



Vidya Bhawan balika Vidyapeeth shakti utthan aashram Lakhisarai

Revision Class-10th

(Based on N C E R T pattern)

Date:- 16.11.XX.

Economics

Money and credit

1. “RBI plays a crucial role in controlling formal sector loan.” Explain.

Or

In what ways does the Reserve Bank of India supervise the functioning of banks?

Ans. (1) The Reserve Bank of India supervises the functioning of formal sources of credit in India. It is the central bank of India.

(2) It supervises the functioning of banks in the following ways :

(i) The RBI monitors that the banks actually maintain a minimum cash balance out of the deposits they receive. Banks in India these days, hold about 15 per cent of their deposits as cash.

(ii) RBI ensures that the banks give loans not just to profit-making business and traders but also to small cultivators, small-scale industries, small borrowers, etc.

(iii) Periodically, banks have to submit information to the

RBI on how much they are lending, to whom, at what interest rates, etc.

2.The following table shows the sources of credit for a rural household in India in 2012 :

Source	Share
Money-lenders	33%
Co-operative societies	25%
Commercial Banks	25%
Others (traders, relatives etc.)	17%

On the basis of the table answer the following questions:

(1) What is the share of the formal sector in the total credit?

Ans The share of formal sector in total credit is 25% + 25% = 50%.

(2) Suggest two measures for improving the share of the formal sector in total credit.

Ans (i) More credit facilities should be made available in rural areas by opening more bank branches there.

(ii) The procedure of giving loans should be made easier and simpler.

(3) Why is moneylender still the largest single source of credit?

Ans. (i) This is because the formal sources of credit are not available everywhere.

(ii) The procedure of giving credit by the formal sector is so often very cumbersome.

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