



# Concept of Money with Special reference to its critical function in Indian economic Development

Author: Dr Manjunath Koliwad, Associate Professor – PG Dept of Management Studies, AIMS IBS Business School Bangalore.

## ABSTRACT:

Money is a wonderful invention of humanity. It was the day the daily affairs of the exchange medium used. Goods and services, the value of the determination, the wealth of the collection as well as the future of business are simplified. Human commercial businesses have grown because of money. The evolution of money; Today we are using paper notes and coins as money. But this level of evolution of a single night, it has taken thousands of years to reach this point. There are several stages in the evolution of money. Money is one of humanity's most essential inventions. It has grown in importance to the point where the modern economy is referred to as the money economy. Money is necessary for the modern economy to function. The necessity for trading developed even in the early stages of economic growth.

**Key Words: Role, Money, Economic, Development, Indian**

## I. INTRODUCTION

Money is a wonderful invention of humanity. It was the day the daily affairs of the exchange medium used. Goods and services, the value of the determination, the wealth of the collection as well as the future of business are simplified. Human commercial businesses have grown because of money. The evolution of money; Today we are using paper notes and coins as money. But this level of evolution of a single night, it has taken thousands of years to reach this point. There are several stages in the evolution of money.

Money is one of humanity's most essential inventions. It has grown in importance to the point where the modern economy is referred to as the money economy. Money is necessary for the modern economy to function. The necessity for trading developed even in the early stages of economic growth. Initially, the family or village functioned as a self-contained unit. However, as agriculture developed and the division of labor was implemented—that is, the partition of society into agriculturists, carpenters, merchants, and so on—the necessity for exchange arose. Bartering was the first form of exchange. The direct exchange of goods for products is known as bartering. Barter is a method of trading that does not include the use of money. The barter system functioned well at first, when men's needs were few and basic. However, as time passed, it was discovered to be unsuitable. It has a lot of issues.

To recapitulate, money has existed in numerous forms throughout history, but it has always served three purposes: as a store of value, a unit of account, and a medium of exchange. Modern economies rely on fiat money, which is neither a commodity nor is it represented or "backed" by one.

### Functions of Money:

With the introduction of money, all of the difficulties of trade were removed. Money, according to Crowther, is "anything that is universally accepted as a means of trade and that works as a measure and a store of value at the same time." One of the most important aspects of this concept is that it considers everything that is widely accepted as money. Coins, currency notes, checks, Bills of Exchange, and other forms of money are all examples of money. Money isn't always easy to define. That is why Prof. Walker stated that money is defined by what it accomplishes. He is referring to the functions of money when he says this. In today's economy, money serves a variety of purposes. The most significant functions are summarized in the following couplet. Money serves as a means of commerce, a measure of value, a store of value, and a deferred payment standard.

1. **The Medium of Exchange:** Money's most significant role is to serve as a medium of trade. Money is easily accepted in exchange for all other items. The barter system is quite inconvenient. As a result, the introduction of money has overcome the difficulties of barter.
2. **Value Measurement:** Money serves as a universal unit of value. It is both a monetary unit and a unit of measurement. When we acquire something in the market, we pay a monetary price for it. And price is nothing more than value stated in monetary terms. As a result, the money we spend for a thing can be used to determine its worth. Money is used to measure the value of products in the same way that yards and meters are used to measure length and pounds are used to measure weight. It simplifies economic computations.
3. **Value Storage:** Money is an excellent choice for a man who wishes to save his cash in a convenient form. It serves as a value store. Assume a man's fortune consists of a thousand animals. He is unable to keep his wealth in the shape of livestock. However, if there is money, he can sell his cattle, receive payment, and store his wealth or assets in the way of money.
4. **Deferred Payment Standard:** Money is employed as a unit of measurement for future (delayed) payments. It serves as the foundation for credit transactions. To a considerable measure, modern business is founded on credit. The existence of money facilitates this. Because payment is paid at a later date in credit, there must be some medium that has the same exchange power in the future as it does now. There would be numerous complications if credit transactions were conducted on the basis of commodities, which would have a negative impact on commerce. Payments deferred to a later date must meet the following criteria: For future (delayed) payments, money is utilized as a benchmark. It serves as the foundation for credit transactions. In today's world, a lot of business is done on credit. Money facilitates this. Because payment is paid at a later date in credit, some medium must exist that has the same exchange power in the future as it does now. There would be several challenges and trade disruptions if credit transactions were conducted on the basis of commodities.

### 4. Conclusion:

Money is one of humanity's most essential inventions. Every field of study has a foundational finding. It's the wheel in mechanical, the fire in science, and the vote in politics. Similarly, money is the key invention on which all

other inventions are built in economics, in the entire commercial aspect of man's social existence. Money is required in every economy, whether it is capitalism or socialist. In capitalism, the price system is crucial. Prices influence production, distribution, and consumption to a large extent, and prices are measured in money.

Even a socialist economy, where the price system is less important than in a capitalist one, cannot function without money. For a time, socialists talked about ending money, or abolishing money altogether, because they saw money as

a capitalist invention designed to oppress the working class. However, they later discovered that without the aid of money, economic accounting would be impossible even under a planning system.

Diverse people utilized different things as money in the early phases of civilization. Money has been made out of cattle, tobacco, shells, wheat, tea, salt, knives, leather, sheep, horses, and oxen, as well as metals like iron, lead, tin, and copper. Money was gradually replaced by precious metals like as gold and silver, which gradually superseded other metals such as iron, copper, and bronze. Paper is now utilized as a form of payment. Today, almost every country in the world has paper money. Another type of money is bank deposits, which are transferred from one person to another via cheques.

#### References:

1. Ponnusamy, S. (2016, October 18). *Functions of Money in the Modern Economic System - Owlcation*. Owlcation.
2. Functions of Money, Economic Lowdown Podcasts Education St. Louis Fed. (n.d.). Episode 9 functions of money.
3. Moharana, A. (2021, September 23). *Importance of Money In the Modern Economy*. StudyInsta.
4. Money In the Modern Economy: an Introduction | Bank Of England. (2014, March 14). Money in the modern economy: an introduction | Bank of England.