

UNIT

3

Money and Credit



Learning Objectives

- To know about the Barter system
- To understand about money and various transaction of money
- To know about the role of RBI
- To understand about the various types of credits and beneficiaries



Introduction

This chapter deals with the evolution of money over the years and its functions. It also elucidates on the role of the Reserve Bank of India. It throws light on Foreign Exchange, monetary aggregates and forms of credit. It further explains how technological advancements have made banking easy and swift in today's world.

Almost all things used by man have a monetary value. In addition to that, the pay given for labour, wages and services are all fixed on the basis of money. The taxes and duties are also paid in the form of money. We would have seen our parents planning the expenses at our home every month. The monthly income, pending expenditure, savings, payment of interest etc., are all measured in terms of money.

Not only at homes, but also the budgets of a country or states are also framed on the basis of money. The Government, as well as, private institutions and industries calculate their financial status through money. Thus, money

plays a predominant and inseparable role in all our lives.

3.1 Barter System

If there arises a question, "Has man always used money?", the answer would be 'no'. How? when did money enter into the lives of men? In this lesson, let us learn about the evolution of money over the years.

Ancient man hunted and gathered food. He lived in caves and forests. In later stages, he invented weapons for hunting and gathering food. Later, he invented fire and learnt to practise agriculture. He used mud to build houses and settle down in a place. and also to make earthenware.

When the agricultural yield was high, they made handicrafts. When there was surplus in agricultural produce and other articles like earthenware, they exchanged it with people who needed them. For example, if a community had excess food stuff, they would exchange that with