Finance, banking and insurance

UDC 336.27:336.7

Vdovenko Larysa
Doctor of Economics, Professor
Vinnytsia National Agrarian University

Ktitor Kateryna
Education Seeker
Vinnytsia National Agrarian University

Dronchak Vitaly
Education Seeker
Vinnytsia National Agrarian University

MONETARY MEASURES OF THE NBU IN THE STATE FINANCE MANAGEMENT SYSTEM

Summary. *The article is devoted to the study of the role of the National Bank of Ukraine (NBU) in the system of public finance management and the peculiarities of the use of regulatory influence of monetary instruments to ensure macroeconomic stability in the conditions of existing problems and challenges of today. The factors of the crisis in the national economy and the banking system of Ukraine are outlined, and it is determined that the strategic orientation in the medium-term period is to maintain the course of implementation of the inflation targeting policy, the essence of which will lead to the public announcement of several goals against inflation and the obligation of the central bank to achieve these goals. The main indicators of monetary policy are analyzed and the influence of external and internal factors on them is characterized. It was concluded that in order to achieve inflation goals in the medium and long term, it is necessary to promote effective financial intermediation, to pay attention to the* *development of targeted lending to support those areas of the economy for which the availability of bank credit resources is limited, to use positive world experience, the basis of which is strengthening. protection of the rights of investors, creditors and consumers of financial services, development of non-bank lending, expansion of the latest financial and banking technologies. It was established that solving the problem of balanced financing of the needs of the fiscal sector of Ukraine in wartime conditions requires the harmonization of monetary and fiscal policy. Conclusions were made that the implemented monetary measures of the NBU to strengthen the competition of banks for time deposits of the population contribute to reducing inflation, protecting hryvnia savings from inflationary depreciation and increasing exchange rate stability.*

Key words: *monetary policy, NBU, official exchange rate, discount rate, banking system, inflation targeting.*

Problem setting. In modern conditions, an important role in the system of public finance management is assigned to the National Bank of Ukraine (NBU) with an effective monetary policy close to European standards.

Analysis of recent research and publications. The analysis of researches in recent years showed that in the works of scientists, sufficient attention was paid to the issue of the formation of an effective monetary policy and the assessment of the application of the instruments of monetary regulation of the National Bank of Ukraine in the context of the implementation of strategic tasks. These questions were studied by such scientists as A. Galchynsky [1], O. Dzyubenko [2], M. Savluk, M. Moroz, M. Pukhovkina [3], E. A. Shchetynin [4], O. Shulgina [5] etc. attempts to do so, implementation of effective monetary measures by the central bank remains an urgent problem and requires further research.

The formulation of the goals of the article is to determine the role of the National Bank of Ukraine in the system of public finance management and the peculiarities of the regulator's use of monetary instruments of influence on ensuring macroeconomic stability in the conditions of existing problems and challenges today.

Presentation of the main research material. In economic sources, the concept of "monetary and credit policy" is mainly reduced to measures of the state in the sphere of the money market aimed at ensuring economic growth in society**.**

NBU "is the body of state monetary and credit regulation of the economy, the development and implementation of monetary policy in the country, the main creditor of commercial banks, which has regulatory monetary instruments at its disposal, through which it supports the resource base of commercial banks and their credit activity. It changes a significant role in the implementation of credit provision of economic entities, using monetary instruments and regulating the activities of banking institutions, thereby influencing the increase (decrease) of their resource potential" [6, p. 362-363].

The most important condition for the effective development of the economy is the formation of a clear mechanism of monetary and credit regulation, which allows influencing business activity, aggregate demand, the state of the credit market, controlling the activities of commercial banks, etc. From the point of view of strengthening the links between macroeconomic and financial variables, the patterns of economic development in recent decades are directly related to the development of globalization processes, the structure of the modern world economy, the impact of technological changes, the appearance of periodic large-scale financial crises, which reflect all the complexity and the inconsistency of the process of optimal combination of the goals of state regulation of economic processes and the monetary policy of the central bank, since it is these entities that bear the main responsibility for stabilizing the macroeconomic environment in the country [7, p. 131].

Currently, in the conditions of martial law, the situation in the country is not stable, and the domestic financial market has not remained stable and resisted the global crisis, the vector of implementation of the policy of inflation targeting is recognized as promising in the context of maintaining destabilization trends.

Crisis phenomena in the national economy and the banking system are caused by many factors, among which it is appropriate to single out: structural imbalances of economic development, import dependence, dollarization, ineffective monetary and currency policy, ineffective banking supervision, other internal control, low efficiency of bank risk management, budget deficit and irrational expenses, which requires rapid reformation in the sphere of state economic policy.

The domestic practice of implementing monetary policy is based on the principles of applying the inflation targeting regime, the introduction of which has become a consistently justified phenomenon in the conditions of the low effectiveness of the monetary targeting regime, in particular the use of a fixed exchange rate, which was characteristic of Ukraine until 2015. the accumulation of imbalances became a prerequisite for carrying out reforms; during 2015-2016, there was a change in the monetary regime in Ukraine, as well as a reorientation to give priority to other policy instruments, in particular the interest rate.

The implementation of the inflation targeting regime in Ukraine took place in the following changes in the methods of conducting monetary policy: the interest rate becomes the main instrument of monetary policy; the exchange rate is floating; an important role of the player is to predict and analyze risks; the emphasis is on transparency and reporting, which should be achieved through regular press briefings, press releases, meetings with business representatives, etc.

In the document "Basic principles of monetary policy for 2022 and the medium-term perspective" [8] it is determined that stability is expected to be restored in the process of regulating inflation. thus, the strategic orientation of the perspective period is determined by maintaining the chosen course of implementing the inflation targeting policy, the essence of which is the public announcement of several goals against inflation and the obligation of the central bank to achieve these goals over the medium-term period.

For 2022, Ukraine has chosen to maintain the inflation targeting regime, as well as discount rates as a priority tool for influencing the processes of ensuring price and financial stability, as well as the activation of economic growth. An important factor remains the development of the tactics of the regulatory activity of the NBU in the conditions of the post-pandemic crisis and martial law. That is, work on reducing the inflation target, coordinating activities with other goals of the state's sustainable development, strengthening financial markets for new challenges, and strengthening the monetary instrument is foreseen.

The toolkit used by the regulator achieves successful implementation of monetary policy strategy and tactics. The main monetary instrument is the discount rate, which affects the level of expenses of the NBU for managing short-term paper rates on the interbank money market, which affect changes in interest rates on other financial assets (in particular, government securities) and changes in banks' rates on loans and deposits. All this, in turn, has an impact on the volume of consumption and investments of households and economic entities, and, therefore, on the impact.

Consider the change in the main indicators of monetary policy under the conditions of the implementation of the inflation targeting regime in Table 1.

Table 1

Dynamics of the main indicators of monetary policy

Years	Inflation index, %	The level of the discount rate (average for the year), %	Official course hryvnias to US dollars
2016	112,4	17,33	25,55
2017	113,7	19,11	27,01
2018	103,5	15,18	27,36
2019	104,1	16,68	25,58
2020	105,0	7,37	26,96
2021	110,0	7,68	27,28
2022	126,6	20,7	33,24

Source: compiled from [9]

Analyzing the main indicators of monetary policy, one should note a sharp increase in the inflation index (up to the level of 126.6%) and the level of the discount rate (the average value of the indicator is 20.7%) in 2022. Keeping the discount rate at the level of 25% per annum from March 17, 2023 was approved by the decision of the Board of the National Bank of Ukraine dated March 16, 2023 No. 101-rsh "On the size of the discount rate" [10].

A significant increase in refinancing rates, together with other measures, will protect citizens' hryvnia incomes and savings from devaluation, increase the attractiveness of hryvnia-denominated assets, and reduce pressure on the foreign exchange market. The NBU will now have more opportunities to ensure exchange rate stability and support inflationary processes in war conditions [11].

At the same time, it should be noted that not only in Ukraine, but also in the world, we are witnessing a rapid increase in inflationary pressure. However, the ability to limit external influence on the country's economy remains when there is a correct assessment of its duration and strength, and the use of monetary instruments has sufficient policy space. The perception of global price pressure as a temporary phenomenon turned out to be a weak point of the assumption in the implementation of monetary policy measures. Less pronounced emphasis on the deviation of inflation from the goals, possible under the conditions of confidence in the central bank and entrenchment of inflationary expectations. But if there are doubts about the regulator's independence, the task of stabilizing the economy becomes radically more complicated, which is extremely dangerous in conditions of significant military risks.

Inflation in Ukraine at the beginning of 2023 slows down faster, but remains high - in February up to 24.9% in annual terms. This, in particular, was facilitated by an increase in the supply of food and fuel, the rapid recovery of the energy system after the Russian attack, and weaker consumer demand. The increase in consumer prices is also largely due to the fixing of the official exchange rate of the hryvnia and tariffs for housing and communal services.

The increase in consumer prices is also largely due to the fixing of the official exchange rate of the hryvnia and tariffs for housing and communal services. The strengthening of the hryvnia in the cash segment of the market was facilitated by the previous measures of the National Bank: keeping discount rates at the level of 25%, raising mandatory reserve standards, introducing new deposit products, calibrating currency restrictions, and completely stopping the emission financial budget from the beginning of the year. This affected the improvement of inflation and exchange rate expectations. The NBU rate as of 05/05/2023 is 36.5686, the average selling rate of the US dollar in banking institutions is 37.8 [9].

When using certain monetary measures to improve the monetary and credit policy in Ukraine, existing problems that prevent adjustment of inflationary processes should be left: the low level of participation of bank loans in the production activities of enterprises (bank lending to businesses at the level of less than 15% of GDP (compared to 50% in) Eastern Europe)), low specific weight of population funds in the banking system; speculative behavior in financial markets; low competitiveness and productivity of the real sector; a high degree of inequality in income and wealth, which makes commodity markets inelastic to changes in the country's overall income level, etc.

We believe that in order to achieve inflation goals in the medium-term perspective, it is important not only to promote effective financial intermediation, but also to pay attention to the development of targeted lending to support those areas of the economy for which the availability of bank credit resources on a general basis is problematic (including projects), which is considered at the initiative of the state).

In addition, solving the problems of balanced financing of the needs of the fiscal sector in wartime conditions requires the harmonization of monetary and fiscal policy. This is especially critical during structural crises, when traditional production and financial relations of the economy are destroyed, when the basis on which state policy instruments are built is destroyed.

In order to further protect against inflation, save the hryvnia from inflationary depreciation, and maintain exchange rate stability, the Board of the NBU, in addition to discount rates at the level of 25%, is introducing a set of additional measures to strengthen the competition of banks for time deposits of the population.

Taking into account the insufficient attractiveness for depositors who attract hryvnia deposit rates from banks, due to the high level of inflation and, accordingly, the preservation of significant amounts of public funds in current accounts, which creates additional risks for macro-financial stability, the Board of the NBU gives the opportunity to minimize these risks in monetary terms - through credit policy [11]:

- introduction of a three-month deposit certificate (DS) at a fixed rate at the level of the discount rate. banks to place funds in such DSs depending on the volumes of formed portfolios of household hryvnia deposits with an initial term of placement of three months or more, as well as on the success of building up such portfolios;
- overnight deposit rate reduction to 20%.

In addition, from May 11, 2023, preferential regulations for the formation of mandatory reserves by banks for term funds in the accounts of individuals in national (0%) and foreign currencies (10%) apply only to deposits with an initial term of three months [9].

The implemented measures will strengthen market incentives for banks to attract time deposits of the population in hryvnia and contribute to: further growth of interest rates on time deposits, development of the culture of savings in hryvnia; revitalization of banks' activity on the interbank market; strengthening the status of the discount rate as an effective monetary instrument of monetary policy.

Improvement of monetary policy in Ukraine should benefit from the positive experience of European countries. Ensuring the stability of the financial sector ensures the strengthening of the protection of the rights of investors, creditors and consumers of financial services, the development of non-bank lending, the expansion of electronic money and the latest financial and banking technologies.

Ukraine's post-war economic recovery must be based on a reliable macroeconomic foundation. This requires a careful look at pre-war monetary policy, at least with considerations of how to prevent inflationary taxation of the most vulnerable in the future.

Confidence in the central bank and the predictability of its actions is a determining factor that enables the NBU to shift emphasis from inflation to economic recovery. Despite a certain safety margin of predictability of the NBU's monetary actions, the optimal choice between deviations from the inflationary cage and preservation of incentives for economic recovery has become too dependent on the influence of the exchange rate on prices. Unexpected factors affecting the currency market once again emphasized that monetary decisions should be made with a "safety margin" of impact on stabilization of stabilization.

The National Bank will continue to ensure the provision of monetary conditions for a steady decrease in inflation, improvement of inflation expectations and maintenance of exchange rate stability. For the normalization of the functioning of the financial system and the economy, the National Bank of Ukraine will gradually return to the operational design of monetary policy, which was used before the full-scale invasion and is characteristic of a country with inflation targeting.

Conclusions. The NBU is the body of state regulation of the economy, the development and implementation of monetary policy in the country, the main creditor of commercial banks, which has the appropriate monetary instruments of such influence at its disposal.

The main goal of the state policy of military revival of Ukraine is to ensure macroeconomic stability. The main factor of effective monetary policy is the

NBU's ability to use effective monetary instruments to achieve it.

In Ukraine, an inflation targeting regime is implemented, which will lead to the public announcement of several inflation targets and the obligation of the central bank to achieve these targets over the medium term. It was established that the tools used by the regulator ensure the success of the implementation of the strategy and tactics of the monetary policy. The main monetary instrument is the discount rate, through which the management of short-term rates on the interbank money market, interest rates on other financial assets (in particular, government securities) and bank rates on loans and deposits is ensured, which ultimately affects inflation. Currently, we are observing a rapid increase in inflationary pressure in the world, which requires the NBU to apply effective monetary measures to implement effective state policy, taking into account the current challenges of the economic environment.

References

1. Galchynsky A. Theory of money. K. : Solomia Pavlychko Publishing House "Osnovy", 2001. 182 p.
2. Dzyublyuk O. Monetary and credit policy as a factor of macroeconomic stabilization and overcoming the consequences of crisis phenomena. *The world of finance.* 2011. Issue 3. P. 7-20.
3. Money and credit: Textbook / [M.I. Savluk, A.M. Moroz, M.F. Pukhovkina and others]. 3rd ed., revised. and additional]. K. : KNEU, 2002. 598 p.
4. Shchetynin A. I. Money and credit: a textbook. 4th edition, revised and supplemented. A. I. K. Shchetynin: Center for Educational Literature, 2010. 440 c.
5. Shulgina O. B. Instruments of monetary regulation in the process of implementing the anti-crisis structural policy. *Bulletin of the Khmelnytskyi National University*. 2011. №2. T. 1. P. 157-161.

6. Vdovenko L.O., Moroz K.M., Kovalchuk T.V. Monetary and credit policy of the NBU and its influence on banking activity. *Market infrastructure*. 2019. Issue 35. P. 362-368.
7. Zabchuk G. M., Hnativ O. V. Analysis of influencing factors on the effectiveness of monetary policy: domestic realities. *Economic analysis*. 2018. Volume 28. №4. P. 131-142.
8. Basic principles of monetary policy for 2022 and the medium-term perspective. URL: https://bank.gov.ua/ua/news/all/osnovni-zasadi-groshovo-kreditnoyi-politiki-na-2022-rik-ta-serednostrokovu-perspektiku (date of application: 04/21/2023).
9. Official website of the National Bank of Ukraine. URL: www.bank.gov.ua (application date: 04/21/2023).
10. The National Bank of Ukraine kept the discount rate at 25%. URL: https://bank.gov.ua/ua/news/all/natsionalniy-bank-ukrayini-zberig-oblikovu-stavku-na-rivni-25-16100 (date of application: 04/21/2023).
11. The NBU discount rate has increased to 25%: what does this mean for the economy and citizens. URL: https://www.ukrinform.ua/rubric-economy/3498644-oblikova-stavka-nbu-zrosla-do-25-so-ce-oznacae-dla-ekonomiki-i-gromadan.html (date of application: 21.04. 2023).