



Vidya Bhawan balika Vidyapeeth shakti utthan aashram Lakhisarai

Revision Class-10th

(Based on N C E R T pattern)

Date:- 18.10.XX.

Economics

Money and credit

1. What is credit?

Or

What is a loan?

Ans. Credit refers to an agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future payment.

2. What do you mean by debt-trap?

Ans. A debt-trap is a situation when credit pushes the borrower into a situation from which recovery is very painful.

3. Credit can push the borrower into a situation from which recovery is very painful. Explain with the help of an example.

Ans. (1) 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.

(2) For example, as we have studied the case of Swapna in the Textbook, the failure of the crop made loan repayment impossible.

(3) Swapna 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 really an example of what is commonly called debt-trap. In this way, credit pushes the borrower into a situation from which recovery is very painful.

4. Explain any three possible reasons that people might apply for loans in rural areas. Give three reasons.

Ans. (1) People might apply for loans in rural areas to meet the expenses of cultivation. Crop production involves considerable costs on seeds, fertilizers, pesticides, water, electricity, repair of equipment, etc. They hope that their harvest would help repay the loans.

(2) In the case of crop failure, they take fresh loans for cultivation and repay previous loans. In this situation, credit pushes the person into a debt trap.

(3) Many landless agricultural labourers apply for loans to meet the daily expenses. Expenses on sudden illness or functions in the family are also met through loans.

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