

Saket Shishu Ranjan Higher Secondary school vidisha
Std-10
Social Science
Ch-17:- Money and Financial System

Very Short:-

Q1. What was the main problems of barter system?

Ans. The main problem of this system was availability of such a person who could accept the commodity possessed by a person and could make available the commodity required by him.

Q2. In which part of India is the chit fund very popular?

Ans. In South Indian states there has been a long history of Chit Fund plans, it is much popular in the villages of Southern India.

Q3. What are the major differences between bank and non banking institutions?

Ans. Banks form intermediate credit. They deposit the money of the people and keeping the reserve ratio at fixed rates lend rest, of the money. Whereas non banking institutions do not form credit. They only form liquidity.

Q4. What is the term of the loan given by the Land Development Banks to farmers?

Ans. Land Development Banks provide long term loans to farmers, these banks provide loans for a period of 15 to 20 years at a low rate of interest for land Reform, for digging wells and tube Wells etc.

Q5. What is the short name of the National bank for Agriculture and Rural Development?

Ans. The short name of the National bank for agricultural and rural development is called **NABARD**.

Q6. Which bank does the function of issuing notes in the country?

Ans. Reserve Bank of India issues notes in the country.

Q7. In which state of the country was the first mobile bank established?

Ans. In Khargone district of Madhya Pradesh the first mobile bank was established.

Q8. Is ICICI Bank a public sector bank or a private sector bank?

Ans. ICICI bank is a private sector bank.

Short Answers:-

Q1. Which goods were used as money in ancient times?

Ans. In ancient time the men could not produce all the commodities of his requirement, therefore is started to exchange the goods produced by him with goods produced by other person, that is known as Barter system and in the beginning cow, goat shell, fish, bones, skin animals, Ivory were accepted as a unit of money.

Q2. State the demerits of Sahukar system.

Ans. The demerits of sahuakar system are:-

1. **High rate of interest**:- Sahukar lends money at high rate of interest.
2. **Cumulative interest**:- sahuakar charges cumulative interest which increases the burden of interest on the debtor.
3. **Manipulation in calculation**:- sahuakar generally manipulate the amount, they do not give any receipt to the debtors and exploit them.

Q3. Define money.

Ans. **According to Prof. Marshal**- "Money includes all those commodities which in particular time or place undoubtedly can be accepted in consideration for goods and services as means of deferred payments."

According to Prof. Ely- "Money is that community which as a means of exchange can be freely transferred and is ordinarily acceptable as a means of final payment of debts.

Q4. What are commercial banks?

Ans. Commercial banks are those types of banks which make arrangements for short term plan loans for commercial purposes. These Banks do some other banking functions also other than accepting deposits of people and providing loans to them.

Q5. What is meant by the Finance system?

Ans. The process of keeping balance between demand and supply of wealth or capital in the economy is called the Finance system.

Long Answers :-

Q1. Write an article on the development of money.

Ans. Money is an **English** word, it is derived from **latin** word **Moneta**, it is said that in Roman goddess Juno herself was called Moneta. The money in latin was called Pecunia which has originated from the word Pecus, the meaning of which is **animal wealth**.

Development of Money:- The history of the development of the form of money which we use today is very long. In ancient time the man could not produce all the commodities of a requirement. Therefore he started to exchange the goods produced by him with goods produced by another person , it is known as barter system of exchange. Several difficulties of barter system around with time. So such goods are discovered which could be accepted by all in the beginning. Cow, goat shell, fish, bone, skin of animals were accepted as a unit of money but the system also brought many difficulties with it. So this system inspired the use of metals. As a result the use of Metal started in the form of coins which solve many problems. These coins are certified by government to stamping. gold, silver, copper etc. metals were extremely used as coin. Difficulties of metallic currency aouse with time. As a result along with the development of banking system paper currency was also developed. at present credit cards, ATM cards are prevailing in the form of plastic currency. Thus it is clear now that the money which is seen today has long history.

Q2. What are self help groups? what may be the objectives of their formation?

Ans. **Self help group**:- It is a voluntary organisation of poor people. These groups are formed for the solution of the problems by mutual cooperation. This group motivates its members for small savings, the savings are deposited in banks in the account on the name of the group. The maximum number of members of a group is 20.

Generally the members of a group are those people who do not have any approach to the Financial Institutions such as Banks. Therefore the group teaches its members that method of saving which is an appropriate method for satisfying their needs.

Objectives of the formation of self help group:- The following are the objectives of any self help group-

1. To develop the feeling of working together unitedly.
2. To develop the habit of saving for better future among the members.
3. To create the opportunity of self employment by lending money to members.
4. To develop the feeling of self Reliance among its members.
5. To conduct welfare activities with the help of government loans and other self service institutions.

Q3. Which private Financial Institutions are found in India? Explain.

Ans.

1. **Commercial banks**:- Banks were established under the private sector after the year 1991, for example ICICI Bank, HDFC Bank, UTI Bank, Indus bank are the banks of private sector. At present the scope of private banks has increased tremendously.

2. **Sahukars**:- Sahukar or Mahajan is that fellow who provides loans to its customers from time to time. Sahukar are of two types- farmers sahuks and commercial Sahukars. The functioning of savkar is very simple, they provide loan of all three types, short term, medium term, and long term. They provide loans for production and consumption both processes.

3. **Zamindar**:- In the year 1793 Lord Cornwallis started this system in Bengal. Zamindars were big landlords. Their work was a collection of revenue from the farmers and they collected the revenue from the peasants

and gave it to the government. Zamindars also provide loan to the farmers whenever required to fulfill their needs but the rate of interest is very high and during loan recovery they used to behave badly due to the farmers were exploited. As a result all the states are banned the system of zamindari.

4. **Chit fund**:- it is a sort of savings plan operating in South India. The members of these chit funds are made in a fixed number. After a prefixed interval of time these members meet at a fixed place and collect the fixed amount of money, after this collected amount of money is auctioned among the members and the collected money is given to that member who gets the highest amount in the auctions.

Q4. What are the main types of banks? Write

Ans. The following are the types of banks found in India:-

1. **Commercial banks**:- Commercial banks are those types of banks which make arrangements for short term loans for commercial purpose, these banks do some other banking functions also other than accepting deposits of people and providing loans to them. After the nationalisation of banks in the year 1969 the functioning of these banks has changed significantly.
2. **Industrial Bank**:- The institution which make arrangements of medium and long term loans for industries are called Industrial Bank, for ex- Industrial Development Bank, Industrial credit and Investment Corporation have been established in India to meet the requirement of industrial finance.
3. **Foreign exchange Bank** Institution which exchange foreign currencies and make arrangements of foreign exchange for foreign trade are called foreign exchange Bank. These Bank set up their branches in foreign countries which make the exchange of foreign currency simple and easy. At present the foreign exchange banks like the commercial banks do all the functions of banks.
4. **Cooperative banks**:- These banks established with the feeling of cooperation, they work on the principle of mutual cooperation. They have three tier structure- State Cooperative Bank at state level, district Central Cooperative Bank at district level and primary cooperative societies as Central level.

5. **Central Bank**:- The central bank is the supreme Institution of the banking system of any country. It has no direct relation with the people. The maintenance and supply of the currency of the country is done by this Bank only. It is the banker of government. It is the bank of all banks. All other banks have to follow its order and policies in India. The central bank is known as the Reserve Bank of India.

Q5. Describe the main functions of money.

Ans. **The main functions of money are as follows:-**

1. **Medium of exchange**:- The goods and services are bought and sold through money. The producer get money by selling his commodity and then he purchases his required goods through his obtained money.
2. **Measure of value**:- At present value of every commodity and service is measured by money. Prices of all commodities and service in the market are expressed in the terms of money only, it is an important function of money.
3. **Transfer of purchasing power**:- Money can be transferred from one place to another. In the state of purchasing commodities from another place the payment of its price can be done through money or Bank draft, cheque, money order etc. The money can be transferred easily from one place to another through banks.
4. **Store of purchasing power**:- According to his nature man saves money to deal with major crisis. Now saving for future through the medium of money has become very easy. Storing of purchase power by depositing money in banks or post offices become very common now.

Q6. Discuss about the Institutions which provide loans to agriculture.

Ans. Institutions providing agricultural loans are as follows:-

1. **Agricultural cooperative banks**:- Agricultural cooperative banks provide the facility of short term loans to farmers at low rate of interest. In India the cooperative banks have three tier structure. At the lowest village level are the primary cooperative societies and in district level district Central cooperative banks and in state level there is a state cooperative

banks. The State Cooperative Bank meet the requirement of district Central Cooperative Bank.

2. **Land Development Bank**:- Land Development Bank provide long term loans to farmers. These banks provide loans for a period of 15-20 years at a low rate of interest to land reforms, for digging Wells and tube Wells, to purchase Agricultural equipment etc. As these Banks provide loans on the security of land. so these banks are advantageous for the big farmers.

3. **Regional rural banks**:- The regional rural banks were set up in 1975, these banks were set up with the main objective of providing banking facilities to the people of distant rural areas.

4. **National bank for Agriculture and Rural Development**:- National bank for Agriculture and Rural Development was established on 12th July 1982 for the purpose of making the loans available for development of agriculture. It is known as **NABARD**, its function as the apex Bank in the structure of credit in the rural areas. It provides the facility of refinancing to various finance institutions.

Exercise:-

CHOOSE THE CORRECT OPTION:-

1. The primary function of money is **medium of exchange, storage of value, standard of deferred payments.**
2. The sahkars have an important role in **agricultural finance.**
3. The main function of foreign exchange bank is **exchange of money.**

FILL IN THE BLANK---

1. To satisfy the wants by exchanging one commodity with another community is called **barter** system.
2. In a financial system the Financial Institutions provide **loans** to other needy people by taking money on credit.
3. The maximum number of members in a self help group is **20**.
4. The industrial Bank provides short term and long term **loans** to industries.
5. The savings banks collect the **savings** of public.

