



Vidya Bhawan balika Vidyapeeth shakti utthan aashram Lakhisarai

Revision Class-10th

(Based on N C E R T pattern)

Date:- 24.11.XX.

Economics

Money and credit

1."Credit must be made available to the poor people on appropriate and reasonable term to respect certain essential values."

Explain.

Ans. (1) (i) Undoubtedly, 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) Besides, they do not repay loans on time because of the various day-to-day needs.

(iii) That is why the formal sector is unwilling to lend to poor households.

(2) However, credit must be available to the poor people on appropriate and reasonable terms to respect certain essential values.

(i) Credit at low rate of interest i.e., cheap and affordable credit would increase the incomes of the poor. This would make them economically self-dependent.

(ii) Economic self-dependency would increase the social status of the poor.

(iii) Also, this could free them from the clutches of moneylenders, traders and rich landlords that would certainly instil the feeling of self-respect in them.

(iv) Increased earnings would boost up their entrepreneurship. They could now grow crops, do business, set up small-scale industries, etc.

(v) This may be a source of inspiration for the poor. Inspiration refers to an unconscious burst of creativity in an artistic Endeavour.

2. Explain the social and economic values for which it is necessary to expand formal sources of credit in India.

Ans. (1) Economic values :

(i) The formal sources of credit include a loan from commercial banks and co-operatives. They provide loans at a cheaper and more affordable rate of interest than that of informal sources of credit. This would increase the incomes of the borrower. They would have to give a little portion of their earnings as interest. And the rest is left with themselves. This would make them economically self-dependent.

(ii) Formal sources of credit do not have unethical terms and conditions like informal sources of credit. This would result in a higher earning.

(iii) The Reserve Bank of India ensures that formal sources of credit provide loans to the poor small cultivators, small borrowers, etc. so that they could increase their earnings and standard of living.

(2) Social values :

(i) Economic self-dependency boosts up the social status of the poor. With their increased incomes, they could grow crops, do business, set-up small-scale industries, etc. This could free them from the clutches of moneylenders, traders or landlords and increase their status in the society.

(ii) The RBI ensures loans to the poor, small cultivators and small borrowers through formal sources of credit. In this way, they bring social equality.

Mr Anant kumar