



Provincial Department of Education Sabaragamuwa-
Weekly School

Subject : Economics

Week : 2

Grade : 13

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Competency 7.0 - Investigates the way of contribution of the banking system to the economic activities by identifying the behaviour of money and general price level.

Competency Level 7.2 : Explains the factors related to the demand for money.

Demand for money –

The preference of the people to keep money in the form of money at a given time can be defined as demand for money.

Demand for money is based on the following three main factors.

- 1.Transaction motive
- 2.Precautionary motive
- 3.Speculative motive

1.Demand for money on transaction motive –

Since there is a gap between receiving income and spending the income by a person holding money balances for transactions is called demand for money on transaction motive.

Demand for money on a transaction motive basically depends on the income level of people.

2.Demand for money on precautionary motive –

Holding money balances to spend in unexpected situations is known as demand for money on precautionary motive.

3.Demand for money on speculative motive –

Demand for money to earn profits in future from investments is called the demand for money on speculative motive.

Excercise

- 1.Show the relationship between the income level and demand for money on transaction motive.
 - 1.)by a function
 - 2.) by a graph

