Chapter: Two different credit situations

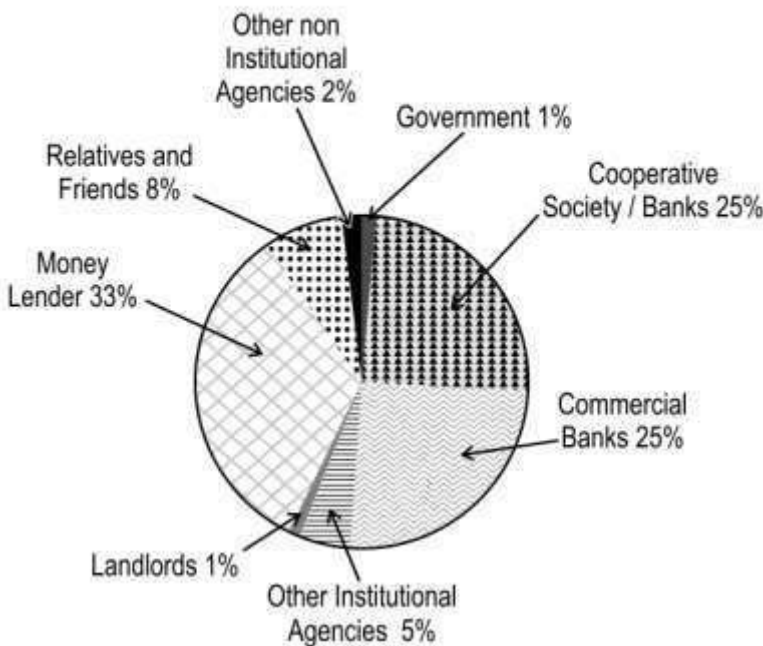| Q.No	Question	Marks
	Multiple Choice Question	
	Observe the graph given below and answer the questions based on it. **Graph 1 : Source of Credit per Rs 100 of Rural Households in India in 2012** Other non Institutional Agencies 2% Government 1% Relatives and Friends 8% Cooperative Society / Banks 25% Money Lender 33% Commercial Banks 25% Landlords 1% Other Institutional Agencies 5%	
Q.110	Which of the following sources of credit will <u>MOST LIKELY</u> lead to a debt trap? A. Cooperative societies B. Relatives and friends C. Landlords D. Banks	1
	Free Response Question / Subjective Question	
Q.111	*Maruthi is a poor weaver who lives in a small hut in a village. He needs money to buy cotton and repair his tools so that he can start making clothes that he can then sell in the local market.*	5

Tanu is a software engineer in a big company in Bengaluru who lives in her own house. She needs money to buy a new car because she does not like the car she currently has.

(a) Who is more in need of credit among them and why?

(b) Which source of credit will each of them MOST LIKELY receive? Explain your answer.

(c) Who is more likely to pay a higher interest rate?

(d) Who is more likely to fall into a debt trap? Explain

Answer Key& Marking Scheme

Q.No	Answers	Marks
Q.110	C. Landlords	1
Q.111	(a) Award 1 mark to the following: Maruthi, because his livelihood depends on the credit that he needs (b) Award 1 mark each to the following: Maruthi - informal source because he does not have a collateral Tanu - formal source because she has collateral (c) Maruthi (d) Maruthi is more likely to fall into a debt trap because he will receive the credit from informal source of credit which will have a higher rate of interest and in order to repay that, he will have to take more loans.	5