



**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

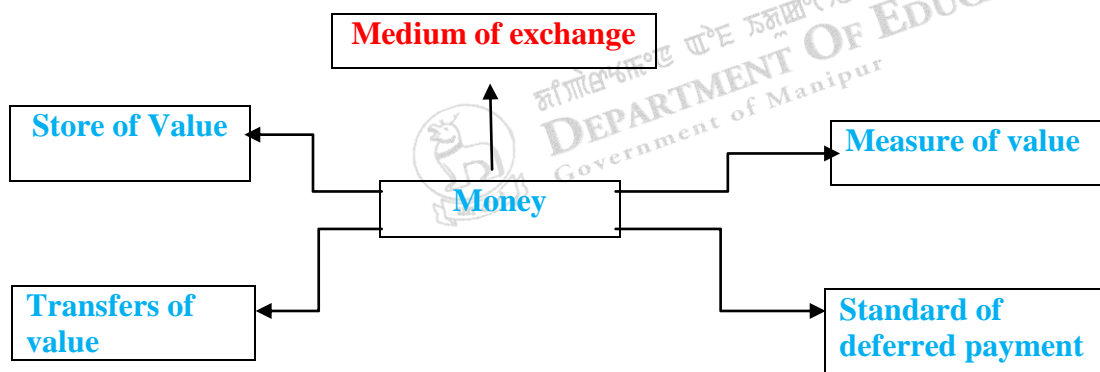
2. **EVOLUTION OF MONEY**

<b>Commodity Money</b>	<b>Animal Money</b>	<b>Metallic Money</b>	<b>Paper Money</b>	<b>Credit Money</b>	<b>Plastic money</b>
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:**

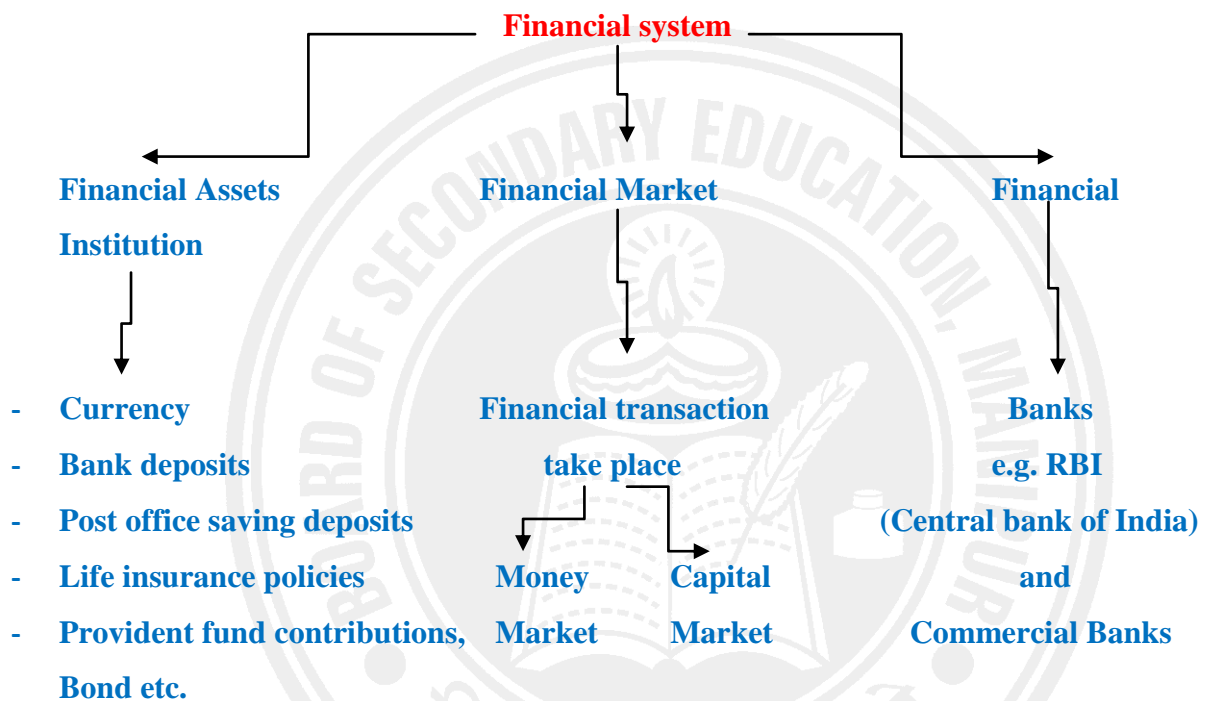
Money is anything that is accepted as a medium of exchange and as a unit of account.





**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.

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