The cash balances approach is regarded as superior to the transactions approach in following respects :

(*i*) ***Prominence to human values and motives*** : The emphasis upon K in the cash balance approach brings into prominence the subjective valuation and a diversity of human motives which influence the price level. The transactions velocity model, on the contrary, is based on highly mechanistic apparatus.

(*ii*) ***Causal process*** : Fisher's approach relates the changes in price level to the changes in quantity of money. But, the money-price relationship explained through that model is deficient on the ground that it lacks the causal process. The cash balance approach, however, is capable of explaining how the price level can undergo changes irrespective of a constant stock of money. A change in the desires of the community to hold more or less of cash balances may raise or lower the price level even though the quantity of money remains unchanged.

(*iii*) ***Importance both to demand for and supply of money*** : The cash balances approach, unlike Fisherine approach, is not one-sided. While the latter visualises the supply of money as only effective determinant of the value of money, the former emphasises both the demand for and the supply money as the determinants of the value of money or the price level.

(*iv*) ***Right emphasis on K*** : The cash balances approach gives much importance to K. The analysis of the variations in K offers scope for the study of a number of important problems like expectations, uncertainty, rate of interest etc. which were altogether overlooked in the traditional transactions velocity model.

(v) *More convenient* : Kurihara has pointed out that the Cambridge equation, P = M/KT, and transactions equations P = MV/T, apparently seem to be exactly alike, assuming that V and K are reciprocal to each other. But still, the former is more convenient than the latter, since it is easy to know how large cash balances individuals hold relative to their total expenditure than to know exactly the amount they spend for all kinds of transactions.

(vi) ***Proper explanation of cyclical phenomenon*** : Marshall has opined that the variable K is more significant for analysing the phenomenon of business fluctuations than the Fisherine V. During depression, as the desire to hold money increases, K goes up and the value of money increases while the price level falls. On the opposite, when a distrust in currency develops among the people, the inclination to hold it decreases, K goes down and the value of money falls while the price level goes up.

(vii) ***Emphasis on income*** : According to A.C.L. Day, Cambridge approach emphasises upon a very important new element. It concentrates not upon the total volume of transactions but the level of income. It makes this approach more useful both from the analytical and practical viewpoints.

(viii) ***Development of liquidity preference theory*** : The cash balances approach has led to the development of the modern liquidity preference theory which is of great significance in the explanation of levels of income and employment.

(ix) ***More realistic*** : The Cambridge approach, with its emphasis on K, is more realistic than Fisher's transactions approach which emphasises V because the basic truth is that money is such an asset which must always be held by some one or the other.