



# **SNS COLLEGE OF TECHNOLOGY**

Kurumbapalayam (Po), Coimbatore - 641 107

**An Autonomous Institution**

Accredited by NBA - AICTE and Accredited by NAAC - UGC with 'A+' Grade  
Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai

## **DEPARTMENT OF MECHANICAL ENGINEERING**

**COURSE NAME : 16GE302 Engineering Economics & Cost**

**Analysis**

**IV YEAR /VII SEMESTER**

**Unit 3 – ORGANISATION**

**Topic : Money and Banking - kinds**

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# MONEY AND BANKING - BANKING - KINDS



- ❖ Something generally accepted as a **medium of exchange**, a measure of value, or a means of payment.



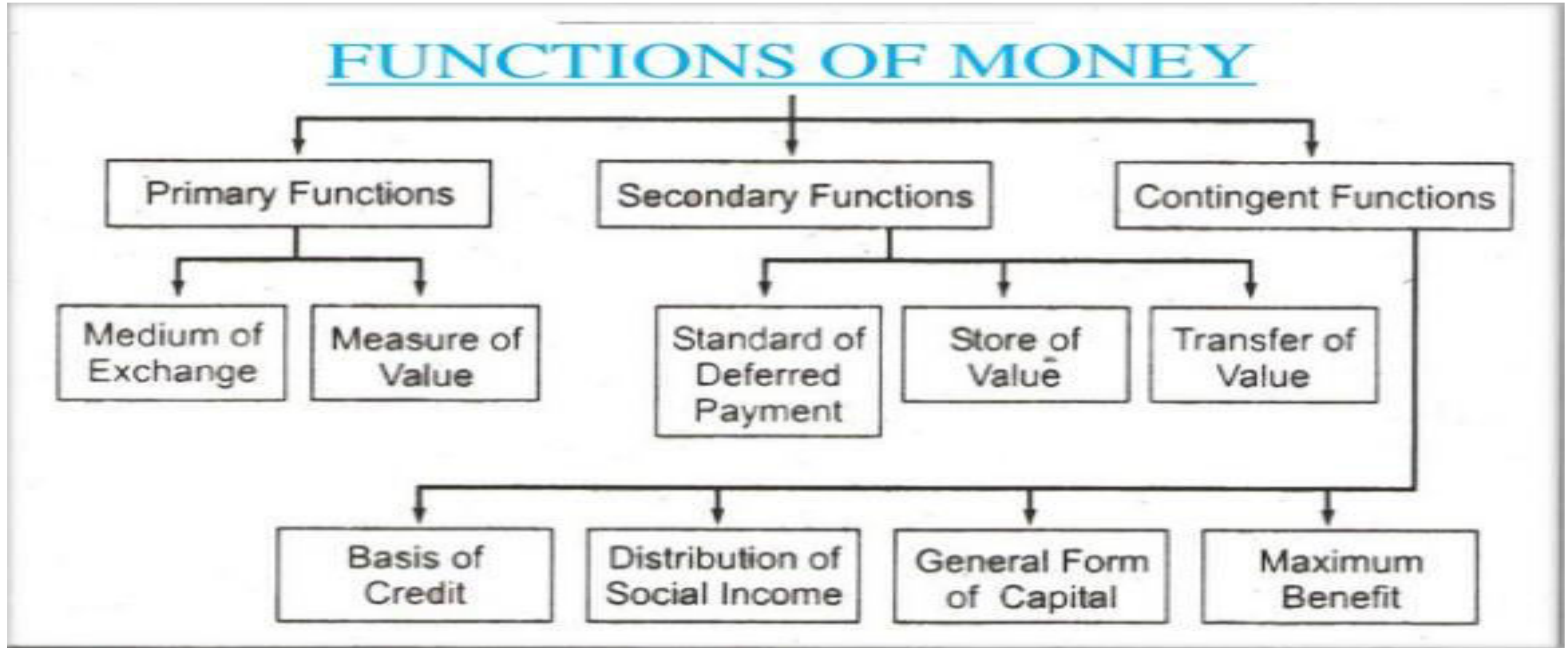
**Definition:-** A medium of exchange developed to **pay or accept any goods** or service, is termed as money.

- \* Money is standard for whole company.
- \* It is either in form of coins or cash.
- \* Level of money with a person indicates the wealth of the person.





# Functions of Money





# Functions of Money



## ❖ The Three uses of Money

- 1) Medium of exchange- anything that is used to determine value during the **exchange** of goods and services
- 2) Unit of account- a means of **comparing the values** of goods and services
- 3) Store of value- something that keeps its value if it is **stored** rather than used





# Functions of Money



## ❖ The uses of Money

<b>Static functions</b>	<b>Medium of Exchange</b>	<ul style="list-style-type: none"><li>• In an exchange economy money has an intermediary role.</li><li>• The invention of money has made the exchange system smooth and convenient.</li></ul>
	<b>Measure of value</b>	<ul style="list-style-type: none"><li>• Things are said to be cheap or expensive on the basis of amount of money required for their possession.</li><li>• This makes exchange mutually profitable.</li></ul>
	<b>Standard of deferred payment</b>	<ul style="list-style-type: none"><li>• It implies the role of money in borrowing and lending.</li><li>• Money taken as loan is usually repaid after a time gap.</li><li>• This delayed payment is done through money.</li></ul>
	<b>Store of value</b>	<ul style="list-style-type: none"><li>• Purchasing power of money can be stored by keeping a part for future use, called monetary savings.</li><li>• Current income can be used for current consumption as well as future consumption by savings.</li></ul>



# WHAT IS CURRENCY?



- The coins and paper bills used as money in a society are called **currency**.





# CHARACTERISTICS OF MONEY



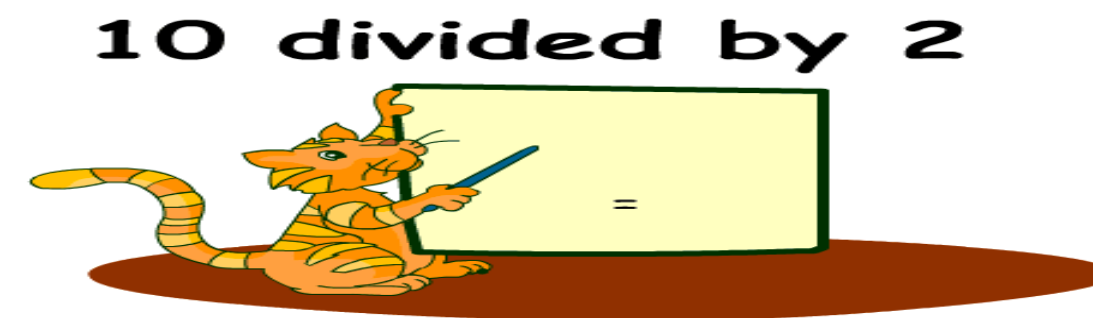
1) **Durability**- Objects used as money must **withstand wear and tear**



2) **Portability**- Easy to carry around and transfer



3) **Divisibility**- Easily divided into smaller amounts





# CHARACTERISTICS OF MONEY



4) **Uniformity**- all units of money must be **identical**

5) **Limited Supply**- Federal Reserve System **controls supply** of money in circulation

6) **Acceptability**- everyone in economy must be able to **exchange the objects** that serve as money for goods and services





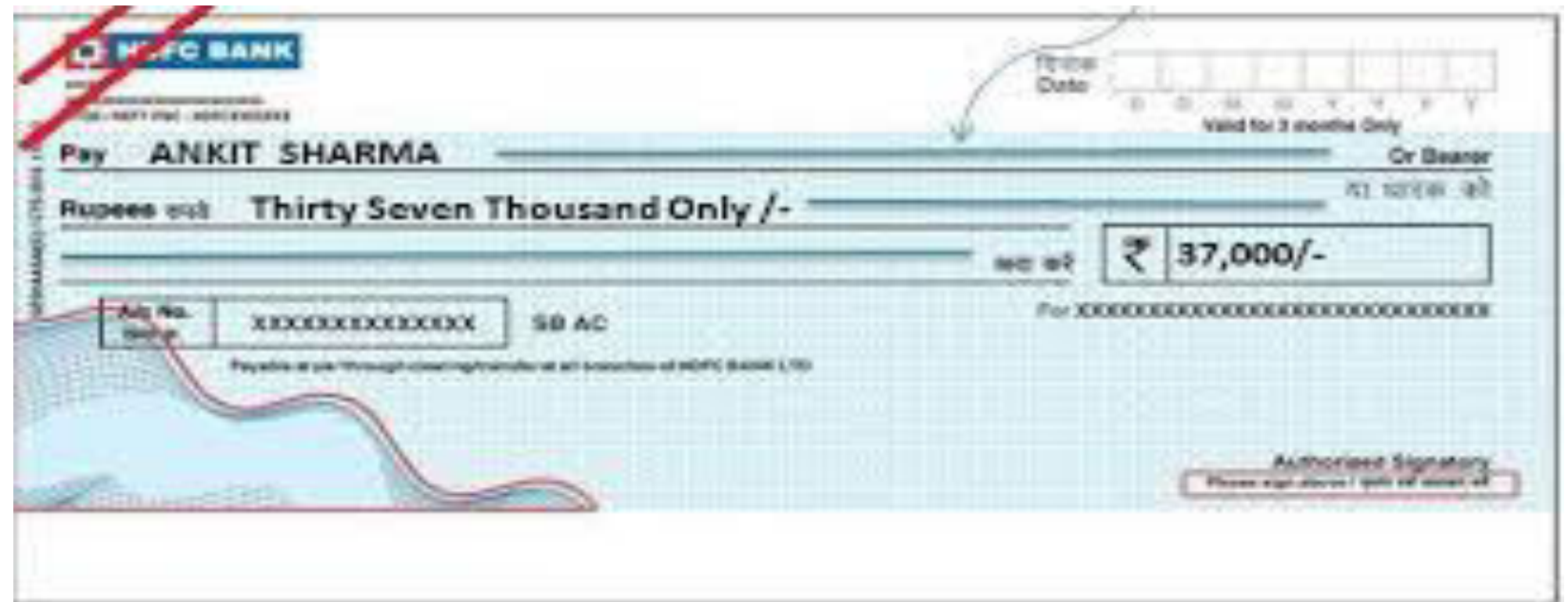


# MONEY AND BANKING - BANKING - KINDS



## TYPES OF MONEY

1. Commercial money
2. Commodity money
3. Fiat money
4. Fiduciary money

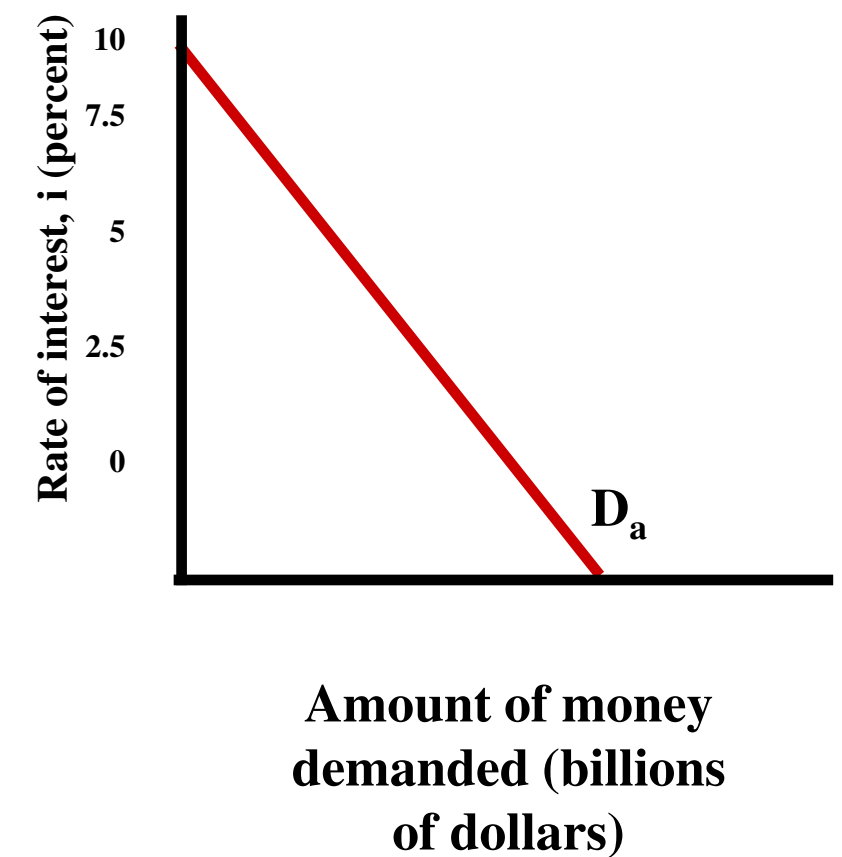
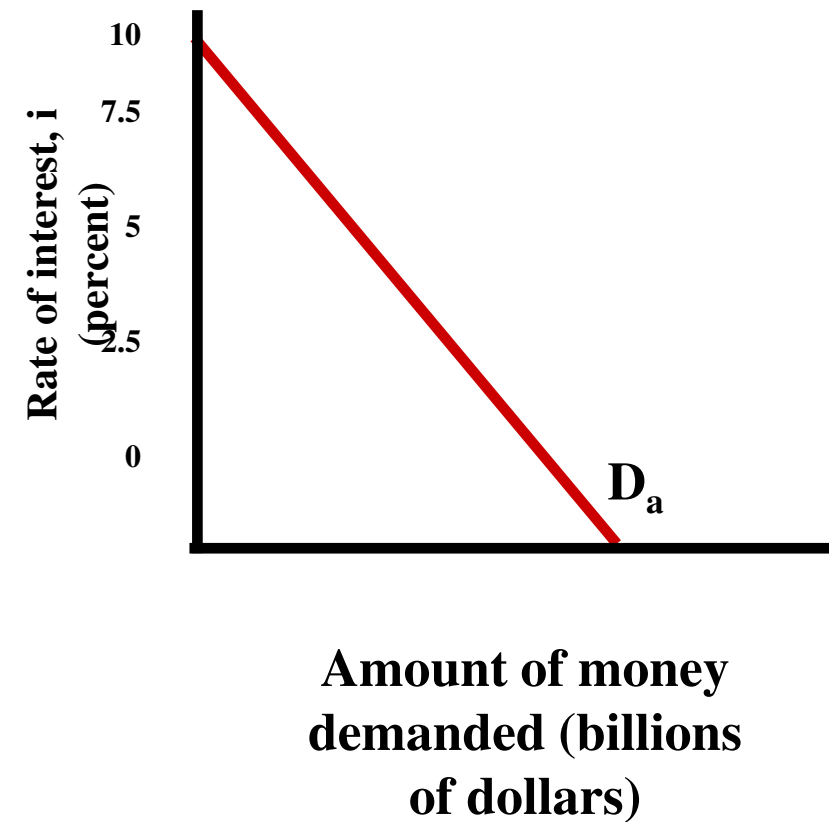
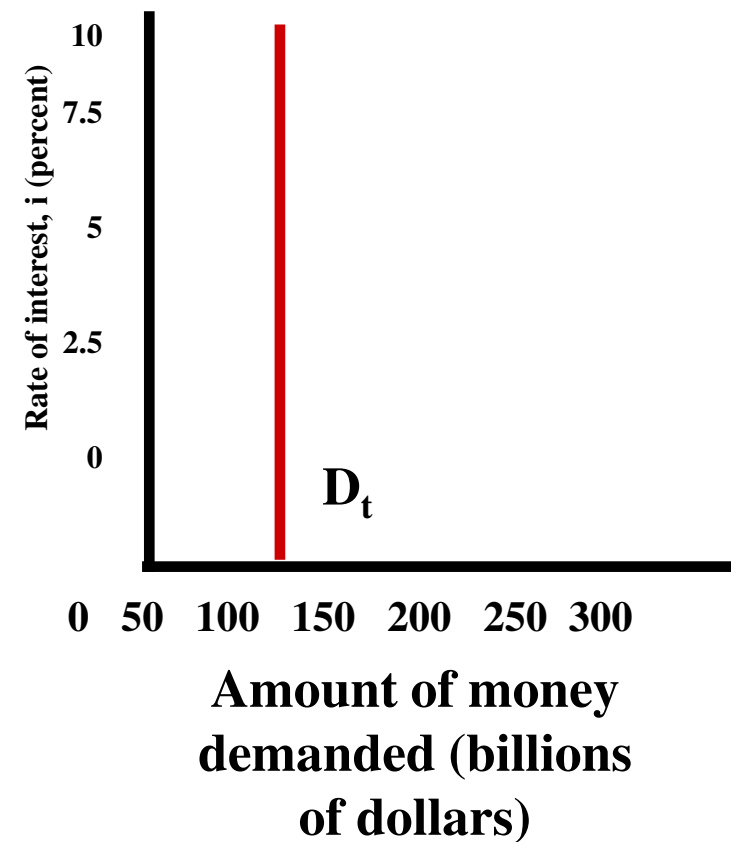




# THE DEMAND FOR MONEY



$$\text{Transactions Demand, } D_t + \text{Asset Demand, } D_a = \text{Total demand for money, } D_m$$





# MONEY AND BANKING - BANKING - KINDS



## Money Supply

- Issuing Currency
- Setting Reserve Requirements & Holding Reserves
- Lending Money to Banks
- Providing for Check Collection
- Acting as Fiscal Agent
- Supervising Banks



# MONEY AND BANKING - BANKING - KINDS



- Controlling the Money Supply
- Recent Developments
- Relative Decline of Banks and Thrifts
- Financial Services Industry
- Consolidation Among Banks and Thrifts
- Convergence of Services Provided by Financial Institutions
- Globalization of Financial Markets
- Electronic Transactions



# MONEY AND BANKING - BANKING - KINDS



## BANKING





# MONEY AND BANKING - BANKING - KINDS



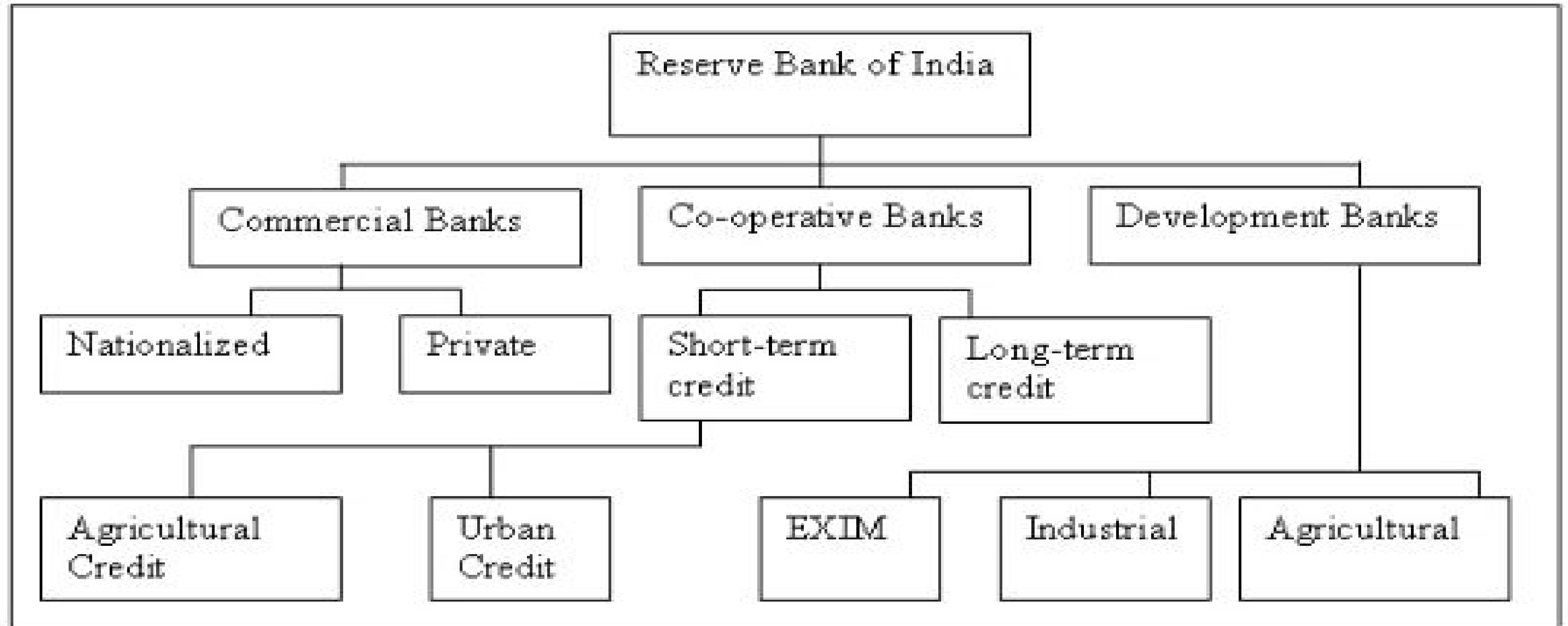
Banking Regulation Act of India, 1949 defines Banking as “accepting, for the **purpose of lending or of investment of deposits of money** from the public, repayable on demand or otherwise or withdrawable by cheque, draft order or otherwise.”

The Reserve Bank of India Act, 1934 and the Banking Regulation Act, 1949, govern the banking operations in India.





# STRUCTURE OF BANKS IN INDIA





# Practise quiz



**In which year was the Banking Regulation Act passed?**

- a. 1949**
- b. 1955**
- c. 1959**
- d. 1969**

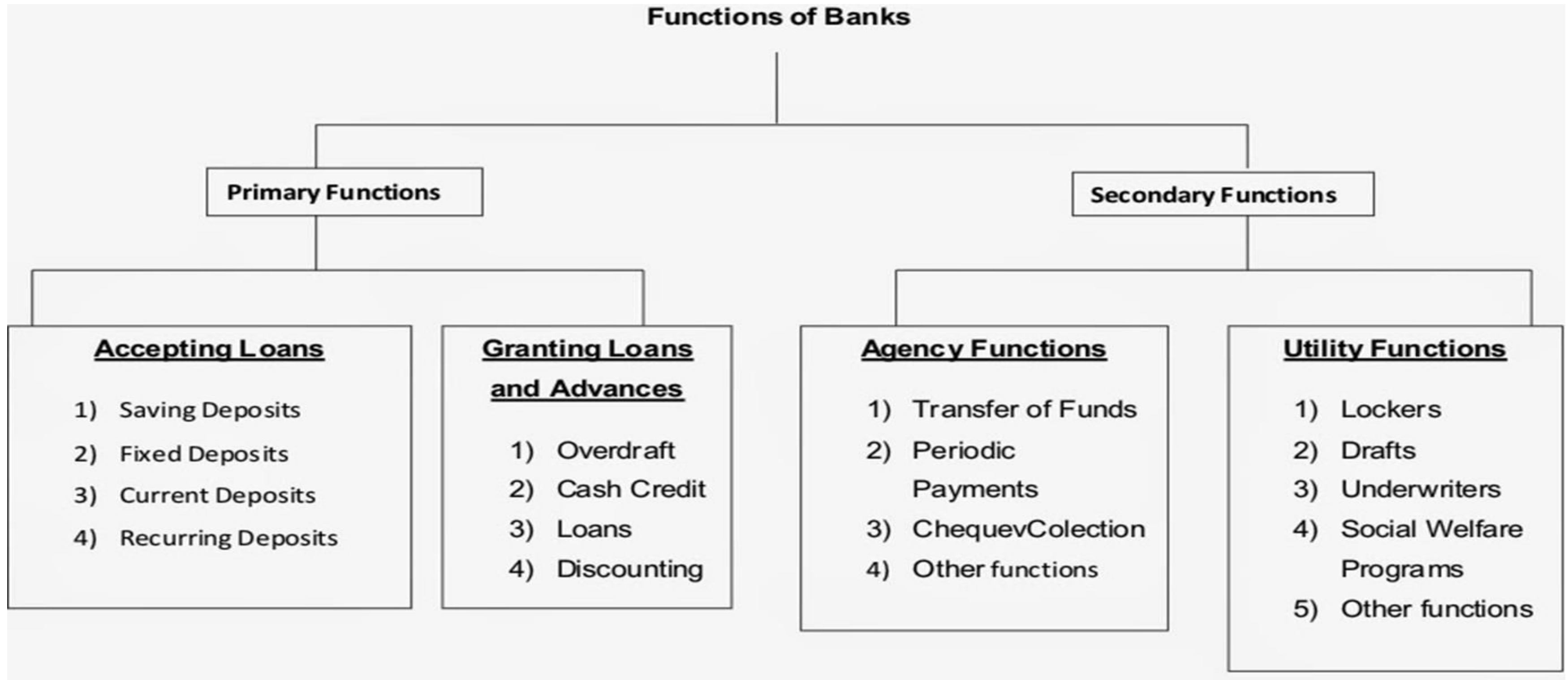
Ans: 1-a







# STRUCTURE OF BANKS IN INDIA





*Thank You*