

Money and Banking (1)

Class 9th

Sub Economics

A. Fill in the blanks:

- i. Reserve Bank of India issues currency notes on behalf of the central Government.
- ii. Banks charge a higher interest rate on loans than what they offer on deposits.
- iii. Collateral is an asset that the borrower owns and uses as a guarantee until the loan is repaid to the lender.
- iv. A saving account is the simplest form of bank account which can be opened by any individual for encouraging savings.
- v. The most common form of payments being made instead of cash is a bank instrument called a cheque.
- vi. This is also called a remotely created check, Demand Draft.

B. One word answer:

- i. The central bank of India, Reserve Bank of India.(RBI)
- ii. One nationalized Bank of India , State Bank of India.(SBI)
- iii. One privately owned bank in India, HDFC Bank.
- iv. One post office savings scheme, Senior Citizen Savings Scheme.
- v. One cooperative bank in rural India giving loans to farmers Grameen Bank.

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A. Very short /short answer type questions.

1. What is double coincidence of wants? Explain with an example of your own.

Ans: “Double coincidence of wants” means “what a person desires to sell is exactly what the other wishes to buy”. For example, a farmer has surplus rice and needs to buy clothes. On the other hand, the clothes merchant has clothes but needs rice. When both parties agree to buy and sell commodities to each other, this is double coincidence of wants.

2. Why is money called a medium of exchange?

Ans: Money is any medium that can be exchanged for goods and services. Since money acts as an intermediate in the exchange process, it is called a medium of exchange.

3. What are different forms of modern currency?

Ans: The different forms of modern currency include plastic money i.e debit card and credit card.

4. Who is authorized to issue currency in India?

Ans: The Central Bank of India i.e Reserve Bank of India is authorized to issue currency in India.

5. Why can no one refuse to accept payment in rupees?

Ans: The rupee is a universally accepted medium of exchange in India because it is authorized by the government of the country and no person in India can legally refuse a payment made in rupees.

6. Why are the deposits in the bank account called deposits?

Ans: The deposits in the bank account are called deposits because the money deposited is safe and secure with the bank and can be withdrawn as and when it is required.

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

Ans: People deposit their extra money in the bank and majority of these deposits are used by banks to extend loan facility to those customers who are in need of money.

8. Define a cheque?

Ans: A cheque is a paper instructing the bank to pay a specific amount from the person's account to the person in whose name the cheque has been issued. The maker of a cheque is called the 'drawer' and the person directed to pay is the 'drawee'.

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9. Define a Loan.

Ans: Loan is a facility that refers to an agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future payment.

10. Why do lenders ask for collateral while lending?

Ans: Collateral is the asset that the borrower owns (land, business, house, vehicle, livestock, deposits with banks) and is kept with the lender / bank as a guarantee till the loan is repaid in full. If the borrower fails to repay the loan, the lender has the right to sell the collateral to obtain payment.

B. Long answer type questions:

1. What are the various forms of modern money?

Ans: The modern forms of money include currency, Demand Deposits, and Plastic money (debit cards, credit cards)

- **Currency:** Every country has its own currency. In India currency notes and coins are issued by the reserve bank of India on behalf of the government.
- **Demand Deposits:** The other form in which people hold money can be as deposits with banks and these deposits can be withdrawn anytime on demand.

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- **Plastic Money:** Refers to the hard plastic cards which we use every day in place of actual bank notes. They come in many different forms such as debit card, credit card.

2. What is the procedure of opening a savings bank account?

Ans. The first step involves choosing or selecting a bank with which a person wants to open an account. The next step is filling up the prescribed application form. The application involves information regarding name, residence and space for fixing a photograph. The filled up application form is to be submitted to the bank, along with necessary relevant documents like identity proof, residence proof etc. After successful submission of the form, the bank issues an account number and provides passbook which contains particulars of the account holder. The bank may also issue ATM card.

3. How can you withdraw money from a Savings Bank Account?

Ans. The cash can be withdrawn by visiting the branch and filling withdrawal form. The bank official will identify the person through passbook photograph and signature on withdrawal form. The other procedure is by cheque. The cheques can be signed and issued by the account holder and the bank will issue cash against such cheque. ATM (Automated Teller Machine) is also used to withdraw

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money. After inserting the card, ATM will ask for pin (electronic key) to proceed. The machine will ask for options like amount to be drawn etc and at the end of transaction the ATM will provide slip showing amount withdrawn and balance remaining with the bank.

4. What are the various forms of Plastic money?

Ans. Plastic money comes in various forms like:

- A debit card also known as a bank card is a plastic card that provides the cardholder electronic access to his bank account. The card, where accepted, can be used instead of cash when making purchases. Mostly the debit card is used for ATM transactions.
- A credit card allows the cardholder to pay for goods and services based on the holder's promise to pay for them. The issuer of the card creates a revolving account and grants a limit of credit to the consumer (or the user) from which the user can borrow money for payment to a seller as a cash advance to the user.

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5. Explain the various credit and loan activities of banks with an example.

Ans. People deposit their surplus funds with the banks and banks keep only a small portion of their deposits as cash with themselves to pay depositors who may want to withdraw their money on any day. The balance of deposits is lent out to those who are in need of money. Banks charge higher interest from the loans as compared to the interest paid to the deposit. The difference between two rates is the bank's profit. Suppose a person deposits Rs 1 lakh in the bank. As per rule, the bank keeps certain percentage; say 20% as cash, i.e. 20 thousand. The bank can lend the rest of loan and claim the amount back in future along with the interest.
