



# Vidya Bhawan balika Vidyapeeth shakti utthan aashram Lakhisarai

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

(Based on N C E R T pattern)

Date:- 23.11.XX.

Economics

Money and credit

**5. Why are informal sources of credit preferred in rural areas? Give five reasons.**

**Ans. Informal sources of credit are preferred in rural areas for the following reasons:**

- (1) There is no need for collateral such as land; building, vehicles, deposits with banks. The rural poor people are unable to provide collateral.**
- (2) Also, there is no need for complicated paperwork which the rural poor are not capable of providing.**
- (3) These moneylenders, traders and rich landlords continue to extend loans to defaulters even if the previous loan is unpaid.**
- (4) They are hesitant and unsure about the functioning of the banks.**
- (5) They may not have access to banks in their villages.**
- (6) The procedure for giving credit is often very simple.**

**6. Why are credit arrangements not fair for all sections of society? Give three reasons. Suggest two remedies for the problem.**

**Or**

**Why is the share of formal sector credit higher for the richer households compared to the poorer households? Give any three reasons responsible for this.**

**Ans. (1) Undoubtedly, credit arrangements are not very fair for all sections of society. The share of formal sector credit is higher for the richer households as compared to the poorer households. This has the following reasons :**

**(i) Poverty affects poor households' capacity to borrow. Formal sector credit requires proper documents and collateral as security against loans. Collateral is an asset. So, poor people lack in providing such things which affect their capacity to borrow.**

**(ii) The poor people do not repay e.,**

**(iii) The people in villages may not have access to banks in their village. Also, they are R. loan on time because of the various day-to-day needs. =hesitant and unsure about the functioning of the banks.**

**(2) (i) More credit facilities should be made available in rural areas by opening more banks there.**

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

**Mr Anant kumar**