

1) This statement is absolutely true. If we take an example of a small farmer who has taken a loan to meet his cultivation expense. Suppose, if the crop fails due to insufficiency of rain or the crop is hit by pest, he will not be able to repay his loan and ~~he~~ may also have to sell a part of his land to repay the loan. Therefore, in this situation it might create further problems for the borrower.

2) In double coincidence of want, goods are directly exchanged without any use of money whereas using money as a medium of exchange, eliminates the lack of double coincidence of want by providing the intermediate ~~steps~~ step.

3) → Banks accept deposits from people who have surplus money, paying them interest on these deposits.

→ The banks use major portion of the

deposits to extend loans to those who are in need of money, charging them slightly higher interest than what they pay to the depositor.

→ This difference is the major source of income for banks. In this way, banks mediate between those who have surplus money and those who need money.

2) The statement written on top of the note is:

Reserve Bank of India
Guaranteed by the Central Govt.
I promise to pay the bearer the
sum of ten rupees, Governor

₹10 is acceptable as a medium of exchange because this is authorised by the govt. of the country. In India, RBI issues currency notes on behalf of the central govt. As per Indian law, no other individual or organisation is allowed to issue currency.