

Class X Economics MCQs: Chapter 3 (Money and Credit)

Answer the following questions:

1. Which one of the following statements is most appropriate regarding a transaction made in money?

- (a) It is the easiest way.
- (b) It is the safest way.
- (c) It is the cheapest way.
- (d) It promotes trade.

2. Which one of the following is a modern form of currency?

- (a) Gold
- (b) Silver
- (c) Copper
- (d) Paper notes

3. Which among the following authorities issues currency notes on behalf of the government?

- (a) Government of India
- (b) The State Bank of India
- (c) National Bank for Agriculture and Rural Development
- (d) Reserve Bank of India

4. In which of the following systems exchange of goods is done without use of money?

- (a) Credit system
- (b) Barter system
- (c) Banking system
- (d) Collateral system

5. Banks provide a higher rate of interest on which of the following accounts?

- (a) Saving account
- (b) Current account
- (c) Fixed deposits for long period
- (d) Fixed deposits for very short period

6. Banks use the major portion of the deposits to:

- (a) Keep as reserve so that people may withdraw
- (b) Meet their routine expenses
- (c) Extend loans
- (d) Meet renovation of bank

7. What percentage of their deposits is kept as cash by the banks in India?

- (a) 25%
- (b) 20%
- (c) 15%
- (d) 10%

8. The informal source of credit does not include which one of the following?

- (a) Traders
- (b) Friends
- (c) Cooperative Societies
- (d) Moneylenders

9. Which one of the following is the new way of providing loans to the poor?

- (a) Co-operative societies
- (b) Traders
- (c) Relatives and friends
- (d) SHGs

10. Why is currency accepted as a medium of exchange?

- (a) Because the currency is authorised by the government of the country.
- (b) Because it is liked by the people who use it.
- (c) Because the use of currency has its origin in ancient times.
- (d) Because the currency is authorised by the World Bank.

11. Who issues the currency notes in India?

- (a) Currency notes are issued by the Finance Commission.
- (b) All the nationalized banks can issue the currency notes.

- (c) Only Reserve Bank of India can issue currency notes.
- (d) Any individual or organization can issue currency notes with the permission of the govt.

12. Which among the following banks issues currency notes on behalf of the Central Government in India?

- (a) RBI
- (b) State Bank of India
- (c) Bank of India
- (d) Central Bank of India

13. What do the banks do with the deposits which they accept from the customers?

- (a) Banks use these deposits for charitable activities.
- (b) Banks use a major portion of deposits to extend loans.
- (c) Banks use deposits to give bonus to their employees.
- (d) Banks use deposits to set up more branches in the country.

14. What is the main source of income of a bank?

- (a) Bank charges that the depositors pay for ; keeping their money safe is the main ; source of the bank's income.
- (b) The difference between what is charged from the borrowers and paid to the depositors is the main source of bank's income.
- (c) Banks earn huge amounts of money by investing the money of the depositors in various company shares.
- (d) The Government of India gives huge amounts of money to the banks to help their smooth functioning.

15. An agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future payment refers to

- (a) Debt
- (b) Deposit
- (c) Credit
- (d) Collateral

16. Which body (authority) supervises the functioning of formal sources of loans?

- (a) Finance Ministry
- (b) Head Office of each Bank
- (c) Reserve Bank
- (d) Cooperative Societies

17. Money-lenders usually demand a 'security' from the borrower. What is the formal word used for the 'security', such as land, vehicle, livestock, building, etc.?

- (a) Deposit
- (b) Collateral
- (c) Credit
- (d) Guarantee

18. Which among the following options will be the cheapest source of credit in rural areas?

- (a) Bank
- (b) Cooperative Society
- (c) Money-lender
- (d) Finance Company

19. In which country is the Grameen Bank meeting the credit needs of over 6 million poor people?

- (a) Bhutan
- (b) Sri Lanka
- (c) Bangladesh
- (d) Nepal

20. A typical Self Help Group usually has

- (a) 100-200 members
- (b) 50-100 members
- (c) less than 10 members
- (d) 15-20 members

21. Which of the following is not an informal source of credit?

- (a) Money-lender
- (b) Relatives and Friends

(c) Commercial Banks

(d) Traders

22. According to Crowther, “_____ can be defined as anything that is generally accepted as a means of exchange and at the same time acts as a measure and as a store of value.”

23. The modern forms of money include _____ and _____ .

24. A _____ is the apex institution of monetary system of a country.

25. Currency (coins and notes) is a _____ which cannot be refused in payment for transactions.

26. The deposits in a bank which are payable on demand are called _____ .

27. _____ is an agreement whereby a financial institution agrees to lend a borrower a maximum amount of money over a given period of time.

28. ‘Low rate of interest’ is a feature of _____ credit.

29. _____ includes details regarding interest rate, collateral and documentation requirement, and the mode of payment.

30. The situation when it becomes impossible to repay the loan and the borrower adds on a new debt to pay the existing one is known as _____ .

31. Money eliminates the need for double coincidence of wants. (True/False)

32. Credit card is a paper instructing the bank to pay a specific amount from the person’s account to the person in whose name it has been made. (True/False)

33. Informal sector credit includes loans from banks and cooperatives. (True/False)

34. Rich households largely depend on informal sources of credit. (True/False)

35. In formal sector, higher rate of interest is charged. (True/False)
36. In rural areas, the main demand for credit is for building houses. (True/False)
37. 'Inculcating saving habits in community' is an objective of Self Help Groups, (True/False)
38. What is demonetisation?
39. List various ways through which digital transactions are made.
40. What is the main objective to promote digital transactions?
41. What is meant by double coincidence of wants?
42. What is the meaning of barter system?
43. Define money.
44. Why is money called 'a medium of exchange'?
45. What objects were used as money in India, before the introduction of coins?
46. Which metals were used for making coins in India in later stages?
47. Give the modern forms of money.
48. The modern currency is accepted as a medium of exchange. Why?
49. Why one cannot refuse a payment made in mpees in India?
50. Define a bank.
51. What are demand deposits?
52. What is a cheque?

53. What determines the main source of income for the banks?
54. Define credit.
55. For what purpose credit is mainly demanded in rural areas?
56. What is a debt-trap?
57. What is collateral?
58. What are the main 'terms of credit'?
59. Which are the two major sources of formal loan for rural households?
60. Who supervises the functioning of formal sources of loans?
61. Why are banks unwilling to lend loans to small farmers?
62. What kind of credit is crucial for a country's development?
63. Besides banks, what are the other sources of credit from which the small farmers borrow?
64. What are SHGs?
65. What does the stock of money consist of?
66. Who issues the currency notes in India?
67. For which purpose are a major portion of the deposits with the banks used?

Fill in the Blanks:

1. implies the direct exchange of goods against goods without the use of money.

2. may be defined as anything which is generally accepted by people in exchange of goods and services or in repayment of debts.

3. In India, the law legalises the use of as a medium of payment that cannot be refused in settling any transaction.

4. Money as a medium of exchange has removed the problem of of wants.

5. Modern forms of money include currencies which are and

6. help in pooling the savings of their members, who are poor women to meet their credit needs.

7. The share of formal sector credit is for the richer households as compared to the poor households in India.

8. Absence of as a guarantee is a major cause that prevents poor people from obtaining loans from formal sector sources, such as commercial banks.