

CBSE • CLASS 10 • SOCIAL SCIENCE

ECONOMICS

CHAPTER 03

Money and Credit



NCERT SOLUTIONS



MONEY AND CREDIT

Q1. In situations with high risks, credit might create further problems for the borrower. Explain.

Answer:

Credit must be repaid even if the activity fails.

For example, a farmer borrows money for seeds and fertiliser. If the crop fails, the farmer earns too little to repay the loan.

- Interest adds to the amount due.
- The farmer may take another loan to repay the first one.
- The lender may require the sale of assets or collateral.

This can create a debt trap, where borrowing makes the person's financial position worse.

Credit helps only when its terms and the borrower's ability to repay are suitable.

MONEY AND CREDIT

Q2. How does money solve the problem of double coincidence of wants?
Explain with an example of your own.

Answer:

- In barter, each person must want exactly what the other person offers. This is called double coincidence of wants.
- Money removes this need because it acts as a medium of exchange.

- **Example:**

A vegetable seller wants to buy shoes. The shoe seller may not want vegetables.

The vegetable seller first sells vegetables for money. Then the seller uses that money to buy shoes.

The two exchanges can happen with different people.

Thus, money separates selling from buying and makes exchange easier.

MONEY AND CREDIT

Q3. How do banks mediate between those who have surplus money and those who need money?

Answer:

- People with surplus money deposit it in banks.
- Banks keep a required portion as reserves to meet withdrawals.
- They lend a substantial part of the remaining funds to borrowers.
- Borrowers use loans for farming, businesses, homes or other needs.
- Banks pay interest on deposits and normally charge higher interest on loans.
The difference helps meet the banks' costs and earnings.

Simple left-to-right flow:



MONEY AND CREDIT

Question: Q4. Look at a 10 rupee note. What is written on top?
Can you explain this statement?

Answer: "Reserve Bank of India" identifies the issuing authority.
The note also carries the guarantee of the Central Government and the Governor's promise: "I promise to pay the bearer the sum of ten rupees."

Meaning:

- The RBI issues the note with legal authority.
- The promise records the RBI's obligation to the person holding it.
- The note is legal tender for its face value of ₹10.
- Government backing and general acceptance allow people to use it as money.

It does not promise gold or goods worth more than its face value.

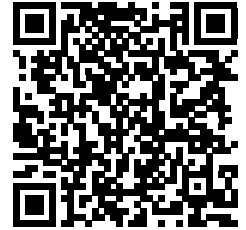


FREE PREVIEW

[Click here to visit our website](#)

SCHOOL NOTES & NCERT SOLUTIONS

Complete notes and
NCERT solutions are
available on
FirstHope app only.



[Scan or click here](#)

Click here to get the app

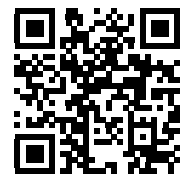


Available on Google Play

JOIN THE FIRSTHOPE COMMUNITY

Join our Telegram channel

Click here to join Telegram



[Scan or click here](#)

@FirstHope_CBSE_Notes

Instagram

@firsthope.school

[Click here to follow >](#)

YouTube channel

@firsthope.school

[Click here to watch >](#)

FirstHope website

firsthope.co.in

[Click here to visit our website >](#)

CBSE / Class 9 / Class 10 / Class 11 / Class 12

Preview notes and NCERT solutions. Full PDFs in the FirstHope app.