

HW

Homework
Exercises

5. Why do we need to expand formal sources of credit in India?

Ans - * To save people from exploitation of informal ~~sector~~ sector.

* To save people from debt trap.

* It provides cheap and affordable credit.

* To reduce the higher risk associated with informal sources of credit because of the fluctuating terms and conditions.

* The RBI supervises the functioning of formal sources of credit.

6. What is the basic idea behind the SHGs for the poor? Explain in your own words.

Ans - The basic idea behind SHGs as follows:

* It helps poor rural people especially women to become self-reliant.

* It helps poor to overcome the problem of lack of collateral and provides credit at cheap interest.

* By saving money regularly in SHGs, they can get a loan from a bank.

- * With this credit they are enabled with variety of job opportunity as they can open a small cottage industry etc.
- * Moreover, daily meetings provide them a platform to discuss on various social issues like nutrition, child marriage, domestic violence etc.

8. In what ways does the Reserve bank of India supervise the functioning of Banks? Why is this necessary.

Ans- i) The commercial banks are required to maintain a minimum cash balance out of the deposits they receive.

ii) The RBI monitors that the banks actually maintain the cash balance.

iii) The RBI sees that the banks give loan not just to profit-making business and traders but also to small cultivators, small-scale industries, small borrowers, etc.

9. Analyse the role of credit for development.

Ans- Credit plays a vital role in economic growth and development.

Credit availability at cheaper rates of interest encourages the business or firms to borrow more. Borrowing more money will facilitate the growth of business or increase in production in the economy.

So, credit supply is the key factor for economic development.