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A Review on Types of Money in the Development of Community Trade

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ABSTRACT: The interests of the government and the interests of the people will affect the amount of money circulated. The government with all interests and needs will affect the amount of money in circulation; Likewise credit agencies such as banks and financial institutions will also influence the amount of money in circulation. In society there will be seen various types of money in circulation since then and now. From development of the use of money in the past and at the present time, we will see some kind or type of money circulating in the community. The use of demand deposits and the growing development of the use of checks and demand deposits in economic activities of the community depend on the progress of the way of thinking of the people and the economic progress of a country. This means that if the economic progress of the economy is sufficiently good, the people's trust in bandage services will be even greater and they will need more demand money.

KEYWORDS: money, community, trade, bank, development

I. INTRODUCTION

The more advanced the economy of a country that is with a high level of monetization, the more often or more use of demand money which means the higher public trust in banks so that in trade transactions and the circulation of money in these communities generally use demand deposits more than currency [1]. Demand deposits meant above are Demand Deposit Money, which is money in the bank that can be taken by the owner at any time. Aside from the use are checks in currency demand deposits also used giro slips order to the bank for shuttling some money to the account of the person designated by the customer [2]. Near Money or also called time deposit money is something that in the near future will turn into money. Generally it consists of government deposit futures and government bonds that are almost due. In the calculation of the amount of money in circulation there is also arguments are inclined to include Near Money is in the calculation of the money supply but by monetary standard and butterfly monetary realistic then that opinion is much on economists who generally use the money in circulation and demand deposits as the amount of money in circulation [3].

To facilitate our discussion of the types and types of money, we will look at several different types of money used by society, namely:

1. Based on the material from money are distinguished:
 - a) Coins;
 - b) Paper money.
2. Based on the value of money can be divided into:

- a) Full value money ;
 - b) Signed money or token money .
3. Based on trade needs of the modern economy money is divided:
- a) Demand deposits and currency;
 - b) Near money

Below we discuss one by one the money with descriptions to facilitate our understanding of the various types of money used and circulating in the community since then until now.

II. COIN

Various types of metals used as money consist of gold, silver or silver . In this case there is a calculated unit that is used by the VB ai standard where there are gold standard, silver standard and twin standards [4].

a. Gold Standard

The gold standard has:

- 1) Raw gold coins.
 - 2) Gold core raw.
 - 3) Raw gold notes.
 - 4) Raw gold reserves.
- 1) For the Gold Currency Standard , there are several things that are considered as criteria that we need to know, namely:
- a) A certain amount of gold from certain parts is made as a standard unit [5].
 - b) Gold currencies are declared as legal tender [6].
 - c) All bank notes issued by the government or central bank and all legal payment instruments other than gold can be exchanged freely for gold [7].
 - d) Gold can be forged with unlimited means to turn into a currency with no extraordinary profits [8].
 - e) Exports and imports of gold's of any kind are also not restricted. This gold standard is called the Gold Coin Standard [9].
- 2) Gold Core Raw Must Also Meet The Following Requirements:
- a) The amount of gold determined from a certain level is made as a standard unit [10].
 - b) Gold's currency not circulate that makes a legitimate payment is money other than gold but foreign payments used gold in bullion [11].
 - c) Status of all money circulating freely can be exchanged for gold [12].
 - d) To obtain gold one must deal with the government or the central bank which states a fixed price and can be obtained indefinitely [13].
 - e) That imports and exports can be done freely. Standards in this gold is called GOLD BULLION STANDARD [14].
- 3) For notes of raw gold (Gold Exchange Standard) needs several requirements that must be considered are:
- a) A certain amount of gold with a known level is made into a standard unit [15].
 - b) The Government or the Central Bank has a credit relationship with foreign banks whose circulation is still based on gold [16].
 - c) All money in circulation other than gold can be exchanged for notes with a predetermined area [17].
 - d) The Government and the Central Bank can conduct regulations freely [18]. The advantages of the Standard Gold Exchange are:
 - a) there are savings on gold reserves;

b) the government can oversee the circulation of gold.

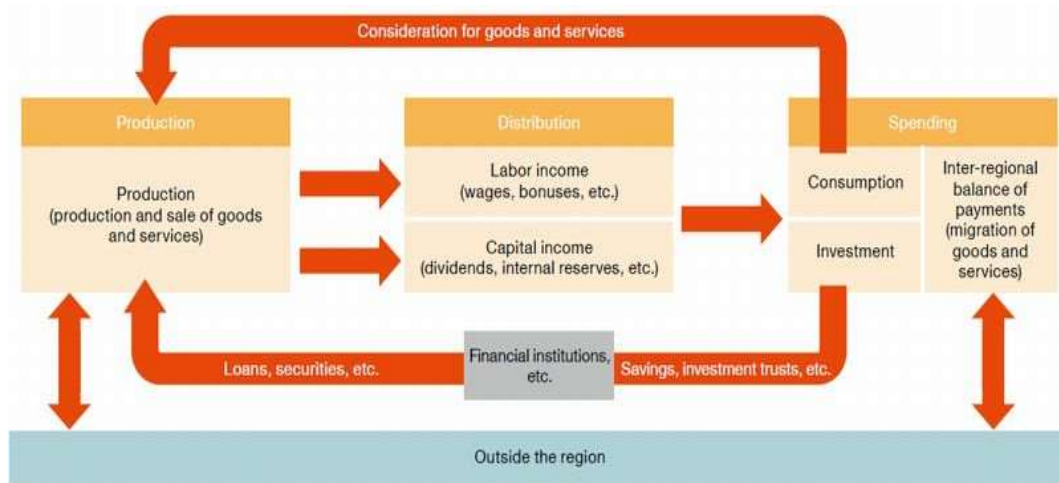


Figure 1. Community Building through Local Money

4) Figure 1 shows Community Building through Local Money. Regarding the gold reserve standard (Gold Reserve Standard) there are several things that must be considered, namely the Bank does not give the right of exchange to the owner of the money in circulation, but the Central Bank still has gold reserves for international payments [19]. In fact, in this case there is no longer a gold standard lag as described above but is more inclined to gold reserves to be used as a buffer for international internal payments [5].

b) Silver Standards

In the silver standard follow RTI silver that pa currency ling preferred as a means of exchange. But countries that use it experience various difficulties because it is difficult to be generally accepted by other countries, unlike just the gold standard, because all other countries can receive it in full [6]. Therefore the gold standard is certainly more profitable than the silver standard [20]. The advantages of the gold standard over silver are:

- a) Gold is more valuable in small quantities than silver so it does not require high transportation costs.
- b) Gold value is more stable.
- c) As a result the exchange rate will be stable using the gold standard.
- d) Credit will be healthier because it is based on intrinsic value than gold.

c) Twin Standards

Countries that use twin standards mean that both gold and silver are circulating in the country's monetary standards, where all money in circulation, both gold and silver, can be exchanged freely and both are legal instruments of payment that are unlimited to an unlimited amount . Likewise, there are no restrictions on imports and exports and if the parallel standard will be forged, namely gold and silver, there is no upper limit regarding the storage of the two metals [7]. Apart from the gold, silver and bar standards, there is another standard that we need to study, namely the so - called fiat standard , a standard based on the stipulation that the money in circulation has a much higher value than the intrinsic value where the conditions of the fiat standard are must be accepted as a unit of value, must be accepted as a valid payment instrument and all money in circulation can be exchanged for this money [8]. Fiat money is if the value of the nominal number is greater than the intrinsic value.

d) Full Bodied and Token Money

What we are discussing above if we pay attention is based on its value, which is between the nominal value and intrinsic value is divided into two, full value money (full bodied money) and money that has no full value or marked money (token money) [9].

What is meant by full bodied money is money whose intrinsic value is the same as its nominal value. Or money whose value is as an item for purposes of monetary nature, equal in value to ordinary or non-monetary goods [21]. This kind of money arises in the manufacture of material from the metal we are discussing that consists of gold and silver where the requirements must be fulfilled namely first , money can be shifted from monetary use to non-monetary use. Second, the existence to liberation of each personal to merge or forge metal into money or resentful without costs [22]. Money that is not valuable or commonly referred to as token money or money marked means money whose intrinsic value is smaller than its nominal value. The money itself has a value as an item (non- monetary calculation) but this money in circulation may represent a certain number of metals with the value of the goods equal to the nominal value of the money. In the development of the times, the value of money usually has an incomplete value, in the sense that the intrinsic value can be less than the nominal value [10]. At this time the money that is different does not represent a certain amount of money (gold) or with other words the money can not be exchanged directly with the amount of gold in the bank or the National Bank [23]. In this case, we can see an example of how the use of banknotes that are now used as a means of financing both in other countries and in our country, namely the rupiah.

III. PAPER MONEY

The paper money that we now use as a legal payment tool for exchange and various other functions is the most popular and used money throughout the world. One of the reasons why people are more inclined to use paper money is that the cost of making it is cheaper than making money from both gold and silver. The second reason is because paper money is easily carried in one place to another place [11]. The third reason is that if the needs of a country will increase money, the needs will be easily fulfilled because paper is easily obtained. As has been found above the actual paper money as an object has no value; in other words the intrinsic value of paper currency is also far lower than the nominal value. In this case pay attention to what is meant by token money or fiat money as stated above. Paper money disbursed both by the government and by the Central Bank as a bank that is given the authority and monopoly rights to circulate money, is used as an exchange and legal tender in a country will be accepted by the public who recognize the government and circulating among the people to meet various needs [24]. Generally people believe in the currency issued to the government or the Central Bank even though the object is made from the public, the value of which is very far below the value of gold ripada. Because on the basis of that trust many people also say that paper money is trust money meaning that if there is no trust then the paper money will not be accepted as a currency or at least the public's appreciation for paper money is not so high [12].

Paper money is divided into two types, namely banknotes issued by the government (government money) and banknotes issued by banks or called bank money. In the reign of Republic of Indonesia we have government money spent on past government after independence, known as ORI (Oeang Republic of Indonesia). After that, banknotes in circulation are all bank money, that is, money that is printed and circulated by the Central Bank, that is, Bank Indonesia, which has a monopoly right to print and circulate money, called Oktrooi rights, in accordance with the role of Bank Indonesia as the Circulation Bank [25]. All countries in the world today use paper money as a legal tender in their country. The use of raw metal, whether gold and silver have been greatly reduced since the 1930s, especially after World War II. In addition to banknotes also circulate coins to fulfill small amounts of money or coins which are also useful for the community, especially to facilitate the exchange [13]. In almost all countries, according to the author's observation, the use of banknotes accompanied by banknotes is like small coins, but in the same calculation unit, the most issued by banks as bank money is to counter the use of banknotes.

IV. CONCLUSION

In the economic development and the progress of the people, especially in the development of community trade, the direct banknotes will have a weakness in completing the main transactions for large amounts of transactions where a number of banknotes must be carried around so that there is a risk certain and impractical conditions. Then the idea of the society and in line with the development of banks, namely to use demand deposits (demand deposits, checking accounts or checks) in completing trade transactions. This is done because with this check the amount of money needed to complete the transaction can be easily written down and given to people in interest and to exchange the amount stated in the check concerned can be exchanged with currency at the bank.

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