CLASSIFICATION OF MONEY

This classification has been done by a classical economist **J.M.Keynes**. In the classification of money he has mentioned (i) Actual money (ii) Money of account.

VARIOUS TYPES OF MONEY PREVALENT IN INDIA

(1) **Actual Money:** The actual money refers to that money which comes in circulation through the medium of exchange. The money used for the storage of purchasing capacity and also for deferred payment is the actual money itself. Rupees/coins for India. Dollar for America, Yen for Japan, Frank for France, Diner for Iraq and Mark for Germany etc are all the actual currencies for the respective countries.

(a) **Commodity Money:** Commodity money is made up of any metal. So metal money is also an example of commodity money. Usually original value of such money is cither equal or almost equal to its marked value. When marked value and internal value of commodity money is equal, it is called full-bodied money.

(b) **Representative Money:** Representative money is that money which prevails in the form of medium of exchange but it has no internal value of its own. Circulation of such money either depends on the metallic fund or on the faith of government. Paper money is a suitable example of representative money.

(2) **Money of Account:** Money of account means that money in which books of account of a country are recorded. It may be possible that the actual money and money of account of a country are different. For example after the world war-I the actual money prevailing in Germany was mark but books of account of all transactions were done in frank or US Dollars. In India actual Money as well as money of account both are same i.e. Rupees.

CLASSIFICATION OF MONEY ON THE BASIS OF LEGALITY

(1) Legal Tender Money: Legal tender money refers to that money which has been approved by the government and it is recognised through out the country as a source of payment. Since being legally approved no body can deny it from taking or accepting as payments. Paper money and metallic money in India are the examples of legal tender money while cheque, bills of exchange and other credit instruments are not legal tender money.

Legal tender money is also subdivided into two types

(a) Limited Legal Tender Money: When it is made a compulsion to accept any money to a certain limit, then this money is termed as “Limited Legal Tender Money.” It means no one can be compelled legally to accept the same beyond this limit.

(b) Unlimited Legal Tender Money: This is that money which can be used for making payments to any extent. In other words this is that money which has been accepted and used by the public on a large scale. In India all metallic money from 50 paisa coin and beyond, as well as paper money of all value is unlimited legal money.

(2) Optional Money: A currency which is made up of metal is called metallic money. In ancient time the metals or commodities which were used as money for payment or for exchange were not similar to each other. But as time passed people started using gold and silver as money for exchange. Since then the art or coinage along with a specific trade mark came into practice. The process of manufacturing and framing of coins is called coinage and the manufacturing unit or factory where coinage is built is called mint. During coinage, coins of specific value are produced of equal shape and size and can be easily recognised.

Classification of Money on the bases of Money commodity

(1) Metallic Money: A currency which is made up of metal is called metallic money. In ancient time the metals or commodities which were used as money for payment or for exchange were not similar to each other. But as time passed people started using gold silver as money for exchange. Since then the art of coinage along with a specific trade mark came into practice. The process of manufacturing and framing of coins is called coinage and the manufacturing unit or factory where coinage is built is called mint. During coinage, coins of specific value are produced of equal shape and size and can be easily recognised.

Paper Money

Paper money refers to that paper notes which are issued by the central bank or the government and promises to pay the written amount. According to Prof. Crowther, paper money passes through four stages:

(i) In the first stage, a certificate was being given to the depositors against their deposits. Depositor could get back the money after a gap of time by showing that certificate.

(ii) In the second stage, some of the reputed banks had got the right by the government to issue paper notes. Notes were issued by those bank s only to their depositors.

(iii) In the third stage some banks had got the right to print money even more that what they had deposits.

(iv) The fourth stage is the present stage of note issue. In this stage only the central bank of the country has the right to issue note. In India notes are issued only by Reserve Bank of India.