

Money & Banking

B.Com Hons. Part II

Topic:- Definition & Functions
of

Money

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Chapter - 1

Defination and functions of Money.

Origin of Money

It is not known or justified when the first usage of money was seen or where it the use was originated. People in the ancient times did not require money as the wants were limited and they could fulfil it them selves, but as the civilisation prospered their wants also increased, and the interdependence gave a platform for the rise of barter system.

Barter System

The exchange of one good to other good, according to need or want from another person is called barter system for example :- A has a bag of mangoes but he requires or wants 'A' bag of wheat so he will search a person 'B' who has wheat and will try to exchange his mangoes with wheat.

Barter System had many drawbacks:

Such as:—

- (i) Lack of double coincidence of wants.
- (ii) Lack of Common measure of value.
- (iii) Lack of divisibility of Commodities.
- (iv) Lack of store of value.
- (v) Difficulty in deferred payment.
- (vi) Lack of transfer of value etc.

All the above circumstances gave the ground for the creation of a medium which does not have above drawbacks hence money came into existence.

Money got its name from the Latin word "Moneta". which is the another name of goddess "Juno". In ancient Italy this goddess was called "The goddess of Heaven." Metallic money was minted in the chamber of the goddess. So, it is considered that the term "Money" is derived from the term "Moneta."

On the other hand some scholars consider the term "Pecunia" as the root of the term Money. "Pecunia" has

originated from the term "Pecus". which literally means "Live-Stock" and logically we know that Live-Stock and goods were used as money.

Money is one of the three greatest inventions of the world.

- (i) Fire.
- (ii) wheel.
- (iii) Money.

Defination of Money

In short we can say that Money is what money does, but the above statement is very broad in the sense of defination as with money no. of activities can be performed.

Various scholars have various opinion on the defination of money, so the definations of money can be classified as follows on the basis of their nature.

Defination based on the nature of Money.

It can be further classified into following three groups.

- (i) Descriptive or functional defination.
- (ii) Defination based on common acceptance.
- (iii) Legal defination.