

# Money and Community Economy

Meidylysa Patty<sup>1</sup>, Wiwik Saraswati<sup>2</sup>, Rihfenti Ernayani<sup>3</sup>, Syariefful Ikhwan<sup>4</sup>, Rita Irviani<sup>5</sup>

<sup>1</sup>Politeknik Negeri Ambon, Indonesia.

<sup>2</sup>Universitas Balikpapan, Indonesia.

<sup>3</sup>Universitas Balikpapan, Indonesia.

<sup>4</sup>Universitas Muhadi Setiabudi, Brebes, Indonesia.

<sup>5</sup>STMIK Pringsewu, Lampung, Indonesia.

E-mail: <sup>1</sup>meidyyps@gmail.com, <sup>2</sup>wiwiksaraswati@uniba-bpn.ac.id, <sup>3</sup>rihfenti@uniba-bpn.ac.id,  
<sup>4</sup>syarieffulikhwan@umus.ac.id

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**ABSTRACT:** Classical Analysis suggests that the role of money is not important, money is only a cloak of an actual act of exchange. To find out the actual action must be able to penetrate the veil in question. The conclusion from the classical analysis is that the influence of money is neutral so money does not have a large influence on the economy of the community or the country's economy. On the contrary, John Maynard Keynes in his book *The General Theory of Employment, Interest and Money* in 1926, among others, stated that the money was increasingly important and action in terms of goods, namely in terms of production and distribution of production results. So according to Keynes, the role of money is not neutral and has a very important role in the economy. Therefore, it is only proper that the science of money or monetary science should receive proper attention in society, in fact it can have a very important meaning for the regulation of human life, social life and state life.

**KEYWORDS:** money, economy, community, exchange, business

## I. INTRODUCTION

Money is the most important needs of the community. Also a government requirement, producer needs, distributor needs and consumer needs. With money we can buy all kinds of necessities [1]. Our household needs such as food, clothing, kitchen supplies, household needs, buy school books, buy magazines, buy medicines, buy various other necessities that are part of our lives as humans. With money we can travel everywhere, with money we can enjoy good food, with money we can enjoy delicious food, with money we can visit other countries, with money we can be happy and with money we can be difficult. This means that money is an inseparable part of human life, from community life, from state life, and from the life of this world [2]. Manufacturers need money to buy machinery, build factories and office buildings, mengthe salaries of the workers, sending goods to be enjoyed by consumers and with money the entrepreneurs pay taxes to the government; with money the entrepreneurs can also increase their business and with the money they can provide good participation in this development [3]. With money the government can finance all development programs, with the money the government pays the salaries of its employees and also the money received by the government from overseas creditors and the money used by the government to maintain employee security, pay the army and police for maintain security and order in our country. Therefore, we know that money cannot be separated from human life, money cannot be separated from the economic life of society to meet their needs, which requires a tool called money [4]. That also people whose lives then pursue money solely because with that money they intend to be able to satisfy their needs so that money then controls the lives of people. His life only revolves around money. So the purpose of collecting money is not to be used as a tool to meet the needs of human life both his own life and social life, but to satisfy the needs that exist in human beings so that in any way he tried to get the money [5].

**II. UNDERSTANDING MONEY**

To be able to know everything related to money, we must be able to give an understanding or definition of that money. The money we always use in our daily lives is something that can be accepted by the public as a means of payment and as a medium of exchange. Some Bachelor of Economics put forward their definitions of money and these definitions have enriched our knowledge of money [6].

An object to be accepted as money must fulfill certain requirements and this requirement obviously must be generally accepted, meaning that it is accepted as a general requirement by the people who use the object as money. The requirements are as follows:

- a. Preferred by the public (acceptability) means generally accepted its use as a means of payment, a means of hoarding wealth, as a standard for repaying debt and as a means of exchanging goods and services [7].
- b. Easy to store means storing is not difficult; can be put in a small place even though the amount is large and can be put into places that are not difficult for us to store it [8].
- c. Easy to lift or easy to carry . If we want to carry the money in large amounts, for example, it can be done easily, meaning that the amount of money that is not physically small even though the value of its use is damaged so that it is easily carried everywhere (portability) [9].
- d. Easy to divide (divisibility) means it is easy to arrange the distribution according to units or units with various nominal forms to launch a sale and purchase transaction [10].
- e. Must be able to meet economic needs (should be elastic) so that it can balance business activities and facilitate trade or exchange in the economy [11].
- f. Not easily damaged (durability) means that the money is physically not easily damaged or torn which can disrupt the value of the money [12].
- g. Having a stability of value, which is a stability or an estimate of the value of the money, even though it has fluctuations, but it is endeavored to have small fluctuations [13].
- h. There must be continuity, meaning the continuity of the use of the money, that is, not in a relatively short period of time , so that people distrust people [14].

**III. MONEY FUNCTIONS**

There are some very important functions of money, namely an object called money that is used by the community as a tool to assist in exchanges in payments and so on [15], therefore, we must be able to distinguish money according to its function which we divide by 4 functions, namely first as a medium of exchange exchange, the second money as a unit to count, the third money as a hoarder of the fourth wealth of money as a standard for future payments or debt repayment standards [7].

**a) Exchange Tools**

The first function of money is as a medium of exchange [16]. The function of money as a medium of exchange is based on the needs of people who have goods and the needs of people who do not have goods where money is an intermediary between them. With this money a person can own / own goods and people who have goods can receive the price of the goods [17]. Thus money related to the problem of production and distribution of goods and money is also used as a medium for the producers and consumers [18]. In this regard, we can pay attention to the views of modern theory based on a macro analysis that macro-money has a certain function in society, namely as an intermediary or intermediary in exchange so that at a macro level each person has an appreciation of an object that is considered as money [19]. Therefore, money has a specific function, namely as an intermediary. Therefore, the money that functions as a medium of exchange is actually to facilitate everyday human life, although not everyone is aware of the role of money in his life [20].

**b) Calculate Unit**

The important function of money is as a unit of account or unit of account. What is meant as a unit of calculation is money as a tool used to indicate the start of goods and services traded on the market and the amount of wealth that can be calculated based on the price determination of the goods [21].

Through a tool called money there will be a variety of arithmetic units which are then uniformed in a particular arithmetic unit. As a unit of counting one person to another. This is where the need for the role of money to be able to state the calculations of the community and these calculations certainly have links in the activities or transactions of the community both he as a producer and he as a consumer so that decision making in the economic field will be easy to do if there is a unity of arithmetic [8].

All calculations in economics will be difficult if there is no one tool that can measure a value or there is no one tool that can measure a value or there is no tool that can state the calculation of the value of the item.

### c) **Wealth Hoarders**

The third function, namely money as a means of hoarding wealth, can influence the amount of cash available to the public. People who have money can use the money to spend, but can also be saved for other purposes in the future. For people who have excess money from the needs they need, will want to keep the money in the form of cash either kept in their own homes or deposited in banks or other parties. This means that the money at any time if he needs the money is available and can be paid at any time. JM Keynes in the Liquidity preference theory suggests various reasons why people tend to save money in cash. The three reasons are:

- 1) Reason for transaction .
  - 2) Reasons for precaution.
  - 3) Reasons to speculate.
- d) Debt Repayment Standards

Money also functions as a standard for future payments, term payments or debt installments . The use of money as a standard for debt repayment is closely related to and at the same time as public acceptance as a medium of exchange or a unit of account, because accounts receivable debt is related to money or is a common symptom in the world of commerce and the economy of the community. With the money used to make payments of debts properly and quickly, either in cash or installments, it will be able to increase economic business or trading businesses because money can be used as a tool to manage these payments [9].

## **IV. CONCLUSION**

Value of money, whether paper money or coins or credit money can be obtained from a scarcity of money. Therefore, to maintain the value of money, the amount of money circulating in the community must be maintained and controlled by the government. If not, then money can also disrupt people's lives; even money can also be disastrous for society. If too much money is in circulation while goods cannot keep up with the amount of money, the value of money will certainly go down. Conversely, if money is too little and too much goods, people will increase their demand or the higher the demand for money, and consequently the value of money will increase. This is something that is ongoing. If the value of money goes down and there is an increase in price then the atmosphere is called inflation while the value of money goes up which decreases the price of goods and services is called deflation.

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