

SIGNIFICANCE OF MONEY

SIGNIFICANCE OF MONEY

Money occupies an important place in any kind of economy. The fact is that the modern economy can not function without money. Just as the strength and vitality of a human body is judged by the amount of blood and its proper circulation, in the same way the strength and extent of development of the economy can be judged by the requisite supply and proper circulation of money in the economy. Money occupies a significant place in all the branches of Economics, e.i., consumption, production, exchange, distribution and public finance.

SIGNIFICANCE OF MONEY

- According to **Marshall**,"Money is a pivot around which the economic science clusters. 'The significance of money can be explained as follows:
- **Importance of money in the field of consumption:**
- **(1)To attain Maximum Satisfaction:** A consumer can maximise his satisfaction by using money according to law of Equi- marginal utility. A Consumer maximizes his satisfaction by equating the prices of each commodity(in terms of money) with its marginal utility accruing from diverse commodities.

SIGNIFICANCE OF MONEY

- **(2) To facilitate deferred payments:** Deferred payments refer to those payments which are made in the future. Money, as a standard of deferred payments, has facilitated borrowing and lending. Consumer sometimes takes loan for his present consumption which is repaid on some future date. Money makes such payments possible.
- **(3) To make saving:** A person spends a part of his present income on present consumption and save the remaining part for the future date. Money can be easily stored for future use. Hence, money makes savings possible for future.

SIGNIFICANCE OF MONEY

- **(4) To purchase various goods:** With the help of money a consumer can buy any goods of his requirement ,i.e., money enables a consumer to exercise his freedom of choice in consumption.
- **(5) Money gives the consumers liberty to choose between the present and the future consumption ,i.e.** ,how much to be spent on present consumption and how much to be saved from the given present income for future consumption. Due to general acceptability and comparative stability of money, the consumer can utilize it as and when it suits him.
- **TO BE CONTINUED.....**