to agree to sell and buy each other's commodities. This is known as double coincidence of wants. What a person desires to sell is exactly what the other wishes to buy. In a barter system where goods are directly exchanged without the use of money, double coincidence of wants is an essential feature. In contrast, in an economy where money is in use, money by providing the crucial intermediate step eliminates the need for double coincidence of wants. It is no longer necessary for the shoe manufacturer to look for a farmer who will buy his shoes and at the same time sell him wheat. All he has to do is find a buyer for his shoes. Once he has exchanged his shoes for money, he can purchase wheat or any other commodity in the market. Since money acts as an intermediate in the exchange process, it is called a medium of exchange.

**1. Give reason why transactions are made in money?**

(a) The reason why transactions are made in money is very complicated. A person holding money can easily exchange it for only food commodity or service that he or she might want. Thus everyone prefers to receive payments in money.

(b) The reason why transactions are made in money is very simple. A person holding money can easily exchange it for any commodity or service that he or she might want. Thus everyone prefers to receive payments in money.

(c) The reason why transactions are made in money is very simple. A person holding money can easily exchange it for only clothes or service that he or she might want. Thus everyone prefers to give payments in money.

(d) The reason why transactions are made in money is very simple. A person holding money can easily return it for the only commodity that he or she might want. Thus everyone prefers to receive payments in money.

**2. What do you mean by double coincidence of wants?**

(a) When the seller and buyer or both parties agree to sell and buy each other's commodities, it is called double coincidence of wants. What a person desires to sell is exactly what the other wishes to buy.

(b) When the seller and buyer or both parties disagree to buy each other's commodities, it is called double coincidence of wants. What a person desires to sell is exactly what the other wishes to buy.

(c) When the seller and buyer or both parties agree to only sell each other's commodities, it is called double coincidence of wants. What a person desires to sell is exactly what the other wishes to sell.

(d) When two sellers agree to sell and buy each other's commodities, it is called double coincidence of wants. What a person desires to sell is exactly what the other wishes to buy.

**3. How would had the shoe manufacturer directly exchanged shoes for wheat without the use of money?**

(a) If the shoe manufacturer had to directly exchange shoes for without the use of money, he would have to look for a wheat growing farmer who only wants to sell wheat but also doesn't want to buy the shoes in exchange.

(b) If the shoe manufacturer had to directly exchange shoes for without the use of money, he would have to look for a wheat growing farmer who does not wants to sell wheat but wants to buy the shoes in exchange.

(c) If the shoe manufacturer had to directly exchange shoes for without the use of money, he would have to look for a wheat growing farmer who not only wants to sell wheat but also wants to buy the shoes in exchange.

(d) If the shoe manufacturer had to directly exchange shoes for without the use of money, he would have to look for a wheat growing farmer who not only wants to sell wheat but also does not want to buy the shoes in exchange.

Two different credit situations A large number of transactions in our day-to-day activities involve credit in some form or the other. Credit (loan) refers to an agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future payment. In rural areas, the main demand for credit is for crop production. Crop production involves considerable costs on seeds, fertilisers, pesticides, water, electricity, repair of equipment, etc. There is a minimum stretch of three to four months between the time when the farmers buy these inputs and when they sell the crop. Farmers usually take crop loans at the beginning of the season and repay the loan after harvest. Repayment of the loan is crucially dependent on the income from farming. In Swapna's case, the failure of the crop made loan repayment impossible. She had to sell part of the land to repay the loan. Credit, instead of helping Swapna improve her earnings, left her worse off. This is an example of what is commonly called debt-trap. Credit in this case pushes the borrower into a situation from which recovery is very painful. In one situation credit helps to increase earnings and therefore the person is better off than before. In another situation, because of the crop failure, credit pushes the person into a debt trap. To repay her loan she has to sell a portion of her land. She is clearly much worse off than before. Whether credit would be useful or not, therefore, depends on the risks in the situation and whether there is some support, in case of loss.

**1. What is the main demand for credit in the rural areas?**

- (a) In rural areas, the main demand for credit is for harvest production. Harvest production involves considerable costs on seeds, fertilisers, pesticides, water, electricity repair of equipment etc.
- (b) In rural areas, the main demand for credit is for crop production. Crop production involves considerable costs on seeds, fertilisers, pesticides, water, electricity repair of equipment etc.
- (c) in rural areas, the main demand for credit is for crop production. Crop production involves considerable costs on only seeds and fertilisers.
- (d) in rural areas, the main demand for credit is for crop production. Crop production involves considerable costs on only seeds, fertilisers, pesticides, water.

**2. Define credit.**

- (a) Credit (loan) refers to an agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future payment.
- (b) Credit (loan) refers to an agreement in which the lender takes money goods or services from the borrower.
- (c) Credit (loan) refers to an agreement in which the lender supplies the borrower with only money in return for the promise of future payment.
- (d) Credit (loan) refers to an agreement in which the lender supplies the borrower with only money and services in return for the promise of future payment.

**3. What do you understand by debt-trap?**

- (a) Credit in this case pushes the borrower into a situation from which recovery is very easy. In one situation credit helps to increase earnings and therefore the person is better off than before. In another situation, because of the crop failure, credit pushes the person into a debt trap.
- (b) Credit in this case pushes the borrower into a situation from which recovery is very painful. In one situation credit decreases earnings and therefore the person is better off than before. In another situation, because of the crop failure, credit pushes the person into a debt trap.
- (c) Credit in this case pushes the borrower into a situation from which recovery is very painful. In one situation credit helps to increase earnings and therefore the person is better off than before. In another situation, because of the crop failure, credit pushes the person into a debt trap.
- (d) Credit in this case pushes the borrower into a situation from which recovery is less painful. In one situation credit decreases earnings and therefore the person is better off than before. In another situation, because of the crop failure, credit pushes the person into a debt trap.

The Reserve Bank of India supervises the functioning of formal sources of loans. For instance, we have seen that the banks maintain a minimum cash balance out of the deposits they receive. The RBI monitors the banks in actually maintaining cash balance. Similarly, the RBI sees that the banks give loans not just to profit-making businesses and traders but also to small cultivators, small scale industries, to small borrowers, etc. Periodically, banks have to submit information to the RBI on how much they are lending, to who, at what interest rate, etc. There is no organisation which supervises the credit activities of lenders in the informal sector. They can lend at whatever interest rate they choose. There is no one to stop them from using unfair means to get their money back.

**1. Who supervises the credit activities of lenders in the informal sector?**

- (a) There are around three organisation which supervises the credit activities of lenders in the informal sector.
- (b) There are two organisation which supervises the credit activities of lenders in the informal sector.
- (c) There is no organisation which supervises the credit activities of lenders in the informal sector.
- (d) There are about four organisation which supervises the credit activities of lenders in the informal sector.

**2. Fill in the blanks:**

RBI gives loans to\_\_\_\_\_

- (1) To established cultivators, small scale industries, to small borrowers, etc.
- (2) To small cultivators, small scale industries, to small borrowers, etc.
- (3) To small cultivators, large scale industries, to small borrowers, etc.
- (4) Only to small scale industries

**3. Fill in the blanks:**

There is no organisation which supervises the credit activities of lenders in the \_\_\_\_\_

- (a) Informal sector      (b) Primary sector
- (c) Secondary sector      (d) Tertiary sector

Currency Modern forms of money include currency-paper notes and coins. Unlike the things that were used as money earlier, modern currency is not made of precious metal such as gold, silver and copper. And unlike grain and cattle, they are neither of everyday use. The modern currency is without any use of its own. Then, why is it accepted as a medium of exchange? It is accepted as a medium of exchange because the currency is authorised by the government of the legalises the use of rupee as a medium of payment that cannot be refused in settling transactions in India. No individual in India can legally refuse a payment made in rupees. Hence, the rupee is widely accepted as a medium of exchange in the country. In India, the Reserve Bank of India issues currency notes on behalf of the central government. As per Indian law, no other individual or organisation is allowed to issue currency. Moreover, the law legalises the use of rupee as a medium of payment that cannot be refused in settling transactions in India. No individual in India can legally refuse a payment made in rupees. Hence, the rupee is widely accepted as a medium of exchange.

**1. Who issues the currency notes in India? Which is our currency used now a days?**

- (a) The State Bank of India issues currency notes on behalf of the district government. Nowadays paper notes and coins are used as currency in our country.
- (b) The Reserve Bank of India issues currency notes on behalf of the state government. Nowadays paper notes and coins are used as currency in our country.
- (c) The Reserve Bank of India issues currency notes on behalf of the Central government. Nowadays paper notes and coins are used as currency in our country.
- (d) The Rural Bank of India issues currency notes on behalf of the Central government. Nowadays only coins are used as currency in our country.

**2. What is accepted as the medium of exchange in India?**

- (a) Won is accepted as the medium of exchange in India.
- (b) Rupee is accepted as the medium of exchange in India.
- (c) Euro is accepted as the medium of exchange in India.
- (d) Dollar is accepted as the medium of exchange in India.

**3. Fill in the blanks:**

The Reserve Bank of India issues currency notes on behalf of the \_\_\_\_\_

- (a) Central government
- (b) District government
- (c) State government
- (d) Village government

**4. What does the Indian Law say about the currency?**

- (a) As per Indian law, no other individual or organisation is allowed to issue bills. Moreover, the law legalises the use of rupee as a medium of payment that cannot be refused in settling transactions in India.
- (b) As per Indian law, no other individual or organisation is allowed to issue currency. Moreover, the law legalise the use of dollar as a medium of payment that cannot be refused in settling transactions in India.
- (c) As per Indian law, no other individual or organisation is allowed to issue currency. Moreover, the law legalises the use of rupee as a medium of payment that cannot be refused in settling transactions in India.
- (d) As per Indian law, no other individual, except for two organisations, is allowed to issue currency. Moreover, the law legalises the use of rupee as a medium of payment that cannot be refused in settling transactions in India.

- 201) Read the following source and answer the questions that follow.  
 Every loan agreement specifies an interest rate which the borrower must pay to the lender along with the repayment of the principal. In addition, lenders may demand collateral (security) against loans. Collateral is an asset that the borrower owns (such as land, building, vehicle, livestock, deposits with banks) and uses this as a guarantee to a lender until the loan is repaid. If the borrower fails to repay the loan, the lender has the right to sell the asset or collateral to obtain payment. Property such as land titles, deposits with banks, livestock are some common examples of collateral used for borrowing.
- (i) What does credit, in the context of loans, involve?
- (a) Immediate payment for goods or services.**  
**(b) Borrower supplying money to the lender.**  
**(c) Lender supplying money, goods or services with a promise of future payment.**  
**(d) Exchange of goods without any payment.**
- (ii) How is credit defined in day-to-day transactions?
- (a) A one-time payment for services.**  
**(b) An agreement where the borrower supplies goods to the lender.**  
**(c) An agreement where the lender provides money in exchange for future payment.**  
**(d) A process of bartering goods for immediate services.**
- (iii) Why is modern currency widely accepted as a medium of exchange, despite lacking intrinsic value?
- (a) Because it is made of precious metals like gold, silver and copper.**  
**(b) Due to its everyday use in transactions.**  
**(c) It is authorised by the government and accepted as a medium of payment.**  
**(d) Because it has inherent value similar to grain and cattle.**
- (iv) If a borrower fails to repay a loan, what right does the lender have according to the collateral provided?
- (a) The lender can increase the interest rate.**  
**(b) The lender can repossess and sell the collateral to obtain payment.**  
**(c) The lender can extend the loan term.**  
**(d) The lender can deny any future loans to the borrower.**

5 Marks

36 x 5 = 180

- 202) Why are transactions made in money? Explain with suitable examples.
- 203) How do banks play an important role in the economy of India? Explain.
- 204) What are the various sources of credit in rural areas? Which one of them is the most convenient source of credit? Why is it most convenient? Give two reasons.
- 205) What are self Help Groups? How do they work? Explain.
- 206) Answer the following questions:  
 (i) Poor households share of formal credit in the areas is low as compared to that of rich households. Why is it so?  
 (ii) Mention two difficulties faced by poor households in taking loan from a formal sector.
- 207) Mention four characteristics each of the formal and informal sources of credit in India.
- 208) How can the formal sector loans be made beneficial for poor farmers and workers? Suggest any five measures.
- 209) How does the Reserve Bank of India supervise the functioning of banks? Why is this necessary?
- 210) Describe four features of Self-Help Group (SHG)
- 211) What is double coincidence of want? How has money solved this problem?
- 212) Answer the following questions:  
 (a) Why are banks unwilling to lend loans to small farmers?  
 (b) Besides banks, what are the other sources of credit from the farmers can borrow?  
 (c) Explain how terms of credit can be unfavourable for the small farmers.  
 (d) From where can small farmers get cheap loans?
- 213) Define central bank. Mention its functions.
- 214) What is meant by commercial bank? Mention its functions.
- 215) Describe the functions of money.

- 216) How is money used as a medium of exchange? Explain with examples.
- 217) Explain the inconvenience of barter-system/exchange.
- 218) Explain any two features each of formal sector loans and informal sector loans.
- 219) Mention any three points of distinction between formal sector loan and informal sector loan.
- 220) What are the two main reasons for formal credit not being available to the rural poor? Why is there a need to expand rural credit?
- 221) Why do the rural borrowers depend on the informal sector for credit? What steps can be taken to encourage them to take loans from the formal sources? Explain any two.
- 222) Differentiate between formal sector credit and informal sector credit.
- 223) Why is cheap and affordable credit important for a country's development? Explain.
- 224) Mention any three points of distinction between formal sector loans and informal sector loans.
- 225) "The credit activities of the informal sector should be discouraged". Support the statement with arguments.
- 226) Why is it necessary for the banks and cooperatives to increase their lending facilities in rural areas? Explain.
- 227) Discuss the functioning of Self-Help Groups (SHGs)
- 228) Describe the vital and positive role of credit with examples.
- 229) "Banks plays an important role in economic development of the country. Support the statement with examples.
- 230) How does Reserve Bank of India play crucial role in controlling the formal sector loans? Explain.
- 231) Describe the functions of the Reserve Bank of India.
- 232) Describe the significance of the Reserve Bank of India.
- 233) Explain the significance of the Reserve Bank of India in the Indian economy.
- 234) What is a collateral ? Why is it a main reason to prevent the poor getting a loan from banks? Explain.
- 235) Name two formal and two informal sources of credit in India. State any three advantages of formal sources of credit.
- 236) How can the formal sector loans be made beneficial for poor farmers and workers? Explain.
- 237) What is the idea behind the formation of Self Help Groups (SHGs)? Explain the functioning of the SHGs.

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