

## Money and Credit

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Question 1.

Farmers usually take crop loans at the beginning of the season and repay the loan after:

- (a) Sowing
- (b) Tilling
- (c) Harvesting
- (d) All the above

▼ Answer

Answer: (c) Harvesting

After harvesting.

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Question 2.

Credit sometimes, pushes the borrower to a situation from which recovery is:

- (a) Easy
- (b) Hard
- (c) Very painful
- (d) None of the above

▼ Answer

Answer: (c) Very painful

To a condition which is very painful.

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Question 3.

Sometimes lenders demand against loan:

- (a) Payment
- (b) Cheque
- (c) Draft
- (d) Collateral

▼ Answer

Answer: (d) Collateral

Collateral is the security which lenders demand against loans.

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Question 4.

Interest rate, security and documentation requirement, and the mode of repayment together comprise what is called the:

- (a) Loan factor
- (b) Credit factor
- (c) Terms of loan
- (d) Terms of credit

▼ Answer

Answer: (d) Terms of credit

All are terms of credit.

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Question 5.

Loans from banks and cooperatives are called:

- (a) Mixed loans
- (b) Term loans

- (c) Formal loans
- (d) Informal loan

▼ Answer

Answer: (c) Formal loans  
They are called formal loans.

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Question 6.

Loans from moneylenders, traders, employers, relatives and friends are called:

- (a) Mixed loans
- (b) Term loans
- (c) Formal loans
- (d) Informal loans

▼ Answer

Answer: (d) Informal loans  
They are called informal loans.

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Question 7.

The RBI monitors the banks are actually maintaining:

- (a) Cash books
- (b) Cash balance
- (c) Cash register
- (d) None of the above

▼ Answer

Answer: (b) Cash balance  
The RBI monitors the banks are actually maintaining cash balance.

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Question 8.

Most of the informal lenders charge:

- (a) A less interest on loans
- (b) A much higher interest on loans
- (c) Can be both (a) and (b)
- (d) None of the above

▼ Answer

Answer: (b) A much higher interest on loans  
Most of the informal lenders charge a much higher interest on loans.

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Question 9.

The rich households are availing cheap credit from formal lenders whereas the poor households:

- (a) Do not get a loan
- (b) Get loan at a much less interest
- (c) Have to pay a heavy price for borrowing
- (d) None of the above

▼ Answer

Answer: (c) Have to pay a heavy price for borrowing  
The poor households do not have papers and thus, have to pay a heavy price for borrowing.

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Question 10.

Cheap and affordable credit is crucial for:

- (a) The development of urban areas
- (b) The development of rural areas
- (c) The country's development
- (d) All the above

▼ Answer

Answer: (c) The country's development

For the country's development.

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Question 11.

About 85 percent of the loans taken by poor households in the urban areas are from:

- (a) Formal sources
- (b) Informal sources
- (c) Mixed sources
- (d) None of the above

▼ Answer

Answer: (b) Informal sources

Are from informal sources, because they do not have the required documents.

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Question 12.

Most loans from informal lenders carry a very high interest rate and do little to:

- (a) Do anything for the poor
- (b) Pay the loans
- (c) Increase the income of the borrowers
- (d) None of the above

▼ Answer

Answer: (c) Increase the income of the borrowers

Loans from informal lenders do a little to increase the income of the borrowers because their rates are high.

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Question 13.

It is important that the formal credit is distributed more equally so that:

- (a) The rich can benefit from the cheaper loans
- (b) The poor can benefit from the cheaper loans
- (c) The women can benefit from the cheaper loans
- (d) None of the above

▼ Answer

Answer: (b) The poor can benefit from the cheaper loans

So that the poor people can benefit from the cheaper loans.

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Question 14.

The full form of SHG is:

- (a) Station House Guard
- (b) State Housing Guarantee
- (c) Self Happy Groups
- (d) Self Help Groups

▼ Answer

Answer: (d) Self Help Groups  
It is Self Help Groups.

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Question 15.  
The SHGs help borrowers overcome the problem of:

- (a) Lack of funds
- (b) Lack of money
- (c) Lack of collateral
- (d) None of the above

▼ Answer

Answer: (c) Lack of collateral  
The SHGs help borrowers overcome the problem of lack of collateral.

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Question 16.  
Everyone prefers to receive payments in:

- (a) Goods
- (b) Cheque
- (c) Draft
- (d) Money

▼ Answer

Answer: (d) Money  
Money can buy anything and thus, everyone prefers to receive payments in money.

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Question 17.  
When both parties agree to sell and buy each others commodities it is known as:  
(a) Single coincidence of wants  
(b) Double coincidence of wants  
(c) Coincidence of wants  
(d) None of the above

▼ Answer

Answer: (b) Double coincidence of wants  
It is called double coincidence of wants.

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Question 18.  
Money is something that can act as a medium:  
(a) For exchange of commodities.  
(b) For exchange of goods  
(c) Of exchange in transactions  
(d) None of the above

▼ Answer

Answer: (c) Of exchange in transactions  
Money acts as a medium of exchange in transactions.

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Question 19.  
In early ages, Indians used grains and cattle as:  
(a) Money  
(b) Food

- (c) Public property
- (d) None of the above

▼ Answer

Answer: (a) Money  
Grains and cattle were used as money.

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Question 20.

Modern forms of currency includes:

- (a) Grains and cattle
- (b) Coins and paper notes
- (c) Cheques and pass book
- (d) None of the above

▼ Answer

Answer: (b) Coins and paper notes  
It includes coins and paper notes.

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Question 21.

Which of the following banks issues currency notes on behalf of the Central government to:

- (a) State Bank of India
- (b) Commercial Bank of India
- (c) Industrial Bank of India
- (d) Reserve Bank of India

▼ Answer

Answer: (d) Reserve Bank of India  
The RBI issues currency.

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Question 22.

No individual in India can:

- (a) Legally refuse a payment made in rupees
- (b) Legally refuse a payment made by cheque
- (c) Legally refuse a payment made by draft
- (d) All the above

▼ Answer

Answer: (a) Legally refuse a payment made in rupees  
No individual in India can legally refuse a payment made in rupees.

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Question 23.

Banks accept the deposits of the customers and also:

- (a) Give a gold coin in return
- (b) Give a silver coin in return
- (c) Give a cheque book
- (d) Pay an interest rate on the deposits

▼ Answer

Answer: (d) Pay an interest rate on  
the deposits  
Banks also pay an interest rate on the deposits.

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Question 24.

Since the deposits in the bank accounts can be withdrawn on demand, these deposits are called:

- (a) Smart deposit
- (b) Quick deposits
- (c) Demand deposits
- (d) All the above

▼ Answer

Answer: (c) Demand deposits

The deposits are called demand deposits.

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Question 25.

A paper, instructing the bank to pay a specific amount to the person in whose name the paper has been made is called a:

- (a) Cheque
- (b) Draft
- (c) Payment slip
- (d) None of the above

▼ Answer

Answer: (a) Cheque

It is called a cheque.

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Question 26.

Banks use the major portion of the deposits:

- (a) For constructing
- (b) As fixed deposits
- (c) To extend loans
- (d) None of the above

▼ Answer

Answer: (c) To extend loans

Banks use the major portion of the deposits to extend loans.

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Question 27.

Banks mediate between those who have surplus funds and those:

- (a) Who have fixed deposits
- (b) Who have gold ornaments
- (c) Who are in need of these fluids
- (d) None of the above

▼ Answer

Answer: (c) Who are in need of these fluids

Those who are in need of funds.

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Question 28.

The difference between what is charged from borrowers and what is paid to depositors is:

- (a) The rate of interest
- (b) Never equal
- (c) The main source of income of banks
- (d) None of the above

▼ Answer

Answer: (c) The main source of income of banks  
It is the main source of income of banks.

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Question 29.

An agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future payment is called:

- (a) Loans
- (b) Debt
- (c) Credit
- (d) All the above

▼ Answer

Answer: (c) Credit  
It is called credit.

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Question 30.

In rural areas, the main demand for credit is for:

- (a) House loan
- (b) Education
- (c) Crop production
- (d) All the above

▼ Answer

Answer: (c) Crop production  
It is for crop production.

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Write true (T) or false (F)

1. What a person desires to sell is exactly what the other wishes to buy.

▼ Answer

Answer: True

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2. In a barter system, goods are indirectly exchanged with the use of money

▼ Answer

Answer: False

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3. Since, money acts as an intermediate in the exchange process, it is called a medium of exchange.

▼ Answer

Answer: True

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4. Money is something that can act as a medium of exchange in transactions.

▼ Answer

Answer: True

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5. Modern form of money include cheques and drafts.

▼ Answer

Answer: False

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6. The modern currency is without any use of its own.

▼ Answer

Answer: True

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7. In India, the Reserve Bank of India issues currency notes on behalf of the state government.

▼ Answer

Answer: False

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8. No individual in India can legally refuse a payment made in rupees.

▼ Answer

Answer: True

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9. The other form in which people hold money is as grains and cattle.

▼ Answer

Answer: False

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10. Banks accept deposits and also pay an interest rate on the deposits.

▼ Answer

Answer: True

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11. People's money is not safe with the banks.

▼ Answer

Answer: False

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12. The modern forms of money are closely linked to the working of the modern banking system.

▼ Answer

Answer: True

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13. Banks keep a large proportion of their deposits as cash for themselves.

▼ Answer

Answer: False

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14. Banks in India these days hold about 15 percent of their deposits in cash.

▼ Answer

Answer: True

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15. Banks use the major portion of the deposits to extend loans.

▼ Answer

Answer: True

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16. There is a huge demand for loans for various economic activities.

▼ Answer

Answer: True

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17. Banks mediate between those who are in need of money with those who do not want money.

▼ Answer

Answer: False

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18. The difference between what is charged from borrowers and what is paid to depositors is the main source of income of banks.

▼ Answer

Answer: True

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19. A large number of transactions in our day-to-day activities involve debt in some form or the other.

▼ Answer

Answer: False

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20. Credit plays a vital and positive role in an individual's life.

▼ Answer

Answer: True

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21. In rural areas, the main demand for credit is for irrigation.

▼ Answer

Answer: False

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22. For a farmer, the failure of the crop makes loan repayment impossible.

▼ Answer

Answer: True

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23. Credit pushes the borrower into a situation from which recovery is very painful.

▼ Answer

Answer: True

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24. Credit never helps to increase earnings.

▼ Answer

Answer: False

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25. Sometimes, farmer's in order to pay loan have to sell a portion of their land.

▼ Answer

Answer: True

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26. Collateral refers to security.

▼ Answer

Answer: True

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27. Land, building, vehicle, live stocks etc. are not examples of collateral.

▼ Answer

Answer: False

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28. If the borrower fails to repay the loan the lender has the right to sell the asset.

▼ Answer

Answer: True

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29. Property, deposits with banks, livestock are some examples of security used for lending.

▼ Answer

Answer: False

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30. The terms of credit vary substantially from one credit arrangement to another.

▼ Answer

Answer: True

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Match the following

1.

Column-A	Column-B
1. Formal loans refers to	(a) loans from moneylenders, relatives, etc
2. Informal loans refers to	(b) increase earnings
3. Collateral refer to	(c) debt traps
4. Credit helps	(d) loans from Bank and Post Office

5. Loans lead to (e) security

▼ Answer

Answer:

Column-A	Column-B
1. Formal loans refers to	(d) loans from Bank and Post Office
2. Informal loans refers to	(a) loans from moneylenders, relatives, etc
3. Collateral refer to	(e) security
4. Credit helps	(b) increase earnings
5. Loans lead to	(c) debt traps

2.

Column-I	Column-II	Column-III
1. Land, building, vehicle, livestock, etc.	(a) of the	(A) collateral
2. Banks loans require proper	(b) financially	(B) self-reliant
3. SHGs are the building blocks of organisation	(c) variety of	(C) sources
4. SHGs help women to become	(d) refers to	(D) rural people
5. Credit is available from a	(e) documents and	(E) collateral

▼ Answer

Answer:

Column-I	Column-II	Column-III
1. Land, building, vehicle, livestock, etc.	(d) refers to	(A) collateral
2. Banks loans require proper	(e) documents and	(E) collateral
3. SHGs are the building blocks of organisation	(a) of the	(D) rural people
4. SHGs help women to become	(b) financially	(B) self-reliant
5. Credit is available from a	(c) variety of	(C) sources

Fill in the blanks

1. The use of ..... spans a very large part of our everyday life.

▼ Answer

Answer: money

2. Modern form of money includes paper notes and ..... .

▼ Answer

Answer: coins

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3. The ..... currency is without any use of its own

▼ Answer

Answer: modern

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4. No individual or organisation is allowed to issue .....

▼ Answer

Answer: currency

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5. Since the deposits in the bank accounts can be withdrawn on demand, these deposits are called ..... deposits.

▼ Answer

Answer: demand

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6. Demand deposits share the essential features of .....

▼ Answer

Answer: money

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7. A ..... is a paper, instructing the bank to pay a specific amount from the person's account to the person in whose name it has been made.

▼ Answer

Answer: cheques

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8. Banks use the major portion of the deposits to extend .....

▼ Answer

Answer: loans

---

9. ..... refers to an agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future payment.

▼ Answer

Answer: credit

---

10. Farmers usually take crop loans at the beginning of the season and repay the loan after .....

▼ Answer

Answer: harvest

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11. Repayment of the loan is crucially dependent on the ..... from farming.

▼ Answer

Answer: income

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12. Credit pushes the person into a ..... trap.

▼ Answer

Answer: debt

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13. ..... may vary depending on the nature of the lender and the borrower.

▼ Answer

Answer: collateral

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14. The ..... lender include moneylenders, trader relatives, friends, etc.

▼ Answer

Answer: informal

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15. Cheap and affordable credit is crucial for the ..... development

▼ Answer

Answer: country's

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