

BARTER SYSTEM

A system in which goods are directly exchanged without use of money. Here both parties agree to sell and buy each other's commodity. This is known as double coincidence of wants.

Modern Forms of Money

Money is something that can act as a medium of exchange in transactions.

CURRENCY: [cbse 2019]

- Currency is a generally accepted form of money, including coins and paper notes.
- In India, Reserve Bank of India (RBI) issues currency notes on behalf of the central government.
- The law legalises the use of 'rupee' (₹) as a medium of payment that cannot be refused in settling transactions in India.
- Therefore, the 'rupee' (₹) is widely accepted as a medium of exchange.

DEPOSITS WITH BANKS:

- Banks – other form in which people hold money.
- Money deposited in Banks is safe with the bank and people also get interest on the deposited amount.
- The deposits in the bank accounts can be withdrawn on demand. Hence, these deposits are also called demand deposits.

CHEQUE FACILITY:

A cheque is a paper instructing the bank to pay a specific amount from the person's account the person in whose name the cheque has been issued. Facility of cheque, make it possible to settle payments directly without use of cash.

Modern Banking System

- Banks mediate between those who have extra funds (the depositors) and those who are in need of those fund (the borrowers).
- Bank charge a higher interest rate on loans than what they offer on deposits. This difference between interest is banks main source of income.
- In India only 15% of deposit is kept with the bank itself, the rest is given out as loans.

CREDIT

Credit (loans) refers to an argument in which the lender supplies the borrower with money, goods or service in return for the promise of future payment. Loans are both good and bad, in one situation it can increase a person's earnings in other situation, it may push the person into debt trap.