First, once they have lent money in exchange for financial claims, suppliers of funds need to monitor or check the use of their funds.Specifically, given the choice between holding cash and longterm securities, fund suppliers may well choose to hold cash for liquidity reasons, especially if they plan to use savings to finance consumption expenditures in the near future and financial markets are not very deep in terms of active buyers and sellers.Second, the relatively longterm nature of some financial claims (e.g., mortgages, corporate stock, and bonds) creates a second disincentive for suppliers of funds to hold the direct financial claims issued by users of funds.They must be sure that the user of funds neither absconds with nor wastes the funds on projects that have low or negative returns.

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