

## CHAPTER-3 | Money and Credit

## QUIZ-01

1. What eliminates the need for double coincidence of wants?

- A. Demand deposits                      B. Barter system  
C. Money                                      D. Cheques (C)

**Explanation:** Money acts as a medium of exchange, allowing transactions without both parties needing to want what the other has.

2. Who issues currency notes in India?

- A. State Bank of India  
B. Ministry of Finance  
C. Reserve Bank of India  
D. Supreme Court (C)

**Explanation:** The Reserve Bank of India issues currency on behalf of the central government.

3. What are demand deposits?

- A. Loans taken from banks  
B. Fixed deposits  
C. Deposits that can be withdrawn anytime  
D. Deposits used for paying salaries (C)

**Explanation:** Demand deposits are bank deposits that can be withdrawn by the account holder at any time.

4. What role do banks play in the economy?

- A. Only keep people's money safe  
B. Print new currency  
C. Mediate between depositors and borrowers  
D. Regulate money supply (C)

**Explanation:** Banks accept deposits and give loans, acting as intermediaries between those who have money and those who need it.

5. What is collateral?

- A. Loan interest rate  
B. Legal agreement for a loan  
C. Asset given to secure a loan  
D. Repayment period (C)

**Explanation:** Collateral is an asset like land or house pledged by a borrower to secure a loan.

6. Why do banks keep only a small portion of deposits as cash?

- A. They don't have enough space  
B. RBI regulation  
C. Only some depositors withdraw money daily  
D. To avoid theft (C)

**Explanation:** Since not all depositors withdraw money at once, banks keep a small portion as cash and lend out the rest.

7. What is the key difference between formal and informal credit sources?

- A. Interest rate                                      B. Size of loan  
C. Number of people involved  
D. Use of cash (A)

**Explanation:** Formal sources like banks offer lower interest rates and are regulated, while informal sources charge high interest.

8. What happens in a debt-trap?

- A. Loan is paid off quickly  
B. Interest rate is reduced  
C. Borrower takes a new loan to repay the old one  
D. Bank forgives the loan (C)

**Explanation:** In a debt-trap, the borrower cannot repay and keeps borrowing again, falling deeper into debt.

9. What is the main benefit of Self Help Groups (SHGs)?

- A. Free loans  
B. High-interest income  
C. Access to credit without collateral  
D. Employment in cities (C)

**Explanation:** SHGs provide small loans to poor members without requiring collateral and help them become self-reliant.

10. Why do poor households rely more on informal sources of credit?

- A. They get higher amounts  
B. No need for documents and collateral  
C. Interest is lower  
D. They trust moneylenders more (B)

**Explanation:** Poor households often lack collateral and documents required by banks, so they turn to informal sources.