Supply of Money - R & U - Very Short (Info & Con)

Q.1. Define money supply.

Ans. Money supply refers to the total quantity or stock of money available in the economy at a point of time.[Note: It does not include stock of money held by the suppliers of money, viz., the central bank, the commercial banks and the government.]

Q.2. Define M_1 measure of money supply.

Ans. M_1 = Currency (including notes and coins held by the people) + Demand deposits + Other deposits.

Q.3. What are the components of money supply?

Ans. The components of money supply are: (i) Currency held by the public, (ii) Demand deposits of the people with the commercial banks, and (iii) Other deposits (demand deposits with RBI of domestic and foreign institutions other than that of the government of the country and commercial banks within the country).

Q.4. Who are the suppliers of money in India?

Ans. Suppliers of money include: (i) the government of the country, (ii) the central bank of the country, and (iii) the commercial banks.

Q.5. What is the difference between term deposits and demand deposits?

Ans. Term deposits are always for a specific period of time called ‘the term’. Cheques cannot be issued against term deposits. Demand deposits, on the other hand, are not for any specific period of time. Cheques can be issued against demand deposits.