

ANSWER:

8. Money acts as a medium of exchange because it acts as an efficient link between the exchange of commodities.

18. The modern currency i.e., rupee, does not have any value of its own because it is not as precious as gold and silver, it is made up of paper.

However it is used for transactions in exchange for some goods and services. But it is still considered as a medium of exchange, as it is authorized by the Government of India.

27. Banks play an important part in India's economy by providing a safe foundation for individuals and businesses to invest or deposit their money, which allows the bank to use the money in its possession for loans. The ability for the public to receive these loans enables them to make purchases, which drives the economy at a higher level. The bank is able to take the deposits, which start out as liabilities, and turn them into assets. This is accomplished by the banks investing the money that is deposited in a way that gains them higher returns than what is being paid to the depositor's account when they receive interest. This allows the banks to loan money and still have the funding to cover any withdrawals that an account holder may make.

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7. Which one of the following is the main source of credit for rich urban households?

- a) Moneylenders
- b) Businessmen
- c) Banks
- d) Self-help groups

20. 'Cheap and affordable credit is essential for poor households both in rural and urban areas'. In the light of the above statement, explain the social and economic values attached to it.

28. What are the two categories of sources of credit? Mention four features of each.

ANSWERS:

7. C

20. Cheap and affordable credit is essential for Poor households in rural areas because it helps the poor farmers or poor people living there to get loans and then they can invest in either farming or non farm activities. The cheap word tells that the interest rate would be low so at the end they have to pay less money.

Cheap and affordable credit is essential for Poor households in urban areas because it helps the poor people living in urban areas to invest in any manufacturing or any small business which can give them a good return. Due to this good return they can pay back the credit with interest and can have a good and settled life.