



ECONOMICS

3

MONEY AND CREDIT

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I. CHOOSE THE CORRECT ANSWER.

1. Certain metals like (gold/iron) were used as a medium of exchange in ancient times.
Ans: Gold
2. The Head Quarters of the RBI is at (Chennai/Mumbai).
Ans: Mumbai
3. International trade is carried on in terms of (US Dollars/Pounds).
Ans: US Dollars
4. The currency of Japan is (Yen/Yuan)
Ans: Yen

ADDITIONAL

5. Barter system involved exchange of (Goods/Money) **Ans: Goods**
6. (Food/Money) plays a predominant and inseparable role in all our lives.
Ans: Money
7. Ancient man (cultivated/hunted) and gathered food. **Ans: Hunted**
8. The later (Cholas/Pandyas) rulers allowed the traders to have their own army.
Ans: Cholas
9. Marco Polo was a traveller visited from (Italy/China) **Ans: Italy**
10. In India, all the major and important banks were nationalised in (1969/1975)
Ans: 1969
11. Students are the main borrowers of (Housing/Educational) loans.
Ans: Educational
12. One rupee and two rupee notes were first printed in India in the year (1917/1947)
Ans: 1917

II. FILL IN THE BLANKS:

1. System can be considered as the first form of trade. **Ans: Barter**
2. Money supply is divided into **Ans: Four**
3. The first printing press of the RBI was started at **Ans: Nasik, Madhya Pradesh**
4. act as a regulator of the circulation of money. **Ans: Reserve Bank**
5. The thesis about money by B.R. Ambedkar is
Ans: The problem of the rupee – its origin and solution.

ADDITIONAL

6. has the authority to decide the value of currency to be printed.
Ans: Reserve Bank of India
7. The currency used in Malaysia is
Ans: Ringgit

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8. Money is used a of purchasing power.

Ans: Store

9. The ancient people made when the agricultural yield was high.

Ans: Handicrafts

10. The Depression of USA prompted the saving habit of the people.

Ans: Great Economic

11. In 1250 A.D, the, a gold plated coin was introduced in Europe.

Ans: Florin

12. The Credit card was invented by in 1946.

Ans: John Biggins

13. There is no need of security for the loan amount up to

Ans: 4 lakhs

III. MATCH THE FOLLOWING

- | | |
|----------------------------|------------------------------------|
| 1. US Dollar | - a) Automatic Teller Machine |
| 2. Currency in circulation | - b) Substitute of money |
| 3. ATM | - c) Universally accepted currency |
| 4. Salt | - d) Saudi Arabia |
| 5. Riyal | - c) 85% |

Ans: 1-c 2-e 3-a 4-b 5-d

ADDITIONAL

- | | |
|-----------------|-------------|
| 6. Pakistan | - a) Dollar |
| 7. China | - b) Pound |
| 8. Saudi Arabia | - c) Rupee |
| 9. Canada | - d) Riyal |
| 10. England | - e) Yuan |

Ans: 6-c 7-e 8-d 9-a 10-b

IV. GIVE SHORT ANSWERS.

1. Why was money invented?

- In the civilizations, barter system (exchange of goods for another one) was practiced.
- In due of time, measuring the quantity and value of goods exchanged were found very difficult.
- To solve these issues, money was invented.
- Initially, metals were used as the first form of money. Later, paper currencies were introduced.

2. What is ancient money?

- In the ancient period, the rulers fixed a common item with a standard value for the effective exchange of goods.
- It was usually in the form of some metals.
- Gold, silver and copper were the metals used first.
- These metal coins were called as ancient currency.

**3. What were the items used as barter during olden days?**

- Barter system was followed in the ancient period to exchange the goods.
- The articles which were exchanged through barter system can be termed as the first form of trade.
- Leather, beads, shells, tobacco, salt, corn and even slaves were the items used as barter during olden days.

4. What is spice route? Why was it called so?

- Pepper, spices, pearls, gems, rubies and muslin clothes were exported from the eastern sea of Tamil Nadu.
- Pepper and spices took a major share of the exports. Thus, this route was called the spice route.

5. What is natural money?

- The metals such as silver and gold gained importance gradually all over the world.
- So, these metals were used as standard value in the exchange of goods.
- This was called as natural money.

6. Why were coins of low value printed in large quantities?

- There were insufficient reserves of gold and silver.
- Mines also had a limited reserve of these metals.
- An alternative was found and coins were made using metals with lesser value.
- These were used to buy and sell goods of lesser value.
- So, coins of low value were printed in large quantities.

7. What is meant by foreign exchange?

- Currency is the medium of exchange in a country.
- The Indian currency is called the Indian Rupee (INR).
- In a country, the foreign currency is called foreign exchange.

ADDITIONAL**8. The metals can be termed as first form of money. Justify.**

- The people, instead of barter system, fixed a common item with a standard value for the effective exchange of goods.
- It was usually in the form of some metal.
- Metals were rare to find and could be maintained for a long time and never lost their value.
- Hence, the metals can be termed as the first form of money.

9. Write a few lines about the coins of Sher Shah.

- Sher Shah (1540-1546) set up a new civic and military administration.
- He issued a coin of silver weighing 178 grams which was termed as Rupiya.

- This silver coin remained in use during the Mughal period, the Maratha era and in British India.

10. What is ATM?

- ATM means Automated Teller Machine.
- One can easily withdraw the necessary amount without going to the bank.
- They can withdraw the amount from ATM with the help of ATM Debit card at any time.

11. Why were the metals chosen for coins?

- Metals were rare to find and could be maintained for a long time.
- Metals never lost their value.
- Gold, silver and copper were well known to the ancient people.
- These may be reasons for choosing metals for making coins.

12. Write a note on Ambedkar's Ph.D thesis.

- Dr. B.R. Ambedkar did his Ph.D thesis on 'The Problem of the Rupee – Its origin and solution'.
- It was the reference tool and provided guidelines for the Reserve Bank of India Act of 1934.

V. ANSWER IN DETAIL.

1. Explain how money is transacted in the digital world.

Money transaction in the digital world:

- One has to visit the bank and fill in a challan or produce a cheque to withdraw money from his account. Now this practice is gradually vanishing.
- Instead, one can easily withdraw the necessary amount from an Automated Teller Machine (ATM) with the help of an ATM debit card at any time.
- A person can deposit money in their account without visiting the branch. Similarly, credit cards are also available, through which things are bought on credit and the amount can be paid later.
- Nowadays, instead of using cheques or Demand Drafts (DDs), online transactions through net banking are carried out. Through this, money is transacted to anyone who lives anywhere across the globe.
- Technology has advanced so much that even mobile banking is widely used nowadays.

2. Explain in detail about the role of RBI in the country.

Role of the RBI in the country:

- The government has the responsibility to regulate money supply and oversee the monetary policy.
- Hoarding of money must be avoided at all costs in a country's economy. Only then money can be saved in banks.
- A major portion of the savings in banks is used for the development of industries, economic growth and various development schemes for the welfare of the poor.

- All the major and important banks were nationalised (1969) in India. The Reserve Bank of India (RBI) regulates the circulation of currency in India.
- RBI was nationalized in 1949. The printed currency around 85% is let for circulation.
- According to the statistics available as on August 2018, currency worth of 19 lakh crore are in circulation.

3. Write in detail about the various functions of money.

The important functions of money are –

- Medium of Exchange
- Unit of Account
- A store of Value

Medium of Exchange:

Money should be accepted liberally in exchange of goods and services in a country.

Unit of Account:

Money should be the common, standard unit of calculating a country's total consumer goods, products, services etc. Money is used to measure and record financial transactions of a country.

A Store of Value:

Money is used as a store of purchasing power. It can be used to finance future payments.

ADDITIONAL

4. What are the divisions of money supply?

Money supply is divided into four:

- M_1 = Currency held with the public + cash Reserves in commercial and Co-operative banks + cash reserves in the RBI.
- M_2 = M_1 + Money saved in Post office and bank savings Accounts
- M_3 = M_1 + Time Deposits in Commercial and co-operative banks
- M_4 = M_3 + Post office savings Money

5. Write the history of money.

Money has become an inseparable part of everyone's life today. It has changed its form in the economic front. The history of money is as follows-

Barter system (9000 B.C):

During this period, exchange of goods was done through barter system. People exchanged the surplus goods for other goods that they needed. Grains, cattle, salt were the goods used in Barter system.

Coins (1100 B.C):

The Chinese have used small coins during this period. These coins were made in bronze. Countries bordering the Indian Ocean used shells as a medium of exchange.

Currency (600 B.C):

King Alyattes of Lydia (a part of Turkey) announced publically that official currency will be used for trade. This transaction of money spread throughout the Mediterranean region.

Gold Coin (1250 A.D):

The Florin, a gold plated coin was introduced in Europe.

Marco Polo (1290 A.D):

Paper money spread to Europe through the travels of Marco Polo

Paper currency (1661 A.D):

In the modern period, paper money was printed for the first time in Sweden. It was not much welcome.

Electronic Transfer (1860 A.D):

Efforts was under taken through telegram to transfer money electronically.

Credit Card (1946):

John Biggins invented the credit card.

Mobile Banking (1999):

European banks introduced mobile banking.

NFC (2008 A.D):

Near Field Communication (NFC) was introduced in Britain. In 2016, it came to India. It takes only about 7 to 8 seconds transact money through NFC.

6. Write a paragraph on 'Educational Loan'.

- Educational loan attempts to meet the educational aspirations of the society.
- A student is the main borrower.
- A parent, spouse or sibling can be the co-applicant.
- It is offered to students who want to pursue higher education in India or overseas.
- It can be taken for a full time, part – time or vocational course and Graduation or Post Graduation.
- There is no security required for the loan amount up to ₹4 lakhs
- The loan is repaid by the student generally after the employment.
- Students can apply through "Vidya Lakshmi Portal Education Loan Scheme".

VI. WRITE THE CORRECT STATEMENT.

- 1) The barter system flourished wherever civilizations thrived.
- 2) This was the initial form of trade.

- i) 1 is correct; 2 is wrong
- iii) Both 1 and 2 are wrong

- ii) Both 1 and 2 are correct
- iv) 1 is wrong; 2 is correct

Ans: ii)

2. 1) Most of the international trade transactions are carried out in US dollars.
2) No other country except the US carries out trade in the world.
- i) Both the statements are correct ii) Both the statements are wrong
iii) 1 is correct; 2 is wrong iv) 1 is wrong; 2 is correct

Ans: iii)

VII. PROJECT AND ACTIVITY.

1. Visit a local museum and collect information about the coins displayed there.

(Self Activity)

2. Imagine you are going abroad for a Post Graduation course in architecture. Write a letter to the Branch Manager regarding an education loan.

Date:.....

From

XXXXX,
12, Sathyam Road,
Chennai.

To

The Branch Manager,
State Bank of India,
XXXXX Branch,
Chennai.

Sir/Madam,

I am writing this letter to submit my request for Educational Loan of Rs. 8,00,000/- for my Post Graduation course in architecture.

I have completed in B.Arch degree in National Institute Of Technology, Tiruchirapalli and secured A+ with 9.5 grade point out of 10.

I wish to continue my post graduation that is M.Arch in Indian Institute Of Technology, Kharagpur. Recently, I got the admit card from the institution. The fees structure for college as well as hostel is on the higher side. So, I am submitting the loan application to meet out the expenses.

My guarantors are my father and mother. Father and mother are government employees. Their Salary certificate is enclosed with this application. As a security to the loan, I can pledge my house, registered in my name, situated in the heart of the city worth Rs. 80,00,000/-.

I request you to consider my application for loan at the earliest and support my studies. I have attached the Photostat copy of the admission card with fees structure sent from the Institution and Photostat my Degree certificates.

Look forwards for your response.

With regards,
XXXXX.

VIII. LIFE SKILLS.

1. Observe at a 20 rupee note. What is written on it?

The following lines are written on the rupee note in Hindi and English.



FRONT SIDE OF THE CURRENCY NOTE



REVERSE SIDE OF THE CURRENCY NOTE

- The word 'Reserve Bank of India' is printed in English and in Hindi.
- The statement 'I promise to pay the bearer the sum of twenty rupees' is written in English and in Hindi.
- We can find the signature of the Governor of Reserve Bank both in English & Hindi
- Serial number of the Currency note.
- The word 'Reserve Bank of India' is printed in Hindi.
- The Value of the currency 'Twenty Rupees' is mentioned in English and Hindi.
- On the left side, the word 'twenty rupees' is mentioned in fifteen languages including in Tamil.

2. Prepare a family budget for a month.

- A family consists of six members. The members are i) Father ii) Mother iii) daughter iv) Son v) GrandFather and vi) GrandMother.
- In the family, father is working in company and getting a salary of Rs.60,000/-. Mother is a home maker and children are studying in V Std and VIII Std respectively.
- The budget of the family per month may be -

S.No	Particulars	Income	Expenditure
1.	Father's monthly salary	60,000-00	--
2.	Amount spent for visiting temples		200-00
3.	Provisions for the family & Vegetables		25,000-00
4.	House rent		6,000-00
5.	Rice for the month		4,000-00
6.	Electrical charges (bi-monthly)		500-00
7.	Water tax		500-00

8.	Phone – Land line and Cell phone		500-00
9.	T.V. and Cable Connection		200-00
10.	Medical expenses		2,000-00
11.	Cooking gas cylinder (bi-monthly)		500-00
12.	Fuel for two wheeler		1,000-00
13.	Amount spent for Children's' education (for the whole year ÷ 12 months)		5,000-00
14.	Travelling expenses		500-00
15.	Functions and birthdays celebrations		2,000-00
16.	Hotel and entertainment expenses		1,000-00
17.	Snacks and biscuits		500-00
18.	Magazines and daily newspaper		500-00
19.	Savings in the mutual fund		3,000-00
20.	Savings at home for emergency use		2,000-00
	Total	60,000-00	54,900-00

The Budget is beneficial budget.

