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MONEY IS A DYNAMIC INSTRUMENT

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ABSTRACT

The paper examined and assessed money as dynamic instrument. Money can enhance life either positively or negatively. Negatively money has a bad reputation with people who do not have it and it has been blamed for everything from wars to infidelity, from destroying friendships to wrecking families and how most people would rather scorn money and tell you how it can destroy the things we hold closest to our hearts.. In the minds of some, the more ways they can demonize money, the more validated they feel for not seeking their own fortunes. Positively money gives you far better access to excellent healthcare, preventive medicine, and alternative treatments. If you need a specific cutting-edge procedure that is not available where you live, you simply fly to a place that offers it. The wealthy do not have sleepless nights worrying about paying their bills and in fact being rich can positively impact your health and well-being.

Money is any item or verifiable record that is generally accepted as payment for goods and services and repayment of debts, such as taxes, in a particular country or socio-economic context. We all know what money is. ... Economists, however, have a language all their own when it comes to money. They define it as something that serves as a medium of exchange, a unit of accounting, and a store of value. Money is a medium of exchange in the sense that we all agree to accept it in making transactions. It is true, money does not buy happiness but it will make you more comfortable, open doors, create opportunities, and make the good things in your life even better. It may even save your life or the life of a loved one. Decide today to make money a bigger priority in your life. As the late Zig Ziglar said, "Money isn't everything ... but it ranks right up there with oxygen."

Thus, money is a source of so many blessings to humankind but also a source of peril hazard and confusion.

KEYWORDS: *Accepted, Economy, Goods, Instrument, Medium of exchange, Money, Service, Store of value*

1.0 INTRODUCTION

Money is the most important invention of modern times. It has undergone a long process of historical evolution. Money, as we know it today, is the result of a long process and we shall see the process as follows:

- **Barter:** Human beings passed through a stage when money was not in use and goods were exchanged directly for one another. Such exchange of goods for goods was called Barter Exchange. Then, a person catching more fish than the necessary for himself and his group, exchanged his excess fish for the surplus of

another person who, for instance, had planted and harvested more corn than what he would need. This elementary form of trade prevailed at the beginning of civilization, and may be found today among people of primitive economies, in regions where difficult access makes money scarce and, even in special situations, where people barter items without regard for their equivalence in value. This is the case, for instance, of a child who exchanges with his friend an expensive toy for another of lesser value, which it treasures.



Goods used in barter are generally in their natural state, in line with the environment conditions and activities developed by the group, corresponding to elementary needs of the group's members. This exchange, however, is not free from difficulties, since there is not a common measure of value among the items bartered.

Commodity Money: The inconveniences and drawbacks of barter led to the gradual use of a medium of exchange. If we study history of money we shall find that all sorts of commodities like seashells, pearls, precious stones, tea, tobacco, cow, leather, cloth, salt, wine, etc. have been used as a

medium of exchange (i.e., money). It is called Commodity Money.

Some commodities, for their utility, came to be more sought than all accept others, they assumed the role of currency, circulating as an element of exchange for other products and used to assess their value. This was the commodity money.

Cattle, mainly bovine, was one of the mostly used, and had the advantages of moving for itself, reproducing and rendering services, although there was the risk of diseases and death.



Salt was commodity money, difficult to obtain, mainly in the interior part of continents, also used as a preservative for food. Both cattle and salt left the marks in the Portuguese language of their function as an exchange instrument, as we keep using words such as pecunia (money) and pecúlio (accumulated money) derived from the Latin work

pecus (cattle). The word capital (asset) comes from the Latin capita (head). Similarly, the work salário (salary, compensation, normally in money, due by the employer for the services of an employee) originates from the use of sal [salt], in Rome, for payment of services rendered.



Among other commodity moneys, cowry – brought by Africans –, Brazil wood, sugar, cocoa, tobacco and cloth, exchanged in Maranhão in the

17th Century due to the almost complete lack of money, traded in the form of yarn balls, skeins and fabrics.



Inadequacy of commodity money led to the evolution of metallic money (gold and silver). The problem of uniformity of weight and purity of precious metals led to private and public coinage.

➤ Metal Money: As soon as man discovered metal, it was used to make utensils and weapons

previously made of stone. At the beginning, metal was used in its natural state and later under the form of ingots and, still, transformed into objects, from rings to bracelets.



- Money in the Form of Objects: Metal items came to be very valued commodities. As its production required, in addition to knowledge of melting, knowing where the metal could be

found in nature, the task was not at the reach of everyone. The increased value of these objects led to its use as money and the circulation as money of small-scale replicas of metal objects



The problem of uniformity of weight and purity of precious metals led to private and public coinage.

- Ancient Coins: In the 7th century B.C. the first coins resembling current ones appeared: they were small metal pieces, with fixed weight and

value, and bearing an official seal that is the mark of who has minted them and a guaranty of their value. Gold and silver coins are minted in Greece, and small oval ingots are used in Lydia, made of a gold and silver alloy called electrum.



At the beginning, coin pieces were made by hand in a very coarse way, had irregular edges, and were not equal to one another as today's ones. The process of

evolution of some better medium of exchange continued.

- Gold, Silver and Copper: The first metals used in coinage were gold and silver.



- Paper Money: In the middle Ages, the keeping of values with goldsmiths, persons trading with gold and silver items, was common. The goldsmith, as a guaranty, delivered a receipt. With time, these receipts came to be used to make payments, circulating from hand to hand, giving origin to paper money.

With time, in the same form it happened with coins, the government came to conduct the issue of notes, controlling counterfeits and securing the power to pay. Currently, all countries have their central bank in charge of issuing coins and notes.

- Cheque: As coins and notes ceased to be convertible into precious metal, money became more dematerialized and assumed abstract forms. One of these forms is the check that, for simplicity of use and security offered, is being adopted by an increasing number of people in their day-by-day activities

This document above, by which one orders payment of a certain amount to its bearer or to a person mentioned in it, aims mainly at transactions with bank deposits.

As the volume of transactions increased, even paper money started becoming Inconvenient because of time involved in its counting and space required for its safe keeping.

This led to introduction of Bank Money (or credit money) in the form of cheques, drafts, bills of exchange, credit cards, etc. These days plastic money in the form of debit cards is becoming popular. Thus, bank money has become the most important form of money in modern times because it is not only a very convenient form of money for large payments, but also eliminates risks and is durable.

The value of money depends on the confidence of those who use it. Money in every country, such as bank notes and coins, has value because it is widely accepted and because it is reliable as a store of value. If money is to do all the things we want it to do, its value must remain reasonably stable over time. Hence, the Central Bank of every country works to maintain confidence in the value of its country's money. The Bank does this by conducting monetary policy with the goal of keeping inflation low, stable and predictable. Controlling inflation not only helps

to protect the value of a country's money, but also to maintain a positive climate for sustainable economic growth and development. Protecting bank notes against counterfeiting—to ensure that they are secure and readily accepted—is another key part of the Bank's effort to maintain confidence in Canadian currency. The Bank is responsible for the design, production and distribution of bank notes.

2.0 LITERATURE REVIEW

2.1 What Is Money?

Briefly, Money is any asset that is widely accepted as a means of making payments or settling debts. Money is anything that is generally accepted by a community and is used as a store of value, medium of exchange and used for making payments and discharging obligations. Over the course of history, money has taken many forms. "Commodity" money included cattle (related to the word "capital"), iron, gold, silver, diamonds and shells. Today, most money is in the form of bank notes, coins and deposits at banks and other financial institutions. Money is any item or verifiable record that is generally accepted as payment for goods and services and repayment of debts, such as taxes, in a particular country or socio-economic context. Whether a tangible object or a computer entry (representing, for example, the value of a bank deposit), money is based on a social agreement to recognize value. This agreement allows a bank note, coin or transfer from a bank to be accepted in exchange for goods and services or to settle debts. Today, the average Nigerian uses a combination of coins, bank notes, cheques and electronic transfer of bank deposits for common commercial transactions, as well as currency and bank accounts to store value. Various forms of money, and the institutions and markets that allow Nigeria has to borrow, spend, save and invest are part of Nigeria's financial system.

2.2 History Of Money In Nigeria

Before the West African Currency Board was formed, Nigeria already had its own currency in the form of cowries and manilas. The board was in charge of issuing currency notes in the country. This was during the time of the colonial masters in the

year 1912 to 1959. On 1st July, 1959 the Central Bank of Nigeria issued the Nigerian currency notes and coins and the West African Currency Board notes and coins were withdrawn. It was not until 1st July, 1962 that legal tender status was changed to reflect the country's new status. The notes were again changed in 1968 as a war strategy following the misuse of the country's currency notes.

On 31st March, 1971, the then Head of State announced that Nigeria would change to decimal currency as from 1st January, 1973. The major currency unit would be called Naira which would be equivalent to ten shillings: the minor unit would be called kobo; 100 of which would make one Naira. The decision to change to decimal currency followed the recommendations of the Decimal Currency Committee set up in 1962 which submitted its report in 1964. The change that took place in January 1973 was a major one and this involved both currency notes and coins. The major unit of currency, which used to be £1 ceased to exist and the one Naira, which was equivalent to 10/- become the major unit:

On 11th February, 1977 a new banknote denomination of the value of 20 Naira was issued. This was special in two respects:

- The N20 (Twenty Naira) banknote was the highest denomination to be introduced then, and its issue became necessary as a result of the growth of incomes in the country; the preference for cash transactions and the need for convenience.
- The N20 (Twenty Naira) banknote became the first currency note in Nigeria bearing the Portrait of a Nigerian citizen, in this case, the late Head of State, General Murtala Ramat Muhammed (1938-1976) who was the torch bearer of the Nigerian Revolution July, 1975.

On 2nd July, 1979, new currency notes of three denominations, namely, (N1), (N5), and (N10) were introduced and these notes were of the same size i.e., 151 x 78 mm as the N20 note issued on the 11th February, 1977. Subsequently, the N100, N200, N500, N1000 were introduced in December 1999, November 2000, April 2001 and October 2005 respectively.

On February 28th 2007, as part of the economic reforms, N50, N20, N10, and N5 banknotes as well as N1 and 50K coins were reissued with new designs, while a new N2 coin was introduced.

2.3 Characteristics Of Money

The characteristics of money are durability, portability, divisibility, uniformity, limited supply, and acceptability. These are all critical characteristics of money. Nevertheless, how do we use the characteristics of money to our advantage for successful business?

- **Durable:** Money must be able to withstand the wear and tear of many people using it. Durability of money is such that it can be used repeatedly or over and over again; hence it must survive wear and tear for long periods. In

business, you cannot always rely on paper money coming in so branch out and allow for online transactions. In other words, the fact that we cannot always deal with paper money is an opportunity to expand your business beyond the paper and achieve greater durability through online transactions.

- **Portability:** Money must be portable and easy to carry. Portability is that money must be able to go wherever such that it is easy to transport as people travel. Why not ensure that your business products can be accessed wherever money is portable. Enable pay pal, visa transactions and any other transaction platforms that are possible in your country that encourage the portability of money. So make your goods available to the extent of the portability of money. People need to be able to take money with them as they go about their business.
- **Divisibility:** To be useful, money must be easily divided into smaller denominations, or units of value. This aspect deals with the fact that money must be easily divided to enable a person to buy different products. When you own a shop, make sure that the shop offers different products, which allow for different denominations. So if a person walks in wanting something for a dollar there should be something in it for them. So let your goods and services allow or encourage customers to spend different denominations. Think little extras, which have different values. Money must be easily divided into small parts so that people can purchase goods and services at any price.
- **Uniformity:** Any two units of money must be uniform or the same in the terms of what they will buy. Uniformity of money calls for a standardization of money so that it looks the same. Ensure that your products have a specific branding standard, which is recognized in different parts. Let you products be uniform so that they are easily recognizable.
- **Limited supply:** Money must be available only in limited quantities. Limited supply states that money is only valuable if it is in limited supply. Occasionally in business, provide products that allow for high demand. This will improve sales for some sections of your products. Produce some goods in limited quantities so that they become more valuable to people.
- **Generally Acceptable:** Everyone must be able to exchange the money for goods and services. This deals with the fact that the form of currency must be acceptable. If we are to do business then we must ensure that the business enables that the exchange that occurs is acceptable in terms of the value that we are to receive. Only sell a product or service that is going to return to you a currency whose value is acceptable to the survival of the business. If the currency is not acceptable to what you need to achieve then

branch out to a new market with an acceptable currency. Money must be widely accepted as a medium of exchange.

2.4 Functions Of Money

- **Medium of exchange:** As for Medium of Exchange, ever since it being introduced into the economic society, money has been fulfilling its duty to act as an essential function, which is medium of exchange in the society. Money facilitates well as our monetary transactions to purchase and own both tangible and intangible goods and services as a medium of exchange. As manufacturers, sell their productions to the wholesalers or retailers in exchange of money as an earning. While wholesalers and retailers sell the same finalized goods to the final consumers in exchange of money as their own earning. Similarly, all service providers of the society sell their services in exchange of money as their earning. Then, all these sections of the economic society which are manufacturers, wholesalers, retailers and service sellers such as doctors, lawyers and more will then use the earnings which they have made to consume on other goods and services which they need or want. (Harcourt, 2013) Without the existence of money, every transaction of money for goods and services may have to be conducted by barter trading, which engages direct and absolute exchange of one good or service to own or use another. The only obstacle which barter system always faces is when in order to obtain a specific good or service from a seller, one has to be able to provide another good or service which consist of equal value with the good and service they want to possess, which the seller desires to obtain. (Harcourt, 2013)
- **Measure of value:** Under the barter system, it is very difficult to measure the value of goods. For example, a horse may be valued as worth five cows or 100 quintals of wheat, or a Maruti car may be equivalent to 10 two- wheelers. Thus, one of the disadvantages of the barter system is that any commodity or service has a series of exchange values. Money is the measuring rod of everything. By acting as a common denominator, it permits everything to be priced, that is, valued in terms of money. Thus, people are enabled to compare different prices and thus see the relative values of different goods and services. This serves two basic purposes:
 - (i) Households (consumers) can plan their expenditure and
 - (ii) Business people can keep records of in-come and costs in order to work out their profit and loss figures.
- **A Store of Value (Purchasing Power):** Money must hold its value over time; it must act a Store of Value. As before, goods were beyond possible to store its surplus value under barter economy. After the creation of money, the

following issue has been solved efficiently. Retailers and sellers can now store their surplus retailing earnings. Saving money is now secure in value without having to worry its loss of value (Education, 2012) Rather than spending today, you can store it for use in the future.

- **The Basis of Credit:** Money facilitates loans. Borrowers can use money to obtain goods and services when they are needed most. A newly married couple, for example, would need a lot of money to completely furnish a house at once. They are not required to wait for, say ten years, to be able to save enough money to buy costly items like cars, refrigerators, T.V. sets, etc.
- **A Unit of Account:** An attribute of money is that it is used as a unit of account. The implication is that money is used to measure and record financial transactions as also the value of goods or services produced in a country over time. The money value of goods and services produced in an economy in an accounting year is called gross national product. According to J. R. Hicks, gross national product is a collection of goods and services reduced to a common basis by being measured in terms of money.
- **Standard of Deferred (Postponed) Payment:** Moreover, as for Standard of Deferred Payments, (Tilak, 2011) money is able to act as a monetary transaction to be used to pay both before and over time for other goods. This means that goods and services can be paid for instalments over a period such as hire purchase. Unlike barter trade, transactions do not need to be settled at a lump sum at a time. (Upadhyaya, 2012) Money, besides acting as a monetary support of current transactions, it also acts as the monetary support of deferred payments, which is future payments, loan repayments acts as an example for deferred payments.

2.5 Money A Dynamic Instrument

Money is dynamic instrument acting on people's life and the economy as a whole. Money, in and of itself, is not very spectacular. What money can do for you is what is important. Money gives you freedom and choices. You can decide where and how you want to live when you have a good income or financial resources. On the other hand, when you do not have much money, choice may be something that you cannot afford. The choices available to you may not really be choices at all. In addition, money is one of the fundamental inventions of humankind. It has become so important that the modern economy is described as the money economy. The modern economy cannot work without money. Even in the early stages of economic development, the need for exchange arose

With money, you can maintain your health even though you cannot rule your health and money can buy a good house, wear good clothes and spend on the things you get pleasure from. Money is only a tool or medium to achieve happiness, it may not be

the everlasting happiness in itself but it is worth wanting because you can get good education, security, housing and most of the necessities of life and the economy as a whole.

Some downsides

- Money is only a tool. It will take you wherever you wish, but it will not replace you as the driver. –Ayn Rand
- Happiness is not in the mere possession of money; it lies in the joy of achievement, in the thrill of creative effort. –Franklin D. Roosevelt
- Empty pockets never held anyone back. Only empty heads and empty hearts can do that. – Norman Vincent Peale
- If money is your hope for independence you will never have it. The only real security that a man will have in this world is a reserve of knowledge, experience, and ability. –Henry Ford
- If you live for having it all, what you have is never enough. –Vicki Robin
- We make a living by what we get, but we make a life by what we give. –Winston Churchill
- Wealth is like sea-water; the more we drink, the thirstier we become-Arthur Schopenhauer
- If we command our wealth, we shall be rich and free. If our wealth commands us, we are poor indeed. –Edmund Burke
- You can only become truly accomplished at something you love. Don't make money your goal. Instead, pursue the things you love doing, and then do them so well that people can't take their eyes off you. –Maya Angelou
- Money often costs too much. –Ralph Waldo Emerson
- Hence we must make money but keep the other necessary ingredients of life entangled in the process.

3.0 CONCLUSION

However, in real life money is a very important matter in people's lives. ... Money plays a huge role in the society in variety of ways such as in business, at people's job, and even in education. Money helps people achieve a better quality of education, larger chance of business success, and higher work output. Money is one of the most fundamental inventions of humankind.

Every branch of knowledge has its fundamental discovery. In mechanics, it is the wheel; in science fire; in politics the vote. Similarly, in economics, in the completely commercial side of man's social existence, money is the essential invention on which all the rest is based. Money buys you food, a roof over your head, clothing, transportation, entertainment, it buys you an education, it provides for your family, it buys your health for when you are sick, it has the power to end life and the power to give it. We give up a vast majority of the time in our day - 8 hours or more, in pursuit of money. Who would spend their entire day trying to get something if it were not the most important thing in the world to them? Quite clearly,

money is the terra and the firma of all earthly existence.

Money is indispensable in an economy, whether it is capitalistic or socialistic. Price mechanism plays a vital role in capitalism. Production, distribution, and consumption are influenced largely by prices, and prices are measured in money. Even a socialist economy, where the price system does not play so important a role as under capitalism, cannot do without money. For a while, the socialists talked of ending money, i.e., abolishing money itself, because they considered money as an invention of the capitalists to suppress the working class. However, later on they found that even under a system of planning, economic accounting would be impossible without the help of money.

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