

Money And Banking

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Q. 1. Fill in the following table with some examples of transactions:

Transactions involving rupee notes and coins	Transactions not involving rupee notes and coins

Answer : Following are some examples of the transactions –

<u>Transactions involving rupee notes and coins</u>	<u>Transactions not involving rupee notes and coins</u>
1 - Buying candies from the shop.	1 – Transaction made through internet with credit card or debit card for example – shopping from the malls.
2 – For medical treatment in the hospital.	2 - Buying a house on loan.
3 – Purchasing clothes from the market.	3 – Transaction made through cheques example writing a cheque on another person's name that he/she need to pay money.

Q. 2. Can there be any difficulties or disadvantages in keeping money in a bank? Think and write.

Answer : Yes, there can be difficulties and disadvantages in keeping money in a bank. They are as follows:-

1. There will be loss of money if the bank is looted by the thieves.
2. It becomes difficult for the illiterate person to open a bank account and assure himself of the level of security for keeping money in the bank.
3. Banks has certain rules that need to be followed in case of keeping money in a bank, and the related activities like withdrawal, deposits, etc.
4. Also it becomes difficult to use the money kept in the bank when the situation like demonetisation occurs.

Note –

Demonetisation – The term means when the old currency or note is replaced with the new one by the government.

Q. 3. Suppose you need Rs. 2000. You fill a cheque, and give it to your sister and send her to get the money in cash.

Answer :

The image shows a sample Canara Bank cheque. At the top left is the Canara Bank logo. To its right, the bank's name is written in Hindi and English. Further right, the branch name 'Chennai, Tiruvanduram' and its IFSC code 'CNBR0000000' are listed. The date '19/05/2018' is printed in a box, with 'D D M M Y Y Y Y' below it. The 'Pay' field is filled with 'KRISHNA PILLAI'. Below this, 'Rupees' is written in Hindi, followed by 'Two thousand only'. The amount in figures is '2000/-' with a rupee symbol. The account number '12345678910' is printed in a box. The signature 'Devika' is written in the designated area. At the bottom, there is a security watermark and the text 'Valid for three months only from the date of instrument'.

Q. 4. In what ways have cheques made exchange of money more convenient?

Answer : There are many ways through which Cheques made exchange of money more convenient –

1. Making payments and sending money becomes easy when the person or the company is in the different city.
2. Cheques are the convenient mode of sending and receiving money for the business purposes.
3. Cheques can also be sent through post.
4. Cheques are useful when the transaction to be made is high.

Q. 5. Only a part of the total deposits is kept as cash in the bank-safe. Why is this so and how does this benefit the bank?

Answer : Only a part of the total deposits is kept as cash in the bank-safe it is because bank has to pay only the certain amount that is in demand by the depositor and especially during the particular time -period like in the beginning of the month.

This benefits the bank because this way they can keep up the trust of the depositor. The banks have to earn a certain amount of profit and have to run the bank by maintaining the equipment's (ATM) and to meet all the costs related to the maintenance of the bank. They have to pay salary to its employees and interest to the depositors. This way they use the other part of the total deposits.

Q. 6. If a very large number of account-holders do not wish to keep their money in the bank, how will it affect the bank's working?

Answer : If the large number of account holders decided to not to keep their money in the bank it will highly affect the working of the bank as the bank only keep the part of the total deposits in the bank and do payment according to the demand. Sudden withdrawal by the account holders make them gather the money in rush; thus, the working of the bank will definitely face some crisis.

Q. 7. If many loans are written off (that is, borrowers are not required to pay back the money) how will this affect the working of the bank?

Answer : The banks provide the loan according to the demand, and the borrower has to follow certain rules and regulations to obtain the loan. The working of the bank could get affected negatively and positively depending upon to whom they lend the loan, and the amount of loan they have given. Also the loans are the only source of revenue through which the banks earns the interest.

Q. 8. People have to pay a higher interest on loan than the interest they receive on a fixed deposit for the same time-period. Why do you think this is so?

Answer : Banks has to bear all the expenses that requires to run the bank and for its maintenance. Loans are the only source of revenue through which banks could manage their expenses like paying salary to the employees, to make some profit, cost of purchasing and maintaining the equipment's. This is the reason that people have to pay higher interest on loans as compared to the interest that they receive on a fixed deposit for the same time -period.

Q. 9. Suppose this year the rains are poor and the crop yield is only half as much as was originally expected. Some people say that if this happens the farmers should be asked to pay back only half the amount they have taken as loans. However other people say that full amount should be repaid, keeping in view the next year's crop. In your opinion what should the bank do and why?

Answer : I agree with both the opinions. In my opinion, the bank should ask the farmer to pay only half the amount due to the crop failure. Later, the bank can ask to repay the remaining amount according to the situation, and the improvement in the crop yield. As, we are aware of the situation that farmers often face this situation due to the poor rain they can't pay loans; thus, banks should know how to cope up with such a situation and take decision in favor of the farmers as agriculture forms the major part of our economic development. Failure to fulfill their needs will lead to the major loss in our economic development.

Q. 10. Read the paragraphs under the header 'Types of Loans' and answer the following:

What sort of loans are more in your area?

Answer : In my area, the housing loan is more prominent. In this type of loan, the individual acquire the loan with certain amount of interest to buy the house or flat. For this, the individual has to mortgage the flat. A Certain amount of interest will get deducted from the borrower's salary every month and will be paid to the bank. This way after full repayment of the loan the individual can obtain the ownership of the flat she bought.

It depends upon the area that which types of loan is more prominent. My city is the developing one because of which there is an increasing demand of housing loan.

Q. 11. Do you feel that the loans taken from SHGs are helpful to the members? How?

Answer : Yes, it is helpful because to obtain the loan the individual has to keep something as security in the bank. On, that basis only the banks provide the loan but if the loan is taken through the Self-help groups than they don't have to keep any asset as security. It becomes the responsibility of the group to ensure that its members timely repay the loan to the bank.

NOTE- Self-help group is an informal group of individuals with poor social and economic background decided to collate to encourage the savings and meet the requirement of its members in case of need and urgency. Their primary focus is to improve the financial condition of its members.