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1. The terms of credit vary substantially from one credit arrangement to another. They may vary depending on the nature of the lender and the borrower. Interest rate, collateral and documentation requirements and the mode of payment mainly come under the terms of credit.

2. Before banks give credit to people, they have to fulfil all those conditions as mentioned above.

3. A person takes a loan from the village money lender at an interest rate of five per cent per month.

4. Another person takes loan from an agricultural trader in the village at an interest rate of three per cent per month. The trader supplies the farm inputs on credit with the condition that he sells the crop to him. This way the trader can ensure that the money is repaid promptly. Also since the crop prices are low after harvest, the trader is able to make a profit from buying the crop.

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