JK PUBLIC SCHOOL

CLASS 9TH

SUBJECT ECONOMICS

SESSION:2024-2025

UNIT-1

Lesson no: - 1

Money and Banking

Summary: when we look around in our everyday life, we find that there are numerous transactions where goods are being bought and sold with the use of money. The word money generates a lot of interest. In today's world, we need money to buy various types of goods and avail various services such as transport, communication, education, health, entertainment, home deliveries and so on. Money is a legal finder that means legally no one can refuse in exchange. The development of money has passed through various stages in accordance with time, place and circumstances with the process of economic civilization of mankind. The modern forms of money include currency, Demand deposits and plastic cards. This chapter also gives a detailed account of banking system, types of banks, loan and credit activities of a bank and also about opening of a saving bank account.

A. Fill in the blanks: -

i) **R B I** issues currency notes on behalf of the govt.

ii) Banks charge a higher interest rates on loans than what they offer on **Savings.**

iii) **Collateral** is an asset that the borrower owns and uses as a guarantee until the loan is paid to the lender.

iv) A **Saving Bank Account** is the simplest form of bank account which can be opened by any individual for encouraging saving.

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. **R B I.**

ii) One nationalized Bank of India. **S B I.**

iii) One privately owned Bank of India. **HDFC.**

iv) One post office saving scheme. **Post office monthly scheme**

v) One cooperative bank in rural India giving loans to farmers. **NABARD**

C. Short Answers

Q1: - What is double coincidence of wants? Explain with an example of your own?

Ans: - Double coincidence of wants refers to what a person desires to sell is exactly what the other wishes to buy. For example, a cloth merchant wants to sell clothes and buy rice. He would have to find a rice growing farmer who would be willing to sell him rice in exchange for clothes.

Q2: - Can you think of some examples of goods/services being exchanged or wages being paid through barter?

Ans: -i) Barber shaves the farmer in a year and by the end of the harvest, he gets some share from the produce.

ii) Shepherd rears all the cattle and sheep of farmers and at the end of harvest season he also gets a share from the produce.

Q3: - Why is money called a medium of exchange?

Ans: - Money is legal finder that means legally none can refuse in exchange. It acts as an intermediate in the exchange process and it eliminate the need for double coincidence of wants.

Q4: - What are the different forms of currency?

Ans: -The different forms of modern currency are coins and paper currency.

Q5: -Who is authorized to issue currency in India?

Ans: -Reserve Bank of India.

Q6: - Why can no one refuse to accept payment in rupees?

Ans: -No person in India can legally refuse a payment made in rupees because the rupee is a universally accepted medium of exchange in India issued by RBI

On behalf of the government and no person or organization is allowed to issue currency.

Q7: - Why are the deposits in the bank accounts called deposits?

Ans: -Since the deposits with the bank can be withdrawn any time on demand, these deposits are known as demand deposits. Demand deposits share the essential features of money and can be used any time.

Q8: - How do banks mediate b/w those who have surplus money and those who need money?

Ans: -The bank does so by accepting deposits from its customers (depositors) and give loans to those who need money (borrowers).

Q9: - Define a cheque.

Ans: -A cheque is a paper instructing the bank to pay a specific amount from the persons account to the person in whose name the cheque has been issued.

Q10: -Define loan.

Ans: -Money lent out by the bank usually for the borrowers temporary use at interest.

Q11: -Why do lenders ask for collateral while lending?

Ans: -Because if the borrower fails to repay the loan, the lender has the right to sell collateral to obtain payment.

Long Answer Type

Q1: - What are the various forms of modern money?

Ans: -The modern forms of money include currency, demand deposits, plastic money etc.

Currency: - It is used to refer to the government notes and coins issued by the central bank of the country. In India currency is issued by the RBI on behalf of the government.

Demand Deposits: - The deposits with the banks that can be withdrawn any time on demand are called demand deposits.

Plastic money: - It refers to the hard plastic cards which we use every day in place of actual bank notes. These include cash cards, credit cards, debit cards, prepaid cash cards and store cards.

Q2: - What is the procedure of opening a Saving Bank Account?

Ans: -Following points should be considered for opening a bank account:

i) Choose a bank in which you want to open an account. The leading bank of our state is J and K bank.

ii) Fill up the prescribed application form that involves information regarding name, residence and space for fixing a photograph.

iii) The filled-up application form is to be submitted to the bank officer. After scrutiny of the same, the bank may issue an account number. Bank also provides a small book known as passbook which contains particulars of the account holder. The bank may also issue on ATM card.

Q3: - How can you withdraw money from Saving Bank Account?

Ans: -The cash can be withdrawn by two procedures:

i) By visiting the branch that involves two things viz by filling withdrawal form and by cheque. By filling withdrawal form the person has to present himself personally. By the cheque, this can be signed and issued by the account holder on the concerned bank. The bank will issue cash against such cheque.

ii) By using ATM. It is a machine-controlled procedure.

Q4:- What are various forms of plastic money?

Ans:- Plastic money refers to the hard plastic cards such as debit cards, credit cards, Cash cards, store cards etc.

A debit card also known as a bank card is a plastic card that provides the card holder electronic access to his or her bank account and is mostly used for ATM.

A credit card allows the card holder 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 from which the user can borrow money for payment to a seller as a cash advance to the user.

Q5: - Explain the various credit and loan activities of Banks with an example?

Ans: -The bank is an institution that deals in money in which the people deposit their surplus funds with the banks and banks besides providing security, pay interest to the depositors. The bank keeps only a small portion of their deposits as cash with themselves. The balance of deposits is lent out to those who are in need of money.

For example, If the banking authorities have decided that cash reserve ratio is 20% and in that case the bank must keep 20% of its current deposit in the form of cash to make cash payment to persons who come to withdraw money and can lend out 80% in the form of loan.