Money and Credit

Standard difficulty · 20 questions · 40 marks · Time: 37 minutes

Name: _____ Date: _____ Score: ____ / 40

Write full answers in Sections B and C. Answers are on the last page — try every question first!

Section A — Choose the correct answer — 8 × 1 = 8 marks

1. Money acts as a go-between in exchange, so it is a:
   (a) collateral **(b)** double coincidence
   (c) store of value only **(d)** medium of exchange

2. Which of these is an example of formal credit?
   (a) a loan from relatives or friends **(b)** a loan from an employer
   (c) a crop loan from a nationalised bank **(d)** a loan from a landlord

3. What is meant by “medium of exchange”?
   (a) an order to a bank to pay someone **(b)** each side wants what the other has
   (c) money as the go-between in exchange **(d)** a group of 15–20 people pooling savings

4. Rural loans by source in 2019, from the book’s graph: landlords 1%, other formal agencies 5%. What is the difference?
   (a) 4 percentage points **(b)** 9 percentage points
   (c) 5 percentage points **(d)** 6 percentage points

5. A moneylender charges 4% interest a month. How much interest is due on ₹27,000 after 8 months (simple interest)?
   (a) ₹35,640 **(b)** ₹1,080 **(c)** ₹86,400 **(d)** ₹8,640

6. A bank lends ₹30,000 at 10% a year. How much simple interest is due after one year?
   (a) ₹3,300 **(b)** ₹3,000 **(c)** ₹30,000 **(d)** ₹33,000

7. A moneylender charges 6% a month; a bank charges 11% a year. How many percentage points more a year does the moneylender charge (simple interest)?
   (a) 67 points **(b)** 72 points **(c)** 83 points **(d)** 61 points

8. A self-help group of 17 members each saves ₹190 a month. How much do they save together in 9 months?
   (a) ₹216 **(b)** ₹1,710 **(c)** ₹3,230 **(d)** ₹29,070

Section B — Short answer — 8 × 2 = 16 marks

9. Why is money called a medium of exchange?

10. Formal or informal credit? (a) a loan from a cooperative society (b) a loan from a landlord

11. Explain each term: (a) self-help group (b) cheque

12. ₹21,000 is borrowed for 12 months. Compare the simple interest at a moneylender's 5% a month and a bank's 9% a year.

13. From the book's 2019 graph of rural loans: moneylenders 23%, relatives and friends 7%, landlords 1%. What is the total of these three? (The formal sources together gave 66%.)

14. A family borrows ₹60,000 from a bank at 10% simple interest a year for 4 years, pledging its house papers. How much interest is paid, and what are the house papers called?

15. A self-help group of 15 women each saves ₹300 a month. How much is saved in a year, and how can the group use it?

16. What is each known for? (a) the Reserve Bank of India (b) the Grameen Bank

Section C — Longer answers — 4 × 4 = 16 marks

17. How do banks act as a link between savers and borrowers?

18. Match each with its meaning: (a) debt trap (b) cheque (c) medium of exchange. Choose from: a loan that leaves the borrower worse off; an order to a bank to pay someone; money as the go-between in exchange.

19. The book's graph of rural loans in 2019: commercial banks 51%, cooperatives 10%, other formal 5%, moneylenders 23%, relatives and friends 7%, landlords 1%, others 3%. (a) What share came from formal sources? (b) Suppose a block's farmers borrowed ₹76 lakh in the same shares: how much from moneylenders? (c) Why should formal credit reach more of the poor?

20. A farmer needs ₹30,000 for a season of 6 months. (a) What is the simple interest at a moneylender's 5% a month? (b) At a bank's 10% a year? (c) Why might the farmer still go to the moneylender?

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Answer key

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Q	Answer	Working
1	**(d) medium of exchange**	—
2	**(c) a crop loan from a nationalised bank**	—
3	**(c) money as the go-between in exchange**	—
4	**(a) 4 percentage points**	5 − 1
5	**(d) ₹8,640**	27,000 × 4% × 8
6	**(b) ₹3,000**	10% of 30,000
7	**(d) 61 points**	6 × 12 − 11
8	**(d) ₹29,070**	17 × 190 × 9
9	**It acts as a go-between, so people can exchange goods without needing a double coincidence of wants.**	—
10	**(a) formal (b) informal**	—
11	**(a) a group of 15–20 people pooling savings (b) an order to a bank to pay someone**	—
12	**moneylender ₹12,600, bank ₹1,890**	21,000 × 5% × 12; 21,000 × 9% × 12/12
13	**31%**	23 + 7 + 1
14	**₹24,000; collateral**	60,000 × 10% × 4
15	**₹54,000; to give small loans to members at reasonable interest.**	15 × 300 × 12
16	**(a) issues currency and supervises banks (b) gives credit to the rural poor in Bangladesh**	—
17	**People deposit savings and earn interest; banks lend most of these deposits to borrowers at higher interest, keeping some cash for withdrawals.**	—
18	**(a) a loan that leaves the borrower worse off (b) an order to a bank to pay someone (c) money as the go-between in exchange**	—
19	**(a) 66% (b) ₹1,748,000 (c) Informal loans carry high interest and can trap borrowers in debt.**	51 + 10 + 5; 23% of ₹7,600,000

Q	Answer	Working
20	**(a) ₹9,000 (b) ₹1,500 (c) The bank may need collateral and documents the farmer does not have.**	—

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