

SIGNIFICANCE OF MONEY

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- **Importance of money in the field of Distribution:**
- Money helps in the distribution of income among different factors of production ideally. The rewards to the various factors of production are distributed in terms of money . Rent , interest, wages and profits are all determined and paid to factors of production in terms of money.

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- **Importance of money in the field of Public Finance:**
- **Public expenditure and income are calculated in terms of money** .Government receives income in the form of taxes ,fees, prices of public utility services etc. and uses this income for administrative and developmental purposes. But the great magnitude of public revenues and public expenditure in a modern state would become impossible without money.
- Fiscal devices like public borrowing and deficit financing for economic development can be adopted only in a monetary economy.

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- **Importance of money in the field of Trade:**
- (1) Money facilitates trade by serving as a medium of exchange.
- (2) Money constitutes basis of price – mechanism and, thus, helps in determining prices of goods and services through the forces of demand and supply.
- **Importance of Money and Economic Progress:**
- Introduction of money has led to the emergence of large scale production resulting in constant urge to accumulate capital and develop new techniques of production. Thus, the role of money in encouraging material progress is significant.

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- **Money establishes a link between the Present and the Future:** Money can be stored for future use. It has this merit because its utility is never lost . Savings in the form of money help the saver to lay claims on goods and services in the future , because money can be used to buy such goods and services. Money thus establishes a link between the present and the future. According to **Keynes** , "The importance of money essentially flows from its being a link between the present and the future." Money has also made future transaction possible because , of all the commodities , money is the most stable in value. The parties to a future transaction know that the value of money will not change much in course of time.

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- **Importance of money in the field of Foreign Trade:**
Money facilitates both national and international trade. The use of money as a medium of exchange , as a store of value and as a transfer of value has made it possible to transact not only those goods which are produced domestically but also those which are produced by other countries . The possibilities of exports and imports with the help of money has resulted in expansion of International trade and co-operation. Thus Money has helped in expansion of foreign trade and thereby raise the levels of consumption the worldover.
- To be continued.....