

WELCOME TO ECONOMICS CLASS

SUBJECT : ECONOMICS

CHAPTER: MONEY AND CREDIT

PERIOD: 7

SUB-TOPIC-Formal sector credit in India

STD-X

CHANGING YOUR TOMORROW

WHAT WE EXPECT TO LEARN?

1. The student will come to know the different sources of credit in India.
2. They can easily differentiate between the formal and informal sector credit in India.
3. They will be able to recognise the benefit of formal sector credit.
4. They will be able to know the role of formal sources of credit for a country's development.



Recapitulation of the previous class

1. Define collateral.
2. Why do lenders ask for collateral while lending?
3. Given that a large number of people in our country are poor, does it in any way affect their capacity to borrow?
4. What do you mean by terms of credit?
5. What is the difference between collateral and terms of credit?

Digital Teacher **Class IX - Social Studies** **Chapter - 9: Credit in the Financial System** **Developed as per CCE pattern**

Formal and Informal Sources of Credit in India



Farmers

Formal and Informal Sources of Credit in India:

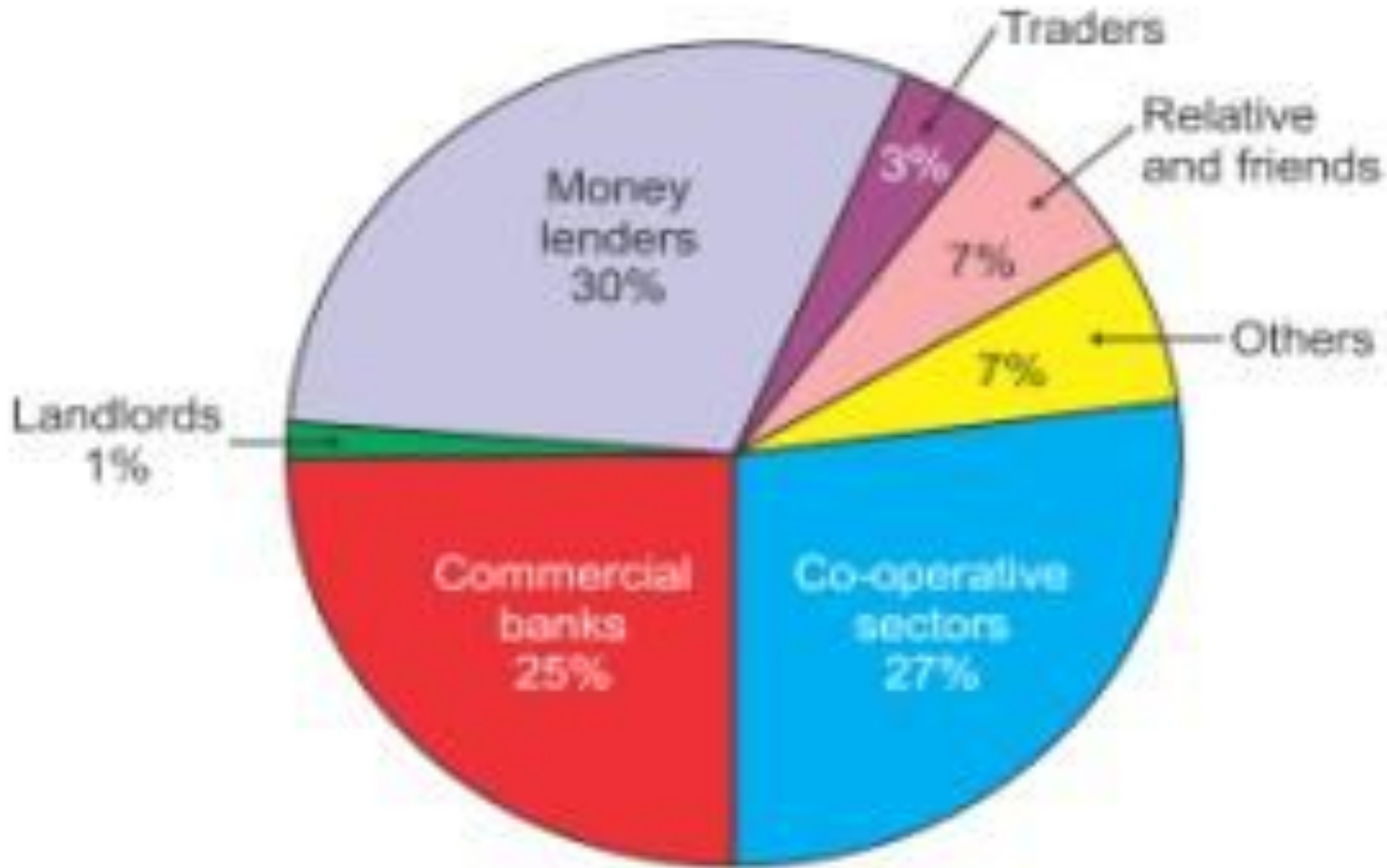
- ◆ For the welfare of the people of rural areas, the RBI (Reserve Bank of India) brought many new initiatives like Aadhaar card which acts as the unique identification number, etc.
- ◆ Other than RBI, NABARD (National Bank for Agriculture and Rural Development) is the other organization that facilitates formal credit organizations in rural India.

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FORMAL AND INFORMAL SECTORS OF CREDIT

- The various sources of credit can be grouped as formal sector loans and informal sector loans.
- The informal sector includes moneylenders , traders , employers , relatives and friends , etc.
- The formal lenders include banks and cooperatives.



ROLE OF RESERVE BANK OF INDIA:-

1. The Reserve Bank of India supervises the functioning of formal sources of loans.
2. For instance, we have seen that the banks maintain a minimum cash balance out of the deposits they receive.
3. The RBI monitors the banks in actually maintaining a cash balance.
4. Periodically, banks have to submit information to the RBI on how much they are lending, to whom, at what interest rate, etc.

Formal Sources	Informal Sources
<ol style="list-style-type: none">1. Formal sources of credit are loans from banks and cooperative societies.2. Functioning of formal sources of credit is governed by Reserve Bank of India. Their interest rate and money lending details are periodically checked by RBI.3. Rate of interest is common and fixed for all formal sources and borrowers.4. Formal sources of credit needs to satisfy all the terms of credit before credit, activities.5. They provide cheap and affordable credit for both urban and rural borrowers interest.	<ol style="list-style-type: none">1. Informal sources of credit are money-lenders, traders, employers, relatives, friends etc.2. There is no organisation that manages or check the credit activities performed by informal sources.3. Rate of interest depends upon the choice of moneylenders.4. Informal sources of credit are flexible in terms of credit.5. They generally charge higher rate of

Home assignment

1. Exercise question no. 8, 9& 10

THANKING YOU
ODM EDUCATIONAL
GROUP

