

FINANCIAL PROBLEMS OF UZBEKISTAN ECONOMY DEVELOPMENT

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Abstract

Solving the current problems related to ensuring the stability of the country's financial system is one of the necessary conditions for ensuring the stable development of the national economy. Issues such as preventing the growth of inflation, ensuring the stability of the national currency, achieving the proportionality of the execution of the state budget, and increasing the level of the economy's supply of money are the urgent financial issues of ensuring the stability of the country's economy.

In the article, the current financial problems of the development of the economy of Uzbekistan are identified and scientific proposals aimed at solving them are developed.

Key words: economy, inflation, budget, deficit, money supply, interest rate, credit, export, import, exchange rate, devaluation.

Introduction

In the Development Strategy of New Uzbekistan for 2022-2026, ensuring the stability of the financial system is recognized as one of the necessary conditions for ensuring the stability of macroeconomic growth. In particular, in the Development Strategy, starting from 2023, the state budget deficit should not exceed 3% of the nominal GDP, the annual rate of inflation should not exceed 5%, the share of the private sector in the banking system should be increased to 60%, the annual turnover of the country's stock market should be 200 million. 7 billion from US dollars by the end of 2026. Delivery tasks are set in US dollars [1]. This creates the need to identify the most important financial problems of the country's economy and develop scientifically based ways to solve them.

Literature Review

Issues of ensuring the stability of the financial system, improving the connection between the real sector of the economy and the financial sector were scientifically researched by foreign and Uzbek economists, and appropriate scientific conclusions and practical recommendations were formulated.

P. Graud and M. Polan showed that, firstly, one of the main rules of the quantitative theory of inflation - the rule that there is a correct correlation between the rate of growth of money and

the rate of inflation was correct and confirmed in statistical data; secondly, there is no direct relationship between the growth rate of money supply and inflation in countries with low inflation; thirdly, the high degree of independence of the Central Bank and the development of the monitoring system of money aggregates allow controlling the volume of money supply, and in such conditions, the increase in money supply does not lead to an increase in prices as a specific reaction to the increase in demand for money; fourthly, while the correlation coefficient 0,24 rawas equal in countries with a reasonable level of inflation, this coefficient 1 raapproached in countries with a high level of inflation [2].

L. Catao and M. The results of the scientific research conducted by Terronza showed that there is a direct relationship between the rate of reduction of the State budget deficit and the inflation rate in countries with high inflation. This conclusion is based on accurate calculations: in countries with an average annual rate of inflation close to 50%, a 1 percentage point reduction in the weight of the State budget deficit in GDP leads to a decrease in inflation by 8.75 percentage points. In this case, a significant statistical relationship between the State budget deficit and inflation was observed not only in conditions of high inflation, but also in conditions of reasonable inflation [3].

According to the scientific conclusion of M. Friedman, the annual growth of the money supply at the level of 3-5 percent increases the economic activity in the economy. If the growth of the money supply is higher than 3-5 percent per year, then inflation starts to grow, if the growth of the money supply in the economy is less than 3-5 percent, the growth rate of the gross national product starts to decrease [4].

M. Friedman's money rule has shown its practical value. In particular, as a result of the policy aimed at increasing the money supply in circulation by 3-5% annually, in the 80s of the 20th century, in the USA, the inflation rate was reduced from 10% to 5%, and the GDP grew by 3-5% per year.

According to the transmission mechanism of monetary policy proposed by J. Keynes, a decrease in the interest rate as a result of an increase in the money supply reduces the alternative value of investments. At the same time, as the interest rate decreases, firms and companies increase the volume of their planned investments. These costs, added to the total amount of planned costs, lead to an unexpected consumption of inventory. Firms and companies increase production in such conditions. This, in turn, leads to an increase in national income[5].

In our opinion, the transmission mechanism of monetary policy created by J. Keynes cannot move fully and continuously in transition economy countries. The lack of development of the stock market, the lack of confidence of the population and enterprises regarding the solvency of the issuers of securities, the lack of a high reputation of monetary authorities, and a number of similar factors prevent the effective functioning of the monetary policy transmission mechanism.

F. Mishkin acknowledges the importance of the open market instrument of monetary policy in regulating the money supply and cites as evidence that the open market instrument has the following advantages:

- there is a possibility of full control of the volume of open market operations by the Central Bank;
- open market operations have a clear amount and size, and its level of flexibility is high;
- the fact that open market operations have the content of easy reversibility [6].

According to A. Tikhonov's conclusion, in the countries where the level of money supply of the economy is higher than 50% according to the monetary aggregate M4, the inflation rate usually does not exceed 10%, and the real interest rate is at the level of 1.5-5.0%. In countries with a low level of this indicator, that is, up to 20 percent, the inflation rate is relatively high, and the real interest rate is negative or at a low level [7].

According to R.Shomurodov's conclusion, in order to fully satisfy the economy's real demand for money through the improvement of monetary policy instruments, to increase the liquidity of commercial banks and the efficiency of calculations in the banking system, it is necessary to combine the funds of commercial banks in the representative account and mandatory reserves, and make their reserve assets higher than the amount of funds in mandatory reserves. it is necessary to provide [8].

This conclusion of R.Shomurodov is of practical importance even in the present time. The reason for this is that, firstly, compulsory reserve allocations of commercial banks are deposited in the balance sheet of the Central Bank; secondly, the mandatory reserve rates set by the Central Bank for deposits of commercial banks in foreign currencies are significantly higher (18%).

Analyses and results

In connection with the transition to the inflation targeting regime, the fight against inflation has become a strategic goal of the monetary policy of the Central Bank of the Republic of Uzbekistan [9].

Also, supporting the liquidity of commercial banks and ensuring a stable increase in the volume of loans issued by them are defined as the priorities of the 2020-2025 Strategy for the reform of the country's banking system [10].

Based on the data in the table below, we evaluate macroeconomic monetary indicators (Table 1).

Table 1
Macroeconomic monetary indicators in the Republic of Uzbekistan
[11]

(in percent)

Indicators	2018	2019	2020	2021
Annual rate of inflation	14.3	15.1	11.1	10.0
The annual level of the refinancing rate of the Central Bank	16.0	16.0	14.0	14.0
Average annual interest rate of commercial banks' loans in national currency	20.5	24.2	22.3	20.8
The degree of liquidity of the economy	19.7	17.9	18.5	19.1
Annual growth rate of money supply	13.3	13.8	17.8	30.3

From the data of Table 1, it can be seen that the inflation rate in our republic had a decreasing trend in 2019-2021, but the annual rate of inflation was relatively high in 2021.

Table 1 shows that the refinancing rate of the Central Bank of the Republic of Uzbekistan has significantly decreased in 2021 compared to 2018. This is explained by the decrease in inflation during this period. In turn, the decrease in the refinancing rate of the Central Bank led to a decrease in the average annual interest rate of loans issued by commercial banks in national currency.

From the data of Table 1, it is clear that in 2018-2021, the level of financing of the economy of Uzbekistan was quite low. This has a negative impact on macroeconomic growth rates.

From the data of Table 1, it can be seen that the annual growth rate of the money supply in our republic was high in 2018-2021. This has a negative impact on macroeconomic growth rates.

Admittedly, one of the urgent financial problems of the development of the economy of the Republic of Uzbekistan is the fact that the foreign trade balance has a large deficit (Table 2).

Table 2

Export, import volume and deficit of foreign trade balance in the Republic of Uzbekistan, mln. USD [12]

Indicators	2018	2019	2020	2021
Export	13,990	17 458	15 102	16 662
Import	19 439	24292	21 153	25,507
Foreign trade balance deficit	5 449	6 834	6 051	8 845

From the data of Table 2, it can be seen that in 2018-2021, the volume of export and import in the Republic of Uzbekistan had an increasing trend. However, the deficit of the foreign trade balance increased in 2021 to a high level (62.3%) compared to 2018. This has a negative impact on macroeconomic growth rates.

In turn, the fact that the foreign trade balance has a large deficit creates a strong pressure on the nominal exchange rate of the national currency.

At this point, it should be noted that the adoption of the Decree of the President of the Republic of Uzbekistan No. PF-5177 dated September 2, 2017 "On the first measures to liberalize the currency policy" and in accordance with it, the free purchase and sale of foreign currency by legal entities and individuals and the provision of the right to freely dispose of one's own funds at one's will, and the introduction of the market mechanism for forming the nominal exchange rate of the national currency is one of the serious measures for the development of foreign trade [13].

One of the urgent financial problems of the development of the economy of Uzbekistan is the high rate of devaluation of the national currency (Figure 1).

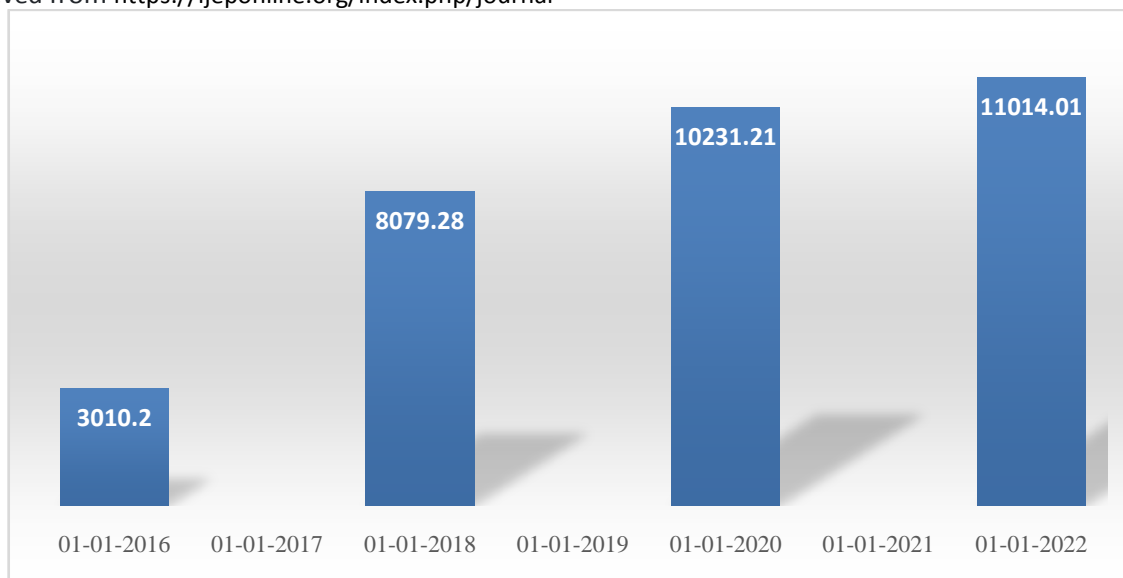


Figure 1. Nominal exchange rate of the national currency against 1 USD in UZS, soum [14]

From the data of Figure 1, it can be seen that the rate of depreciation of the Uzbek soum against the US dollar was significantly higher in 2018-2022.

Conclusions and suggestions

In the Development Strategy of New Uzbekistan for 2022-2026, the recognition of ensuring the stability of the financial system as one of the necessary conditions for ensuring the stability of macroeconomic growth creates the need to identify the urgent financial problems of the country's economy and develop scientifically based ways to solve them.

A review of the literature on the topic showed that:

- * there is a correct correlation between the growth rate of money and the inflation rate;

- * in countries with a high inflation rate, there is a direct relationship between the rate of reduction of the State budget deficit and the inflation rate;

- * ensuring the stability of the annual growth rate of the money supply plays an important role in ensuring the stability of the macroeconomic growth rate;

- * the decrease in the interest rate as a result of the increase in the money supply reduces the alternative value of investments, and with the decrease in the interest rate, firms and companies increase the volume of their planned investments;

- * increasing the level of financial resources of the economy is one of the necessary conditions for the sustainable development of the national economy.

The analysis carried out during the research showed that:

- *inflation in our republic had a decreasing trend in 2019-2021, but its level remained high;

- *the significant decrease in the refinancing rate of the Central Bank in the country in 2021 compared to 2018 is explained by the decrease in the inflation rate during this period, and this situation led to a decrease in the average annual interest rate of loans issued by commercial banks in the national currency;

- *In 2018-2021, as the volume of export and import in the Republic of Uzbekistan has a tendency to increase, the deficit of the foreign trade balance in 2021 increased to a high level (62.3%) compared to 2018;

*In 2018-2022, the rate of depreciation of the Uzbek soum against the US dollar was high.

In order to solve the financial problems of the development of the economy of the Republic of Uzbekistan, I consider it appropriate to implement the following measures:

1. In order to increase the level of money supply of the country's economy, it is necessary to conduct the expansionist monetary policy in a way that combines it with the budget policy aimed at stimulating the general demand proposed by J.M. Keynes after the Second World War.

Expansionary monetary policy encourages the credit expansion of commercial banks and allows to increase the level of loans relative to nominal GDP. This serves to increase the level of money supply of the economy, allowing for the multiplicative expansion of the money supply.

In our opinion, in order to implement the expansionist monetary policy, first of all, it is necessary to increase the lending capacity and liquidity of the banks by leaving the amount of the Central Bank's mandatory reserve requirement in the "Nostro" representative accounts of the commercial banks; secondly, it is necessary to increase the volume of refinancing loans given to commercial banks by establishing the practice of granting discount and pawnshop loans of the Central Bank; thirdly, it is necessary to increase the volume of direct REPO and reverse REPO operations, turning the deposit certificates and bonds of commercial banks and companies with a high level of solvency into objects of the Central Bank's open market operations; fourthly, in the course of developing the national loan capital market, the Central Bank should ensure a low and stable level of the market price of loans from commercial banks.

The implementation of the budget policy aimed at stimulating general demand by the government of the Republic of Uzbekistan leads to a decrease in the nominal interest rate, allows to increase the level of the monetization coefficient, and creates a basis for increasing the volume of open market operations of the Central Bank.

2. In order to reduce the deficit of the foreign trade balance, firstly, to increase the competitiveness of the goods exported to these countries by preventing the real exchange rate of the national currency from exceeding the national currency of the countries that are the main foreign trade partners of Uzbekistan (Russia, China, Kazakhstan, Turkey, South Korea). necessary (in which the difference between the nominal exchange rate of the national currency and inflation levels must be strictly controlled); secondly, in order to reduce the rate of devaluation of the national currency, it is necessary to expand the possibility of the Central Bank's currency intervention by diverting part of the international loans obtained by pledging gold to the intervention fund; thirdly, it is necessary to expand the scope of using guarantees of commercial banks and non-reimbursable documentary letters of credit in financing foreign trade operations.

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