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⑤ Why do we need to Expand formal Sources of Credit in India?

Ans:- \* The moneylenders on the agricultural traders charge a much higher interest on loans. They generally charge ~~rate~~ 5 percent of per month whereas the banks of charge about 10 to 15 percent per annum. This higher of Interest does little to increase the income of the borrowers.

\* The farmers who take the loans from a trader, are forced to sell their crops to him at low. As a result of it, farmers suffer while the traders make a profit by selling grains at a higher prices.

\* Higher interest means the borrower has to pay a major portion of his earnings to repay the interest and principal of the loan. This sometimes leads to debt trap for the borrowers.

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- \* On the other hand, banks & Co-operatives charges less interest and do not exploit the borrowers. Under these circumstances, there is needed for expansion of formal sources of credit in India. It is also necessary that everyone receives these loans.
  - \* This would also lead to higher incomes and many people could then borrow cheaply for a variety of needs.
  - \* It may be added that cheap & affordable credit is crucial for the development of the Country.

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

ans → The basic behind the SHGs is to provide a financial resources for the poor through organizing the rural poor especially woman, into small self help groups. They

also provide timely loans at a responsible interest rate without collateral. Thus, the main objectives of the SHGs are:→

- \* To organize rural poor especially women into small self help groups.
- \* To collect savings of their members
- \* To provide loans without collateral
- \* To provide timely loans.
- \* To provide loans at a responsible rate of interest and easy terms
- \* Provide a platform to discuss and act on a variety of social issues such as education, health, nutrition, domestic, violence etc.

⑧ In what ways does the reserve bank of India supervise the functioning of banks? why is this necessary?

ans:→ The reserve bank of India monitors the amount of money that banks loan out, and also the amounts of cash balance maintained

by them. It also ensures that banks give out loans not just to profiteering business but also to small cultivators, small scale industries, and small borrowers. Periodically, banks are supposed to submit information to the RBI on the amounts lent, to whom, and at what rates of interest.

⑨ Analyse the role of credit for development?

Ans: → \* It helps in increasing economic activities of the borrowers.

\* If credit is made available to the poor people on reasonable terms and conditions, they can improve their economic condition. This will help in the overall development.

\* Credit may increase the activities in the secondary sector of e-manufacturing sector. Thus, with credit people could grow crop

do business. Set up of small-scale industries. They could set up new industries on trade in goods. Therefore, Credit is crucial for the country's development.

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