

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

Ans We need to expand formal sources of credit in India due to:

- (i) The moneylenders or the agricultural traders charge a much higher interest on loans.
- (ii) The farmers who take loans from a moneylender are forced to sell their crops to him at low prices.
- (iii) Higher interest means the borrowers have to pay a very large amount of money after.
- (iv) Bank and co-operation charge less interest.
- (v) This would lead to higher incomes and they can borrow cheaply.

6. What is the basic idea behind the SHGs for the poor?

- to provide loans without collateral
- to provide loans at a cheap rate of interest
- to provide a financial resource for women especially into small self help groups.
- provide platform to discuss about various issues
- to provide timely loans.

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

- Banks require proper document.
- Borrowers who haven't cleared their previous loans, the banks will not lend them further.
- might not lend those who are going to invest into agriculture.

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

- The RBI monitors the amount of money that banks loan out. It ensures that banks give out loans in a beneficial manner. Banks periodically submit information to RBI.

This is necessary to make sure that banks do not loan more than they are supposed to. It ensures that equality is preserved in the financial sector.

9. Analyse the role of credit for development.

- It helps in increasing economic activities of the borrowers.
- If credit is made available to poor people then they can improve their economic condition.
- credit may increase the activities in the secondary sector.