

Date - 10/08/21

Home Assignment

① In situations like high risk, credit might create further problems for the borrower. Explain.
ans. This statement is true if we take an example of a small farmer who has taken a loan to meet cultivation expenses. In case, the crop fails due to inadequate rain, pest attack or any other reason, he will not be able to repay the loan and may have to sell part of his land to repay the loan. Thus, this situation is a high risk situation.

② How does money solve the problem of double coincidence of wants? Explain with an example of your own.

ans. Double coincidence of wants is an essential feature in barter system, where goods are directly exchanged without the use of money.

for example :- It is not necessary for a shoemaker to look for a farmer who will buy shoes from him and will give rice in return. All he has to do is to find a buyer for his shoes, who will pay him money for them, with this money he can purchase rice or any other commodity available in the market.

③ How do banks mediate between those who have surplus money and those who need money?
Ans. Bank accepts deposits from people who have surplus money, paying them interest on these deposits. At the same time, bank imposed slightly high rate of interest on people who want to loan.
→ This is the major source of ~~income~~ income for ~~bank~~ bank. In this way, banks mediate between those who have surplus money and those who need money.

Q) Look at a ₹10 note, what is written on top? Can you explain this statement?

Ans.

Reserve Bank of India
Guaranteed by the Central Government
I promise to pay the bearer the sum of
Ten Rupees Governor

A ₹10 note is acceptable as a medium of exchange because this is authorised by the government of the country. In India, the Reserve Bank of India issues currency on the behalf of the Central Government. As per Indian law, no other individual or organisation is allowed to issue currency.