

1. 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 cur-rency notes with the permission of the govt.
2. 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
3. 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.
4. 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.
5. 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
6. 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
7. 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
8. 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
9. In which country is the Grameen Bank meeting the credit needs of over 6 million poor people?
(A) Bhuta (B) Sri Lanka (C) Bangladesh (D) Nepal
10. A typical Self Help Group usually has
(A) 100-200 members (B) 50-100 members
(C) less than 10 members (D) 15-20 members
11. Which of the following is not an informal source of credit?
(A) Money-lender (B) Relatives and Friends
(C) Commercial Banks (D) Traders
12. 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.

KEY

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| 1. C | 2. A | 3. B | 4. B |
| 5. C | 6. C | 7. B | 8. B |
| 9. C | 10. D | 11. C | 12. A |

Fill in the Blanks

- _____ implies the direct exchange of goods against goods without the use of money.
- _____ may be defined as anything which is generally accepted by people in exchange of goods and services or in repayment of debts.
- In India, the law legalises the use of _____ as a medium of payment that cannot be refused in settling any transaction.
- Money as a medium of exchange has removed the problem of _____ of wants.
- Modern forms of money include currencies which are _____ and _____
- _____ help in pooling the savings of their members, who are poor women to meet their credit needs.
- The share of formal sector credit is _____ for the richer households as compared to the poor households in India.
- Absence of _____ as a guarantee is a major cause that prevents poor people from obtaining loans from formal sector sources, such as commercial banks.

Answers

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| 1. Barter system | 2. Money | 3. rupee |
| 4. double coincidence | 5. paper notes, coins | 6. Self Help Groups |
| 7. higher | 8. collateral | |