



MONEY AND CREDIT

BARTAR SYSTEM: It is a medium in which goods and services are exchanged directly. {Double Coincidence of wants}

ADVANTAGES

- (i) Instant Exchanges
- (ii) Limited Production

DISADVANTAGES

- (i) Issue of double coincidence of wants
- (ii) Difficulty in storing value.
- (iii) Problem of measurement of value.

FORMS OF MONEY

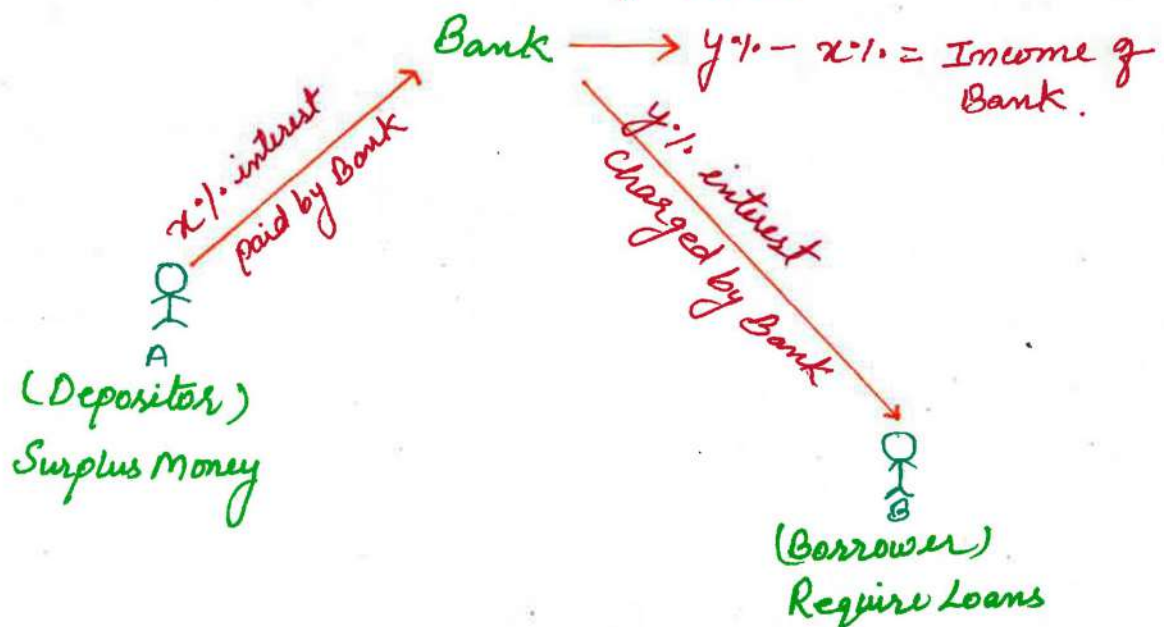
* Currency
→ Paper Notes
→ Coins

* Deposits (Banks)
→ Safety
→ Interest on Deposits
→ Deposits can be withdrawn on demand, called Demand Deposit

Issued by Reserve Bank of India

NO one can refuse payment in rupees, {Controlled by Govt.}

Loan Activities of Bank





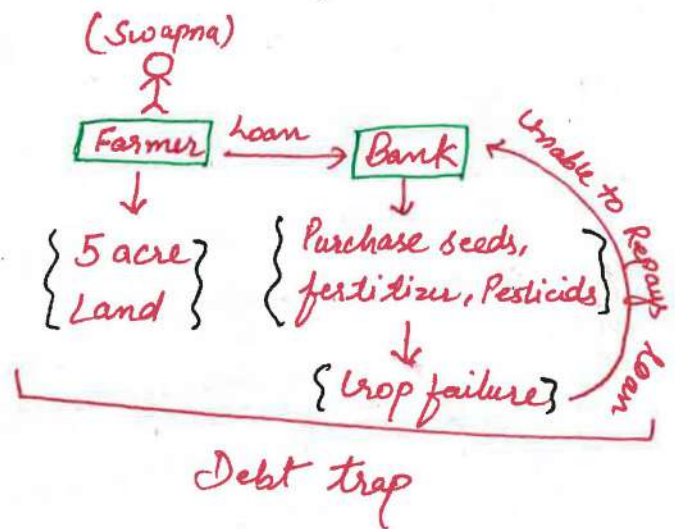
Credit (Loan):- It refers to an agreement in which the lender supplies the borrower with money, good or services in return for the promise of future payment.

Two different Credit Situation

Positive Situation



Negative Situation

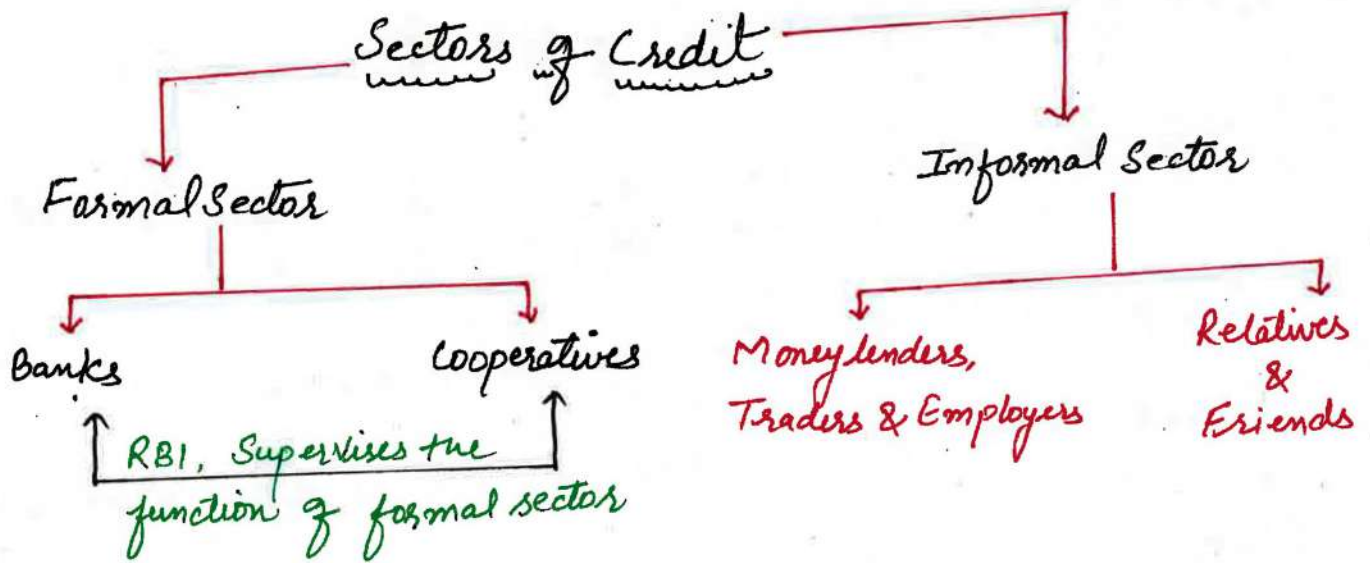


Terms of Credit

- * Collateral - (Security)
- * Interest rate
- * Documentation
- * Mode of Repayment

Collateral

Collateral is an asset that the Borrower owns (land, Building, vehicle) and use this as a guarantee to a lender until the loan is repaid.



Role of Reserve Bank of India (RBI)

- (i) Supervises the functioning of loans.
- (ii) Maintain Checks & Balance
- (iii) Monitors the bank in actually maintaining the minimum cash balance that is 15% of total deposits.
- (iv) It sees that the banks give loans not just to profit making businesses but also to small cultivators.

Formal Sector

- * Supervised by RBI
- * Low interest rate
- * Ex- Banks, cooperatives

Informal Sector

- * No organisation supervises credit activities.
- * High Interest Rate
- * Use unfair means to get their money back.
- * Ex. Friends, moneylenders, etc.



Self Help Groups (SHG) for the poor.

- SHGs are the small groups of poor people which promotes small savings among their members.
- A typical SHG has 15-20 members
- Provide loan to members at low-interest without collateral.
- SHGs are the building blocks of Organisation of the rural poor.