



INDIAN SCHOOL AL WADI AL KABIR

Class: x	Department: SOCIAL SCIENCE	Date of submission:
Question Bank	Topic : Money and Credit (Eco)	Year:2020-21

1) How does money solve the problem of double coincidence of wants? Explain with an example

Ans:

- Double coincidence of wants is an essential feature in a barter system where goods are directly exchanged without the use of money. But on other hand in an economy where money is in use, money by providing the crucial intermediate step eliminates the need for double coincidence of wants.
- A person holding money can easily exchange it for any commodity or service that he or she might want.
- For example: It is no longer necessary for the shoemaker to look for a farmer who will buy his shoes and at the same time sell him rice. All he has to do is find a buyer for his shoes. Once he has exchanged his shoes for money he can purchase rice or any commodity in the market.

2) “The rupee is widely accepted as a medium of exchange”. Give reasons

Ans:

“The rupee is widely accepted as a medium of exchange”. Because:

- The currency is authorized by the government of the country.
- In India the RBI issues currency notes on behalf of the central government.
- The law legalizes the use of rupee as a medium of payment that cannot be refused in setting 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.

3) Why are the deposits in the banks called ‘demand deposits’? What are the benefits of deposits with the banks?

Ans:

- People deposit the surplus or extra money in the banks. The deposits can be drawn at any time on demand by the depositors. That is why they are called demand deposits.

Deposits are beneficial to the depositors as mentioned below:

- Banks accept the deposit and pay as interest rate on the deposits.
- Money is safe with the bank.
- People (depositors) may withdraw the money as and when they require.
- Depositors may make payments through cheques instead of cash.

4) How is money transferred from one bank account to another bank account? Explain with an example.

Ans:

- For payment through cheque, the payer who has an account in the bank, draws out a cheque for a specific amount.
- The cheque is a statement asking the bank to pay a specific amount from the person's account to the person in whose name the cheque has been issued.
- For example, Aman has to pay a specific amount of money to Shruti, say 60,000. Aman will write a cheque in the name of Shurti. It means Aman instructs his bank to pay the money to Shurti. Shurti will deposit the cheque in her bank. After two or three days, the money will be transferred from Aman's account to Shurti's account.

5) What is a credit? What comprises 'terms of credit'?

Ans:

- Credit means loan. It refers to an agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future repayment.
- Interest rate, collateral and documentation requirement and mode of repayment together comprise terms of credit.

6) Why do banks ask for collateral while giving credit to a borrower?

Ans:

Collateral is an asset that the borrower owns (land, building, vehicle, livestock, land documents, deposits with banks, etc.) which stands as a security against the money borrowed. In case the borrower fails to repay the loan, the lender has the right to sell the asset or collateral.

7) Describe the vital and positive role of credit with examples.

Ans:

In the festive season, a shoe manufacturer, Ram receives an order from a large trader in town for 3,000 pairs of shoes to be delivered in a month's time. To complete production on time Ram has to hire workers for stitching and pasting work. He has to purchase the raw materials. To meet these expenses Ram obtains loans from two sources.

- **First**, he asks the leather supplier to supply leather now and promises to pay him later.
- **Second**, he obtains loan in cash from the large traders as advance payment for 1000 pairs of shoes with a promise to deliver the whole order by the end of the month.
- At the end of the month, Ram is able to deliver the order, make a good profit and repay the money he had borrowed.
- Ram obtains credit to meet the working capital needs of production. The credit helps him to meet the ongoing expenses of production, complete production on time and thus increase his earnings.
- Credit therefore plays a vital and positive role in this situation.

8) "Cheap and affordable credit is crucial for the country's development." Explain with reasons.

OR

Describe the importance of formal sources of credit in the economic development.

Ans:

Cheap and affordable credit is crucial for the country's development because:

- More lending would lead to higher incomes and encourage people to invest in agriculture, engage in business and set up small industries.
- Cheap credit will enable more investment. This lead to acceleration of economic activity.
- Cheap credit would also follow weaker sections of society to access formal sector of lending and get rid of from informal money lenders.
- Affordable credit would also end the cycle of debt trap.
- Cheap and easy form of credit would inspire better investment in technology and thus increase competition.
- It prevents concentration of economic power in few hands and generates resources for development.

9) Is it necessary to have the public sector? Substantiate your answer by examining the role of the Govt.

Ans:

Yes, it is necessary to have public sector due to its contribution to the economic development of India.

Role of public sector/ Govt

- It ensures rapid economic development.
- It promotes redistribution of income and wealth.
- It develops industries which require large investment.
- It ensures balanced regional growth.

10) What is the basic objective of 'Self Help Groups'? How do they work? Describe any four advantages of 'Self Help Groups' for the poor.

Ans:

The basic objective of 'Self Help Groups' is to organize rural poor, particularly women belonging to one neighborhood into small Self Help Groups (15-20 members). These members save regularly and the amount varies from ₹25-100 or more depending upon their ability to save.

Advantages of 'Self Help Groups' are as follows:

- The members can take small loans from the group itself to meet their needs. The group charges interest on these loans which is still less than what moneylenders charge.
- After a year or two, if the group is regular in savings, it becomes eligible for availing loan from the bank which is sanctioned in the name of the group to create self-employment opportunities.
- All important decisions regarding loan, purpose, amount of interest, non-payment of loan are taken by the group members. For instance, small loans are provided to the members for releasing mortgaged land, meeting working capital needs, for acquiring assets like sewing machines, handlooms, cattle etc.
- Since non-repayment of loans is dealt with seriously by group members, therefore banks are willing to lend to the poor women when organized in SHGs, even though they have no collateral as such.
- Thus, the SHGs help women to become financially self-reliant and provide a platform to discuss and act on a variety of social issues such as health, nutrition, domestic violence etc.