

# MONEY-I

(Subject- Economics)  
(Department- BBM)




By:-

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# Definition

- Money has been defined differently by different economists.
- Some definitions are too extensive while other are too narrow.
- *Money is any item or verifiable record that is generally accepted as payment for goods and services and repayment of debts.*
- Example:- such as taxes in a particular country or socio-economic context.

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- None of these definitions is satisfactory since they are either too wide or too narrow.
  - A suitable definition of money should emphasize important function of money, as well as the characteristics of general acceptability.

# Money and Time Deposits



# Money and deposits

- Money includes **currency** or **hard money** and demand deposits of commercial banks which being withdrawable on demand are used as money by the public.
- **Time deposits** (*fixed or savings deposits*) are excluded from the definition of money because these deposit cannot be used as means of payment.
- Since such deposit are not payable on demand they lack perfect liquidity which is an essential characteristics of money.

# Types of Money

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✦ There are five types of money which are as follows:-

1. Commodity money

2. Metallic money -

(a) Fully-bodied

(b) Token money =

3. Paper money

4. Bank money

5. Digital currency

# Digital Currency

- ❖ Has no physical form.
- ❖ Exists only in digital form.



# Bank Money

- ❖ A medium of exchange.
- ❖ Mainly cheques and drafts



# Paper Money

- ❖ Made of special type of paper.
- ❖ Available in the form of notes.
- ❖ Different colour denotes different amount.



# Commodity Money

- ❖ The value comes from the commodity from which it has been made.





# Metallic money

## Fully-Bodied -

- ❖ Face value equals value of metal.

## Token Money-

- ❖ Face value higher than value of metal.





# IMPORTANCE OF MONEY

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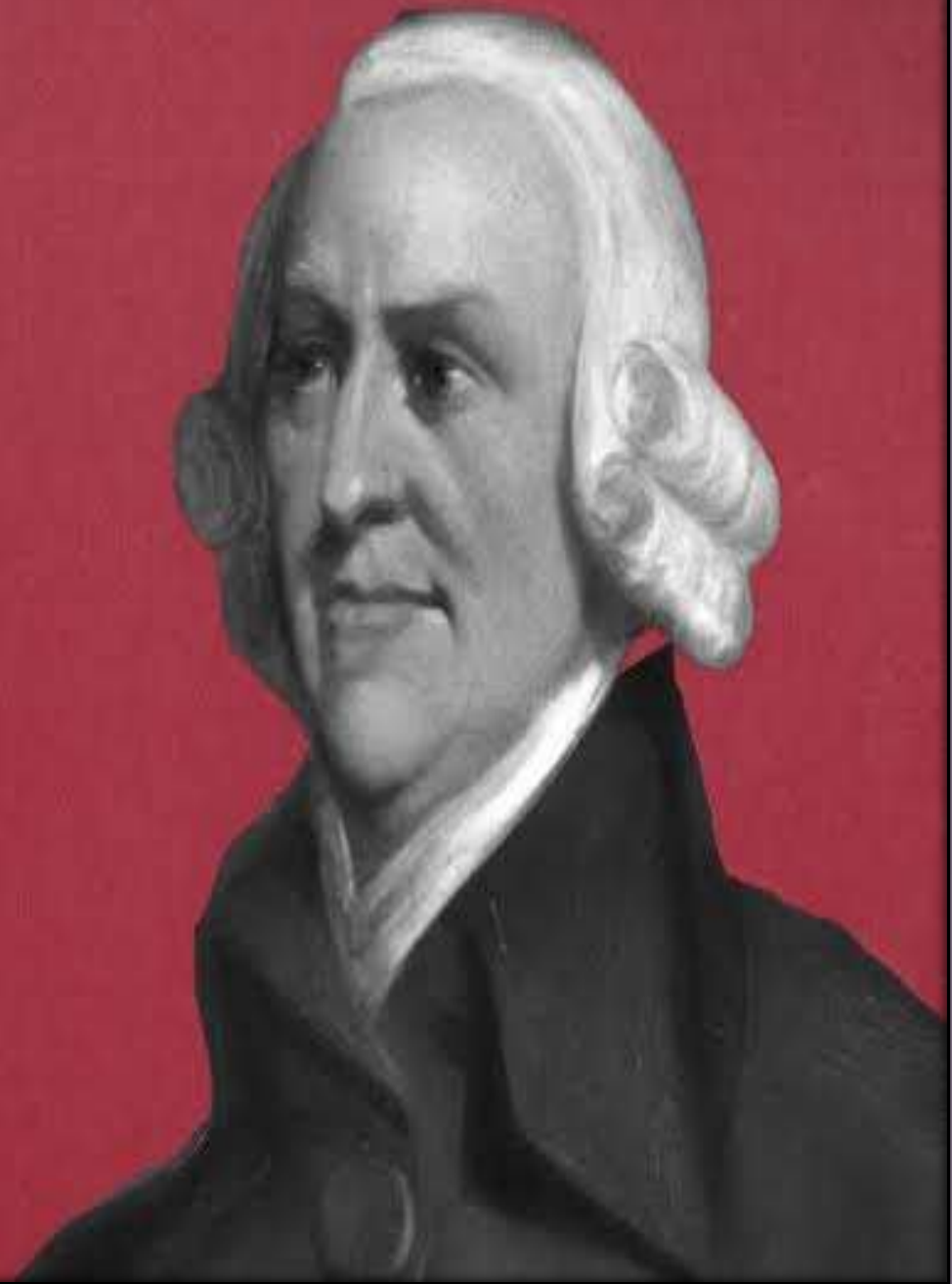
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# Importance of Money

- ⊙ Money was unimportant in the classical economics.
- ⊙ The classical economists regard money as an unimportant causative factor in the economy.
- ⊙ Their firm belief that the introduction of the money did not influence the real processes of production .

- ⦿ They believed that money itself was barren.
- ⦿ Adam smith compared money with a high-way which itself did not grow even single blade of grass.
- ⦿ It was only a lubricant of real economic processes of production and distribution .
- ⦿ Apart from facilitating and serving as a labor saving device it did not affect the real nature of the economy.

**ADAM  
SMITH**



- ◎ Money has influenced all economic activities in the fields of consumption, production, exchange, distribution and public finance .
- ◎ Money has played a very important role in our society nowadays and it helps people achieve a better lifestyle.

THANK

YOU

