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THE MODERN APPROACHES TO DETERMINATION OF MAIN POINT AND CLASSIFICATION OF TOOLS OF MONETARY INFLUENCE ON ECONOMY

Abstract. Modern practice of regulation of social and economic development both in developed, and in developing countries stresses, that powerful and sufficiently effective mechanism of influence on economic development is the monetary policy of the central banks. Importance of scientific substantiation effective monetary policy and structurally balanced system of monetary instruments is significantly growing in the reformation and the formation of the national economy, in the definition of regulatory significance in overcoming the crisis and facilitating the development.

Effective stimulatory monetary policy can provide the impetus for the growth of the economy, to create conditions for high and stable rate of expanded reproduction. Therefore, search the optimal limits of state intervention in the monetary sphere, effective combinations of monetary instruments, management mechanism of monetary regulation allows purposefully and effectively influence on economic processes and ensure stable economic growth, which is extremely important for the national economy.

There is analysis of the concepts, approaches and areas of economic thought to determine the monetary methods of economic regulation, based on a synthesis, which formed the author's definition of the "monetary instruments" and improved classification in the article.

Keywords: monetary policy, monetary instruments, monetary regulation.

Formulas: 0; fig.: 0, tabl.: 1, bibl.: 8

JEL Classification: E 42, E 52, E 58.

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СУЧАСНІ ПІДХОДИ ДО ВИЗНАЧЕННЯ СУТНОСТІ ТА КЛАСИФІКАЦІЇ ІНСТРУМЕНТІВ МОНЕТАРНОГО ВПЛИВУ НА ЕКОНОМІКУ

Анотація. В статті розглянуто трактування економічної сутності інструментарію монетарного регулювання, наведено авторське визначення категорії «монетарний інструментарій». Запропонована вдосконалена автором класифікація інструментів монетарного регулювання економічного зростання.

Ключові слова: монетарна політика, монетарний інструментарій, монетарне регулювання

Формул: 0; рис.: 0, табл.: 1, бібл: 8

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СОВРЕМЕННЫЕ ПОДХОДЫ К ОПРЕДЕЛЕНИЮ СУЩНОСТИ И КЛАССИФИКАЦИИ ИНСТРУМЕНТОВ МОНЕТАРНОГО ВЛИЯНИЯ НА ЭКОНОМИКУ

Аннотация. В статье рассмотрена трактовка экономической сущности инструментария монетарного регулирования, приведено авторское определение категории "монетарный инструментарий". Предложена усовершенствованная автором классификация инструментов монетарного регулирования экономического роста.

Ключевые слова: монетарная политика, монетарный инструментарий, монетарное регулирование.

Формул: 0; рис.: 0, табл.: 1, библ: 8

Introduction. The activity of national banks by implementation of monetary policy should be directed first of all toward achievement of fundamental (strategic) objectives as a part of a common strategy of country economic development. This objective can vary depending on the achieved level of economic development, the stage of the economic cycle, at which it is, the presence or absence of crisis processes at the financial sector, and its solved tasks can range from maintaining price stability in long-run prospect, to stimulation of investment processes, employment and real GDP rehabilitation.

Despite the fact that the objective of monetary policy by the central bank is considered for the strategic one – long-term price stability or supporting of high level of employment, investments and economic growth, the usage of appropriate monetary instruments contributes to achievement of stated objective.

Analysis of the latest researches. The issues, which form the theory of monetary and credit policy, its policy and implementation process are considered by E. M. Andrushchak, V. K. Burlachkov, N. Hrebenyk, M. E. Lyuznyak, V. S. Stelmach, and etc.

The objective of the article is to define main point of category of monetary tools, to systematize the existing approaches to the classification of modern monetary tools according to the most important features that allows to certain the place and role of each tool at the monetary system of regulation of economic growth.

Results of the study. For sufficient disclosure of the matter, structure, classification and characteristics of monetary tools or instruments of monetary policy, one should apply to the definition of the concept «instruments» as it is represented in the modern economics.

So, initially one meant by tools (from lat. instrumentum) «set of tools (instruments), which usage allows to change characteristics of certain material object, relative to which this tools are used ».

Though the interpretation of the category «instruments» in the economic and financial fields underwent some changes, it maintains its original meaning nevertheless. So, in a dictionary [6] «economic instruments are considered as an economic category, which are used in the interests of transactors or country, with the help of which, it is possible to implement a quantitative or qualitative impact on the social production».

In spite of considerable attention of foreign and local researchers to tools of monetary regulation, exactly the terminological issues are scantily explored and in the professional literature there are few definitions of the categories «monetary tools», «monetary instruments» or «instruments of monetary policy».

For example, at research [3] stands that monetary policy tools (tools of monetary policy) are «means with the help of which the central bank provides committed influence on the cash position within the country, so increases or decreases the real interest rate and through it, and influences economic development». At the same research is noted that «the main monetary tools include change of reserve requirements level, interest rates regulation and also open market transactions» [3].

In some researches, such as [1], [2] stands that monetary instruments include «any means which allow the central bank to influence the value of money supply in the country». The literature also presents the standpoint that monetary tools are «controlling means used by central banks to achieve the objectives of monetary and credit policy» [5].

Summarizing this it should be mentioned, that though the professional literature produces different approaches to the interpretation of the main point of monetary tools, all of them are still based on few fundamental rules. Most researchers are unanimous in interpretation that monetary instruments are range of tools which allow the central bank to regulate the value of money supply in the country and so to influence economic growth.

Note nevertheless, that the problem remains controversial that acts as an object on which is targeting monetary instruments. Most members of the monetary alternative school believe that the object of the impact of monetary instruments is only the money supply, which further change causes a change in money demand, and through it affects the economic development and economic growth. However, today's proponents of a broader view of monetary regulation of the economy believe that monetary instruments have an impact on the money supply and the money demand. In particular, as an example is the change in demand for dollars, depending on the monetary policy of the central bank, or a change in demand for loans on the part of economic agents due to changes in their future expectations. In addition, regulatory and restrictive actions of central banks (for example, increased requirements for banks to borrowers) is also an important tool to influence money demand.

We should distinguish two characteristics of monetary instruments - 1) indirect nature of their impact on real economic processes in the country, passing first through monetary impulses financial sector, where these pulses indicate corresponding transformations continue to reach economic agents with certain modifications; 2) the presence, almost always a certain time lag between the use of appropriate monetary instrument and change under its influence money supply and money demand.

Relevant features of the monetary policy deriving with these features monetary instruments. So, first of all it is necessary to talk about the indirect impact of monetary regulation measures on economic development and economic growth. In is not only complicates the task of effective impact on real economic sector by means of monetary instruments, but also makes it more difficult assessment of the relationship between the very real economic and impact them using monetary instruments.

In addition, the availability of time lag between the use of monetary instruments and their reaction to the real economy causes the lag of monetary policy and requires mandatory account the time factor in the implementation of monetary impact on the economy, which is particularly important during the period of economic extremes to-point curve of the economic cycle.

So taking into consideration the examined approaches to the main point and features of monetary instruments we offer own definition of this interpretation. In our opinion, under the term «monetary instruments» or «instruments of monetary policy» we propose to understand «a set of legal, administrative, informational, and economic levers by using which the central bank influences the monetary sector (supply and demand for money), which impulses affect with the proper time lag the index of economic development and growth in the country real sector».

It should be mentioned that despite the exceptional importance of monetary policy as a tool of state regulation of economic growth the list of tools, which are used by the central bank on continuing basis to affect cash position in the economy, is really limited and consists not more than seven-ten main positions.

V. S. Stelmach noted, particularly, that "the key market tools, thanks to which monetary policy by central banks in some country is provided, include open market operations, the establishment of minimum required reserves for banks, interest rate policy, operations in the foreign exchange market and deposit operations of center bank "[8].

Currently open market operations belongs to one of the key roles in the system of monetary management of the economy in most developed countries as a tool for implementing monetary policy. The instrument provides for the sale of securities by the central bank to bank (usually it is a state loan bonds), and their acquisition increases the resources of the latter increases the liquidity of the banking system, expanding its lending capacity and creating incentives for economic growth.

At least in the short - and medium term, given that the ability of monetary policy to stimulate real economic growth in the long run is currently one of the most pressing questions for discussion among modern scholars financial and banking system. Conversely, selling securities on the open market, the central bank thus eliminates excess liquidity in the banking system, narrowing its credit capacity and preventing possible deployment of inflation, caused by the presence of excess money supply in the economy.

While open market operations are not instruments of deep action and its impact is "rather short, their significant advantages are flexibility, efficiency and autonomy of the central bank in their implementation, the possibility of rapid changes in the direction of their actions, etc." [8] according to authoritative local researcher V.S. Stelmakh. Unlike securities transactions, which provide flexible regulation of bank liquidity soft market methods, operations of establishing mandatory standards for reserve funds is an instrument of strict administrative regulation of the money supply in the country, which has a long-term, and in some cases permanent structural impact on the economy and is able to not only change the equilibrium in the money market and lead to systemic changes in the structure of the real and financial sector, leading to imbalances between investments and current consumption, costs and savings deposits and loans.

The central bank uses tools such as certificates of deposit besides open market operations to remove excess money supply. Their placement allows you to quickly remove excess bank liquidity on deposit accounts of the central bank, preventing speculative flow of the foreign exchange market (in terms of short-term emission certificates for up to 14 days) or reducing the possible pressure of excess money supply in the country for inflation (when placing deposit certificates for a longer period of 1 year).

Required reserves are deep action instrument and perform two functions. Thus, they are providing liquidity reserve liabilities of commercial banks on deposits of their customers. The central bank maintains a degree of liquidity of commercial banks at the minimum acceptable level, depending on economic conditions by the periodic changes in rules required reserves. Second, the minimum reserve is a tool used by the central bank to regulate the money supply in the country. The central bank adjusts the scale active operations of commercial banks by changing the rules required reserves.

If open market operations, operations with certificates of deposit and mandatory standards are instruments accordance soft and rigid monetary regulation by which the central bank influences the money supply, determines the liquidity of the banking system, the presence in it any resources, the impact on the real value of financial resources in the economy, which is closely related to the investment process and real economic growth by using interest rate policy instruments. Interest rate policy is changing the discount rate and other interest rates on loans refinancing their central bank provides commercial banks. In addition, the central bank to influence the exchange rate against foreign currencies makes foreign exchange intervention by buying and selling currency values in the currency markets and thus manages foreign exchange reserves.

It is to be noted, that in some researches are represented attempts to systematize instruments of monetary influence, that are used by central banks on economic growth. For

example, at N. Hrebenyk's research the existing monetary instruments are divided into four groups: into objects of influence (credit expansion and credit restriction), into forms of influence (administrative and market), the nature of influence (qualitative and quantitative) and terms of influence (short- and long-term). In our opinion, this classification is not exactly proper. Tools, that are implemented within monetary expansion or monetary restriction policy, have to be classified rather according to the nature of influence (stimulative or restrictive) [4].

Taking into account the submitted in economic literature approaches to determination of tools of monetary regulation and considering the absence of efficient systematization, we suggest our own approach to the classification of modern monetary instruments according to the most important features that makes possible to determine legibly the role and place of each tool in the system of modern monetary regulation of economic growth - tab. 1.

According to the given classification we offer four classification criteria as a basis for instruments distribution of monetary regulation of economic growth. So, according to the directions of their influence on the financial sector we suggest to mark out strict regulatory instruments and instruments of market activity. The structure of the former includes the determination of required reserves, regulatory limitations of banking, fixed exchange rate and administrative exchange restrictions. At the same time the sphere of the lenient instruments of market influence includes discount rate of central bank and rates for refinancing operations, open market operations and placement / repayment operations of certificates of deposit that regulate banking liquidity.

Table 1

Classification of tools of monetary influence on economy

№	Classification features	Categories of tools	Monetary tools
1	According to influence on financial sector	Strict regulatory	Required reserves, regulatory restrictions for banks, fixed exchange rate, exchange restrictions
		Lenient, of market activity	Discount rate and interest rates for refinancing, open market operations, placement/repayment of certificates of deposit
2	According to object of influence	Tools, that have influence on the resource availability (bank liquidity)	Open market operations, placement/repayment of certificates of deposit with the medium-term validity (up to 1 year), amount of refinancing for banks, reserve ratio.
		Tools, that influence resource's value and costs	Discount rate of central bank, rates on refinancing tools (overnight, repo agreements, etc.), currency intervention and exchange rate
3	According to influence duration	Beyond short-term validity	Credit refinancing overnight, certificates of deposit for up to 14 days
		Short-term and medium-term validity	Credit repo operations of the central bank on the open market, currency intervention and auctions
		Long-term validity	Discount rate, reserve ratio and normative limitations of banking, fixed exchange rate
4	According to pattern of use	Tools of constant (fixed) action	Credit and deposit certificates-overnight, reserve ratios
		Tools of situation first response	Open market operations, additional credit support of bank liquidity, the central bank discount rate, innovative anti-crisis measures (temporary instruments of quantitative and credit easing, expansion of liquidity)

Source: improved author

Second classification feature, according to the table. 1, sphere and object of influence of monetary tools, divides them into two categories – tools, that have influence on the resource availability and determine bank liquidity, and also tools that influence price and value of the resources in the country financial sector.

According to the regulatory influence duration of central bank the instruments are divided into tools of beyond short-term validity (instant liquidity support and avoidance of technical defaults because of credit and deposit overnight operations), procedures of influence in short and medium term outlook, and also long-term procedures, that determine the ratios of separated components of the financial and real sectors of economy. The fourth classifier is pattern of use, it divides them on tools of constant (fixed) action and also instruments of situation first response.

The first group of tools includes the most stable of them are used by the central bank independently of the current financial situation and provide technical support for the banking system – these are credit and deposit overnights, as well as the obligatory reserve ratios. If the instantaneous liquidity of banks in the short term is regulated based on the first ones, the latter, is, in fact, a technical guarantee for banks' deposit liabilities to customers.

Compared with tools of constant action, the flexible tools of situation first response are used actively in the times of high financial instability, when the disbalance in the banking system of a country threatens with an economic crisis, which most negative consequences are falls in employment, in economic growth (recession), instability of banking system and inflation.

Conclusions. Thus, the basic premises for effective monetary regulation of economy are clearly defined hierarchy of objectives (including the temporally forming of operational and sub-objectives), the usage of tools in accordance with the set objectives. Besides we suggest to understand by the tools of monetary policy a combination of legal, administrative, informational and economic levers, using which the central bank influences the monetary sector (supply and demand for money), which impulses, with the proper time lag, affect economic indicators and real sector growth in a country.

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Стаття надійшла до редакції 06.11.2015 © Пасічник І. В., Галушко Ю. П.

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Received 06.11.2015

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