



Vidya Bhawan balika Vidyapeeth shakti utthan aashram Lakhisarai

Revision Class-10th

(Based on N C E R T pattern)

Date:- 09.11.XX.

Economics

Money and credit

1. Explain any three terms of credit.

Or

What do 'terms of credit' include?

Ans. Terms of credit include the following elements:

(1) Interest rate which the borrower must pay to the lender along with repayment of the principle.

(2) Collaterals such as land titles, deposits with banks, livestock, etc. and documentation required.

(3) Mode of repayment: This means how the borrower would repay the lender his/her loan amount. For example, on the monthly, quarterly, half-yearly or yearly basis. They may vary depending on the nature of the lender and the borrower. The terms of credit vary substantially from one credit arrangement to another.

2. Illustrate with the help of an example how the terms of credit might become difficult for the small and marginal farmer.

Ans. (1) The terms of credit include interest rate,

collateral and documentation requirement and the mode of repayment. They vary substantially from one credit arrangement to another depending on the nature of the lender and the borrower.

(2) (i) The terms of credit might become difficult for the small and marginal farmer because they are not capable of providing collateral such as land titles, deposits with banks, livestock, building, vehicle. etc.

(ii) They also lack in the mode of payment. In the case of crop failure, it becomes impossible for farmers to repay the loan in time.

(iii) Small and marginal farmers are also not capable of providing complicated paperwork.

(3) That is why moneylenders are the main source of credit in rural areas. For example. Seasonal used to take a loan from moneylenders and trailers at an interest rate of 364*-8611 per am.

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