

FEATURES OF MONETARY POLICY IMPLEMENTATION IN UKRAINE

Igor Sazonets¹, Lesia Melnyk², Ruslan Pushko³, Tetiana Gavrilo⁴, Oksana Krochak⁵, Tetiana Mishustina⁶, Valentyna Shevchenko⁷

¹Doctor of Economics, professor Head of the Department of Public Administration, Documentation and Information Activities National University of Water and Environmental Engineering (Rivne), Ukraine

²PhD in Economics, Associate Professor of Management, Public Management and Administration Department Dnipro State Agrarian and Economic University, Ukraine

³PhD in Economics, Associate Professor at the Department of Finance, Accounting and Banking, Institute of Economics and Business of Luhansk Taras Shevchenko National University, Ukraine

⁴National Aviation University, Department of Finance, Banking and Insurance, Assistant Professor, Ukraine

⁵Uman National University of Horticulture Candidate of Economic Sciences, Associate Professor, Department of Accounting and Taxation, Ukraine

⁶Candidate of Economical Sciences (PhD), Associate Professor Alfred Nobel University, Ukraine

⁷Associate Professor, Candidat of Science (Public Administration), Associate Professor of the Department of International Marketing, Alfred Nobel University, Dnipro, Ukraine

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Abstract: The features of monetary policy implementation in Ukraine was analyzed in this work. There was shown the dependence of the Ukrainian currency market on migrant workers' remittances. The dollarization of the Ukrainian economics has a negative influence with it. However, a balanced approach is required to solve this problem.

According to the authors' point of view, an important task of monetary policy in Ukraine is attracting free cash of individuals and enterprises in foreign currency into the banking system and into the real sector of the economy. The increasing process in international foreign reserves will enhance the stability of the national currency.

I. Introduction

Theoretical aspects of the "monetary policy" concept was being studied in the scientific literature, for example Mladenovic, Vladimir T. & Hadzic, Mirosljub. (2014). However, in our opinion, in the scientific literature this issue has not been sufficiently studied yet. In particular, the distinction between monetary and currency policies should be explored additionally.

B Morrison, W.M. & Labonte, M. (2012) - authors are considering monetary policy as a component of the state tactic and strategy in the financial sphere.

In works of Handler, Heinz. (2016) is expressed the opinion that namely provision of stable rate of the national currency and ensuring stable prices are the main guideline of the state monetary policy

Some researchers consider Dyomina, Yana & Mazitova, Marina. (2020), Gubkova, Ekaterina. (2019) that an effective monetary policy should include maintaining the state's balance of payments, controlling inflation, minimizing unemployment and providing conditions for the stable economic development. In our opinion, the same goals should be inherent in monetary policy. But currency policy, as part of monetary one, should provide an equilibrium state of payments balance of the state and an adequate rate of the national currency.

In the writings by Kolada, T & Mala N. (2019), Robinson, E. (2015) is considered monetary policy like one of the state economic policy components. According to the authors, it contributes to ensuring the stability of economic growth, contributes to the structural economic transformation, controlling the unemployment rate and controlling inflation through the mechanism of regulating foreign currency relationships. The currency policy, in our opinion, is a mechanism for the formation of gold currency reserves in the state, the stability of the currency rate and payment balance.

In works by Dyomina, Yana & Mazitova, Marina. (2020), Szász, André. (1999) Matruziev, A. (2014), Dyomina, Yana. (2015), Matruziev, A. (2014) monetary policy in accordance with its tasks and types are divided into current and long-term monetary policies. Long-term monetary policy provides for the regulation of the international monetary mechanism, as well as envisages of future prospects work. The implementation of such a monetary policy carries out in interactions with other subjects of the world monetary system and, in particular, with the International Monetary Fund and the World Bank.

The current monetary policy is a list of short-term measures aimed to the actual regulation of the currency market, control of currency transactions and the implementation of exchange rate regulation. The Ministry of Finance, the Central Bank, the State Treasury, as well as other state bodies that carry out currency control are responsible for the implementation of the current monetary policy.

In works by Handler, Heinz. (2016), Willett, Thomas & Al-Marhubi, Fahim. (2007), Hlavaty, E. (1998), Petroia, Andrei. (2013), Dueker, Michael & Fischer, Andreas. (2000), restrictions on operations with foreign currency, the discount rate of the Central Bank, as well as currency rate regulation methods are highlighted as key forms of monetary policy. Each of them is accompanied by adequate instruments of currency regulation as levers for the implementation of monetary policy.

The emergence of new goals, forms and methods of implementing the state monetary policy is closely linked with the evolution of the world monetary system as a whole.

For example, with the weakening of regulation in world currency markets, it affects the changing of the forms and methods of state currency control. Changes in currency restrictions can be offset by the application of currency regulation methods in accordance with the goals and tasks of the state monetary policy.

When considering problems of the monetary policy implementation of the state Abrams, Richard & Douglas, Hernn. (1993), Gubkova, Ekaterina. (2019), Robinson, E. (2015), Morrison, W.M. & Labonte, M. (2012), Mladenovic, Vladimir T. & Hadzic, Mirosljub. (2014) the concept of "currency regulation" is applied, at the same time it is assumed that it's using for currency control, for example, in exchange rate formation. For example, the mandatory sale of part of the enterprises' currency earnings, restrictions on operations with foreign currency up to the forbidding of transactions can be used.

The reduction of government intervention in the functioning of financial markets and promote the emergence of new varieties of financial instruments can serve as forms of implementation of currency regulation.

In modern conditions, as the main form of monetary policy the regulation of currency relations both from the state, non-state regulatory organizations as well as from the market's side can be marked out.

Market regulation is carried out on the basis of supply and demand, as well as competition conditions in the foreign exchange market.

The influence of the state on foreign exchange relationships may be direct or indirect. From the point of view of Grittersova, Jana. (2019), Pugachev, I. (2015) direct currency regulation occurs through the application of the executive government actions and legislative acts, while indirect regulation uses, for example, monetary methods of impact on the behavior of market participants.

Currency regulation, as a rule, occurs in a close combination of monetary regulation and gives governments of various countries the opportunity with help of market laws to solve the problems of domestic and foreign economic policy. And as a consequence of this, it provides the opportunity for effective participation in world trade and, according to the authors, this is very important for such countries as Ukraine.

Currency regulation, first of all, is aimed at minimizing the impact of the international currency market on the exchange rate dynamics of foreign currency, the outflow of capital abroad, protectionist protection of national exporters and manufacturers from excessive rivalry in international trade.

Hence, according to the authors' point of view, currency regulation in combination with currency control is an important tool to procure national security.

II. Methods

The analytical method is the basis of this work. This made it possible to study the problems raised in the article in their relationship, development and unity. Considering the purpose and objectives of this study were applied systematic and structural-functional research methods. This allowed us to study some problems in the implementation of monetary policy in Ukraine.

III. Results

The Ukrainian foreign exchange market has such features:

- acts in a competitive environment, however, confidence in the national currency is low, due to the depreciation of the hryvnia against the US dollar in three times after 2014;
- the presence in the currency market of large amount of speculative capital;
- the presence of number of restrictions on operations with foreign currency for individuals and legal entities by the National Bank;
- the presence of a significant "black currency market";
- the presence of a large amount of foreign currency that is circulated outside the banking system;
- the presence of a non-stop armed conflict in eastern part of Ukraine.
- legislative support of operations with foreign currency does not fully comply with modern requirements, for example, in our opinion, transactions with cryptocurrencies have not been sufficiently regulated yet.
- about a third of the entire hryvnia money supply is in the hands of the population;
- low public confidence in the banking system as a whole;
- a large amount of the shadow economy;
- a significant source of foreign currency inflow to Ukraine are money transfers of Ukrainian migrant workers.
- rather large problem is the volume of smuggling and corruption in customs and tax authorities.

In our opinion, the Ukrainian government, together with the National Bank and the Verkhovna Rada, should pay more attention to:

- 1) Increasing non-cash payments, as well as payment banking infrastructure to using of foreign currency in transactions with immovable, as well as with goods and services, to reduce the share of the shadow economy and it will be possible to increase tax incomes to the budget.
- 2) the protection of foreign investment in Ukraine, and for this, in our opinion, first of all the tax burden on the wage fund should be reduced.
- 3) the creation of new jobs and reducing labor migration.

According to various estimates, remittances of Ukrainian migrant workers at the beginning of 2020 ranged from 3 to 5 billion US dollars per month.

On the one hand, this improved the payment balance of Ukraine, lowered the unemployment rate, and on the other hand, negatively affects the amount of collecting taxes from wages, because they are paid abroad too.

The main amount of remittances of Ukrainian migrant workers falls into the shadow currency market or directs on to the immovable purchasing, as well as onto the purchase of imported goods.

According to the National Bank of Ukraine Kolada, T & Mala N. (2019) in 2018 the inflow of foreign investment in Ukraine amounted to approximately 2.4 billion US dollars, while only 58% of the total volume or 1.4 billion US dollars fell in the real sector of the economy, investments in the financial sector accounted for 42% of the total amount or 1.4 billion US dollars.

To reduce the economy dollarization, in our opinion, should be done the following:

1) to limit lending to the population in foreign currency on the legislative level, this applies not only to the purchase of immovable, vehicles, but also the purchase of a number of other imported goods in online stores with the involvement of credit funds.

2) to reduce the rate of obligatory reservation for term deposits of legal entities and individuals. In our opinion, this will reduce the expenses of banks and they will have more opportunities to raise funds in foreign currency from the population and enterprises. In its turn, an increasing in the required reserve ratio of 50% and higher on term deposits of legal entities and individuals will not give the desired effect due to the low confidence in the national currency.

3) to input restrictions on non-bank financial and credit institutions for opening current and deposit accounts in foreign currency by establishing appropriate standards related to these operations of mandatory reserve.

The dollarization of economic relations negatively affects the stability of the banking system and the exchange rate of the national currency.

As a consequence of this, in our opinion, among other measures, attention should be paid to increasing of international foreign exchange reserves.

Based on the study, the authors conclude that the currency market of Ukraine is highly dependent on the external environment, the policies of foreign countries and the cycles of international economic activity, remittances of migrant workers. There is a great dependence on the prices of raw materials that Ukraine exports (ore, fertilizers, grain, metal), as well as the prices of energy that it imports (natural gas, oil).

IV. Discussion

Based on the study, the authors conclude that the foreign exchange market of Ukraine is highly dependent on the external environment, the policies of foreign countries and the cycles of international economic activity, remittances of migrant workers. There is a great dependence on the prices of raw materials that Ukraine exports (ore, fertilizers, grain, metal), as well as a cent on the energy it imports (natural gas, oil).

As a consequence of this, in our opinion, among other measures, attention should be paid to increasing international foreign exchange reserves.

The dollarization of economic relations negatively affects the stability of the banking system and the exchange rate of the national currency.

However, the approach to solving this problem must be balanced, taking into account the size of the “shadow” economy and other features of Ukraine.

V. Conclusions

The priority of Ukrainian monetary policy, in our opinion, must be:

1. Ensuring the stability of the Ukrainian in the national currency.
2. Attracting foreign investors.
3. Improving the standard of living and well-being of Ukrainian citizens.
4. Ensuring sustainable economic growth.
5. Priority support for high-tech and high-tech industries.
6. Protection of domestic producers in the context of globalization.

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