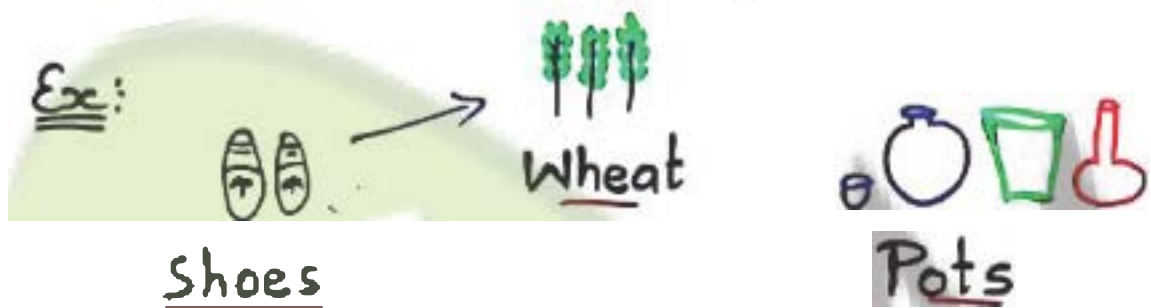


# Class-X Economics Money and Credit

## Money as a medium of exchange

- ※ Importance of money in Everyday life →
- Why only money? 😞??
  - What was the situation before the invention of money? 😞??



- ※ Double Coincidence of wants 😞??
- What a person desires to sell is exactly what the other wishes to buy.

### Barter exchange

- A system where goods are directly exchanged without the exchange of money.

### Economy with Money

Eliminates the  
Need of double Coincidence

→ ∴ Money acts as a medium of exchange.

# Class-X Economics Money and Credit

## Self-Help Groups for the Poor

∴ Poor households → Depend on Informal Sector → Why ☹️??

↓  
∴ organised themselves into  
Self Help Groups [SHGs]

↓  
A group of 15-20 [usually known persons]

↓  
Pool fund by their savings

- ↓
- Small loans can be provided to members at lower interest rate.
  - They may avail loans from banks.
  - Important decisions are taken by members.
  - Women empowerment, platform to discuss social issues.

- No collateral and documents
  - Informal lenders know the borrowers personally.
- ∴ But the truth is that borrowers get exploited.

## Grameen Bank of Bangladesh

- Started in the 1970 and till October 2014 it got over 8.63 M Members across 81,390 villages spread across Bangladesh
- Started by Professor Muhammad Yunus and received Nobel Peace Prize in 2006.

## Class-X

## economy & Money and credit

### Modern forms of Money

❖ Money as a medium of exchange [Before introduction of coins] → Cattle, grains, Metallic coins

❖ Modern Currency [Paper notes and coins]

### ❖ Deposits with Banks

Without any use of its own.  
[Fiat value, no Intrinsic value]



Then why it is accepted  
as medium of exchange? 😞

→ Because it is authorised  
by the government of India.

• RBI

❖ Money in the form of deposit with banks.

→ Extra money → Deposit with bank → Bank account

Interest is given

❖ Then they can withdraw it on demand

∴ Demand deposit.

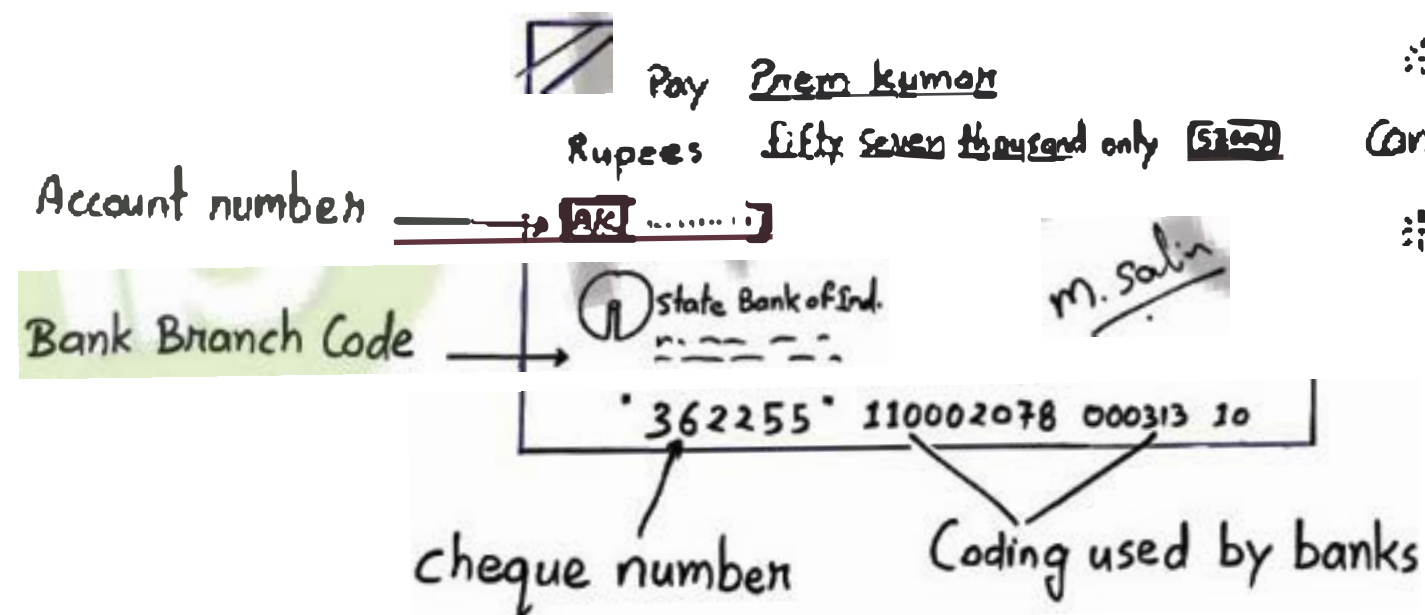
❖ Cheques ?? 😞??



## Class-X Economics Money and Credit

### Cheque Payment

∴ A cheque is paper instructing the bank to pay a specific amount from the person's account to the person in whose name the cheque has been issued.



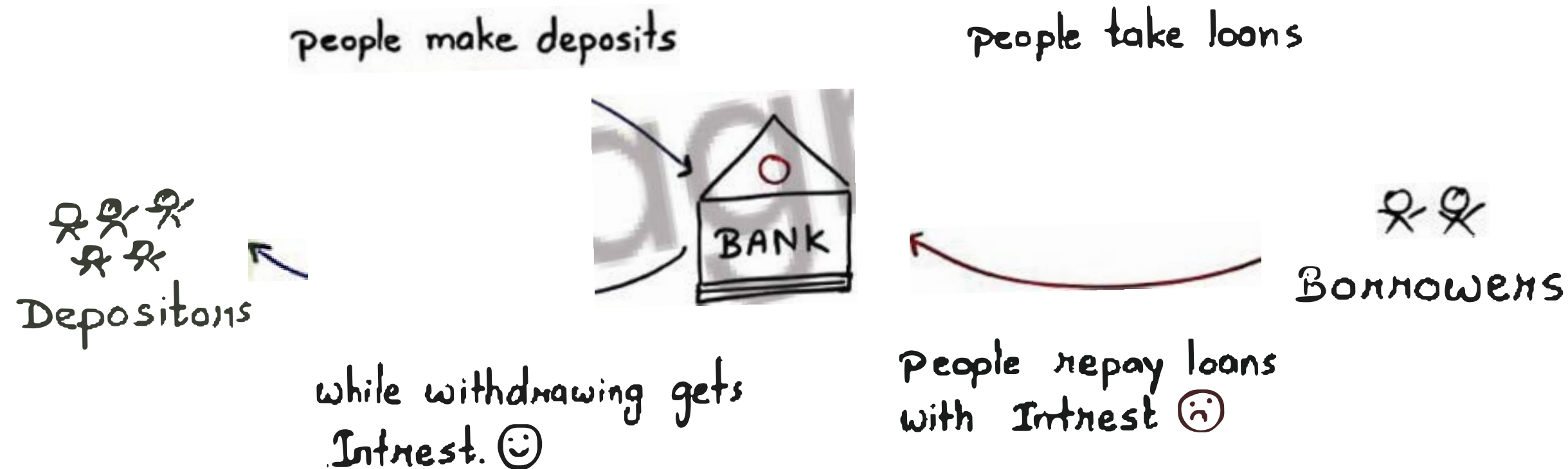
∴ Payment without the use of Cash  
Can be settled with cheque.

∴ Demand deposits → Modern form of money.

# Class-X economics Money and Credit

## Loan activities of bank

✱ What do the banks do with the deposits?



✱ A small proportion of deposits is kept as Cash by Banks. 😞??

✱ Bank → Intermediary → Charge a higher interest rate on loans than what



## Class-X Economics · Money and Credit

Two different Credit Situation\_

Credit → [loan] = The lender Supplies the borrower with money, goods or services

In return for the promise of future payment.

Ex: Story of Salim

Credit → Increased his Income

∴ Credit therefore plays a vital and positive role in this situation.

Ex: Story of Swapna

Credit → Pushed her in debt trap

∴ In this situation Credit pushes the borrower into a situation from which recovery is very painful.



# Class -X Economics Money and Credit

## Terms of Credit

※ What is Terms of Credit ?? 😞??

→ Interest rate, Collateral and documentation requirement, Mode of repayment



↓  
Security against loans. 😞??

It is an asset that borrower owns [land, building, vehicle, livestock deposits with banks]. and uses this as a guarantee to a lender until the loan is repaid.

※ Trick = DoCoMo Int.

↓  
Instalment / lump Sum  
Cash / Gold / Property

※ T.O.C May vary depending on the nature of the lender and the borrower.

# Class-X Economics Money and Credit

## Variety of Credit Arrangements

✧ Take an example of village.

### 1. Landless labourers

• No work → Need of Money



Depends on employer

- High Interest rate
- Other terms of Conditions.

### 2. Small farmers

• Take loans from Traders  
[Money, Seed etc]



- High Interest rate
- Promise to sell Crops

### 3. Medium landowner

- May receive loans from banks
- Low Interest rate
- formal terms of Conditions.

### 4. Loans from Cooperatives.

- Members pool their resources for Cooperation in Certain area.
- They use pooled resources as a collateral to raise funds from bank.



# Class - X Economics Money and Credit

## Formal Sector Credit in India

### \* Formal Sector loans

→ loans from banks and Cooperatives.



### \* Reserve bank of India

- Bank to maintain minimum cash.
- Loan should be given to all.
- Banks have to submit information to RBI

v/s

### Informal Sector loans.

→ Moneylenders, traders, Employers, relatives, etc.

No organisation which

Supervise the Credit activity of Informal Sector → ∴ unfair means

### \* Higher Cost of Borrowing ①

∴ Bank and Cooperative should lend more.

\* Cheap and affordable credit is crucial for the Country's development.

→ large amount of the Income of borrower goes in the repayment.



Debt trap

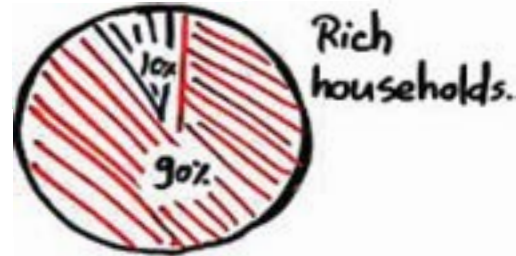
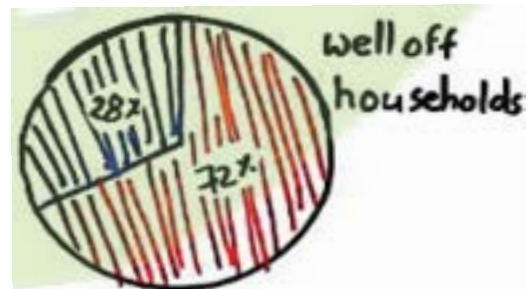
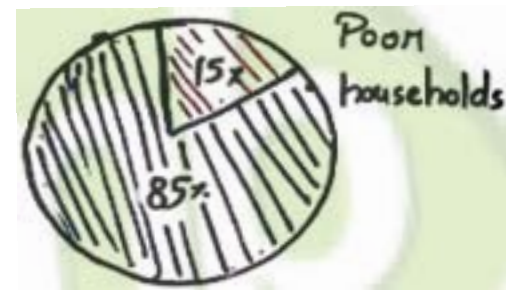
• ↓ Enterprise ☹??



# Class-X Economics Money and Credit

## Formal and Informal Credit: Who gets What??

- ✱ Majority of Poor household gets loan from Informal Sector.
- ✱ Majority of Rich household gets loan from Formal Sector.  $\Rightarrow$  What's the problem??



■ = % of loans from Informal Sector

■ = % of loans from Formal Sector

✱ It is necessary that banks and Cooperatives increase their lending particularly in rural areas so that the dependence on informal sources of credit reduces.

✱ While formal sector loans need to expand, it is also necessary that everyone receives these loans.