

Modern Forms of Money:

1. Currency:

The currency is a country's unit of exchange issued by their government or central bank whose value is the basis for trade. Currency includes both metallic money (coins) and paper money that is in public circulation.

(a) Metallic Money:

Metallic money refers to the coins which are used for small transactions. Coins are most often issued by the government. Examples of coins are 50 paise coins, and 1, 2, 5 and 10 rupee coins.

(b) Paper Money:

It refers to paper notes and used for large transactions. Each currency note carries the legend, 'I promise to pay the bearer the sum of 50/100 rupees' depending on the value of note. The currency notes are duly signed by the Governor of RBI.

2. Deposit Money or Bank Money:

It refers to money deposited by people in the bank on the basis of which cheques can be drawn. Customers of the bank deposit coins and currency notes in the bank for safe-keeping, money transferring and also to get interest on the deposited money.

This money is recorded as credit to the account of the bank's customer which can be withdrawn by him on his/her wish by cheques.

3. Legal Tender Money (Force Tender):

Legal tender money is the currency which has got legal sanction or approval by the government. It means that the individual is bound to accept it in exchange for goods and services; it cannot be refused in settlement of payments of any kind.

Both coins and currency notes are legal tender. Coins and notes are usually defined as a legal tender. The Indian Rupee is also legal tender in Bhutan but Bhutanese Ngultrum is not legal tender in India.

4. Near Money:

It is a term used for those which are not cash but highly liquid assets and can easily be converted into cash on short notice such as bank deposits and treasury bills. It does not function as a medium of exchange in everyday purchases of goods and services.

5. Electronic Money:

Electronic money (also known as e-money, electronic cash, electronic currency, digital money, digital cash or digital currency) involves computer networks to perform financial transactions electronically. Electronic Funds Transfer (EFT) and direct deposit are examples of electronic

money. It exchange funds every day without the physical movement of any paper money. This would eliminate the use of cheques and reduce the need for currency.

6. Fiat Money:

Fiat money is any money whose value is determined by legal means. The term fiat currency and fiat money relate to types of currency or money whose usefulness results not from any intrinsic value or guarantee that it can be converted into gold or another currency but from a government's order (fiat) that it must be accepted as a means of payment.