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THE EFFECTS OF MONETARY POLICY ON ECONOMIC GROWTH SUSTAINABLE

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Annotatsiya: Money-credit policy of the state of the economy, regulating in and sustainable development mainly in ensuring the main tools in one. His main purpose inflation control to, work with , providing increase, exchange rates stabilize and economic growth stimulate is. Money-credit policy of the central bank by out carried and her main instrument, interest rates, money is the mass of manage, the currency reserves of the control to and the banking system regulating to look at his into gets. Sustainable economic growth in achieving the monetary policy of the success of its efficiency depends. Inflation control to by the price stability it provides, this while consumers and investors' confidence increases. The interest rate optimisation through credit resources for effective distribution and investment flow jadallashtirilgan. Exchange rate stability while foreign trade and foreign investment stimulates.

Keywords: Money-credit policy, central bank, interest rates, inflatsiya, money, mass, economic growth, monetary policy, investment, national currency stability, banking system, lending policy, capital flows, export-import, financial stability.

Access

In the context of today's globalization to ensure sustainable economic growth is one of the main goals of each country's economic policy. Monetary policy plays an important role in the economic development process, because it not only ensure macroeconomic stability, but also the interaction of stimulating economic activity also serves as one of the means decisive. Of the Republic of Uzbekistan since gaining independence, carried out deep reforms in various sectors of the economy for sustainable growth, the necessary conditions are being created. At the same time, the effects of monetary policy instruments on economic growth plays an important role in scientific research in the framework of highly effective can ensure that you will be able through this because of the economy. The results of this research the main objective of monetary policy instruments to analyze the effects on the economy through sustainable economic growth is to identify opportunities to achieve positive changes in them. This research is ongoing monetary policy instruments on economic growth in uzbekistan, together with the study of the effects of this process by comparison with international experience, new scientific conclusions is intended to. In particular, monetary policy is to ensure sustainable economic growth, mainly on the basis of statistical analysis of data the results of research on the pressing issues is the news. The results of research as the object of monetary policy and economic growth in the economy of Uzbekistan to the effects of the process are obtained. As the subject, while the various tools of monetary policy — the basic interest rates, inflation rate, money is the mass of the dynamics of macroeconomic indicators and other analysis. Uzbekistan is important for improving the practical application of the results of this research may constitute a form of monetary policy recommendations. Also, this research work to achieve sustainable growth in the economy in a way useful for government authorities and financial institutions is the basis of methodological instructions.

Literature review and methodology

The scientific literature on the effects of monetary policy on economic growth when analyzing the experiences of different countries, economic theory and statistics have been studied based on studies. In particular: The theoretical foundations of monetary policy and their impact on economic growth have been studied. The main macroeconomic indicators such as inflation, interest rates, dynamics of the money supply are analyzed. International experiments were compared and the most suitable strategies for Uzbekistan were developed. The literature used in the study mainly focuses on the theoretical foundations of monetary policy, its impact on economic growth, and the study of international experiences. As primary sources, we can take the theoretical foundations of monetary policy: Mishkin (2001), Taylor (1993) and Friedman and Schwartz (1963), and these study monetary policy in the economy and its impact on GDP growth. Monetary policy and economic growth: Bernanke and Gertler (1995) explain the mechanism of influence of monetary policy on the economy through the credit channel. International experiences and example of

Uzbekistan: IMF (2022), OECD (2019) and the Central Bank of Uzbekistan's 2023 reports served as the basis for national and International Monetary Policy Analysis.
Research methodologyat the following scientific and practical methods have been applied:

1. Analysis of scientific literature-fundamental theories and international practices on monetary policy are studied.

2. Statistical analysis-the relationship between inflation, interest rates, loan size and GDP growth is analyzed.

3. Economic modeling-economic models have been used to assess the effectiveness of monetary policy in the conditions of Uzbekistan.

4. The method of comparison – international experiments and the economy of Uzbekistan were compared; the most suitable approaches were identified.

The results showed that optimally setting interest rates, controlling inflation, and effective functioning of the credit market are important factors for monetary policy to have a positive impact on sustainable economic growth.

Results and discussion

Monetary policy is one of the main macroeconomic management tools in the modern economy. The policy aims to promote economic stability, control inflation, and promote economic growth. This section covers in detail the theoretical foundations of monetary policy, its essence and basic concepts. Purpose of monetary policy: in accordance with the law" On the Central Bank of the Republic of Uzbekistan", the development and implementation of monetary policy is one of the main tasks of the central bank. The central bank develops and implements monetary policy based on its goal of ensuring price stability. Price stability means a low and stable inflation rate. According to the decree of the president of the Republic of Uzbekistan "On improvement of monetary policy by gradual transition to the regime of inflationary targeting"PF-5877, the fixed inflation target is set at 5 percent and the central bank is tasked with achieving this goal[1]. The provision of an inflationary target by the central bank maintains the purchasing power of income and savings of residents and entrepreneurs, allows them to plan their long-term expenses and creates favorable conditions for sustainable and inclusive economic growth. At the same time, constant low inflation serves for the entry of stable investments into the country, a decrease in interest rates in exchange for a decrease in the inflation premium, a decrease in the effectiveness of the economy on external risks in the context of an

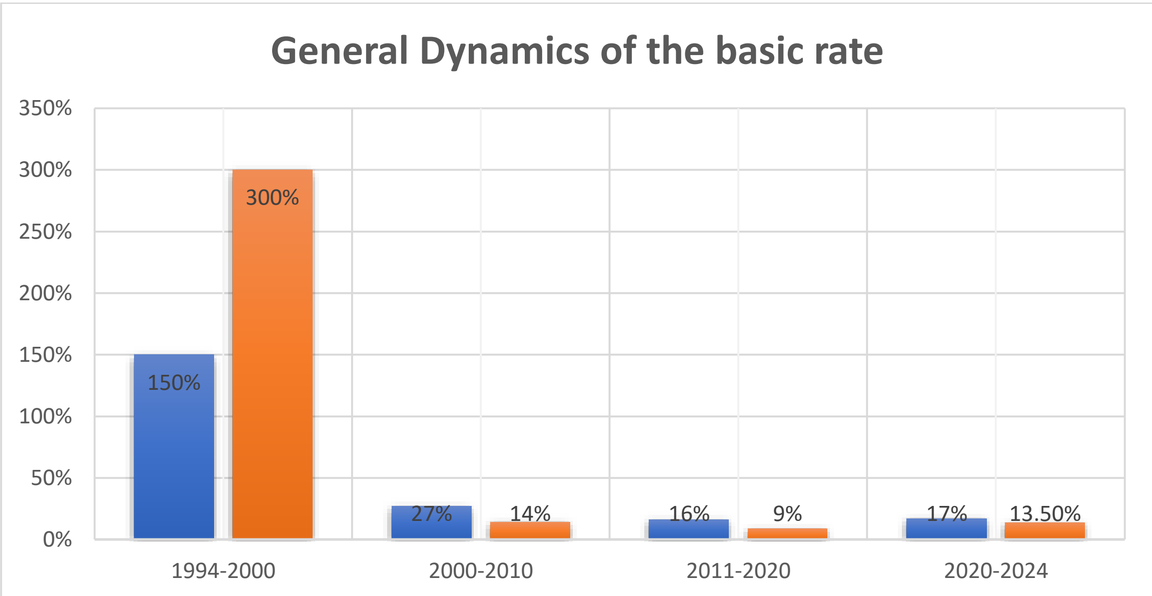
[1] Decree of the president of the Republic of Uzbekistan, No. 18.11.2019 PF-5877

increase in confidence in the national currency. Effective monetary policy creates opportunities to prevent a sharp and lasting deviation from the potential of the economy and take measures to mitigate negative effects.Inflation target mode: Inflation targeting regime: the Central Bank of the Republic of Uzbekistan has been conducting monetary policy since 2020 within the framework of inflation targeting regime.In the inflationary target regime of monetary policy, the target indicator-target of inflation is determined, and all the actions of the Central Bank are focused on the fact that inflation is around this target level.

The basic principles of monetary policy are based on the following principles in the implementation of monetary policy aimed at ensuring price stability in the economy within the framework of the central bank inflation targeting regime. The target indicator for the rate of inflation is published, and the priority to achieve it is ensured. The optimal indicator of inflation, which is determined on the basis of the potential of the economy, changes in supply and demand, macroeconomic forecasts and generally accepted standards, to be achieved, is determined as the target. In our country, the medium-term target indicator for which inflation should be achieved was set at 5 percent, and the target level was published to the general public (population, business representatives and participants in the financial market). Now, all efforts, measures and monetary decisions carried out by the Central bank are aimed at achieving the target indicator-target of inflation. The achievement of the target indicator the assessment of the activities of the central bank by the subjects of the economy is, in general, the main criterion for the formation of confidence in the monetary policy being carried out. From this point of view, all decisions made in the macroeconomic sphere should be made in harmony with inflationary goals. The task of achieving a target indicator of inflation in the activities of the central bank is considered superior to other tasks. The central bank basic rate is the main instrument for maintaining monetary policy. The basic rate is the main instrument of monetary policy and determines the monetary conditions necessary to ensure the formation of inflation within the 5 percent target. In this, the central bank basic rate affects the dynamics of interest rates in the economy and, through it, domestic demand. An inflationary target is achieved by balancing internal demand. Meetings of the management of the central bank for the consideration of the basic rate are held 8 times a year based on a predetermined graph. In this, along with the publication of decisions by the central bank on the basic rate, the issuance of signals on its future expected level (trajectory) plays an important role in the formation of long-term inflationary expectations of the subjects of the economy.

Money-credit policy is the main concept is to identify:

Interest rates. It is considered as a key factor in determining the price of money and has a significant impact on economic activity. Interest rates are an important means of Economic Policy and are managed by central banks within monetary policy. Interest rates perform the following tasks in the economic system: managing economic activity: when interest rates are increased, the cost of obtaining a loan increases, which slows down economic activity. Reduced interest rates, on the other hand, encourage investment and consumption. Inflation control: through high interest rates, it is possible to reduce the money supply in the economic system, which helps to lower the inflation rate. Ensuring national currency stability: foreign investment increases when interest rates are raised because higher rates are attractive to foreign capital. This will reduce the pressure on the national currency and stabilize its course. Fund incentives: high interest rates encourage residents and businesses to increase savings as income from deposits increases. When determining the effect of interest rates, their short-term and long-term effects should be analyzed. This tool is of strategic importance for central banks in ensuring sustainable economic growth. Refinancing rate is the main instrument of monetary policy and determines the monetary conditions necessary to ensure the formation of inflation within the framework of a stable 5 percent target. The accounting rate determines the short-term cash price in the interbank money market, that is, the lending and borrowing of commercial banks to each other on overnite terms is a target indicator of the interest rate.



1-diagram. The basic rate of the overall dynamics

This table is the basic rate (that is, the central bank of the basic interest rate) of the historical changes shows. The table from 1994 to starting the present day and the period of cover will. The main rate of the central bank by determined and this rate in the economy monetary policy of the main indicators that one is. The basic rate of the overall dynamics: 1994-2000-years: This period the main rate is very high it is. For example, may 1994 in the month of the rate of 150% to up was, 1995 to march in the month of while by 300% was reached. This period in the country 's high inflation and economic instability judgment of the push. 2000-2010 of the year: in the year 2000 from starting , the basic rate will gradually decrease , let's go. In the year 2000 at the beginning of the rate of 24-30% around is2006 comes by 14% reduced. This economic stability increase and inflation decline as a result of the occurred have. 2011-2020-years: This period the main rate is relatively stable, that is, from 9% to 16% to changed. In the year 2015, the rate by 9% reduced, this is the most low indicators one is. 2020-2024-years: 2020, from starting , the basic rate is again slightly rose. 2022-the year of march in the month of the rate of 17% was reached, but the year of 2023 march from the month of starting at a rate of decrease, 2024-year in July in the month of 13.5% reduced. The basic rate is most high and most of the low value of: the most high rates: 1995-march in the month of 300%. This period in the country 's high inflation and the economic crisis of judgment have put. Lowest rate: the year is 2015 January from the month of the year of 2017 June from the month of 9%. This period of economic stability and inflation low level observed. The basic rate of change of the causes: 1990-years: This period the main rate is high to be inflation control to and money is the mass of regulating in for the purpose of out carried. Economic crisis and the transition period in the conditions of the rate is very high it is. 2000-years:Economic reforms and stability increase as a result of the main rate is reduced. Inflation level had reduced that reason the central bank rate to decrease managed to have. 2020-years: COVID-19 pandemy , and the global economic crisis effects on basic rate slightly raised. However, from the year 2023, the starting rate is again reduced, this economy stabilization and inflation control under taken with the associated.The present condition 2024-year in July from the month of starting the basic rate of13.5%to up is. This indicator, in the year 2022-2023 high rate compared to decline shows. This economy stabilization and inflation control under taken as a result of occur which is.

Monetary policy is a policy carried out by the central bank or the corresponding financial authority with the aim of ensuring economic stability, controlling inflation, promoting economic growth and reducing unemployment. The main goal of monetary policy is to maintain and develop the stability of the national economy.

Monetary policy is divided into two main types:

Extender monetary policy

Shortening monetary policy

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The expanding monetary policy aims to promote economic growth, reduce unemployment and prevent deflation. This policy is mainly used during periods of economic downturn or crisis. Means of expanding policy: central bank lowering interest rates: it stimulates economic activity. A decrease in interest rates will make it cheaper to get a loan, as well as increase costs and stimulate investment. Open market operations: the central bank buys government bonds, which injects more money into the banking system and increases liquidity in the financial market.

Shortening monetary policy is a policy by the central bank aimed at lowering inflation and reducing excess demand in the economy by reducing the supply of money (money supply). This policy is usually applied when the inflation rate is too high to threaten economic stability.

Tools of monetary policy

a) interest rates

Interest rates are set by the central bank and represent the cost of lending to banks. Changes in interest rates directly affect economic activity. If the central bank reduces interest rates, banks will provide cheap loans to their customers, which will stimulate economic activity. On the contrary, an increase in interest rates will make obtaining a loan more expensive and reduce economic activity.

b) Open Market Operations (OMO

The central bank conducts open market operations to expand or reduce its operations. Through these transactions, the central bank sells or purchases government bonds. If the central bank buys government bonds, money is introduced into the banking system, and liquidity increases. If the central bank sells bonds, it will reduce money in the financial market and slow down economic activity (Table 1).

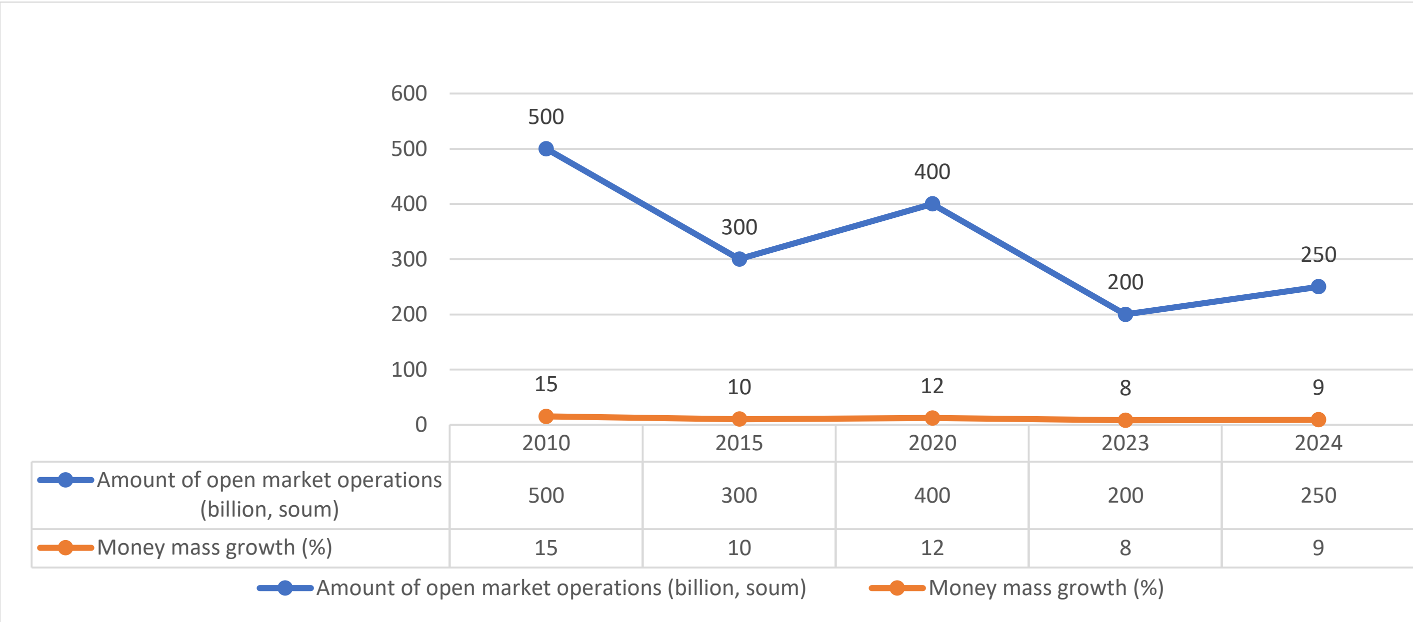
Below we will analyze open market operations through diagrams and tables:

1-table

Open market operations are the types and their effects

Operation type	a description of	the effects of the
Repo operations,	Central bank, commercial bank of	Money is the mass of short term reduces.

	valuable papers the time of purchase will.	
Reverserepo operations,	Central bank, commercial bank of valuable papers time will buy.	Money is the mass of short term will increase.
State bond sale to take	the central bank 's government bond purchase takes.	Money mass will increase, enhancing liquidity increases.
State bond sale	Central bank government bonds will buy.	Money mass decreases, enhancing liquidity decreases.



2-diagram: Open market operations and money mass dynamics

This material presents an analysis of the relationship between open market transactions and the money supply. 2010: increased money supply through the purchase of government bonds, which stimulated economic growth. 2015: short-term liquidity increased through Reverse repo operations, with cash mass growth of 10.0%. 2020: liquidity was controlled through repo transactions during the pandemic, with a 12.0% increase in money supply. 2023: money supply is reduced by selling government bonds, inflation is under control. 2024: increased liquidity through the purchase of government bonds, encouraged economic growth. Open market operations are one of the important tools used by central banks to manage money supply and influence the economy. Through these transactions, central banks can increase or decrease the money supply, which affects inflation, interest rates and economic growth. The diagram shows the amount of open market transactions and the increase in the money supply. As an example, the 2010 purchase of government bonds increased the money supply by 15%, which stimulated economic growth. In this case, as the central bank bought bonds, additional cash appeared on the market, which increased economic activity. In 2015, however, there was an attempt to manage short-term liquidity through reverse repo operations. Reverse repo transactions are a method of short-term accumulation of excess liquidity in the banking system of the central bank, which leads to a temporary reduction in the money supply. In conclusion, Open Market Operations play an important role in managing money supply and regulating economic conditions. Through these transactions, central banks will be able to manage economic growth, inflation and liquidity. The relationship between open market operations and inflation is reflected in Table 2 below.

Conclusions

Monetary policy is an important tool in ensuring sustainable economic growth and maintaining macroeconomic stability. This policy is implemented by the central bank through the management of interest rates, money supply, lending conditions and the exchange rate. The results of the study show that monetary policy in the conditions of Uzbekistan is carried out in order to control inflation, improve the investment climate and promote economic development. The transition to an inflationary targeting system is helping to make central bank policies more effective. At the same time, interest rates and the use of open market operations are playing an important role in regulating economic activity. Monetary policy can be implemented in extender and shrinking forms. While expanding policies are used to promote economic growth, shrinking policies focus on curbing inflation and maintaining economic balance. On the example of Uzbekistan, the successful implementation of this policy serves the stable growth of the national economy. In general, the impact of monetary policy on economic growth is significant, and its effective implementation is one of the important conditions for the sustainable development of the country's economy.

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