



CLASS X
ECONOMICS
UNIT – II
MONEY AND FINANCIAL SYSTEM

NOTES

1. **BARTER ECONOMY:** System where goods are exchanged for goods.

Drawbacks of Barter economy

- Lack of double coincidence of wants
- Lack of common measures of value
- Lack of store of value
- Lack of standard for deferred payments
- Lack of divisibility

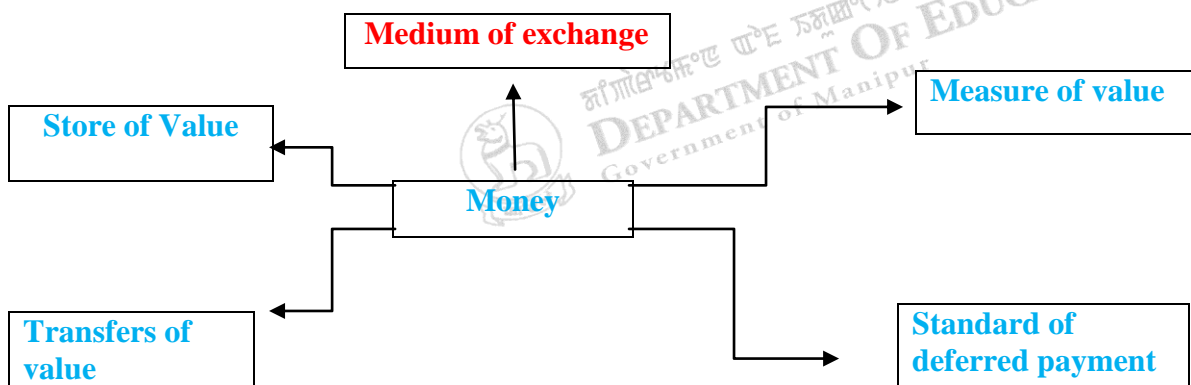
2. **EVOLUTION OF MONEY**

Commodity Money	Animal Money	Metallic Money	Paper Money	Credit Money	Plastic money
Candy bars, Cigarettes, breads, etc.	Cow, goat, etc.	Gold, Silver, Copper, etc. used before 2000 years B.C.	Currencies	Bank deposits, cheque	Money in the form of debit & credit cards

Money finds its origin to facilitate the need for exchange and to overcome the drawbacks of the barter economy.

3. **FUNCTIONS OF MONEY:**

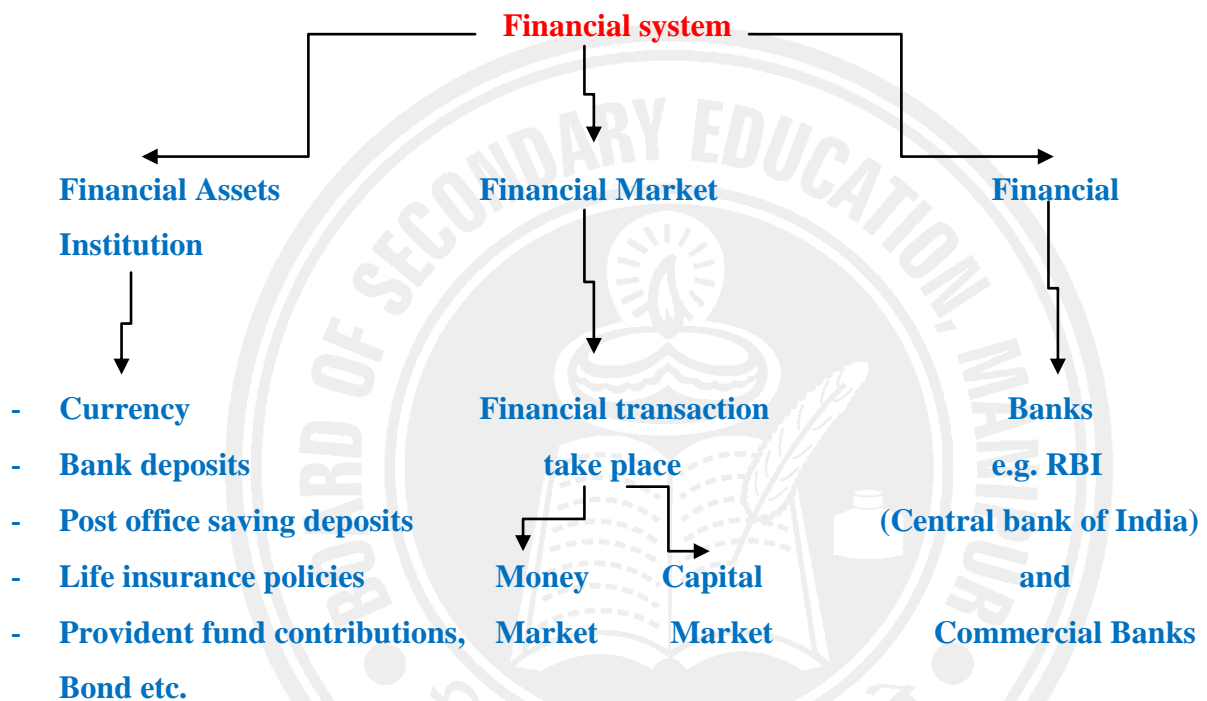
Money is anything that is accepted as a medium of exchange and as a unit of account.





Modern Money: Currency – paper notes and coins and deposits with banks i.e. Demand deposits and time deposits.

Inflation: It is a sustained rise in the aggregates price level in an economy. The value of money reduces during inflation.



BANK

It is an institution that accepts deposits from the public and gives loans and advances to those who need them.

CREDIT CREATION: Refers to the ability of a bank to expand deposits as a multiple of its reserves.

CASH RESERVE RATIO (CRR): The percentage of total deposits which a commercial bank needs to keep as a reserve with the Central Bank.



SOME SPECIALISED BANKS:

NABARD: National Bank for Agricultural and Rural Development.

- It provides credit for the promotion of agriculture and rural development.

EXIM: Export-Import Bank of India.

- It is for financing, facilitating, and promoting foreign trade in India.

IDBI: Industrial Development Bank of India.

- To provide financial assistance to industrial enterprises
- To promote institutions engaged in industrial development.

NON- FORMAL SOURCES OF CREDIT

- Villagers, money lender, traders and relatives
- SHG (Self Help Group)
- Providing micro-credit from banks to women in particular.

MARUP

- Age-old informal saving institution.

