

THE ROLE OF MONETARY POLICY IN ENSURING ECONOMIC STABILITY

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Abstract: *Money plays an important role in the economy of any state. Monetary relations cover such processes of society as production, distribution, circulation and consumption, and create conditions for expanded reproduction. Money and the economy are inextricably linked elements. If problems arise in the economy of a society, then such problems will certainly have a negative impact on the monetary circulation of society.*

Key words: *currency, currency system, national currency, investment, export, import, economic growth, digital currency*

INTRODUCTION

Currently, the socio-economic development of our country is directly related to the modernization of the economy, the implementation of structural changes in production, the introduction of modern techniques and technologies in economic sectors and, on this basis, the achievement of competitiveness, the establishment of a strong position in world markets, and the implementation of such tasks as increasing the export potential of our country. The country's participation in international currency and credit relations plays an important role in the positive resolution of these issues.

ANALYSIS AND RESULTS DISCUSSION

The national currency is the monetary unit of the issuing country (for example, “sum” for Uzbekistan, “ruble” for the Russian Federation, “dollar” for the USA, “pound sterling” for the UK, etc.).

The concept of foreign exchange is related to foreign currency. Foreign exchange is bank assets in foreign currency placed abroad, as well as checks and bills of exchange in foreign currency payable abroad. Foreign exchange is non-cash money.

A collective currency is issued by international monetary and credit organizations. In modern conditions, international monetary units such as SDR and Euro are widely used in the world market.

According to the degree of use in the international market, the currency is divided into reserve (base) currency and other leading currencies.

A reserve (base) currency is a foreign currency in which reserves of Central Banks of other countries intended for international settlements are accumulated and stored. This currency performs the functions of an international payment and reserve instrument.

A fully convertible currency is a currency that has no restrictions on its exchangeability for the currency of another foreign country. The US dollar, the British pound sterling, the Japanese yen, and the Swiss franc (about 20 currencies in total) have full convertibility.

A partially convertible currency is a currency that has limited convertibility, that is, it can be exchanged for certain currency transactions or for certain countries.

A non-convertible currency is a national currency that is not convertible into the currency of another foreign country. These are mainly the currencies of most developing countries. These countries are characterized by a shortage of foreign currency and a difficult balance of payments situation, which is characterized by a hard currency adjustment.

According to the degree of exchange rate stability, currencies are divided into strong and weak currencies.

A strong (stable) currency is a currency that is stable in its nominal value and in relation to other currencies. Strong currencies in the world market include the US dollar, the Euro, the Japanese yen, and the Swiss franc. A weak (soft) currency is a currency that is depreciating in value relative to its nominal value and stable currencies. Weak currencies in the world market usually include currencies that are not included in the strong currencies.

Currency relations are a set of specific monetary relations that arise in the process of currency circulation in the world economy and in the sphere of international relations⁴ or in the process of selling, buying, fulfilling obligations between states, entities of the world currency market, resident or non-resident individuals of a particular state in the process of currency circulation and other similar processes.

Currency relations are a set of specific monetary relations that serve international relations and arise in the process of currency circulation in the world economy. Currency relations serve as the basis of the world monetary system. The study of the processes of their formation is of not only theoretical but also practical importance for Uzbekistan.

In world practice, the following three-letter Latin designations of currencies, developed by the International Organization for Standardization in Financial Markets, are widely used in international and domestic practice (ISO 4217 standard - International Organization for Standardization):

1 table

Currency Denomination in International Practice

AUD	Australian dollar
BRL	Brazilian real
BYR	Belarusian ruble
CAD	Canadian dollar
CHF (SFR)	Swiss franc
CNY	Chinese yuan (renminbi)
EUR	Euro
GBP (STG)	British pound
ILS	Israeli shekel
INR	Indian rupee
JPY	Japanese yen
KZT	Kazakhstani tenge
MXP	Mexican peso
NZD	New Zealand dollar
RUB	Russian ruble
SGD	Singapore dollar
TRL	Turkish lira
UAH	Ukrainian hryvnia
USD	US dollar
UZS	Uzbek soum
ZAR	South African rand

The main participants in currency relations are international financial organizations, states, resident and non-resident individuals of states.

A resident is a legal entity or individual living in the territory of a particular state, being a citizen of this state and operating in the territory of this state.

A non-resident is a legal entity or individual living and operating in the territory of a particular state, but not being a citizen of that state. For example, embassies, representative offices, branches of foreign firms and enterprises, etc.

At the same time, it should be noted here that one of the most widespread participants in currency relations is commercial banks. They carry out the main volume of operations with foreign currencies. Other market participants have opened their accounts in banks, and through these accounts they carry out the necessary conversion and deposit-credit operations. Banks embody the general needs of the market in currency conversions and in attracting and placing funds through operations with their clients. In addition to satisfying client orders, they can carry out operations independently, at the expense of their own funds.

Just as each independent state has its own national monetary system, it also has its own currency system. The currency system organizationally consists of a set of state bodies that implement and coordinate currency relations, currency funds, and relations related to the implementation of these relations, the formation, distribution, and redistribution of currency funds.

A currency system is a form of organizing currency relations between countries.

As a result of our studies, we can conclude that the economies of countries using an inflation targeting regime have achieved a certain level of inflation. For example, after the Central Bank of the Russian Federation began efforts to introduce an inflation targeting regime in the country in 2014 and put this regime into practice, at the end of 2017 the Central Bank of Russia set a goal of bringing the annual inflation rate in the country to 4 percent. As a result of the reforms implemented in the country and the proper organization of monetary policy, opportunities have emerged to achieve this indicator. We can see that the inflation rate in the country at the end of 2016 was 5.4 percent, and at the end of 2015 the inflation rate was 12.9 percent. That is, by applying the inflation targeting regime, the national currency was ensured to be at the level of 64-67 rubles per 1 US dollar in Russia, the increase in the money supply was prevented by covering the state deficit from the reserve fund, and a low growth rate of the money supply was achieved in the territory of the Russian Federation. For example, we can say that at the end of 2015, the growth of the money supply in the territory of the Russian Federation was 11.5 percent, while by 2016 this figure had decreased to 9.2 percent. Based on world experience, we can see that the central banks of countries using the inflation targeting regime around the world are adopting the inflation rate in the territory of the country at an indicator of 2-7 percent. Two factors are mainly important for achieving the intended goal of the inflation targeting regime in the territory of the country. The first is that the Central Bank should independently conduct monetary policy within the country, since achieving the desired inflation rate requires the Central Bank to choose its own monetary instruments. The second factor

is that the indicators selected in the inflation targeting regime should not include a number of indicators such as wage growth, employment levels, and currency exchange rates.

Currently, as a result of the reforms being carried out in the economy of our country, the first steps have been taken in the Republic of Uzbekistan to transition to an inflation targeting regime, having studied world experience. As a result, important decisions and decrees have been adopted by the President. In particular, a number of reforms are being carried out in our country to ensure the implementation of Decree No. 5877 "On improving monetary policy through a phased transition to an inflation targeting regime". In the financial sectors, the state share is being reduced, mainly in the banking system. Almost every year, state shares in state-owned enterprises are being transferred to the private sector. For example, in 2024, instructions have been given to privatize the state share of Asaka Bank, one of our largest and most efficient banks with state shares. As a result of the reforms carried out in the foreign exchange market, the impact of the exchange rate on inflationary expectations is gradually being reduced due to increased volatility. In order to reduce the level of dollarization in the country, a number of proposals are being offered to the population to further encourage savings in the national currency.

For example, banks in our country are currently offering deposits in the national currency at 23-28 percent and in foreign currency dollars at 5-7 percent. From this, we can see that depositing deposits in the national currency by the population in banks is more profitable and can yield more profits than depositing deposits in foreign currency. possible. The reforms being carried out in our country are mainly aimed at achieving the goals of the Decree on the Strategy of Uzbekistan -2030 No. PF -158 of September 11, 2023. The Decree on reforms to be implemented in the "Year of Youth and Business Support" recently adopted by our President also provides for the creation of the necessary conditions for reducing the annual inflation rate to 9 percent, the fiscal deficit to 4 percent, and the lending rates provided by banks to the population by 2-3 percent.

CONCLUSIONS AND SUGGESTIONS.

In economic theory, real money exists as a commodity equivalent and satisfies the needs of consumers for circulation. Paper money is a representative or representation of the value of real money in circulation.

Any independent state has its own money, and such money is considered a national currency for this state. The national currency has its own name and a certain history of circulation.

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