

This currency is issued on behalf of the central government, and these two are the only authorities which are responsible for issuing notes and currency in India.

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

- Formal sources of credit are the Government authorised organisations that are eligible to lend money to people. It is important to expand formal sources of credit in India because the informal sources are not registered and lend money to people at very high-interest rates which is unfair and must not be practised. If formal sources of credit are increased, people will be able to borrow money at lesser interest rates and will not be liable to do any extra work for the borrower. Especially in India, if formal sources of credit are increased, people

will be able to take loans and use them for the development of the country.

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

- The Self Help Groups (SHGs) have been set in India with an aim to help the rural poor, especially women. A typical Self Help Group comprises 15-20 people from the same neighbourhood who save some money from their daily wages and collect them together. People can borrow money from these groups during an emergency or when they are in need. They charge a minimum rate of interest from the borrowers. Once the SHG has managed to save a defined amount of money, they are also eligible to take loans from banks. The main purpose of introducing these Self Help Groups was to increase small scale employment opportunities for the rural people so that they could

start a small business to earn a livelihood.

7. What are the reasons why the banks might not be willing to lend to certain borrowers?

- The reasons why banks might not be willing to lend money to certain borrowers are given below:-

1. Some people fail to provide the required set of documents to get a loan.
2. Irregular wages and no fixed job is also one reason because it increases the chances of non-repayment of loans.
3. Certain borrowers are added to the list of NPAs.
4. There is high risk in approving loans to entrepreneurs.

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

- The Reserve Bank of India is the central bank of India, and all the other public sector banks work under the supervision of the Reserve Bank of India. It manages the functioning of the banks in the following ways:

1. It monitors the bank in maintaining the cash balance.
2. Loans are not just given to profit making organisations but also to small cultivators and small scale industries.
3. RBI maintains a periodic report of other banks regarding the amount loaned to people.
4. It also keeps a regular check on the interest rates set for loans in public sector banks.

9. Analyse the role of credit for development.

- Credit is one of the most major aspects of the development of a country. Affordable credit plays a very important role in the country's development. People need loan for different reasons and to meet this requirement, credit is very important. In India, a major part of the population is engaged in agricultural activities; credit plays a very crucial role in agriculture activities. People can borrow money and use modern farming methods to grow crops which are more reliable than the traditional methods of growing crops. Apart from this, there are small scale industries, business and various other sectors where credit can help people and

ultimately result in the development of the country.

10. Manav needs a loan to set up a small business. On what basis will Manav decide whether to borrow from the bank or the money lender? Discuss.

- Manav wants to set up a small business. He needs to keep the below mentioned things in mind while deciding whether to borrow money from a bank or money lender:

1. He needs to compare the interest rate charged by both the bank and the money lender. Whichever charges less should be his option.
2. He needs to analyse whether he has all the eligible documents required by the banks to get his loan approved.
3. How he wishes to repay the lender.