

SIGNIFICANCE OF MONEY

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- **Importance of money in the field of Production:**
- Money has facilitated production in following ways:
- **(1) Large Scale Production:** With the help of money, large scale production become possible in modern days .Production is the result of collective efforts of all factors of production which get rewards in terms of money.
- **(2) Division of Labour and Specialisation Possible:** Money has facilitated division of labour and specialisation which has accelerated the pace of production in the economy. It is impossible under a barter system.

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- **(3) Assembling of Factors of Production Possible:**
- Money is the instrument which assembles all the factors of production at one place .The raw materials purchased , the wages paid to workers the capital borrowed , the rent paid , the expenses on advertisements ,etc. are all expenses of production which are entered in his account books and paid in terms of money it becomes possible with the use of money.
- **(4) Money helps to determine the quantity and quality of production** in a modern society through the functioning of the price mechanism . The price mechanism helps the society to discover what consumer want , and how much they want of particular goods.

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- (5) Money has facilitated borrowing and lending and these are essential in present day production process. Credit is the main pillar of modern business.
- (6) Every producer has to make a variety of calculations ,such as cost calculations before initiating production. These calculation can not be made by the producer without money.

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- **Importance of money in the field of Exchange :**
- **(1)Removal of Barter System difficulties:** Money has removed the inconveniences of barter system .As a medium of exchange , money to be accepted by everyone.Money has also removed the difficulty in store of value which was present in barter system. The value can be measured easily in terms of money. There is no difficulty in the exchange of indivisible goods with the help of money.
- **(2)Capital formation possible:** People save money and transfer it to productive uses. It accelerates capital formation.

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- **(3) Makes Capital Mobile:** Money makes capital mobile . With use of money capital can be transferred from one place to the other and it is on account of the increased mobility of capital economic development of a country becomes possible.
- **(4) Development of Banks and Credit Institutions:** Money has opened the doors for developing banks and credit institutions. Use of cheques and exchange bill has made exchange easier.
- **(5) Money facilitates trade by serving as a medium of exchange.** Thus, rapid exchange in a modern economic system is possible because of money.
- To be continued.....