

MONEY CREDIT

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Ans In situations with high risks, credit might create further problems for the borrower.

* Credit involves a certain amount of loan that is taken by a borrower from a lender at a high-interest rate. In case there is a failure, and the borrower faces loss, ~~and~~ then he further falls on the trap of credit, increasing the problems for the borrower. The borrower also has to sell a part of his or her land to repay the loan.

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 when whatever a person desires to sell is exactly what the other wishes to buy. In a barter system where goods are directly exchanged without the use of money.

* Money solved the problem of double coincidence of wants ~~is~~ ~~an essential~~ because after the introduction of money, people could use money as an immediate ~~to~~ ~~buy~~ or sell things.

③ How do banks mediate between those who have surplus money & those who need money?

Banks mediate between those who have surplus funds (the depositors) and those who are in need of funds (the borrowers) by lending money to people who are in need.

* People can open accounts in banks & banks make use of that money to fulfil the loan requirements to the people.

* A higher interest rate is charged for the borrower & that profit is given to the depositor as interest for offering deposits.

(4) Look at a 10 rupee note, what is written on top? Can you explain this statement?

"Reserve Bank of India" and
guaranteed by the central
government is written on the
top of a 10 rupee note.

* Currency in India issued by the
central bank of the country,
in the case of India, the Reserve
Bank of India is the central
Bank of the country.

* The currency is issued on behalf
of the central government, &
these 2 are the only authorities
which are responsible for issuing
notes & currency in India.