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PROBLEM ASPECTS OF THE MODERN MONETARY AND CREDIT POLICY OF UKRAINE

The 25th anniversary of Ukrainian independence does not cause much enthusiasm. The fall of the Ukrainian economy comes amid political and economic crisis. Such crisis developments in the economy as well as in the financial sector need immediate improvement of the banking sector management. The declines in production, depreciation of the national currency, unemployment, debt to the IMF and other foreign financial institutions always have a negative impact on the banking system.

Today, there is an urgent need for an immediate consideration of the issue on elaboration of the effective monetary policy in the country.

However, a comprehensive study of the monetary policy and the definition of government and the central bank relations on the money turnover regulation in the financial crisis is not sufficient for the moment.

The main task of the bank is "the organization of the monetary process and banknotes issuance".

Monetary and budgetary policies together form the basis of state regulation of the economy. That's why it is very important to master tools of monetary policy to ensure an effective market economy.

Beginning of the XXI century was a period of profound economic changes in the banking sector and monetary circulation management practices. This process can be compared to the period of banks development and industrialization in developed countries.

A characteristic feature of the central banks is their independence from the executive power. In most cases the central bank is accountable directly to the Parliament. Relative independence of the central bank from the executive power was assigned in the Law of Ukraine "On the National Bank of Ukraine" dated 20 May 1999. The National Bank of Ukraine is accountable to the President of Ukraine and the Verkhovna Rada of Ukraine.

A significant level of the central bank independence from the executive branch in Germany, USA, Switzerland, and Canada is caused by its goals to maintain monetary and currency stability. Foreign central banks with the approval of their government have adopted the theory of monetarism since 1974, which consisted in monitoring the amount of money in circulation and overcoming inflation. The method of "targeting" had been adopted. The essence of this method is not only to determine the quantitative parameters of the money supply, but to make this process public. The monetary policy of the NBU should be clear to all market players (enterprises, organizations, entrepreneurs, and people).

Analysis of the money supply in Ukraine for the period from December 2014 to May 2016 demonstrates a growth of broad money (M3), and its individual components.

In the economic literature, one of the indicators determining the safety of the money market functioning is the M0 to GDP ratio. Its normative value should not exceed 4%. However, the M1 (cash and transferable deposits in national currency) to GDP ratio is the indicator that more completely characterizes the liquidity of the national economy. The ratio of M0 and M1 to nominal GDP characterizes general condition of the economy liquidity. During the analyzed period, this indicator does not comply with normative.

There is an increase in GDP dynamics for 2013 – 2015 in Ukraine which might be considered as a good sign. However, given the rapid decline in the hryvnia against the dollar exchange rate over the past 3 years, the analysis of the GDP dynamics in Ukraine should be conducted in dollars, which allows to make a judgment about the real situation in the country. GDP growth is a positive indicator, which indicates the development of the country's economy. The GDP in dollars proves the opposite.

If GDP falls or stands still, this indicates economic recession leading to a deterioration of living standards. The value of GDP in US dollars according to the World Bank in 2013 was 183310 mln dollars, in 2014 – 131805 mln dollars, and in 2015 – 97280 mln dollars. The decline is 51505 mln dollars and 34525 mln dollars, respectively.

Monetary policy is an economic policy of maneuvering of such main tool as money. That is not an accident that money is called "the language of the market".

Proponents of monetary theory are not always perceived money as an active factor of economic development.

Proponents of the monetary theory scientifically justified the role of monetary factor in the economy while developing the monetary policy is to regulate monetary system in order to insure that money creation is carried out in strict conformity with the type of economic development of the country.

To carry out money creation arbitrarily or credit expansion is impossible. It should be done in strict compliance with the GNP and economic growth dynamics.

This theory correct in general is adopted by modern monetarists. Monetary policy of "shock therapy" has brought large financial losses to Ukrainian people in January 1992, prices began to grow rapidly, and inflation rates were fabulous (five digits).

Such monetary policy has led to financial resources shortage, aggravation of payments crisis, unpaid wages to public sector employees, sharp decline of purchasing power of population. Under such conditions the inflation rate falls. Nowadays the situation in the country is the same as 20 years ago. Methods of monetary policy, as we see, are not reliable and do not lead to financial stability.

Under difficult conditions, characterized by the growth of general economic instability, subsequent decline in production, military operations, the NBU carries, together with the government its share of responsibility for the situation in the country's economy. In this regard, the NBU monetary policy should be aimed at achieving a balance of restrictive anti-inflationary measures of the monetary nature, which are directed at overcoming the decline in production and investment activity.