

MONEY AND CREDIT
DEMAND DEPOSITS
AND
LOAN ACTIVITIES OF BANK

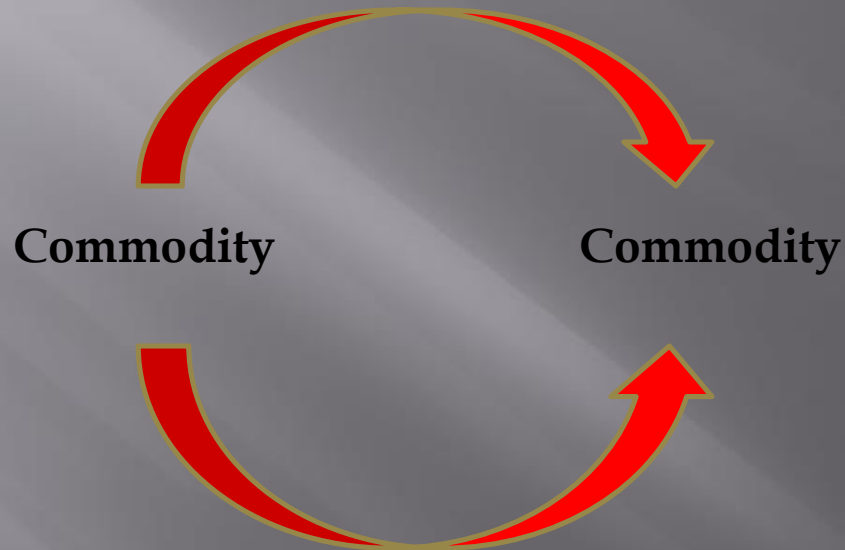
Money as a Medium of Exchange



- ❖ Money has been a very important part of our life .
- ❖ Goods and services are exchanged with money.
- ❖ In some cases actual transfer of money does not take place . There is a promise to pay later

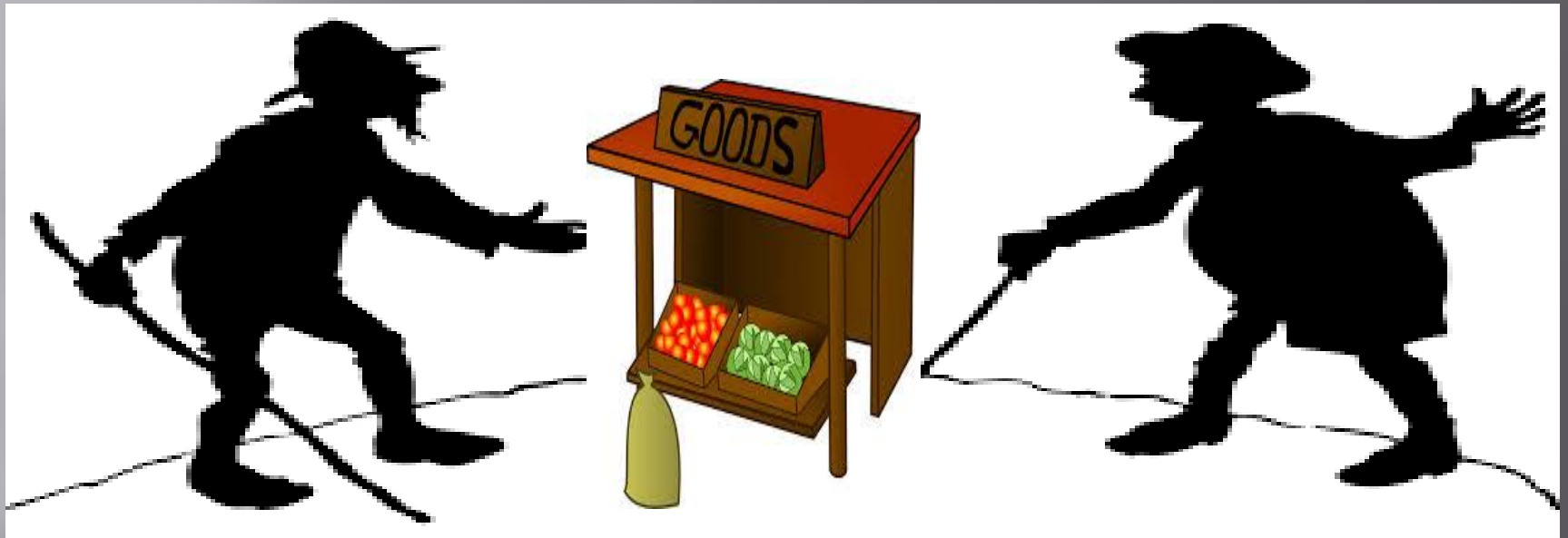
BUT HOW WERE TRANSACTIONS DONE EARLIER ?

BARTER SYSTEM



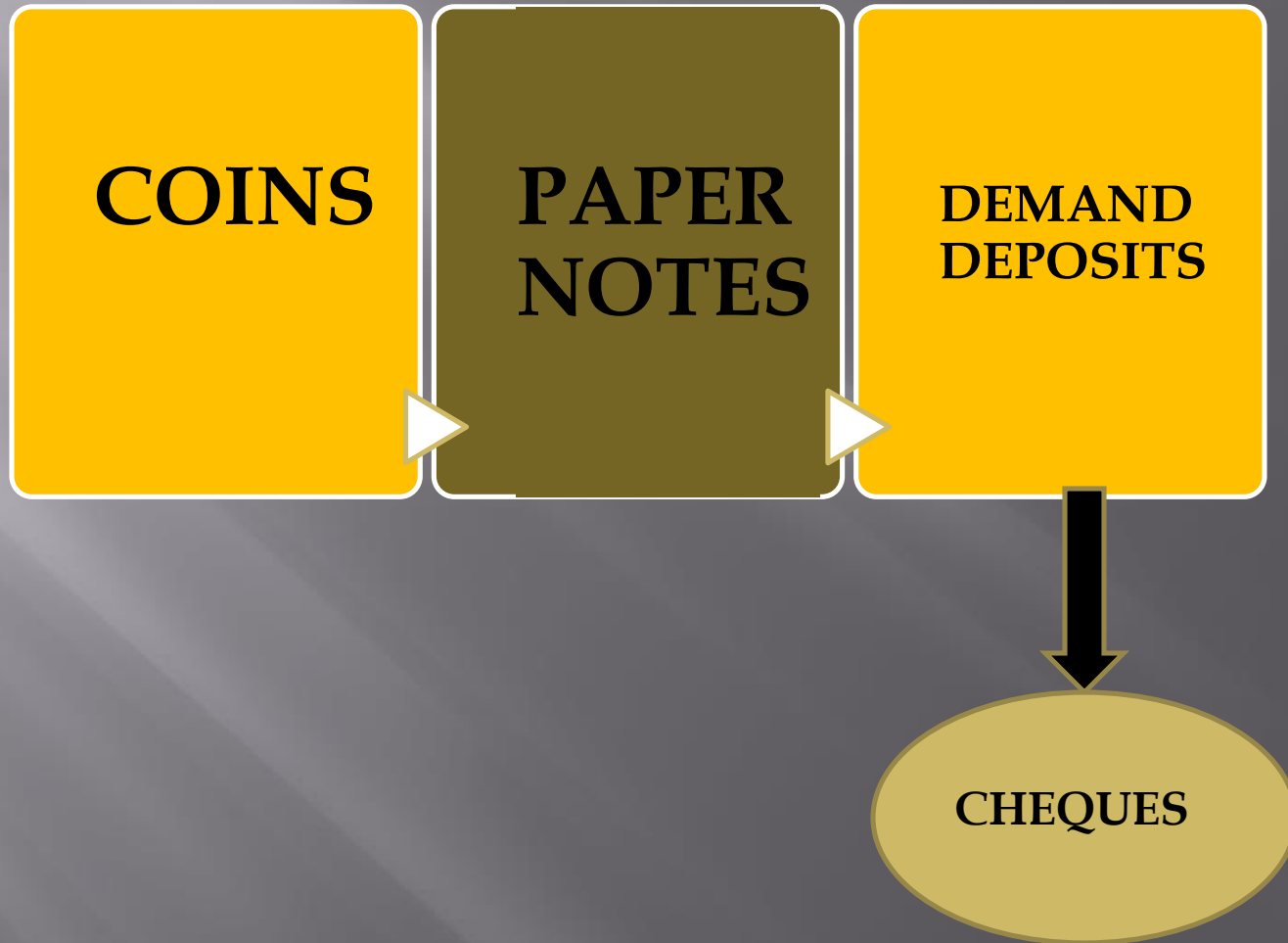
IN THE PAST IN THE ABSENCE OF MONEY EXCHANGE OF GOODS TOOK PLACE. THIS WAS CALLED THE BARTER SYSTEM

DOUBLE COINCIDENCE OF WANTS



- ❖ A PROBLEM ASSOCIATED WITH BARTER SYSTEM WAS DOUBLE COINCIDENCE OF WANTS .
- ❖ BOTH PARTIES INVOLVED IN TRADE HAVE TO AGREE TO SELL AND BUY EACH OTHER'S COMMODITIES.

MODERN FORMS OF CURRENCY



WHAT ARE DEMAND DEPOSITS ?

- ❖ DEPOSITS IN BANK ACCOUNTS WHICH CAN BE WITHDRAWN ON DEMAND ARE CALLED DEMAND DEPOSITES.
- ❖ DEMAND DEPOSITS SHARE ESSENTIAL FEATURES OF MONEY
- ❖ SINCE DEMAND DEPOSITS ARE WIDELY ACCEPTED AS MEANS OF PAYMENT ALONG WITH CURRENCY , THEY CONSTITUTE MONEY IN THE MODERN ECONOMY



LOAN ACTIVITIES IN BANKS

WHAT DO BANKS DO WITH DEPOSITS THAT THEY ACCEPT FROM PUBLIC?

DEPOSITORS



PEOPLE MAKE DEPOSITS WITH
THE EXTRA CASH THEY HAVE



BANKS PAY INTEREST ON
THESE DEPOSITS.

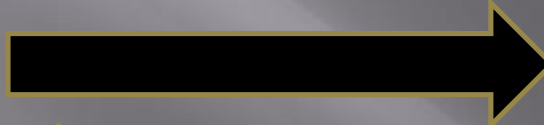
BANK



LOAN ACTIVITIES IN BANKS



**BORROWERS GET LOANS
FROM BANK AGAINST
COLLATERAL**



**THEY HAVE TO REPAY THE
LOAN WITH INTEREST**

