



Vidya Bhawan balika Vidyapeeth shakti utthan aashram Lakhisarai

Class-10th

(Based on N C E R T pattern)

Date:- 29.08.XX.

Economics

Money and credit

Question 1.

How do banks play an important role in the economy of India?

Explain.

Answer:

- Banks help people to save their money and keep their money in safe custody. To ensure safety of their money, people deposit their money with banks. Banks accept deposits and pay interest on deposits. People have the provision to withdraw their money as and when they require.
- Banks also grant loans to people for a variety of purposes. In times of need individuals, business houses and industries can borrow money from the banks.
- Credit provided by banks is crucial for the country's growth and economic development. Credit is needed for all kinds of economic activities, to set up business, buy cars, houses, etc.

- Banks also help people in obtaining cheap and affordable loans. This can help people to grow crops, do business, set up small-scale industries or trade in goods and also help indirectly in the country's development. They should do so, so that relatively poor people do not have to depend on informal sources of credit (money-lenders).

Question 2.

Describe the vital and positive role of credit with examples.

Answer:

In the festive season, a shoe manufacturer, Ram receives an order from a large trader in town for 3,000 pairs of shoes to be delivered in a month's time. To complete production on time Ram has to hire workers for stitching and pasting work. He has to purchase the raw materials. To meet these expenses Ram obtains loans from two sources.

First, he asks the leather supplier to supply leather now and promises to pay him later.

Second, he obtains loan in cash from the large traders as advance payment for 1000 pairs of shoes with a promise to deliver the whole order by the end of the month.

At the end of the month, Salim is able to deliver the order, make a good profit and repay the money he had borrowed.

Salim obtains credit to meet the working capital needs of production. The credit helps him to meet the ongoing expenses of production, complete production on time and thus increase his earnings. Credit therefore plays a vital and positive role in this situation.

Question 3.

How can the formal sector loans be made beneficial for poor farmers and workers? Suggest any five measures.

Answer:

Formal sector loans can be made beneficial for poor farmers and workers in the following ways:

1. Create greater awareness among farmers about formal sector loans.
2. Process of providing loans should be made easier. It should be simple, fast and timely.
3. More number of Nationalized Banks/cooperative banks should be opened in rural sectors. Banks and cooperatives should increase facility of providing loans so that dependence on informal sources of credit reduces.
4. The benefits of loans should be extended to poor farmers and small scale industries.
5. While formal sector loans need to expand, it is also necessary that everyone receives these loans. It is important that formal credit is distributed more equally so that the poor can benefit from cheaper loans.

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