Class X - Social Science

MONEY AND CREDIT

CBSE NOTES

MONEY AND CREDIT - Quick Look Revision Guide

Your 1-page summary of the most exam-relevant takeaways from Understanding Economic Development.

Key Points

1. Define money as a medium of exchange.

Money acts as an intermediary in transactions, eliminating the need for double coincidence of wants. For example, a shoe manufacturer can sell shoes for money and then buy wheat with that money.

2. Explain double coincidence of wants.

Double coincidence of wants is a situation where two parties agree to sell and buy each other's commodities directly without money. This is essential in a barter system but eliminated by money.

3. Modern forms of money include currency and deposits.

Modern money includes paper notes, coins, and bank deposits. Unlike ancient money, it's not made of precious metals and is authorized by the government.

4. Role of RBI in issuing currency.

The Reserve Bank of India issues currency notes on behalf of the central government. No other individual or organization is allowed to issue currency in India.

5. Define demand deposits.

Demand deposits are bank deposits that can be withdrawn on demand. They are accepted widely as money and facilitate payments through cheques.

6. How banks mediate between depositors and borrowers.

Banks accept deposits from people with surplus money and lend to those who need it, charging higher interest on loans than what they offer on deposits.

7. Explain the term 'credit'.

Credit refers to an agreement where the lender supplies money, goods, or services in return for the promise of future payment by the borrower.

8. Difference between formal and informal credit.

Formal credit includes loans from banks and cooperatives, supervised by RBI. Informal credit includes loans from moneylenders, traders, etc., with no supervision and higher interest rates.

9. Importance of collateral in loans.

Collateral is an asset owned by the borrower used as a guarantee to the lender until the loan is repaid. If the borrower fails, the lender can sell the collateral.

10. Terms of credit include interest rate, collateral, and repayment.

The terms of credit vary and include the interest rate, collateral requirement, and repayment terms. These are crucial for both lender and borrower.

11. Positive role of credit in Salim's story.

Credit helped Salim meet working capital needs, complete production on time, and increase earnings, showing credit's positive role.

12. Debt-trap situation in Swapna's story.

Swapna's crop failure led to inability to repay the loan, forcing her to sell land. This shows how credit can push borrowers into a debt-trap.

13. Formal sector credit meets only half of rural needs.

Graphs show formal sector meets about 50% of rural credit needs, with the rest from informal sources, highlighting the need for expansion.

14. Rich households avail more formal credit than poor.

Richer households have better access to formal credit due to collateral, while poor depend on informal sources with higher interest rates.

15. Self Help Groups (SHGs) help the poor access credit.

SHGs pool savings, provide loans at reasonable rates, and help members avail bank loans without collateral, empowering rural women.

16. Grameen Bank's success in microcredit.

Grameen Bank in Bangladesh provides credit to the poorest, especially women, proving poor can be reliable borrowers and run successful businesses.

17. Why banks might not lend to small farmers.

Small farmers often lack collateral and proper documentation, making banks reluctant to lend, pushing them towards informal sources.

18. Cheaper credit is crucial for development.

Affordable credit enables people to grow crops, do business, and set up industries, contributing to the country's development.

19. Demonetisation and its impact.

In 2016, India demonetised Rs. 500 and Rs. 1000 notes to curb corruption, encouraging digital transactions and bank deposits.

20. Digital transactions reduce cash dependency.

Digital payments like bank transfers, cheques, and cards reduce cash use, promoting transparency and reducing corruption.

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> **Before You Sleep:**
> Quickly review important notes - it helps memory consolidation.

You’ve Got This!

Every small effort adds up. Keep going!