

# IMPORTANCE OF MONEY

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MONEY PLAYS VERY IMPORTANT ROLE IN THE ECONOMIC LIFE. IN TODAY'S WORLD EVERYTHING WHETHER PRODUCTION, CONSUMPTION, DISTRIBUTION, SAVING, INVESTMENT, EMPLOYMENT IS INFLUENCED BY MONEY. ACCORDING TO PROF. MARSHALL, "MONEY IS A CENTRE AROUND WHICH ECONOMIC SCIENCE CLUSTERS."

**(1) BASIS OF PRODUCTION : ALL THOSE SOURCE ( OR RESOURCES) WHICH ARE USED IN PRODUCTION ARE PURCHASED USING MONEY. FOR EXAMPLE, RAW MATERIALS, MACHINES, LABOUR ETC. ARE OBTAINED AFTER SPENDING MONEY. AGAIN PRODUCED GOOD ARE SOLD FOR MONEY. WITHOUT MONEY NEITHER RAW MATERIALS, MACHINES LABOUR ETC. CAN BE PURCHASED NOR CAN THEY BE SOLD. SO MONEY IS THE BASIS OF PRODUCTION.**

**(2) BASIS OF CREDIT : IT IS THE ERA OF CREDIT. CREDIT IS ALSO THE BASIS OF BANKING SYSTEM. DEFERRED PAYMENT ARE ALSO MADE USING MONEY. IF THERE IS NO MONEY, THE CREDIT SYSTEM WILL END.**

**(3) CAPITAL FORMATION : MONEY HELPS IN CAPITAL FORMATION. EVERYBODY EARNS FOR LIVELIHOOD. HE ALSO SAVES SOME PARTS OF HIS EARNING FOR FUTURE. WHEN THIS SAVING DEPOSIT IN ANY FINANCIAL INSTITUTION IT IS COLD INVESTMENT. THIS INVESTMENT ON THE BASIS OF CAPITAL FORMATION AND THIS CAPITAL FORMATION LEADS TO TRADE AND INDUSTRY DEVELOPMENT IN THE ECONOMY.**

**(4) INTERNATIONAL CO-OPERATION :  
INTERNATIONAL CO-OPERATION IN THE FIELD  
OF FINANCE, COMMERCE, CREDIT ETC. BRINGS  
ECONOMIC DEVELOPMENT . THE USE OF  
MONEY ALSO BRING CLOSENESS AMONG  
DIFFERENT COUNTRIES OF THE WORLD. THIS  
STRENGTHENS POLITICAL AND CULTURE  
RELATIONSHIP. THUS, MONEY PLAYS AN  
IMPORTANT ROLE IN PROMOTING  
INTERNATIONAL CO-OPERATION.**

**(5) UNIT OF ACCOUNT : MONEY IS A MEDIUM TO MEASURE THE VALUE OF ANY COMMODITY. THUS IT DOES THE FUNCTION OF A UNIT OF BOOK AND ACCOUNT. THE BARTER SYSTEM WHICH EXISTED BEFORE THE INVENTION OF MONEY HAS NO UNIT OF ACCOUNT.**



**(6) MOBILITY OF CAPITAL : AS A LIQUID ASSET, MONEY HAS THE QUALITY OF MOBILITY. IT CAN BE EASILY CARRIED FROM ONE PLACE TO ANOTHER. A PERSON SETTING IN A PLACE DIFFERENT FROM HIS PRESENT SETTLEMENT CANNOT CARRY HIS BUILDING OR ANY OTHER IMMOVABLE ASSETS, BUT HE CAN SELL THESE ASSETS TO ACQUIRE MONEY AND USE THAT MONEY TO PURCHASE THE DESIRED ASSETS AT THE NEW PLACE.**



**(7) MIRROR OF NATIONAL PROGRESS : MONEY MARKET IS WELL DEVELOPED TODAY. IT NOT ONLY HELPS IN MONETARY EXCHANGE, BUT ALSO GIVES SO MANY DIFFERENT INDICATION. A COUNTRY THAT HAS STABILITY IN THE VALUE OF MONEY OR LEAST FLUCTUATION IS CONSIDERED TO BE A DEVELOPING COUNTRY. ON THE COUNTRY, A COUNTRY IS CONSIDERED TO BE ECONOMICALLY WEAK IF ITS MONEY HAS A NORMAL TENDENCY TO FALL IN ITS VALUE THUS , MONEY WORKS AS THE MIRROR OF NATIONAL PROGRESS.**

**(8) KNOWLEDGE ABOUT PER CAPITA INCOME : THE LEVEL OF STANDARD OF LIVING CITIZENS OF A COUNTRY IS MEASURED ON THE BASIS OF THEIR PER CAPITA INCOME. NOW, THEN PER CAPITA INCOME CAN BE MEASURED ONLY IN MONEY. IT ALSO HELPS IN MEASURING THE PROSPERITY OF THE COUNTRY.**

**(9) FOUNDATION OF CAPITALISM: IT IS THE ERA OF CAPITALISM. MONEY IS A VITAL NEED IN SUCH AN ECONOMY. FINANCIAL INSTITUTIONS HAVE TAKEN BIRTH ONLY AFTER THE INVENTION OF MONEY. IT HAS ALSO LED TO THE AVAILABILITY OF CAPITAL. SO, MONEY IS THE BASIS OF CAPITALISM.**

**(10) FREEDOM FROM EVILS OF BARTER SYSTEM:  
BARTER SYSTEM GAVE RISE TO MANY  
DIFFICULTIES. FOR EXAMPLE-LACK OF DOUBLE  
COINCIDENCE OF WANTS, DIFFICULTIES IN  
DIVISION OF GOODS, DIFFICULTIES IN  
MEASURING THE VALUE, DIFFICULTIES IN  
DEFERRED PAYMENT, DIFFICULTIES IN STORAGE  
ETC. BUT MONEY MADE ALL EXCHANGE EASY.**