



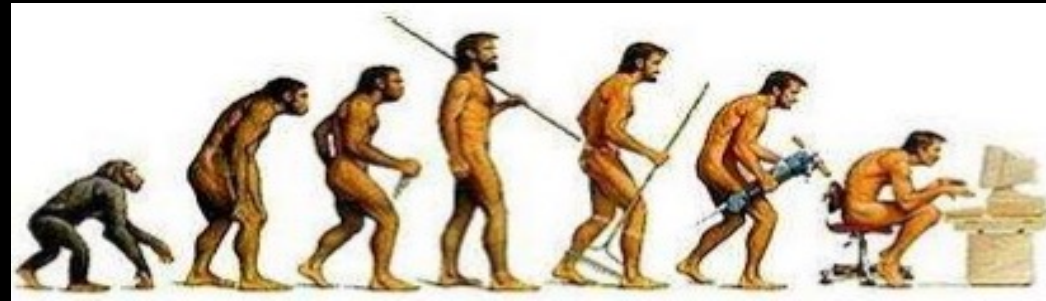
# Money

*by*  
*Sivakumar G*



- Medium of Exchange
- Unit of Measure of Value
- Store of Value
- Means of Deferred Payment

# Evolution of Money – Man's Greatest Invention







Which one of the following statements correctly describes the meaning of legal tender money ?

- (a) The money which is tendered in courts of law to defray the fee of legal cases
- (b) The money which a creditor is under compulsion to accept in settlement of his claims
- (c) The bank money in the form of cheques, drafts, bills of exchange, etc.
- (d) The metallic money in circulation in a country

With reference to 'Bitcoins', sometimes seen in the news, which of the following statements is/are correct?

(1) Bitcoins are tracked by the Central Banks of the countries.

(2) Anyone with a Bitcoin address can send and receive Bitcoins from anyone else with a Bitcoin address.

(3) Online payments can be sent without either side knowing the identity of the other.

Select the correct answer using the code given below.

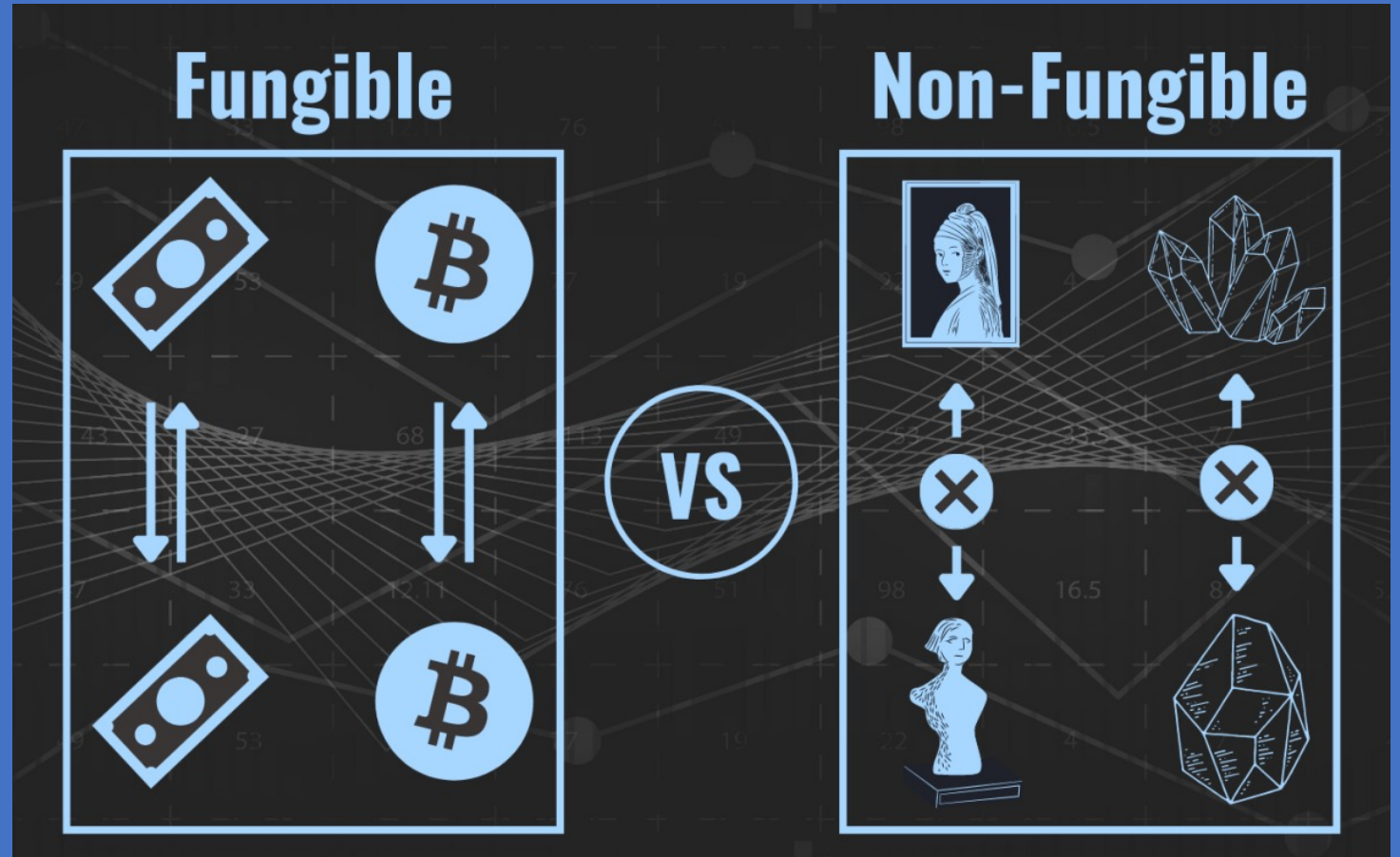
(a) 1 and 2 only

(b) 2 and 3 only

(c) 3 only

(d) 1, 2 and 3

- 
- Non-Fungible Tokens





With reference to Non-Fungible Tokens (NFTs), consider the following statements:

- 1.They enable the digital representation of physical assets.
- 2.They are unique cryptographic tokens that exist on a blockchain.
- 3.They can be traded or exchanged at equivalency and therefore can be used as a medium transactions. of commercial

Which of the statements given above are correct?

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

# Money Multiplier

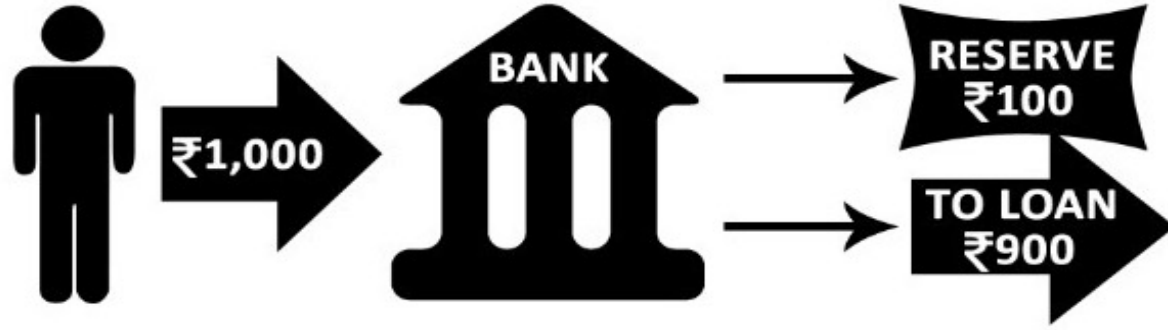
## Cash Reserve Ratio (CRR)

When CRR Rate is 4%



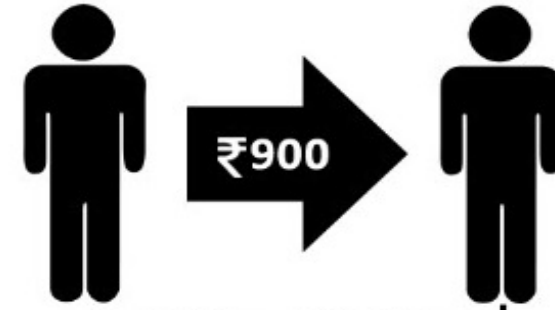
# THE BASIC FRACTIONAL RESERVE BANKING CYCLE

## 1. DEPOSIT



## 2. LOAN

## 3. SPEND



AT THIS POINT THERE IS ₹1,900 IN THE SYSTEM.

THE BANK HAS ₹100.

RINSE & REPEAT FROM STEP 1...



AT THIS POINT THERE IS ₹2,710 IN THE SYSTEM.

THE BANK HAS ₹190.

RINSE & REPEAT FROM STEP 1...



AT THIS POINT THERE IS ₹3,439 IN THE SYSTEM.

THE BANK HAS ₹271.

Monetary Base =  + 

Currency in Circulation      Bank Reserves

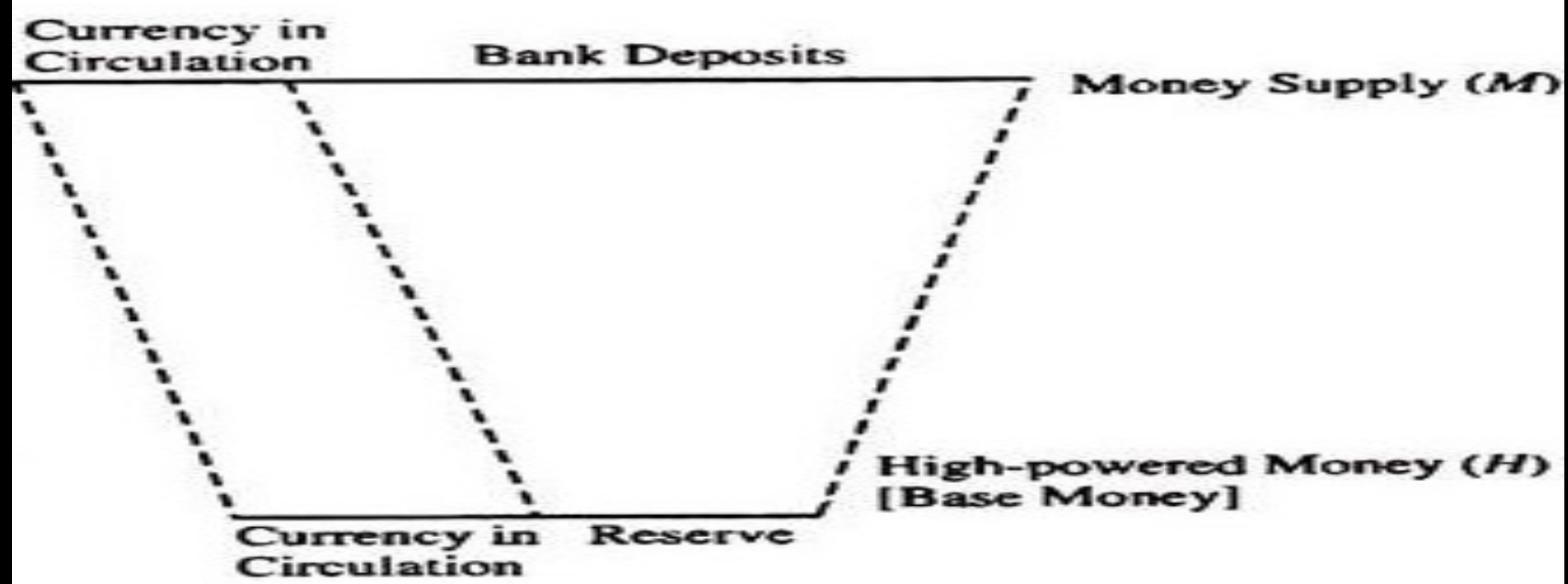


Fig. 20.1 The Relationship between High-powered Money and Money Supply

# Measures of Money Supply

$M1 = \text{Currency with Public} + \text{Demand deposits with the Banks} + \text{Other Deposits with RBI}$

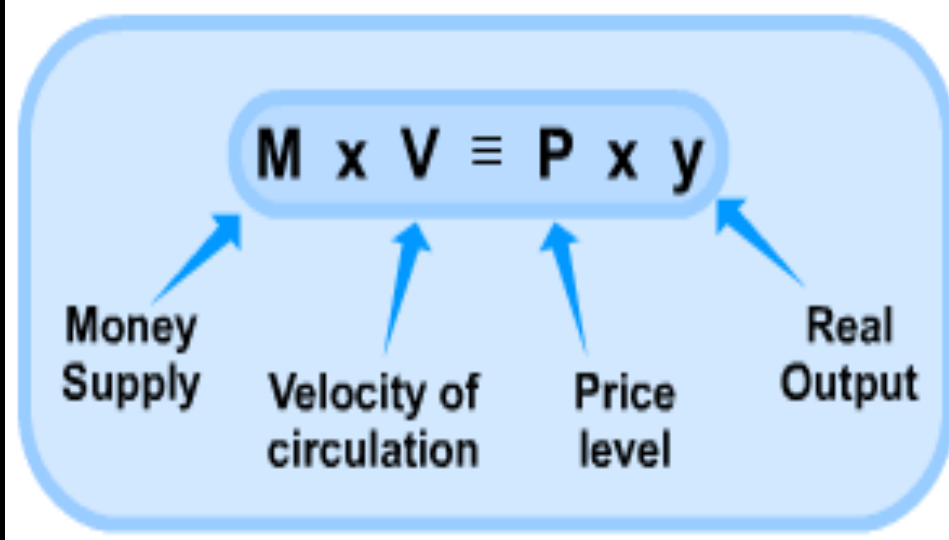
$M2 = M1 + \text{Post Office Bank Savings}$

$M3 = M1 + \text{Time Deposits with Commercial Banks}$

$M4 = M3 + \text{Total Post Office Deposits}$

If you withdraw 1,00,000 in cash from your Demand Deposit Account at your bank, the immediate effect on aggregate money supply in the economy will be

- (a) To reduce it by 1,00,000
- (b) To increase it by 1,00,000
- (c) To increase it by more than 1,00,000
- (d) To leave it unchanged



Thank you