



# 10th Social Science

## Economics Ch-3: Money and Credit

### Must Do

1. **Barter Exchange:** The exchange of goods against goods is called barter system.
2. **Double coincidence of needs:** When one person desires to sell a commodity and another person also desires to buy the same thing, it is called a double combination of needs.
3. **Money:-** Double coincidence of needs, money was invented to overcome difficulty.
4. **Modern forms of currency:** Notes, coins, cheques, debit cards, UPI, mobile and net banking, etc.
5. **Functions of Banks:-**
  1. Accepting Extra Deposits
  2. Providing credit
  3. Paying Interest on Deposits
  4. Demand Deposit: The withdrawal of money deposited by the account holder from the bank account through demand is called demand deposit.
6. **Functions of the Reserve Bank:-**
  1. Issuance of currency
  2. Setting interest rates.
  3. Cash accumulation of some amount of money of banks
  4. Keeping an eye on the functioning of banks
  5. It should be ensured that banks provide credit facilities to farmers and poor people

### 7. Sources of Loans:-

Formal Credit Sources	Informal Credit Sources
Banks, Co-operative Societies	Moneylenders, landlords, friends, merchants, relatives, etc.
Pre-fixed and low interest rates	Uncertain and high interest rates
Lower interest rate increases the borrower's income	Higher interest rates lead to higher increase in the loan amount and trapping the borrower in a debt trap.

**8. Collateral (Pledge):** Before lending, the lender or institution demands from the borrower the assets which he can sell to recover the amount of his loan. For example, agricultural land, houses, shops, jewellery, etc.

**9. Terms of Loan:-** The rate of interest, supporting credit, documents required, payment process, EMI, etc. are collectively called the terms of the loan. Poor families, farmers, etc. have to take loans from here and there if the loan conditions are not fulfilled.

**10. Types of Loans:** Housing Loan, Education Loan, Car Loan, etc. 10. Loan requirements: - Loan by the farmer for seeds, fertilizers, etc., house, education, business etc.

**11. Credit trap:** When a person borrows money and is unable to repay it on time, his borrowed amount increases with interest and takes a new loan to repay the first loan, it is called credit trap.

**12. Self Help Groups:** Small help groups of the poor, especially women, in rural areas in which the number of members is up to 15-20. They collect their small savings.

**Benefit or Objective:-**

1. It organises the rural poor, especially women, into small support groups.
2. It accumulates members' savings.
3. It provides loans without collateral.
4. It provides timely loans for various purposes.
5. It offers loans at a reasonable rate of interest and easy terms.
6. It also provides a platform to discuss and act on various social issues such as education, health, nutrition, domestic violence, etc.