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MAIN TASKS OF CENTRAL BANK INTEREST POLICY

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The interest policy of the Central Bank is an important part of the state's economic policy and plays an important role in the social and economic growth of the state. It is based on the separation of tactical and strategic tasks in the reform of monetary instruments and methods. The strategic task is to start using generally accepted means of monetary control, which are specific to countries with developed market economies.

Ensuring the stability of the national currency and ensuring the stability of prices in the country is recognized in the economic literature as a strategic goal of monetary policy. The US FZT Act also states that ensuring the stability of the national currency and maintaining price stability is a strategic goal of monetary policy.

M. Friedman, the founder of the monetary concept of monetarism, considers the growth rate of the money supply to be the main tactical goal of monetary policy.

M. Friedman considers the demand function for money and the expenditure function to be stable. Therefore, he concludes that it is appropriate to accept the money supply as a tactical goal of monetary policy.

In a market economy, the regulation of the economy through monetary and credit instruments consists of a system of measures such as legislation, implementation, and control.

In this case, the objective possibility of regulating the economy through monetary and credit instruments arises only when a certain level of economic development, production and capital accumulation is reached. In the current conditions, regulating the economy through monetary and credit instruments is aimed at solving a number of tasks related to the process of reproduction. These include ensuring sustainable economic growth, regulating employment, supporting positive changes in sectoral and regional structures, and stimulating exports. In solving these tasks, Central Banks set themselves the following goals:[1]:

– high level of employment;
– economic growth;
– price stability;
– fixed interest rate;
– stable financial market;
– stable currency market.

High level of employmentincludes two main reasons:

1) the high level of unemployment causes the growth of the poor stratum of the population, and the financial difficulties that arise in families increase crime among the population;

2) The high level of unemployment is explained not only by the increase in the number of unemployed in the economy, but also by the increase in the number of unused resources. This leads to a decrease in the country's GDP. In order to achieve a high level of employment, it is necessary to ensure the equality of demand and supply of labor.

Economic growth. Achieving sustainable economic growth is closely related to maintaining a high level of banking. At a low level of unemployment, enterprises and organizations, factories and factories direct their funds to purchase fixed assets, equipment and tools to ensure economic growth and expand production, and as a result, economic growth can be achieved. The introduction of tax incentives is also aimed at stimulating economic growth, these incentives serve to increase the investment activity of enterprises.

Stability of grades. Rising prices (inflation) create uncertainty in the economy and make it difficult to plan for the future. At the same time, unstable prices can disrupt the social structure of a country.

[1]F. Mishkin. Economic theory, banking and financial markets. Str-500.

Fixed interest rate. In a country's economy, sharp fluctuations in interest rates create uncertainty in the economy and make it difficult to plan for the future. Unstable interest rates reduce consumers' interest in bank loans, which leads to a decrease in production and the country's GDP, and as a result, economic growth slows down.

A stable financial market. Financial market stability ensures stable interest rates, while fluctuations in interest rates create difficulties for financial institutions. Rising interest rates can lead to large losses on long-term bonds. These losses can lead to the bankruptcy of financial institutions that own the bonds.

Stable currency market. The stability of the foreign exchange market, the implementation of monetary and economic policy by the state, support for the international circulation of goods, services and capital, and the balancing of demand and supply formed under the influence of economic, political and other factors ensure the effective use of the market in determining exchange rates.
These goals are closely related to each other. A high level of banking is closely related to economic growth, and the stability of interest rates is closely related to stability in the financial market. However, reducing the money supply in the economy in order to prevent inflation in the country leads to an increase in the demand for money, an increase in interest rates. As a result, production decreases and the number of unemployed increases. It is clear from this that in fulfilling the tasks of monetary policy, it is necessary to use the goals set for it in a planned and based on established indicators.
The mechanism of regulation through money and credit largely depends on the forms of organization of banking activities in the country and the powers of the Central Bank. The Central Bank, within the framework of its powers, conducts monetary policy in the country through methods and levers. Monetary policy methods are understood as the mechanism by which the Central Bank regulates the demand and supply of money and implements monetary policy. Monetary policy methods are divided into two types: direct and indirect.

Direct methods- Administrative methods that consist of setting and limiting interest rates or loan amounts.

Indirect methodsand are methods of voluntarily changing the supply and demand for money through the market.

Indirect methods It allows the Central Bank to increase the efficiency of monetary policy, effectively regulate the money supply, the financial market, distribute state loans and reduce its intervention in the management processes through money and credit. They also provide additional facilities for the development and expansion of the financial market, increasing the intermediary role of banks, increasing the volume of capital investment and financial savings.

Direct methods This stifles competition in the financial market, slows down the development of the financial sector, reduces the role of financial intermediation, reduces the effectiveness of lending in certain sectors and regions as a result of the establishment of control over a number of banks, and leads to the outflow of financial resources into the uncontrollable underground economy or abroad.

Typically, direct methods are referred to as administrative methods, and indirect methods are referred to as economic methods.

The difference between these two methods is that, in the economic method, the Central Bank indirectly influences the economy through the liquidity of credit institutions, while in the administrative method it sets limits on the quantitative and qualitative indicators of bank activity. The reaction of financial markets to administrative methods is rapid and noticeable, while the use of economic methods implies a high level of development of the self-regulation process in the banking system. In general, the Central Bank uses direct influence methods only in cases where indirect methods have failed. However, it should be noted that the effect of direct influence can be quite high. At the same time, methods that contradict market conditions only give positive results in the short term, until economic entities find ways to circumvent them.

Monetary policy methods and their use in the banking system often depend on the country's economy, banking system, financial market development level, government economic policy, monetary and fiscal policy goals and objectives. We can see the types of direct and indirect methods through the table below.

Table 1.

Types of monetary policy methods[2]

Direct methods	**Indirect methods**
Limiting interest rates	Open market operations
Target lending	Mandatory reserves
Determining the amount of credit for each bank	Currency swaps and direct sales transactions
Determining accounting standards for each bank, etc.	Mechanism of short-term deposits
	Credit auctions
	Pawn and overdraft mechanisms

This table clearly shows the superiority of indirect methods over direct types, as they are more numerous and fully meet the requirements of a market economy in terms of application.

To direct (administrative) methods,Direct restrictions or prohibitions imposed by the Central Bank on the quantitative and qualitative indicators of the activities of banks include:

– setting limits for issuing various types of loans and attracting credit resources;

– restricting commercial banks from opening branches and departments;

– limit the amount of brokerage fee, tariffs for rendering various services, interest rates;

– licensing of certain areas of banking activity (licensing of operations with foreign exchange and precious metals).

[2]U.U.Azizov, T.I.Bobaqulov, U.A.Abdullaev “MONETARY POLICY” Textbook.

Administrative methods are usually used in countries with a planned economy. In many cases, the method of administrative regulation was also used by the countries based on the market economy, but they were used only when they were experiencing global economic crises.
It should be noted that in the transition economy, direct methods of monetary policy are initially used to sharply reduce inflation, unemployment, and control the amount of credit and money supply. Because in the early stages of transition from a planned economy to a market economy, there will certainly be various imbalances in the economy of any country. These disproportions are manifested in the growth of the inflation rate and even its violent nature, financial resources and budget deficit, mutual debts and the growth of state expenses, unemployment problem, imbalance of payment balance and other forms.

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