

1. In situations with high risks, credit might create further problems for the borrower. Explain?

- (i) failure of crops create problems for borrowers
- (ii) As farmers take loan and repay after harvest
- (iii) If is high risk in rural areas, as they have main demand for before crop production.

2. How does money solve the problem of double coincidence of wants? Explain with example?

Ans. In barter system goods are directly exchanged without money, which creates the need for double coincidence of wants and difficulties for example, if I have a farmer wants find a buyer for his cereals. If he has exchanged his cereals for money, he can purchase any goods or services which he needs.

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

Ans. & people hold money as deposits with banks and pay interest.

& do not withdraw their cash daily.

- keep small portion deposits as (10%) for themselves.
- major portion will extend loans to those who need money

4. What is a 10 rupee note. What's written on top?

Ans: In India, the Reserve Bank of India issues currency notes on behalf of the central govt. This statement means that the currency is authorized & guaranteed by central govt. Indian law uses rupee as medium of payment used for transactions in India.