



# Vidya Bhawan balika Vidyapeeth shakti utthan aashram Lakhisarai

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

(Based on N C E R T pattern)

Date:- 03.09.XX.

Economics

Money and credit

Question 1.

How does money act as a medium of exchange?

Answer:

Money acts as a medium of exchange as it acts as an intermediate in the exchange process and transactions. A person holding money can easily exchange it for any commodity or services that he or she might want.

Question 2.

How do the deposits with banks become their source of income?

Answer:

Banks charge a higher interest rate on loans they extend than what they offer on deposits. The difference of interest is the main source of income of banks.

Question 3.

Why one cannot refuse a payment made in rupees in India?

Answer:

One cannot refuse a payment made in rupees in India because it is accepted as a medium of exchange. The currency is authorized by the government of the country.

Question 4.

Compare formal sector loans with informal sector of loans regarding interest only.

Answer:

Most of the informal lenders charge a much higher interest on loans than the formal sector loaner:

Question 5.

Why is the supervision of the functioning of formal sources of loans necessary?

Answer:

Supervision of the functioning of formal sources of loans is necessary because banks have to submit information to the RBI on how much they are lending, to whom they are lending and at what interest rate etc.

Question 6.

Prove with an argument that there is a great need to expand formal sources of credit in rural India.

Answer:

There is great need to expand formal sources of credit in rural India because:

- There is no organisation that supervises the credit activities of lenders in the informal sector. They lend at whatever interest rate they choose.
- No one can stop rural money-lenders from using unfair means to get their money back.

Question 7.

Why are most of the poor households deprived from the formal sector of loans?

Answer:

Most of the poor households are deprived from the formal sector loans because of lack of proper documents and absence of collateral.

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