

Pre-Content/content Post-Content	Learning Outcome/Objectives	
PRE CONTENT	General	Specific
Money is a part of our daily life. All want money but few can define it. Cash or the amount in bank account is not the definition of money, but at the most an alternative expression of money. Money does not do anything in and of itself. Money does not satisfy needs directly. Money is not wanted for its own sake but for the things it will buy. CONTENT This chapter is detailed version of barter system and its difficulties, how money has overcome its drawbacks, money supply and its measures.	Comprehend the meaning of money and its functions. Supply of money and its measures. Develop the understanding of Money creation by commercial banks and functions of central bank.	After doing this chapter students will be able to— Define money and its functions. Understand the difficulty of barter and role of money to solve the problems of barter. Differentiate various measures of money Differentiate bank from financial institutions Explain the process of credit creation by commercial banks Understand the role and functions of central bank in economic policy of a country.

Home Work /Assignments

Selected questions from the exercise and board questions will be given for homework.

AND PROGRESS

MONTH :

CLASS : XII

Teacher's Activity	Student's Activity	Teacher's Observation And Remedial
Will explain the important concepts and terms related to money and banking system.	Students will write the meaning of terms on their own after understanding.	Observation will be written after the completion of topic.
Will give various examples to explain the difficulty of barter system.	They will comprehend the difficulties of barter and will give more examples.	
Will explain the role and functions of money.	Students will relate the role of money to solve the difficulties of barter.	
Will explain the process of credit creation by commercial banks .(activity uploaded in the activity page)	Students will learn the process of credit creation by commercial bank through activity given in the class.	
Will explain the role and fiscal and monetary policy of central bank to cure inflation and deflation.	Students will write the use of policies in credit control and credit creation.	
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Teaching Aids : Activeinspire,

Methodology/Innovative Methods: Discussion, Recall, Explanation, Question-Answer method, problem solving

Interdisciplinary Links: Business studies

Coordinator

Vice-Principal

Principal

(Annexure1)

Subject	ECONOMICS
Class	XII
Topic	MONEY AND BANKING
Sub topic	Credit Creation by Commercial bank
Time	40 mts
Nature of Activity	Group activity

What will I learnt (L.O) –

Develop the understanding of money creation by commercial banks.

How does banks create credit more than the deposit?

What I have to do?

Find out primary functions of commercial bank and understand the process of credit creation.

What do I require?

Reading material, Text book of NCERT, Internet connection, paper and pen.

What do I need to know?

- The entire commercial banking system is one unit and is termed as bank.
- All receipts and payments are routed through the banks.
- Role of CRR and SLR, primary deposit, MPC(meaning)

Teacher's Activity:

- Ask students to do this activity in a group.
- Explain the process of credit creation by commercial bank.

Student's Activity:

1. Class room will be converted as one huge banking system.
2. Two students will demonstrate themselves as one bank and there will be five banks. Other students will act as depositors and borrowers.
3. Primary deposit be assumed as Rs 1000 and CRR as 10
4. In the first round one student Suresh will deposit a cheque of Rs 1000/ in bank and the bank will open account on the name of the first depositor.
5. Now the bank is free to give loan of Rs. 800/ to a borrower Sudheer after keeping a reserve of Rs. 200/
6. Sudheer withdraws the whole amount , bank gives a cheque of Rs 800/ and he makes payments to Sunil.
7. Sunil deposit the whole amount in second bank. Now this bank is free to give loan of Rs. 640 after keeping a reserve of Rs 160/.

8. With new deposit of Rs 640/ bank will give loan to Geeta after keeping 20% of deposit.
9. Students will keep on taking loan and depositing the money in the form of cheques.
10. There will be five rounds of depositing and withdrawing money and to find final credit creation formula will used.
11. Deposit creation will come to an end when all banks have cash reserves equal to initial deposit i.e Rs 1000/.

12. All transactions will be recorded as-

	DEPOSIT	LOAN	CASH RESERVE
Initial deposit	1000	800	200
1 Round	800	640	160
2 Round	640	512	128
3 Round	512	409.6	102.4
4 Round	409.6	327.68	81.92
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TOTAL	5000	4000	1000

What have I observed?

S. NO.	Statement	feedback
1.	The formula of money multiplier(MM)	
2.	Effect of higher value of LRR on MM	
3.	Effect of lower value of LRR on MM	
4.	The relationship between MM and credit creation	
5.	The determinants of credit creation	
6	Difference between primary and secondary deposit	

What have I learnt?

Primary deposits are those which people deposit in cash with banks.

Secondary deposits are those deposits which are created by banks during the process of credit creation.

What am I curious to learn?

The other secondary functions of commercial banks.

Let me evaluate myself.

Do the following—

Q1. What is the name of ratio of total deposits that a commercial has to keep with RBI ?

Q2. Why financial units like UTI are, not considered banks?

Q3. Name the types of deposits accepted by commercial banks.

Q4. If LRR is 20%. What will be the value of money multiplier?

Q5.If the total deposits created by commercial banks are Rs 10,000 crore and LRR is 10% then calculate the amount of initial deposit with the bank.
