

Meta data of E- Content (Pre production)

S. N.	AREA OF MATA DATA	TO BE FILLED BY CONTENT GENERATOR(S)
1	Topic	MONEY SUPPLY
2	Subject	MACROECONOMICS CLASS XII
3	Topic connected which area of subject?	MONEY AND BANKING CHAPTER 3: NCERT MACROECONOMICS CLASS XII
4	Class/ Level	CLASS XII
5	Objectives	To enable the child to: <ol style="list-style-type: none"> 1. Understand the meaning of money supply 2. Understand the components of money supply- M1, M2, M3 and M4. 3. Know about the concept of broad and narrow definitions of money 4. Acquire knowledge about the concept of liquidity relating to M1, M2, M3 and M4.
6	Summary	The total stock of money in circulation among the public at a particular point of time is called money supply. <ul style="list-style-type: none"> • Through a circular flow diagram the components of money supply have been explained. Suitable diagrams have been added. • The aggregate monetary resources can be divided into broad and narrow definition of money. Narrow definition includes: M1and M2 Broad definition includes M3 AND M4
7	Key Words	Money supply, M1, M2, M3 and M4, Broad definition of money, Narrow definition of money, liquidity
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MONEY SUPPLY

DEFINITION: The total stock of money in circulation among the public at a particular point of time is called money supply. RBI provides four alternative measures of money supply which are explained in a diagram below:

MEASURES OF MONEY SUPPLY



MEASURES OF MONEY SUPPLY



BROAD AND NARROW DEFINITION OF MONEY

The aggregate monetary resources can be divided into broad and narrow definition of money.

Narrow definition includes: **M1 and M2.**

Broad definition includes **M3 AND M4**

M4 is the least liquid of all

M3 is the most commonly used measure of money supply.

This gradation is based on the order of liquidity which means easy to be encashed for transactions.

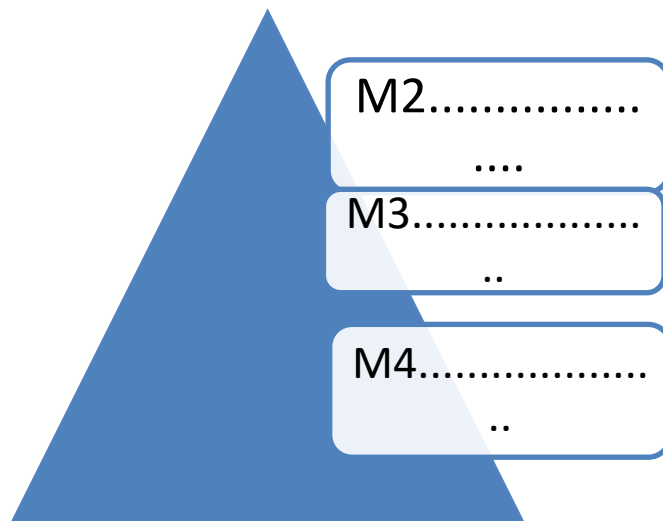
STUDENT ACTIVITY(1) : Teacher can revise the content of the resource by executing the fill in the blanks in the class.

A.FILL IN THE BLANKS

1. Money is a _____ concept. (Stock/ Flow)
2. Post office deposits are mainly the part of _____.(M1/M2)
3. Time deposits are mainly a component of _____ (M1/M3)
4. _____ is broad definition of Money. (M2/M4)
5. _____ is the narrow definition of money. (M1/M3)
6. $M3 = M1 + \text{foreign exchange with RBI}$. (True/False)
7. _____ (RBI/Commercial banks) create demand deposits.

ANSWERS: 1 STOCK 2. M2 3. M3 4. M3 5. M1 6.FALSE 7.COMMERCIAL BANKS

(2) Activity: Fill in the Blanks with complete components of M2,M3,M4.



SOURCES:

1. https://c1.staticflickr.com/5/4102/4827360995_68269c51f5_z.jpg
2. https://pixabay.com/static/uploads/photo/2014/07/11/22/00/rupees-390525_960_720.jpg
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