

Ques

1. Why do we need to expand formal source of credit in India?

A. The formal sector still meet only half of total credit needs of rural people. The remaining credit needs are met from informal sources. Most loans from informal lenders carry a very high interest. The formal sources of credit for lending need to expand their operations particularly in rural areas, so that dependence on informal source of credit reduces.

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

A. The basic idea behind SHGs is meant to create self-employment opportunities for poor. The SHGs help poor borrowers to overcome problem of lack of collateral. They can get timely loans for a variety of purposes & at reasonable block of organization of rural poor.

3. In what ways does RBI supervise functioning of banks? Why is this necessary?

- A.
- It ensures safety to bank deposits of people.
  - It helps in collection of economic data all over country.
  - It contains corrupt practices from creeping with banks.
  - Information forwarded by banks to RBI help Ministry of Finance in drafting & presentation of National Budget every yr.

4. Analyse The rate of credit for developed

A. It is kind of agreement where a lender provide money, goods & services to borrowers in return of getting future payment or the

- The credit is useful or not, it generally relies upon risks & besides some help in case of misheppery.
- If an individual borrower loan from the bank in order to increase production of goods & services & to increase boundary of his working area. The loan can be paid on the