

# NTSE

NCERT Solutions for Class 10 Social Science  
ECONOMICS – Money and Credit



India's Best 360° Online NTSE Preparation Platform

NTSE | CBSE | State Boards | Class 8th - 10th

## 1. Trace the stages in the growth and use of money.

- Ans.** 1. Before the introduction of coins, a variety of objects was used as money. For example, since the very early ages, Indians used grains and cattle as money in the barter system.
2. Thereafter came the use of metallic coins gold, silver, copper coins a phase which continued well into the last century.
3. Modern forms of money include currency paper notes and coins. Unlike the things that were used as money earlier, modern currency is not made of precious metal such as gold, silver and copper. Unlike grain and cattle, they are neither of everyday use. The modern currency is without any use of its own.

## 2. What are demand deposits? What are its features?

- Ans.** 1. The money deposited in the bank accounts which can be withdrawn on demand is known as demand deposits. It is eligible to get a small rate of interest. The time of withdrawal is not specified in this account.
2. It shares the essential feature of money. Payments can be done by cheques instead of cash.
3. Since demand deposits are accepted widely as a means of payment along with currency, they constitute money in the modern economy.

## 3. How do banks mediate between the depositors and borrowers?

- Ans.** 1. Banks accept deposit from depositors, by offering interest.
2. A small percentage of all the deposits (15 %) will be kept as reserves in the banks to pay when depositors demand it, hoping all depositors will not withdraw money at a time.
3. Banks use the major portion of the deposits to extend loans. People take loan from banks for various purposes. Banks charge a higher interest rate on loans than what they offer on deposits. The difference between what is charged from borrowers and what is paid to depositors is their main source of income for the banks.

## 4. What is meant by debt trap?

- Ans.** If a borrower is not able to pay back the loan because of high rate of interests or and an unexpected situation like a crop failure, credit pushes the person into a debt trap and recovery from this situation is difficult. To repay the loan he has to sell a portion of the land or other property. In this situation, the person is clearly much worse off than before.

Download

# NTSEGURU Mobile App

FREE from



&

**BOOST** 

Your NTSE/Board/CBSE Preparation

Rating: 4.5  
on Playstore



**5. What is collateral? Why do lenders ask collateral while lending?**

- Ans.** 1. Collateral is an asset that the borrower owns (such as land, building, vehicle, livestock, deposits with banks) and uses this as a guarantee to a lender until the loan is repaid.
2. If the borrower fails to repay the loan, the lender has the right to sell the asset or collateral to obtain payment. Property such as land titles, deposits with banks, livestock are some common examples of collateral used for borrowing.

**6. Why should credit at reasonable rate be available for all?**

- Ans.** 1. **To start and continue an economic activity:** Activities like crop production requires considerable cost on seeds, fertilizers, pesticides, water, electricity, repair of equipment, transportation etc. Since most of the farmers are poor, they require credit facilities.
2. **To save from the debt trap:** Most of the informal lenders charge a much higher interest and put other terms on loans. Thus, the cost to the borrower of informal loans is much higher. This may push them in to debt trap. Reasonable rate of interests in the formal sector may save them.
3. **Cheap and affordable credit** is crucial for the country's development. It is available in Banks and cooperatives. It reduces the dependence of rural households in the informal sector. Hence, we should expand formal sources of credit in India.

**7. What is the basic idea behind the Self-Help Groups for the poor?**

- Ans.** 1. To develop saving habit among its members.
2. To help each other at times of need for credit.
3. To save members from the money lenders and the debt trap.
4. To overcome the problem of collateral for loans and to become financially self-reliant.

**8. In what ways does the Reserve Bank of India supervise the functioning of banks? Why is it necessary?**

- Ans.** 1. The RBI monitors that all banks actually maintain the minimum cash balance.
2. Similarly, the RBI sees that banks give loans not just to profit-making businesses and traders but also to small cultivators, small scale industries, to small borrowers etc.
3. Periodically, banks have to submit information to the RBI on how much they are lending, to whom, at what interest rate, etc.
4. It is necessary to make the activities of all banks uniform in the country. It also helps to prevent unfair practices in banking.

**Success  
STORY**

*I still wonder how one man has such a deep understanding of an examination. It becomes the truth what ever Vipin Sir says about NTSE.*

*M. Pareek*

An  
**NTSE Scholar**  
IIT-JEE (Adv.) AIR-3  
Mukesh Pareek



**9. What are the advantages of formal source of credit?**

- Ans.**
1. Most of the formal lenders charge a much lower interest and do not put other terms on loans. Thus, the cost to the borrower of formal loans is much lower.
  2. Banks follow only legal measures to recover loans. In many cases, they may even 'write off' agricultural loans.
  3. Cheap and affordable credit is crucial for the country's development. It is available in banks and cooperatives.
  4. Reserve Bank of India supervises the formal sector and issue guidelines.

**10. Why is moneylender still the largest single source of credit?**

- Ans.**
1. Banks are not present everywhere in rural India. Even if it is present, it is not easy to get loans from a bank since many procedures are required.
  2. Absence of collateral and documentation is required in formal sector this forces poor households to depend on informal sectors like moneylenders where such collateral and documentations are not required.
  3. Since the lender and the borrower in informal sector are personally known to each other availability of loan is easy at any time required.

For complete NCERT Solutions visit [www.ntseguru.in](http://www.ntseguru.in) & take a free demo.

Or

Download NTSE GURU [Android App](#) for free from Google Playstore.

**Unburden**  
the parents of your  
**Study Expenses**

**Govt. of India**  
provides you scholarship  
till Post Graduation studies  
after your crack NTSE exam

Login to [ntseguru.in](http://ntseguru.in) for best NTSE Preparation

