

Abdelhafid Boussouf University - Mila

Faculty of Economics, Commercial & Management

Sciences

Lectures On : Forms of Money

Addressed To It Year Students - 1 Semester

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Forms of Money

1. What Is Money?

Money is anything that is widely accepted as a **medium of exchange** for goods and services. It allows people to buy, sell, save, and invest.

2. Main Forms of Money

A. Cash (Physical Money)

1. Coins

- Made of metal
- Used for small payments
- Examples: 1 DA coin, 10 DA coin, 1€ coin, 25¢ coin

2. Banknotes (Paper Money)

- Higher value than coins
- Examples: 100 DA, 500 DA, \$20, €50

Rules:

- Cash is used for quick, small, and everyday transactions.
 - Cash has **no digital record** unless deposited in a bank.
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B. Bank Money (Deposits)

Money stored in bank accounts.

- **Checking/Current accounts**
Used for daily payments, transfers, payments by card.
- **Savings accounts**
Used to store money long-term and earn interest.

Rules:

- Bank money is the **most common** form of money today.
 - Allows electronic transfers, card payments, and online banking.
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C. Electronic Money (E-Money)

Money stored in digital form and accessed with electronic devices.

Examples:

- **Debit cards / credit cards**
- **Online banking**
- **Mobile payment apps** (PayPal, Apple Pay, etc.)

Rules:

- No physical cash is needed.
 - Faster for national and international payments.
 - Requires internet or banking system access.
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D. Digital Currencies

Currencies that exist **only online**.

1. Cryptocurrencies

- Decentralized (not controlled by a central bank)
- Examples: Bitcoin, Ethereum
- Value is highly volatile

2. Central Bank Digital Currency (CBDC)

- Digital version of a country's official currency
- Controlled by the central bank
- Example: e-Yuan (China)

Rules:

- Cryptocurrencies are risky and used mainly for investment.
 - CBDCs aim to make payments faster and safer.
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E. Near-Money Assets

Assets that are not money but can be quickly converted into money.

Examples:

- **Checks**
- **Treasury bills**
- **Savings certificates**
- **Foreign exchange (FX)**

Rules:

- They cannot be used directly for payment.
 - They can be turned into cash or bank money easily.
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3. Characteristics of Good Money

Good money should be:

- **Durable** (doesn't break easily)
- **Portable** (easy to carry)
- **Divisible** (can be split into smaller units)
- **Acceptable** (people trust it)
- **Stable in value**

These rules explain why paper money and digital money work well.

4. Examples in Economic & Business Contexts

- “Most salaries are paid into bank accounts.”
 - “Many businesses prefer digital payments to reduce risk.”
 - “Cryptocurrency prices change very quickly.”
 - “Tourists often exchange money at foreign exchange offices.”
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5. Quick Practice

1. Give two examples of **cash**.
2. What is **bank money**?
3. Name one **digital currency**.
4. What is one advantage of **e-money**?
5. What is a **near-money** asset?