

Kerala Syllabus 10th Standard Social Science Solutions Chapter 9 Financial Institutions and Services

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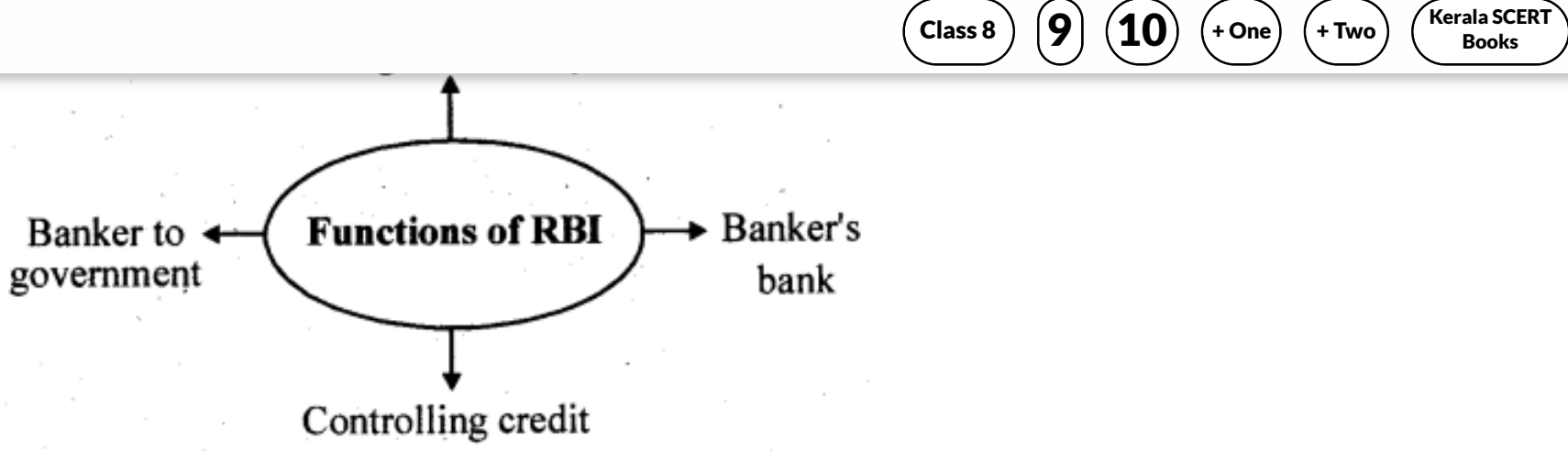
Question 1.

The Reserve Bank of India acts as the last resort to all banks in their financial matters. Substantiate the statement based on the functions of RBI.

Answer:

Reserve Bank is the Central Bank of India. It was established in 1935 and its headquarters is in Mumbai. It is the apex bank which controls all the other banks. RBI not only regulates and supervises the banks but also other financial institutions in the country by giving them necessary instructions and advice. It acts as the last resort in the financial matters of all banks.

The functions of RBI are:



Printing of currency: RBI has the legal right to issue all currency notes except one rupee note and subsidiary coins. The finance ministry is authorised to issue one rupee note and subsidiary coins. A proportional value of gold and foreign exchange are kept as reserve for issuing notes.

Controlling credit: The RBI increases the money supply in the economy through the distribution of printed currency and through credit creation. Controlling credit is an important function of RBI. This is done by bringing about changes in the rate of interest. As the rate of interest increases, volume of loans decreases. As the rate of interest decreases, the volume of loans increases.

Banker to Government: The RBI serves as the banker to both the Central Government and the State Governments. As a banker to the government, the RBI accepts deposits from central and state governments, sanctions loans and renders other banking services to them. The Reserve Bank does not charge any fees for these services.

Bankers' Bank: Reserve Bank is the apex bank of all banks. It is the function of the RBI to advise and assist all banks in their operations. It acts as the last resort to all banks in their financial matters.

Question 2.

Explain the basic functions of banks.

Answer:

Banks are those institutions which accept deposits from the public and grant loans to the needy subject to conditions. They operate on the basis of the general guidelines and conditions set by the Reserve Bank of India.

Banks accept deposits from individuals, institutions and government and disburse this amount as loans to individuals, institutions and government.

The banks collect the loan amount with interest after a particular period and repay the depositors with interest. Thus the banks act as the intermediary between borrowers and lenders.

Question 3.

Explain the aims of Mahila banks, Payment banks and MUDRA bank.

Answer:

Mahila banks, Payment banks and Mudra bank are the new entrants in the banking sector formed for certain specific aims.

Bharatiya Mahila Bank

The slogan of Mahila bank is 'Women Empowerment is India's Empowerment. The bank accepts deposits from all but provides loans mainly to women. Bharatiya Mahila Bank is merged with SBI in 2017.

Payment Banks

Payment banks are established to help low-income groups, small scale industrialists and migrant labourers. They do not provide all facilities provided by banks.

Mudra bank

Mudra bank is set up to provide short term loans to small scale entrepreneurs and micro finances.

Question 4.

Evaluate how microfinance helps common man.

Answer:

The aim of microfinance is to provide different financial services to common people including microcredit. It helps to promote saving habits and self-employment activities among the poor. This helps members to avail themselves of loans without providing any collaterals. Kudumbasree and Self Help Group for men are examples for this.

Aims of microfinance

- Promotes saving habit.
- Helps to improve the standard of living of the poor.
- Helps in collective development by mobilising money from individuals.
- Makes use of individual potentials for group development.
- Provides loans to members in need
- Starts small scale enterprises.

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