



**THE ESSENCE OF MONETARY POLICY IN THE PROCESS OF  
FINANCIAL GLOBALIZATION**

**Artikova Rayhona Amanbayevna**

Assistant, Tashkent State transport University, Uzbekistan

<https://doi.org/10.5281/zenodo.7783723>

Annotation. For the economy of developing countries, the problem of the impact of financial globalization on monetary policy is an urgent issue, since the use of effective monetary means in the context of economic reform and the development of the legislative base determines the rapid development of the country's economy as a whole. The article will consider the current state of monetary policy in the Republic of Uzbekistan and the means of its implementation. The possibility of the application of the target inflation regime has been critically considered.

Keywords: financial globalization, monetary policy, monetary means, targeting inflation.

According to economic analysis, in addition to partially realized benefits in the development of national financial markets and in the volume of attracting foreign capital that contribute to economic growth, there is a high risk of sharp stagnation of the input flow or outflow of capital, which in turn affects gross demand, and, therefore, also national income. Therefore, in the context of financial globalization, the monetary policy of the state is relevant and determines the effective use of monetary means for economic reform and the development of the legislative base and the rapid development of the country's economy.

As methods of research on this topic, methods of study, comparison of articles, abstracts, data, tables, which were published mainly in various publications were used.

Especially since the sovereign credit ratings of foreign countries are analyzed, it should be noted that in 2016-2018, the countries of the United States, Canada, Great Britain, Germany, Switzerland have a stable high rating, applying the target mode of inflation, that is, managing the inflation expected by the country's Central Bank. In this case, the inflation forecast will serve as an intermediate reference point and it is advisable to apply when setting an interest rate.

However, for the Republic of Uzbekistan, in our opinion, it is not time to use the inflation targeting regime, since its successful implementation will be possible only if the country has the following conditions:

- ensuring price stability as a result of monetary policy;





- if there are financial institutions and markets that work well;
- if fiscal dominance in monetary policy is eliminated;
- when choosing monetary policy tools, independence of the central bank is achieved;
- if a close relationship is reached between the level of short-term interest rates and inflation in the money market.

Now let's consider the existence of the above macroeconomic conditions in the Republic of Uzbekistan. In 2017-2021, in accordance with the strategy of action on the five priority areas of development of the Republic of Uzbekistan, the development of the country's banking and payment system, ensuring price stability, is set as a strategic goal. For the current state of the country, prices for food and non-food goods in the structure of inflation by groups of goods have increased in comparison with the prices for services. Thus, the price of food products increased by an average of 9.4% (falling by 2.5% in 2016 alone), and their impact on inflation was 4.1%.

Prices for junk goods grew by 10.3% and their impact on inflation was 3.7%. According to the calculations of the Central Bank of Uzbekistan<sup>1</sup>, In 2018, there was an increase in inflationary risks in the economy: the inflation rate was 11.5-13.5% per year. Thus, ensuring price stability remains an unresolved problem for the Republic of Uzbekistan<sup>2</sup>.

The second established condition is the presence of well-functioning financial institutions and markets. Its implementation demonstrates the ability of the central bank to effectively control the money supply, GDP deflator and inflation rate, which can be determined at the expense of the speed of money circulation and changes in the money multiplier.

There is no clear and stable connection between the speed of money and the change in the mass of money, that is, the demand for money is practically not associated with interest rates. Also, the Republic of Uzbekistan is characterized by emerging financial markets, which are highly susceptible to changes in demand for loans and deposits. Active financial institutions and markets are characterized by a high level of dollarization.

The rapid increase in lending and money in circulation led to a 2.5-fold decrease in liquidity in many banks and in the banking system as a whole. In order to limit inflation, the growth of the money supply, as well as optimize the volume of lending to the economy, since June 2017, the refinancing rate of the Central Bank of the Republic of Uzbekistan has increased from 9 percent to 14 percent.

<sup>1</sup> Official website of the Central Bank of the Republic of Uzbekistan URL: <http://cbu.uz/>

<sup>2</sup> Official website of the Central Bank of the Republic of Uzbekistan URL: <http://cbu.uz/> (кириш: 02.15.2019).





**References:**

1. Fomina E.A., Khodakovskaya Yu.V., Tamarova R.R. State financial control in the digital economy// Economics and Management: a scientific and practical journal. 2018. № 5 (143). С.73-75.
2. Official website of the Central Bank of the Republic of Uzbekistan  
URL: <http://cbu.uz> / (кириш: 02.15.2019).

