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The Role Of Money Markets In Supporting Economic Growth And Business Capital Development

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Abstract. The money market has a crucial role in supporting economic growth and business capital development. By providing access to flexible and liquid sources of funds, money markets facilitate the investments needed to move the wheels of the economy. This article reviews the role of the money market in providing a fast and efficient source of funding for business actors, as well as its impact on overall economic growth. This analysis also discusses strategies that can be applied to increase the role of the money market in supporting business capital development and encouraging sustainable economic growth. In addition to supporting economic growth, the money market also plays an important role in the development of the capital market. Funds collected through money market instruments can be allocated to long-term investments through capital, such as stocks and bonds. It provides an important source of financing for companies looking to expand or develop new projects. Thus, sound and efficient market development is an important prerequisite for sustainable economic growth and inclusive capital market development. Further research is needed to understand more deeply the relationship between money markets, economic growth, and capital market development, as well as to formulate appropriate policies to strengthen the role of money markets in a dynamic economy.

Keywords: *money market, economic growth, business capital*

INTRODUCTION

The money market is a place where short-term financial instruments are traded. The role of the money market in supporting economic growth and business capital development cannot be ignored. Money markets provide a vital source of funding to companies, governments, and individuals for various purposes such as working capital, investment, and financial risk management. By providing a cheap and flexible source of funding, financial markets enable companies to invest in new projects, expand their operations, and increase their competitiveness in global markets. Apart from that, the money market also plays an important role in developing business capital by providing various financial instruments such as commercial securities, certificates of deposit, and secondary money markets. Through this mechanism, companies can optimize their cash management, increase liquidity, and diversify their funding sources. In this context, research on the role of money markets in supporting economic growth and business capital development becomes increasingly relevant. Through a deep understanding of the money market mechanism, appropriate policies can be formulated to strengthen the role of the money market as the main driver of economic growth and business

capital development. In this article, we will discuss in depth how the financial market contributes to encouraging economic activity, increasing investment, and facilitating business growth.

LITERATURE REVIEW

Money market

The money market is a meeting place between funders and potential consumers. This meeting can be held directly or through an intermediary. The money market emerged because there was a demand or supply transaction for a number of funds or short-term securities, generally under 270 days. In the money market, foreign exchange (forex) is needed to pay for export, import and foreign currency activities. Money market players usually; banks, pension funds, insurance companies, government agencies, large companies, financial institutions, leasing, pawnshops, foundations, or individuals. These funds are needed to fulfill working capital needs, short-term finance, liquidity, clearing. According to Eko Sudarmanto: "the money market or what is also called the money market is an abstract meeting place where short-term fund owners can offer it to potential users who need it either directly or through intermediaries."

Capital Market

The definition of capital markets according to the Republic of Indonesia Capital Markets Law No. 8 of 1995 is defined as activities related to public offerings and trading of public companies related to the securities they issue, as well as professional institutions related to securities. According to Sunariyah: "The Capital Market is an organized financial system, which includes commercial banks and all intermediary institutions in the financial sector, as well as all securities in circulation."

Economic growth

Economic growth is an increase in the ability of an economy to produce goods and services. In other words, economic growth refers more to quantitative changes and is usually measured using gross domestic product data or per capita output income. According to Sukirno: "Economic growth means the development of activities in the economy which causes the goods and services produced in society to increase and the prosperity of society to increase. The problem of economic growth can be seen as a long-term macroeconomic problem from one period to another." According to Lincoln Arsyad: "economic growth is defined as an increase in gross domestic product (GDP)/gross national product (GNP) regardless of whether the increase is greater or smaller than the population growth rate, or whether changes in the economic structure occur or not."

METHODS

This paper uses a literature study research method by reviewing and analyzing several journals and books that are closely related to the field of application of money markets and capital markets in Indonesia. The results of the analysis from various literature will be used as a reference and learning resource in explaining material regarding the application of money markets and capital markets in Indonesia, so that writers and readers can clearly understand the role of money markets in supporting economic growth and capital market development.

RESULTS AND DISCUSSION

Money Market Contribution to Economic Growth:

1. Access Funding: Money markets provide easier and faster access to funds than traditional financial institutions. This allows companies to raise capital at a lower cost, which in turn can encourage investment and business expansion.

2. **Efficiency and Liquidity:**The money market provides high liquidity and efficiency in capital allocation. This allows investors to quickly buy and sell financial instruments, which helps in optimizing capital allocation and increasing market efficiency.
3. **Innovation Financing:** Money markets support economic growth by financing innovation and new product development. Innovative companies can access financial markets to obtain the funds needed for research and development, which can ultimately increase competitiveness and economic growth.
4. **Financial Stability:**A healthy money market helps financial health by providing safe and liquid investment instruments. This helps in reducing financial risks and increasing investor confidence, which is important for sustainable economic growth.
5. **Competitive flower prices:**through the supply and demand mechanism, the money market helps determine reasonable interest rates. This has an impact on all economic sectors because competitive interest rates can encourage investment and consumption activities.

Business Capital Development Through Money Markets:

1. **Pendanaan Startup:**Financial markets provide access to capital for startups and new companies that may have difficulty obtaining funding from traditional sources. This helps in driving innovation and creation of new jobs.
2. **Financial Risk Management:** The money market provides derivative and insurance instruments that help companies manage financial risks such as fluctuations in interest rates and currency exchange rates. This allows companies to focus on their core business activities without being too burdened by financial risks.
3. **Infrastructure Project Financing:** Money markets provide short-term and long-term funds for infrastructure projects that are important for economic growth. By using financial instruments such as bonds, important infrastructure projects can be financed and developed.
4. **Provision of data and information:**Money market activities also provide important data and information for capital market stakeholders, such as financial analysts, regulators and investors. This data helps in taking better investment decisions and monitoring overall market conditions.

CONCLUSION

The money market plays a crucial role in supporting economic growth and business capital development. By providing access to funding, efficient capital allocation, financing innovation, and financial risk management, financial markets help create an economic environment that is conducive to business growth and overall economic prosperity. Therefore, it is important for the government and regulators to ensure the stability and health of the financial market in order to strengthen its contribution to sustainable economic growth. By providing liquidity, investment financing and facilitating access to capital, the money market becomes a strong foundation for dynamic economic activity. However, to maximize the positive impact requires continuous efforts to face challenges such as market volatility and systematic risk. Through financial innovation, smart regulation. And broader financial inclusion, financial markets can be a key driver for inclusive and sustainable economic growth throughout the world. Thus, a deeper understanding of the role of financial markets and efforts to improve them will strengthen the foundations of the global economy towards a more prosperous and stable future.

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