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CLASS X · SOCIAL SCIENCE (087) · ECONOMICS · CBSE BOARD EXAMINATION 2027

ECONOMICS · CHAPTER 3 MODEL ANSWERS

Money and Credit

Board-Style Answer Booklet · Answers as CBSE expects them

CBSE marking-scheme pattern | Word count on every answer | 63 model answers | Most-probable 2027 answers marked

INSIDE THIS BOOKLET

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HOW TO USE IT

1. Write your own answer first, in the practice notebook.
2. Then open this booklet. Tick each numbered point you also wrote.
3. Give yourself 1 mark per matching point – that is how the examiner marks.
4. Copy any point you missed into My Mistakes (last page of the Chapter Booklet).
5. Rewrite the answer after 3 days, from memory.

USE WITH Chapter Booklet, Economics Ch 3

M

READ THIS FIRST · BASED ON THE CBSE SAMPLE PAPER AND MARKING SCHEME 2026–27

How CBSE Marks Economics

Every answer in this booklet follows the official marking-scheme pattern: numbered value points, keyword first, inside the word limit. Under each answer you will see its word count and how the marks are split.

The Economics section of the 2027 paper

Section D · 20 marks

Item	Type	Marks	Words	What earns the marks
Q29–Q34	MCQs: definitions, data tables, matching, short cases, calculations	1 each	–	Letter + answer
Q35–Q37	Short answers	3 each	60	3 points × 1 mark
Q38	Long answer, (A) **or** (B) – or a 5-mark case with data, as in Sample Paper 2026–27	5	120	5 points, or 1 + 2 + 2
Practice	2-mark questions and 4-mark cases in this booklet build the same skills	2 / 4	40 / 100	One point per mark

Formal vs informal credit was asked in both papers. In 3-mark answers compare on the same basis in each point – who lends, supervision, interest.

How the marking scheme gives marks

SEVEN RULES

- **Marks come from value points.** Each correct, relevant point earns 1 mark: 2 marks = 2 points, 3 marks = 3 points, 5 marks = 5 points. The scheme accepts “any other relevant point”, so a correct NCERT point that is not in our answer also scores.
- **Points are numbered and short.** Official answers have no introduction or conclusion. Our 5-mark answers sometimes add one opening and one closing line only so the answer reads well – skip them when short of time.
- **Keyword first.** Start each point with the key word and underline it – the examiner scans for it. Then give one fact: a name, a date, a number or an example.
- **MCQs:** write the letter and the answer text. Combination questions are answered like “(b) Only a, b and d”.
- **Case / source-based:** (i) and (ii) need one clear line each; the 2-mark part needs two separate points. Use the passage’s own clues, then add chapter facts.
- **Internal choice:** write “(A)” or “(B)” in the margin and attempt only one.
- **Do not repeat** one idea in two points – it earns one mark only.

Answer frames – copy this shape

2-mark answer ≤ 40 words

1. Keyword: one reason or fact.
2. Keyword: a second, different reason or fact.

Two lines, no introduction.

3-mark answer ≤ 60 words

1. Keyword: point + name / date / number.
2. Keyword: point + example.
3. Keyword: point + result.

One sentence per point.

5-mark answer ≤ 120 words

→ Optional opening line that answers the question in short.

1–5 Five numbered points, keyword first, a fact in each.

→ Optional closing line: "So / Hence …".

Order the points in time, or from cause to result.

Case-based 1 + 1 + 2 · ≤ 100 words

(i) One line, from the passage.

(ii) One line: passage clue + chapter fact.

(iii) Two separate points, one line each.

Never copy the whole passage.

Short of time? Learn these ten first

Most probable for 2027

C1	Distinguish between formal and informal sources of credit.	[3]	C2	Why is it necessary to expand formal sources of credit in …	[5]
C3	Why are poor households still largely dependent on informal …	[3]	C6	Explain the role of the RBI in supervising formal credit.	[3]
C9	Explain how Self-Help Groups help the rural poor …	[5]	D1	Case: Who Borrows Where?	[5]
D2	Case: The Uniform Order	[4]			

A

ANSWERS · PART A

Textbook Check – Answers

Model answers to every Textbook Check question. Underlined words are the keywords the examiner looks for.

Money

A1. What is meant by double coincidence of wants? Give an example. [2]

1. **Meaning:** what one person wants to sell is exactly what the other wants to buy.
2. **Example:** a shoemaker needing wheat must find a farmer who wants shoes.

27 words · limit 40 | Marking: 2 points × 1 = 2 | MUST DO

A2. Why is money called a medium of exchange? [3]

1. **Intermediate:** money acts as an intermediate in every exchange.
2. **No match needed:** a seller takes money and buys what he needs from anyone.
3. **Accepted:** everyone accepts it, so it removes the need for double coincidence.

35 words · limit 60 | Marking: 3 points × 1 = 3

A3. What are the modern forms of money? Why is the rupee accepted as money in India? [3]

1. **Forms:** currency – paper notes and coins – and demand deposits.
2. **RBI:** the RBI issues notes on behalf of the Central Government; no one else can.
3. **Law:** the law makes the rupee a means of payment that cannot be refused.

38 words · limit 60 | Marking: 3 points × 1 = 3 | MUST DO

A4. What are demand deposits? Why are they considered money? [2]

1. **Meaning:** bank deposits that can be withdrawn on demand.
2. **Money:** payments can be made by cheque, so they work as a medium of exchange.

24 words · limit 40 | Marking: 2 points × 1 = 2

A5. What is a cheque? How does it help in making payments? [2]

1. **Meaning:** a paper instructing the bank to pay a sum from the account to a named person.
2. **Use:** payments can be made without carrying cash.

25 words · limit 40 | Marking: 2 points × 1 = 2

Banks and credit

A6. Explain the loan activities of banks. [3]

1. **Cash:** banks keep only about 15% of deposits as cash.
2. **Loans:** they lend the major portion to those who need funds.
3. **Income:** loan interest exceeds deposit interest; the difference is their main income.

33 words · limit 60 | Marking: 3 points × 1 = 3 | MUST DO

A7. What is credit? [2]

1. **Agreement:** the lender gives money, goods or services to the borrower.
2. **Promise:** in return for a promise of future payment.

20 words · limit 40 | Marking: 2 points × 1 = 2

A8. "Credit can make a borrower better off or worse off." Explain with two situations. [3]

1. **Better off:** a shoe maker borrows for a festival order, earns a profit and repays.
2. **Worse off:** a farmer's crop fails and she cannot repay the moneylender.
3. **Debt trap:** she sells land to repay and is worse off than before.

40 words · limit 60 | Marking: 3 points × 1 = 3 | MUST DO

A9. What are the terms of credit? [3]

1. **Interest rate:** extra amount paid along with the principal.
2. **Collateral:** an asset pledged as a guarantee until repayment.
3. **Others:** documents required and the mode of repayment.

26 words · limit 60 | Marking: 3 points × 1 = 3

A10. What is collateral? Give examples. What can the lender do if the loan is not repaid? [2]

1. **Meaning:** an asset of the borrower – land, house, vehicle, livestock, deposits – kept as guarantee.
2. **Right:** the lender can sell the collateral to recover the loan.

25 words · limit 40 | Marking: 2 points × 1 = 2 | MUST DO

Formal and informal credit

A11. Name the formal and informal sources of credit. Who supervises them? [3]

1. **Formal:** banks and cooperatives.
2. **Informal:** moneylenders, traders, employers, relatives and friends.
3. **Supervision:** the RBI supervises formal lenders; no one supervises informal ones.

22 words · limit 60 | Marking: 3 points × 1 = 3 | 2026 32/1/1 Q31, Q36. | MUST DO

A12. How does the RBI supervise the functioning of formal sources of loans? [3]

1. **Cash balance:** banks must keep a minimum cash balance from deposits.
2. **Small borrowers:** banks must lend to small farmers and small industries too.
3. **Reports:** banks report how much they lend, to whom and at what interest.

36 words · limit 60 | Marking: 3 points × 1 = 3

A13. Why do small farmers and the poor find it hard to get bank loans? [2]

1. **Collateral:** they lack collateral and the documents banks demand.
2. **Access:** banks are not present everywhere; moneylenders know them and lend easily.

21 words · limit 40 | Marking: 2 points × 1 = 2 | 2025 32/1/1 Q18. | MUST DO

Cooperatives and SHGs

A14. What is a cooperative? How does it provide credit to its members? [3]

1. **Meaning:** members pool their resources for cooperation.
2. **Bank loan:** using members' deposits as collateral, it borrows from a bank.
3. **Lending:** it lends to members for implements, cultivation, trade, fishing and houses.

31 words · limit 60 | Marking: 3 points × 1 = 3 | 2025 32/1/1 Q36.

A15. What is a Self-Help Group? How does it work? [3]

1. **Members:** 15–20 people, usually women of one neighbourhood, who save regularly.
2. **Loans:** members borrow small sums from the pooled savings.
3. **Bank link:** after a year or two, the group gets bank loans in its own name.

37 words · limit 60 | Marking: 3 points × 1 = 3 | MUST DO

A16. Why is cheap and affordable credit important for a country's development? [2]

1. **Investment:** people can invest in farming, business and small industry.
2. **Less burden:** low interest leaves more income and avoids debt traps.

21 words · limit 40 | Marking: 2 points × 1 = 2

B

ANSWER KEY · PART B

Objective – Answer Key

All 20 MCQ and assertion–reason answers, each with a one-line reason so you learn the fact, not only the letter.

Write the option letter **and** the answer, as the marking scheme does – e.g. "(b) ..." followed by the answer text.

Q	Answer	Why (one line)
B1	**(a) the use of money**	Money is the intermediate.
B2	**(b) Reserve Bank of India**	On behalf of the Central Government.
B3	**(c) demand deposits**	Withdrawn on demand.
B4	**(d) 15%**	The rest is lent.
B5	**(a) the difference between interest on loans and interest on deposits**	Loan rate > deposit rate.
B6	**(b) Cooperative society**	Supervised by RBI.
B7	**(c) Land papers**	An asset the borrower owns.
B8	**(d) Reserve Bank of India**	RBI.
B9	**(a) an informal source**	Moneylender = informal.
B10	**(b) 36%**	3 × 12.
B11	**(c) Poor households**	No collateral.
B12	**(d) 15–20 members**	Usually women.
B13	**(a) They lack collateral and documents**	Terms of credit.
B14	**(b) Only II is correct**	No one supervises them.
B15	**(c) a-ii, b-iv, c-i, d-iii**	Learn the four terms.
B16	**(d) ₹1,20,000**	Interest 10,000 × 2.
B17	**(a) Both A and R are true, and R is the correct explanation of A.**	R explains A.
B18	**(b) Both A and R are true, but R is not the correct explanation of A.**	Both true; R does not explain A.
B19	**(d) A is false, but R is true.**	A false; R true.
B20	**(c) A is true, but R is false.**	A true; R false.

C

ANSWERS · PART C

Board Pattern – Answers

Model answers in the marking-scheme pattern. Orange tags show where a similar question came in a board or sample paper.

Formal and informal credit

★★★ 2 of 2 papers · 1–3 marks

C1. Distinguish between formal and informal sources of credit. [3]

1. **Sources:** formal – banks, cooperatives; informal – moneylenders, traders, employers, relatives.
2. **Supervision:** formal lenders are supervised by the RBI; informal are not.
3. **Interest:** formal – lower interest; informal – high interest and unfair recovery.

30 words · limit 60 | Marking: 3 points × 1 = 3 | 2026 32/1/1 Q36. | MUST DO

C2. Why is it necessary to expand formal sources of credit in India? Explain. [5]

1. **High interest:** informal lenders charge much higher interest.
2. **Debt trap:** more income goes in repayment; borrowers may lose land.
3. **Unfair means:** no one stops informal lenders from harassing borrowers.
4. **Development:** cheap credit lets farmers and small producers invest and earn more.
5. **Equal share:** formal credit must reach the poor and rural areas, not only the rich.

56 words · limit 120 | Marking: 5 points × 1 = 5 | MUST DO

C3. Why are poor households still largely dependent on informal sources of credit? [3]

1. **No collateral:** they have no assets to pledge.
2. **Documents:** they cannot provide the papers banks need.
3. **Access:** banks are not everywhere; moneylenders know them and lend quickly.

27 words · limit 60 | Marking: 3 points × 1 = 3 | 2025 32/1/1 Q18–Q19. | MUST DO

Credit and its terms

★★☆ NCERT core · 1–3 marks

C4. Explain the terms of credit with the example of a housing loan. [3]

1. **Interest:** e.g. 12% a year on the amount borrowed.
2. **Collateral:** the house papers stay with the bank until repayment.
3. **Documents and repayment:** salary records; monthly instalments over 10 years.

29 words · limit 60 | Marking: 3 points × 1 = 3

C5. How can credit push a person into a debt trap? [3]

1. **Risk:** crop failure or a loss leaves no income to repay.
2. **Rising debt:** interest piles up; a new loan is taken to repay the old one.
3. **Loss:** the borrower sells land or assets and is worse off than before.

39 words · limit 60 | Marking: 3 points × 1 = 3

C6. Explain the role of the RBI in supervising formal credit. **[3]**

1. **Cash:** banks keep a minimum cash balance out of deposits.
2. **Small borrowers:** banks must also lend to small farmers and small industries.
3. **Reports:** banks report how much they lend, to whom, at what interest.

34 words · limit 60 | Marking: 3 points × 1 = 3 | MUST DO

Money and banks

★★☆ NCERT core · 1–3 marks

C7. How does money remove the problem of double coincidence of wants? **[3]**

1. **Barter problem:** barter needs both sides to want each other's goods.
2. **Intermediate:** money acts as the intermediate in exchange.
3. **Solution:** a seller takes money and buys what he needs from anyone.

31 words · limit 60 | Marking: 3 points × 1 = 3

C8. How do banks link those who save with those who need funds? **[3]**

1. **Deposits:** people with surplus money deposit it and earn interest.
2. **Loans:** banks lend most of it to people who need funds.
3. **Income:** loan interest exceeds deposit interest; the gap is bank income.

32 words · limit 60 | Marking: 3 points × 1 = 3

Self-Help Groups and cooperatives

★★☆ 2025 32/1/1 · 4 marks

C9. Explain how Self-Help Groups help the rural poor, especially women. **[5]**

1. **Savings:** members save small amounts regularly and borrow from the group.
2. **Collateral:** bank loans in the group's name overcome the lack of collateral.
3. **Reasonable interest:** timely loans at reasonable interest.
4. **Self-employment:** loans for sewing machines, handlooms, cattle or freeing mortgaged land.
5. **Empowerment:** women become self-reliant and discuss health, nutrition and domestic violence.

52 words · limit 120 | Marking: 5 points × 1 = 5 | MUST DO

C10. How do cooperatives provide credit to their members? **[3]**

1. **Pooling:** members pool resources and deposit savings.
2. **Bank loan:** using these deposits as collateral, it borrows from a bank.
3. **Lending:** it lends to members for tools, cultivation, trade, fishing and houses.

31 words · limit 60 | Marking: 3 points × 1 = 3 | 2025 32/1/1 Q36.

C11. Why are banks willing to lend to SHGs but not to individual poor people? **[3]**

1. **Group responsibility:** the whole group is responsible for repayment.
2. **Pressure:** members take non-repayment seriously.
3. **Record:** regular saving for a year or two shows the group is reliable.

27 words · limit 60 | Marking: 3 points × 1 = 3

C12. Why is cheap and affordable credit crucial for development? [2]

1. **Investment:** farmers and small producers can invest and earn more.
2. **Less burden:** low interest leaves more income and avoids debt traps.

21 words · limit 40 | Marking: 2 points × 1 = 2

ANSWERS · PART D

D Case-Based – Answers

One line each for the 1-mark parts; separate points for the 2-mark parts. The whole answer stays within the word limit.

D1. Case-Based · Who Borrows Where? (printed in the booklet) [5]

(i) What percentage of the poor households' loans come from formal sources? [1]

20% (banks 12 + cooperatives 8).

(ii) Why do rich households get most of their loans from formal sources while poor households do not? Two points. [2]

(i) The rich have collateral and documents, so banks lend to them easily.
(ii) The poor lack collateral, so they turn to moneylenders who lend without it.

(iii) Suggest two steps to change this pattern. [2]

(i) Banks and cooperatives should lend more to the poor, especially in rural areas.
(ii) Form Self-Help Groups so the poor can get bank loans without collateral.

60 words in all · limit 120 | Marking: 1 + 2 + 2 = 5 | Same theme as 2025 32/1/1 Q19 and 2026 32/1/1 Q36.

D2. Case-Based · The Uniform Order (printed in the booklet) [4]

(i) What helped Farida complete the order? [1]

Credit – cloth on credit and an advance.

(ii) Is the cloth trader a formal or an informal source of credit? [1]

Informal.

(iii) Explain two ways credit helped her. [2]

(i) She bought cloth and paid workers before being paid.
(ii) She earned a profit, repaid the dues and is better off.

30 words in all · limit 100 | Marking: 1 + 1 + 2 = 4

D3. Case-Based · The Failed Crop (printed in the booklet) [4]

(i) What is the yearly rate of interest on Gopal's loan? [1]

48% (4 × 12).

(ii) What situation is Gopal caught in? [1]

A debt trap.

(iii) Why is credit from formal sources better for farmers like Gopal? Two points. [2]

(i) Lower interest, so repayment takes less of his income.
(ii) Lenders are supervised by the RBI, so no unfair means of recovery.

30 words in all · limit 100 | Marking: 1 + 1 + 2 = 4 | Same theme as 2026 32/1/1 Q31 and Q36.

D4. Case-Based · The Village Cooperative (printed in the booklet) [4]

(i) What does the cooperative use as collateral for its bank loan? [1]

Its members' deposits.

(ii) Is a cooperative a formal or an informal source of credit? [1]

Formal.

(iii) Give two benefits members get from the cooperative. [2]

(i) Loans at reasonable interest, without going to moneylenders.
(ii) Loans for many purposes – implements, cultivation, fishing, houses.

22 words in all · limit 100 | Marking: 1 + 1 + 2 = 4 | Same theme as 2025 32/1/1 Q36.

D5. Case-Based · Saving Together (printed in the booklet) [4]

(i) How much does the group save in a month? [1]

₹1,800 (18 × ₹100).

(ii) Why did the bank agree to lend without collateral? [1]

The whole group is responsible for repayment.

(iii) Give two ways the group has changed the women's lives. [2]

(i) Self-employment and income – they are financially self-reliant.
(ii) A platform to discuss health, nutrition and other social issues.

30 words in all · limit 100 | Marking: 1 + 1 + 2 = 4