



# Vidya Bhawan balika Vidyapeeth shakti utthan aashram Lakhisarai

Revision Class-10<sup>th</sup>

(Based on N C E R T pattern)

Date:- 11.11.XX.

Economics

Money and credit

**1. How do banks play an important role in the economy of India? Explain.**

**Or**

**What is the role of a bank in the economic development of a country? Explain.**

**Ans. Banks play an important role in the economy of India as is given below :**

**(1) Banks mediate between those who have surplus money and those who need money. They take deposits from those who have surplus money and use the major portion of the deposits to extend loans.**

**(2) They account for 25% of rural credit in India. In this way, they help in increasing the economic activities of the borrowers.**

**(3) In India, banks give loans not just to profit-making businesses and traders but also to small cultivators, small-scale industries, small borrowers, etc.**

**(4) Undoubtedly, cheap and affordable credit is crucial for the country's development. It helps to grow crops, to meet working capital needs of production and in setting up new industries or trade in goods.**

**(5) In this way, they help poor people to increase their standard of living. If credit is available to poor people at a low rate of interest and on reasonable terms and conditions, they can improve their economic conditions.**

**2. What are the commercial banks? Mention any four of their functions.**

**Ans. (1) A commercial bank or a bank is a profit-making institution that accepts the deposits, pays an amount as interest on the deposits and extends loans to the needy people.**

**(2) The following are the functions of a commercial bank:**

**(i) Commercial banks accept the deposits from those who have surplus money.**

**(ii) They pay an amount as interest on the deposits.**

**(iii) Banks in India hold about 15% of their deposits as cash as a provision to pay the depositors who might come to withdraw money from the bank on any given day and use the major portion of the deposits to extend loans.**

**(iv) They mediate between those who have surplus funds and those who are in need of these funds. They charge a higher interest rate on loans than what they offer on**

**deposits. The difference between what is charged from borrowers and what is paid to depositors is their main source of income**

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