

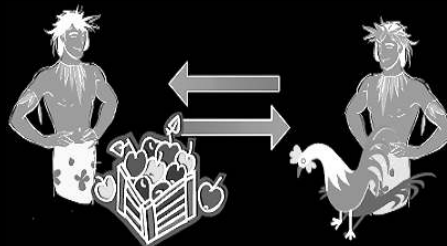
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# NCERT Class 10 Economics

## Chapter 3: Money & Credit

### Money versus Barter

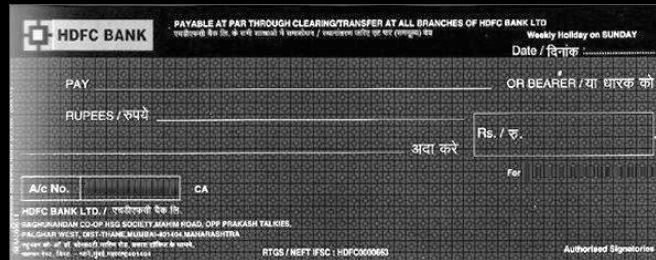
- Barter System – Double coincidence of wants
- Money – eliminates double coincidence of wants; Medium of EXCHANGE



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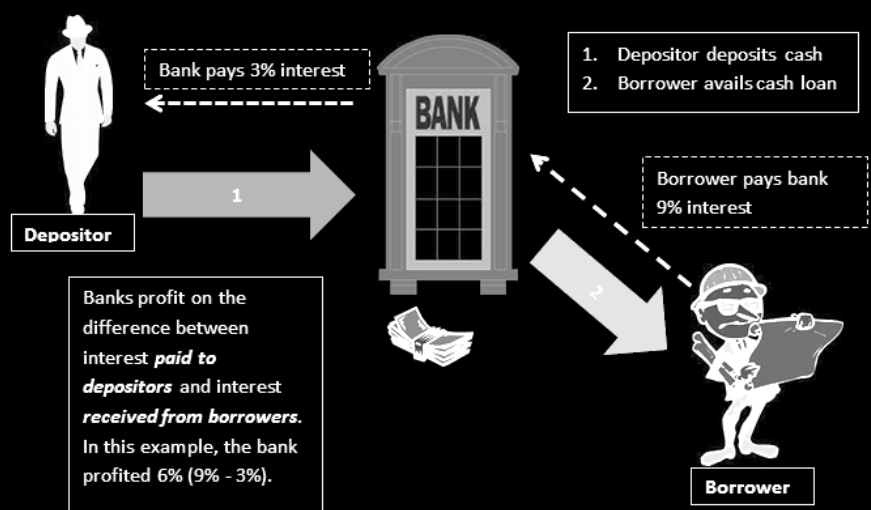
# Forms of Money

- Currency: Paper notes and coins – authorized by Govt. (India – RBI)
- Deposit with Banks – to earn interest for extra money; demand deposit (withdrawn on demand) – Cheque rather than Cash



## Depositor vs. Borrower

- Bank hold 15% of total deposit as cash
- B/w surplus & those who need
- Extend loans
- Higher interest rate on loan
- Diff. = INCOME for bank



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## Credit (Loan) Situation

- Lender supplies the borrower in return for promise of future payment
- For industry, housing, crop production
- Can push borrower in further credit (crop failure)

## Terms of Credit

- Interest + Principal = Repayment
- Collateral: asset that the borrower owns and uses this as a guarantee to a lender until the loan is repaid
- Interest rate + collateral + documentation + mode of repayment = Terms of Credit

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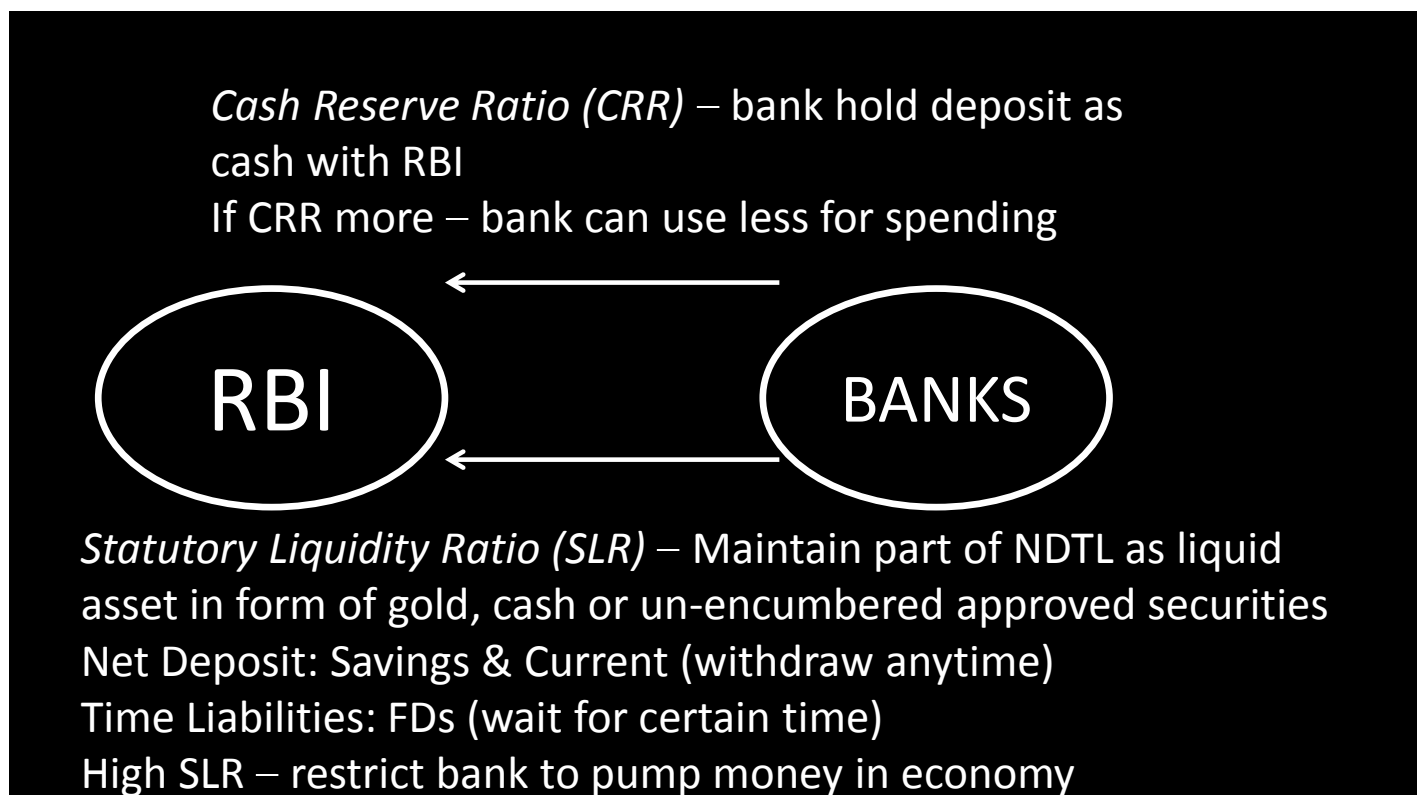
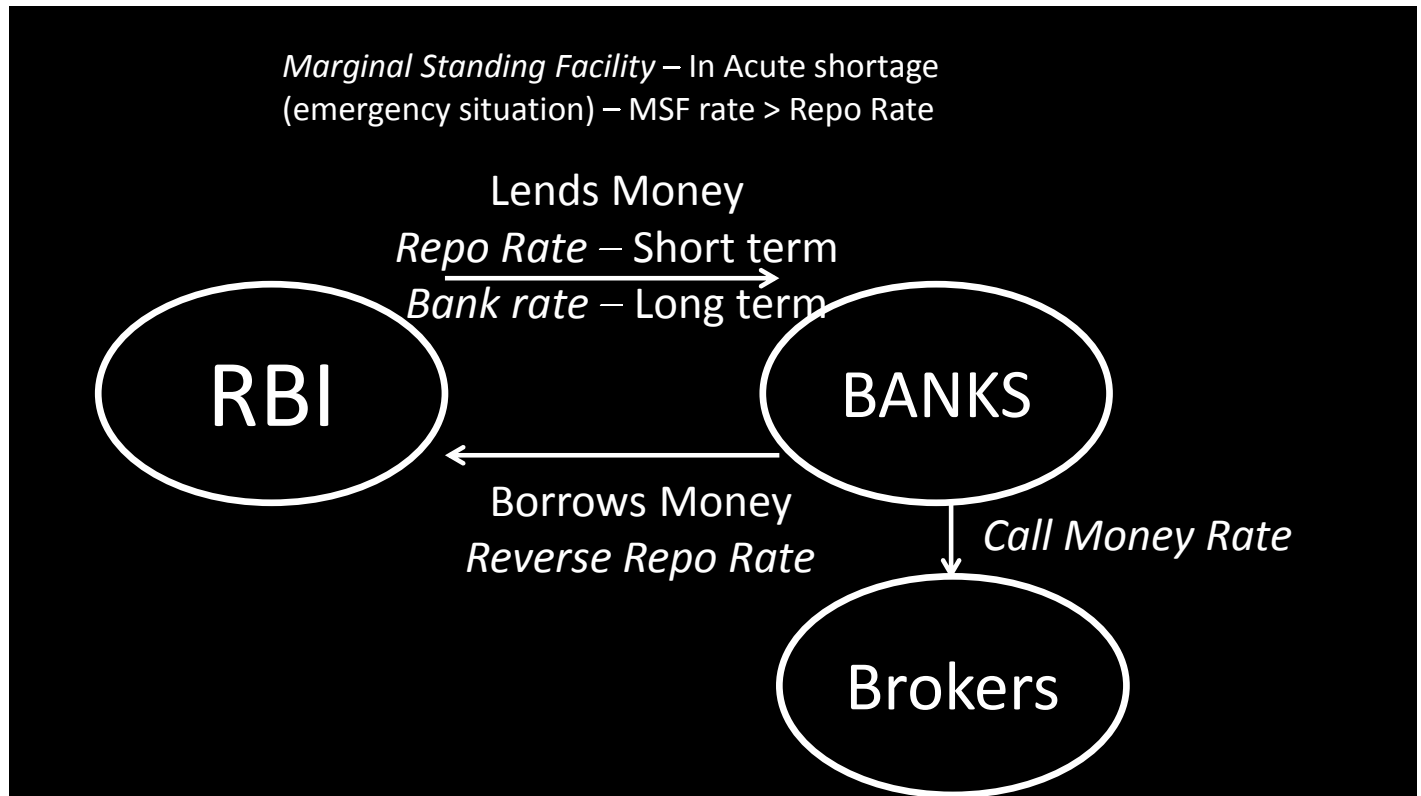
## Formal Sector Credit

- Formal sector loan – bank & cooperative – 90% rich household
- Informal sector loan - moneylenders, traders, employers, relatives and friends – not supervised & charge any amount (usually higher) – 85% poor households
- Formal – Supervised by RBI – Looks into
  - Cash maintained by banks
  - Loan not only to profit making businesses but others
- High borrowing cost implies most money goes in loan repayment
- Need for cheap & affordable credit
- 50% rural credit needs by formal sector

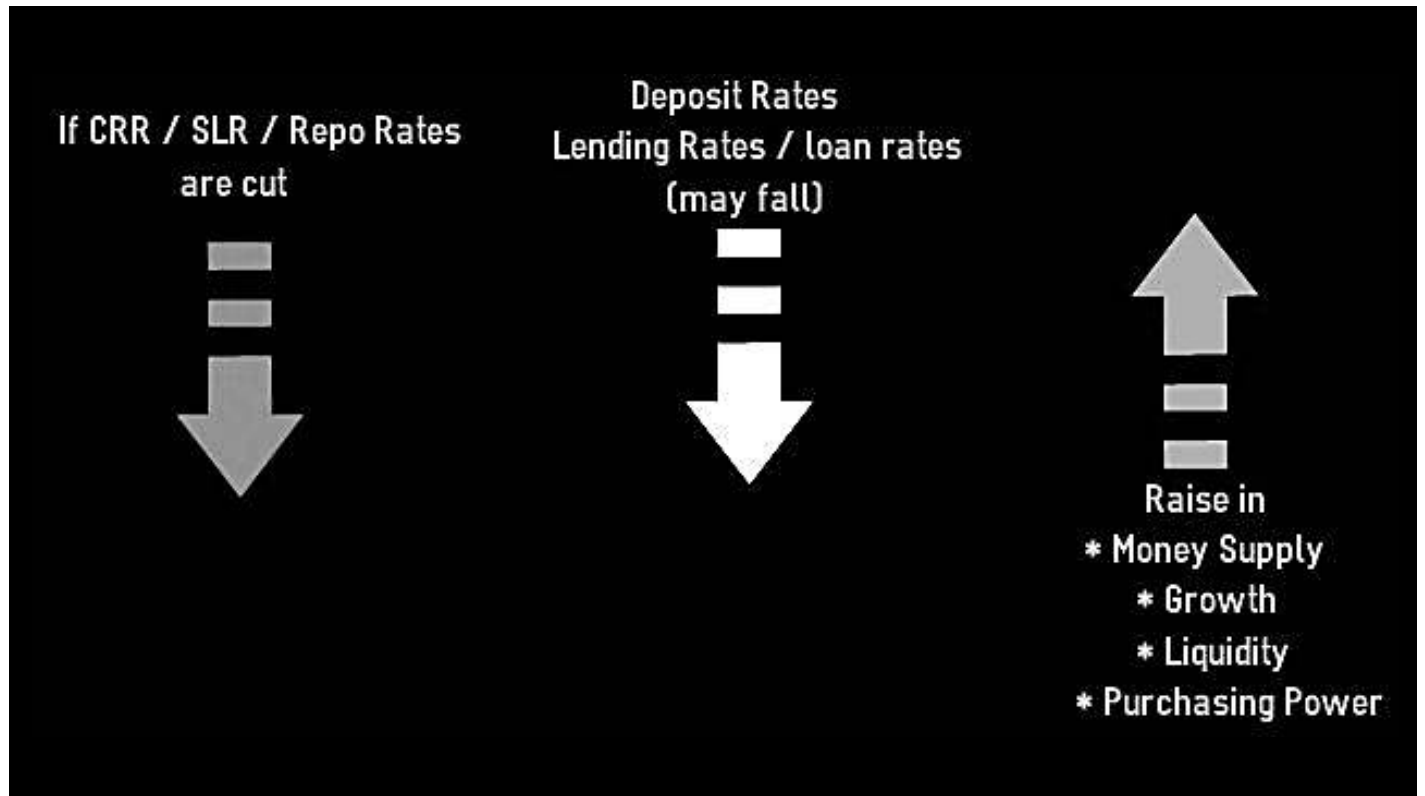
## Self-Help Groups

- Organize rural poor in groups and collect money
- Members take loan from group
- Group charges interest
- If group is regular in saving – can take bank loans
- Loan given in name of group – self employment opportunities
- Overcome problem of collaterals
- Grameen bank (Bangladesh) – 1970s – 6 million borrowers in 40,000 villages

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