



Vidya Bhawan balika Vidyapeeth shakti utthan aashram Lakhisarai

Class-10th

(Based on N C E R T pattern)

Date:- 30.08.XX.

Economics

Money and credit

Question 1.

What is money? Why is modern money currency accepted as a medium of exchange?

Answer:

Money is a medium of exchange in transactions. A person holding money can easily exchange it for any commodity or service that he or she might want.

Modern money currency is accepted as a medium of exchange because

- it is certified for a particular denomination (For example, ₹ 10, ₹ 20, ₹ 100, ₹ 1,000).
- it is issued by the Central Bank of the country.
- it is authorized by the government of the country.

Question 2.

What are the modern forms of money? Why is the 'rupee' widely accepted as a medium of exchange? Explain two reasons.

Or

Why is modern currency accepted as a medium of exchange without any use of its own? Give reasons?

Answer:

Modern forms of money currency in India include paper notes and coins which are known as Rupees and Paise.

- It is accepted as a medium of exchange because the currency is authorized by the Government of India.
- In India, the Reserve bank of India issues currency notes on behalf of the Central Government of India.
- The law legalizes the use of rupee as a medium of payment that cannot be refused in settling transaction in India.
- No Individual in India can legally refuse a payment made in rupees.

Therefore, the rupee is widely accepted as a medium of exchange.

Question 3.

What is collateral? Why do lenders ask for collateral while lending?

Explain.

Answer:

Collateral is an asset that the borrower owns (land, building, vehicle, livestock, land documents, deposits with banks etc.) which stands as a security against the money borrowed. In case the borrower fails to repay the loan, the lender has the right to sell the asset or collateral to recover the loan money. Most lenders ask for collateral while lending as a security against their own funds.

Question 4.

“Cheap and affordable credit is essential for poor households both in rural and urban areas.” In the light of the above statement explain the social and economic values attached to it.

Or

“Cheap and affordable credit is crucial for the country’s development.” Assess the statement.

Or

‘Credit has its own unique role for development’. Justify the statement with arguments.

Answer:

Credit means loaner: It refers to an agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future repayment.

1. Cheap and affordable credit is crucial for the country’s growth and economic development. Credit is in great demand for various kinds of economic activities—big or small investments, to set up business, buying cars, houses, etc.
2. In rural areas credit helps in the development of agriculture by providing funds to farmers to buy seeds, fertilizers, expensive pesticides.
3. Manufacturers need credit for buying raw material or to meet ongoing expenditure of production. Credit helps in the purchase of plant, machinery, equipment, etc.
4. Some people may need to borrow for illness, marriages etc. Thus, cheap and affordable credit is crucial for the country’s growth and economic development.

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