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MONETARY POLICY EXPERIENCE AND CRISIS ACTIVITIES IN DEVELOPING ECONOMIES

Abstract. In general, financial regulation and control, rather than monetary policy, can provide tools to reduce the problems of dimensionless lending. Strengthening financial stability through regulation and control will allow monetary policy to accumulate on the way to reduce inflation. Avoiding the use of monetary policy in reducing financial imbalances, taking into account potential costs, is not necessary; financial requirements should be monitored for signs of such imbalances. However, wherever it is, control and regulation must always be at the forefront of protection against financial instability.

Keywords: finance, monetary policy, credit, crisis, financial regulation, monetary policy, control, regulation.

Among the typical internal and external financial requirements that arise in emerging economies in the context of financial crises, we can distinguish:

- money stabilization policy with rigid currency regulation;
- the "boom", which is developing in the "overheating" economy, the asset quality and the decrease in the capital of commercial banks;
- general product growth decline, balance of payment issues, reduction of export volumes, currency risk;
- urgent financial liberalization, reorganization;
- subsequent reversal capital flows (sudden "stop" effect);

All these conditions are interrelated and, consequently, end with the financial crisis, especially in the early stages of the financial system [1].

We will consider the mechanism of increasing financial weakness more fully.

After the 1980s, many developing countries have adopted stabilization programs based on exchange rates, ie disinflation programs (gradual decline), which include pre-defined limits of nominal rates. These programs have been implemented in a number of Latin American economies that have a history of hyperinflation. Similar stabilization programs have also been implemented in transition economies, which have experienced a sharp rise in price after the collapse of the centralized planning [2].

These programs have shown the opposite, along with the advantages of using currency rates as the main "anchor" in inflation. Initially inflation was lower (more than 100%). Later, in many countries, inflation slowly declined to one-digit number (in the third year after the start of the program) and then continued to decline. Even if the government abstained from accepting the demand, the inflation was below its initial level.

The use of stabilization programs in the practice of these countries includes the following strategic threats. In the studied states the following tendencies were observed: in the first three years after the introduction of the program, the actual rate is fixed, but the balance of payments deficit is increased. Deficit will increase due to some capital expenditure [3-5].

Capital flows have enabled or encouraged international reserves. But it has also led to external challenges. Thus, economies are largely dependent on international markets and have started to weaken against capital leakage.

In all of these cases, internal and external factors triggered the devaluation of the national currency. Similar to previous stabilization programs, disinflation accompanied the rapid growth of GDP.

In most cases, this phenomenon was explained by the choice of the time of the program, rather than the impact of aggregate demand and supply as a result of stabilization. Typically, programs started after recession or stagnation (one year or more), and were accompanied by structural reforms that were particularly radical in transition economies.

Political mistakes also played an important role. This has led to a decline in national currency in some countries. A systematic macroeconomic policy was available on the basis of the fixed exchange rate of the currencies, for a different group of countries where the decline did not occur. For example, in Poland, the exchange rate fluctuated during the stabilization program: beginning with the US dollar and subsequently modified. That is, it first relates to the currency portfolio, then to the mobile direction (the mechanism of periodic defaults in a predetermined amount). But it was not enough to get rid of the crisis.

If we make a conclusion, it has shown that the results of the program implementation can be effective if the inflation is overcome and the economic situation is improved after its launch. The key factor is the strict macroeconomic policy coordination with the currency orientation. It also requires certain decision-making: maintaining a fixed price, or allowing for flexibility to change over a period of time. This level of flexibility should be compatible with fiscal and financial policies.

Considering the macroeconomic policies that prevent crisis risks in emerging economies, the crisis of three crises in the 1990s (CEE in the first half of the 1990s, the Mexican crisis of 1994, the 1997-1999 South-East Asia crisis) [6-9].

There was also a reversal of the stabilization rate of money spent by linking its currency and restricting monetary policy. When governments maintain such a regime, investors and borrowers usually do not hedge their currency positions, which, as a result, are subject to some threats. In such a situation, the central bank can not protect its currency if the crisis occurs. This crisis can be a devastating event for the banking and the corporate sector.

For all of them, the economy has a rapid flow of large capital due to financial openness, "bonding" of currency exchange rates and interest rate differentials (Table 1).

Table 1 - Comparative description of the financial situation in three regions during the financial crisis

Tools	CEE (The mid-1990s.)	Mexico (1994 y.)	South-East Asia (1997 y.)
Interest rate in leading currency	low	down	down
Fiscal Policy	expansion	limited	limited
Financial Policy	strictly	strictly	strictly
Exchange Rate Mode	«Bundle»	«Bundle»	«Bundle»
Revalued currency	yes	yes	yes
Inflation	suppressed	suppressed	suppressed
Balance of Payments Balance	high	high	high
Privileged, short-term external debt	yes	yes	yes
The collapse of the financial market	—	yes	yes
Financial leverage	yes	yes	yes

Note - [10] is based on the author's data.

A common feature of crises in Mexico, Argentina, Brazil and the United States is the availability of currency exchange rates; currency exchange rate fixing; The deficit of NP deficit to GDP (7.7% in Mexico in 1994, 4.8% in Malaysia in 1996, and 7.9% in Thailand); fast financial liberalization. As a rule, stabilization programs in the country are based on linkage of currency rates, high interest rates and short term foreign capital shortfalls (debt financing deficits).

When choosing the exchange rate regime, it is best to consider alternatives first. Undoubtedly, the destabilizing consequences of the forced abandonment of the regime will not be able to bear a heavy

shock. It is important to say that vulnerable financial systems will be a major barrier to efforts to maintain the exchange rate regime.

In order to understand this, it is important to look at the general financial system as to how to deal with adverse exchange rates. Deficit balance deficit resulting from shock results in lower internal financial offerings and higher internal interest rates. As the interest rate increases, it is difficult for borrowers to repay debt on their obligations to the bank. Reduction of bank loans, which leads to a decrease in financial offerings, also exacerbates debtors and other banks.

Thus, it can be concluded that adaptation at a flexible exchange rate is more profitable, given the weakness of the national bank system. When it is necessary to adapt to a large shock situation during a fixed exchange rate, it is a huge burden to the banking system. When choosing and storing a banking system or exchange rate system, politicians always retain the banks.

Let's take another example of the currency exchange rate's destabilizing impact on the economies of developing countries. These countries' economies are export-oriented, and their financial and monetary systems are dependent on the external resources, allowing them to manipulate their exchange rates and maintain a fair balance of their purchasing power, and regulate external financial flows.

As a result of the currency exchange policy, the rise in prices in the domestic market is carried out in order to maintain a positive balance of NPs and to gradually increase the currency exchange rate, as well as to avoid the rapid appreciation of the currency. When the inflation rises and boom in the stock markets, the business is retrofitted to get unusual speculative operations on stock markets. Revenue from real investment will decrease, and income from financial investments will increase. Bank loans, accelerated by a favorable market environment, will also increase. In the case of capital outflow from the financial system, an unstable external financing regime is formed, leading to a crisis of the economy.

Vulnerable financial systems complicate macroeconomic policy in other areas. Let's take a look at the fall in inflation. Significant drop in inflation can lead to high interest rates and slower financial offers. This will result in a net transfer of corporate banking risks. And it can potentially affect the banking systems. As another example, let's look at the effect of the financial supply on the shock effect that increases the demand for the public sector credit. This leads to displacement of individual borrowers and increase of internal interest rates.

In a strong banking system, the central bank can compensate potential inflationary pressures by pursuing a strict financial policy. However, if the banking system is vulnerable, the high interest rate can lead to the need for expensive "hedging operations", causing higher inflation, causing damage to the bank. Accordingly, restriction of the money supply during a vulnerable banking system will not only reduce the inflation but will allow it to be deducted. If the population sees an increase in inflation and cancels the national currency, they may not even be able to do so.

From 2016, the National Bank has moved to inflation-limiting mode, focusing inflation on the money-credit operations. Some countries (Chile, Israel) have shown that the introduction of this approach is effective for low inflation (4-5%). But in order to achieve this goal it is necessary to create a favorable environment in the state, i.e. developed domestic money and capital markets. For example, in any non-diversified countries, inflationary restrictions are not applied. This is due to a low level of forecasting macroeconomic situation in them, as well as some fluctuations in the global commodity market environment.

The National Bank's transition to inflation restrains the risk of macroeconomic instability. In this case, the monetary policy uses a floating exchange rate to reduce the effect of external shock. However, refusal to hold the foreign exchange rate within the established range led to the tenge's fluctuations with respect to other currencies and caused the foreign capital inflow and leakage to become acute. Therefore, the transition to a new regime of exchange rate should be the foundation of a solid foundation that will reduce the state's vulnerability to fluctuating capital flows [10].

Problems of monetary policy can not be solved by the traditional practice, i.e. only one mark ("currency exchange rate limitation", "restriction of inflation", etc.).

The specified tasks are solved only at the same time with the same restrictions:

- Inflation;
- Money supply (increase of monetization);
- Interest rate (interest and financial assets);

- Restrictions on the large corridor allowing real volatility of the exchange rate during storage of the liberal regime of capital account.

To assess the likelihood of emerging financial instabilities, the analysis of the basics of macroeconomic policies will need at least three reasons. First of all, if the interest of investors investing their money and securities in the emerging market with respect to risks decreases, then the direction of this policy forming the investor's asset portfolio becomes an important feature. Secondly, if a borrowing crisis occurs in one of these countries, financial infections accept the form of 'penalties' to economies with a high level of debt and high budget deficit. Thirdly, when the global financial situation deteriorates, monetary and credit and fiscal policies in the emerging markets may lead to a downturn in the domestic financial crisis. If monetary and fiscal policies are envisioned in the state, it is unlikely that the financial crisis will be worse than the worst state.

Let's consider the consequences of currency and financial crises in developing markets. Based on the accepted financial policy principles, we note the major factors that depend on the state of emerging markets on the external shock situation (Table 2).

Table 2 - Financial vulnerability of economies
in the emerging markets due to various financial and credit policy principles

Currency constraint	Restriction of money supply (M2)	Inflation Restriction
The main vulnerabilities		
Revaluation of the currency	Dependence of money supply on foreign currency flow Insufficient monetarization of the economy The weakness of capital flows	Inadequate adaptation of consumer demand index (CPI) to shock conditions
Deterioration of CT condition		
The danger of speculative attack on currency	Liquidity risk Re-financing risk Credit risk	Interest rate risk Currency risk
Note - [11] is based on the author's data		

Economist I.N.Yudina analyzed 12 different indicators of twenty states with emerging markets in different regions. According to its results, the following conclusions were made: Negative structured economies with very high external debt and loans were based on expansionary monetary and fiscal policies (negative interest rate and budget deficit policy). And the exchange rate management was used as a monetary policy direction. Such states have become less vulnerable to the deterioration of external conditions and have been a small success in controlling inflation and equity in capital. In 2008, they experienced a sharp decline in GDP and devaluation (most vulnerable economies - Ukraine, Latvia, and then Turkey, Russia and Kazakhstan).

In the monograph of I.N.Yudina there are some indicators of vulnerability of external shocks in the economy. It indicates the level of monetary and fiscal policy cycles, respectively (Table 3).

Table 3 - Areas of financial policies used to evaluate
the level of weakness in external shock conditionies of emerging markets

Objects of financial regulation	Main Indicators List
Current Payment Balance Financial Report	Balance of current NP group,% of GDP Balance of financial account (without direct foreign investment),% of GDP
External debt (public and private)	External debt (total, including currency),% of GDP The ratio of short-term debt to currency reserves
Exchange rate	Actual (effective) exchange rate, revaluation level
Money circulation	Inflation rate (%) or GDP deflator Interest rate (real) Domestic loan growth rate,% of GDP Multiplier M2
Federal Government Budget	Growth rate of budget expenditures, % to GDP state budget balance, % to GDP
Note - [12] is based on the author's data.	

In XX-XXI centuries within the framework of the strategy in a number of emerging countries with a number of emerging markets, the transition of the foundations of monetary policy, i.e. from currency containment to inflation containment, has changed its effectiveness. But at the same time, policies to contain inflation may be faced in terms of external demand (mainly high volatility of commodity prices in world markets). Therefore, the research proves the feasibility of using the price index of major export goods (or producer price index), justified in emerging market countries, rather than the consumer price index, which does not reflect such conditions as an "anchor" in the policy of inflation containment.

The role of macroprudential regulation in recent crises should also be reviewed to reduce systemic vulnerability. That is, the rejection of pro-cyclical regulation. Capital requirements for banks and other financial institutions need to be strengthened so that more capital reserves (counter-cyclical buffers) can be reduced to an acceptable level in the event of a financial crisis during a period of rapid economic development. Such anti-cyclic buffers of capital make the banking sector more stable in shock conditions and contribute to the cyclical reduction of the entire financial system's economy.

We analyze the vulnerabilities of their financial systems and the recommendations made to reduce such weaknesses in monetary policy related to exposure to external shocks in developing markets (table 4).

Table 4 - Basic tests for monetary policy and recommendations for their solution

Main characteristic weaknesses	Recommendations to address these issues through financial policy measures
Managed and partially established exchange rate regimes	The transition of the currency exchange rate to the regime of free price fluctuations depending on the stabilization measures
Great dependence on external sources of financing	Development of internal sources of financing increase of monetization of economy at the expense of "long" money
«Overheating» of speculative markets Periodically emerging Fund «bubbles» and credit «boom» in excess liquidity	Retention of positive interest rates of the financial market Stimulating productive investment
Hasty financial liberalization	The principle of uniformity of disclosure of capital accounting Temporary limitation of short-term capital income
Note - [12] is based on the author's data.	

In the research work, the indicators that have the greatest predictive ability during the long trend of the credit/GDP deviation indicator, as well as at the time of management of the anticyclical capital buffer (the first - three pre-crisis years; the second - the period of the cycle slowdown, three quarters before the crisis), which can be used as an "anchor" depending on the stage of the financial cycle, were selected.

The use of countercyclical measures requires a clear and reliable risk assessment from the financial stability position. Adhering to the strict formal rules, it is possible to simplify the use of anticyclone-macroprudential measures. In monetary policy, there are also effective aspects of the implementation of formal prescriptions (for example, when inflation or the money supply slows down), in order to avoid various misconceptions, especially political influences. In the future, it is necessary to study methods of achieving macroprudential policy and to follow the prescribed rules.

Another issue raised is to use active monetary policy measures to achieve not only money but also financial stability. In addition, in the case of inflation containment, it is recommended to use the producer price index and export prices for the price level, rather than the consumer index as an "anchor" or as a guide. It corresponds to the domestic economy, which is highly dependent on the exports of a group with limited economic development, especially commodities. The main reasons for systemic vulnerability for emerging market states, in our opinion, are the following features that may occur in domestic financial systems:

- firstly, these are institutional factors, that is, weak legislative and prudential regulatory mechanisms;
- secondly, the high level of dollarization and dependence on external sources of financing;
- thirdly, it is the political factors due to the error of monetary and financial policy, explaining their high financial weakness.

Recently, monetary policy has undergone two different changes - the credit crisis and a sharp change in trading conditions (changes in the prices of oil and other raw materials on the world market). Although

price stability is very important for these economies, financial stability has become their primary responsibility within the prudential regulation of central banks [13-14].

In general, financial regulation and control, rather than monetary policy, can provide tools to reduce the problems of dimensionless lending. Strengthening financial stability through regulation and control will allow monetary policy to accumulate on the way to reduce inflation. Avoiding the use of monetary policy in reducing financial imbalances, taking into account potential costs, is not necessary; financial requirements should be monitored for signs of such imbalances. However, wherever it is, control and regulation must always be at the forefront of protection against financial instability.

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ДАМУШЫ ЭКОНОМИКАДА АҚША-НЕСИЕ САЯСАТЫН ЖҮРГІЗУ ТӘЖІРИБЕЛЕРІ ЖӘНЕ DAҒДАРЫС САЛДАРЛАРЫ

Аннотация. Жалпы алғанда, өлшеусіз несиелеу мәселелерін төмендететін құралдарды монетарлы саясат емес, қаржылай реттеу және бақылау қамтамасыз ете алады. Реттеу және бақылау арқылы қаржы тұрақтылығын күшейту монетарлы саясаттың инфляцияны төмендетуі жолында жиналуына мүмкіндік береді. Потенциалды шығындарын есепке алу арқылы қаржы дисбаланстарын қысқартуда монетарлы саясаттың пайдаланылуынан кесімді бас тарту қажет емес; мұндай дисбаланстардың белгілерін іздестіруде қаржы талаптарына қадағалау жасау керек. Алайда, қай жерде болмасын, қаржы тұрақсыздығына қарсы қорғаныстың алдыңғы шебінде әрдайым бақылау мен реттеу тұруы қажет.

Түйін сөздер: қаржы, ақша-несие саясаты, несиесі, дағдарыс, қаржылық реттеу, монетарлы саясат, бақылау, реттеу

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ОПЫТ ПРОВЕДЕНИЯ ДЕНЕЖНО-КРЕДИТНОЙ ПОЛИТИКИ И ПОСЛЕДСТВИЯ КРИЗИСА В РАЗВИВАЮЩЕЙСЯ ЭКОНОМИКЕ

Аннотация. В целом, финансовое регулирование и контроль, кроме инструментов монетарной политики позволяют сократить проблемы избыточного кредитования. Монетарная политика на пути снижения инфляции через регулирование и контроль могут усилить финансовую устойчивость. Нет необходимости отказываться от использования монетарной политики при сокращении финансовых дисбалансов с учетом потенциальных затрат; следует контролировать финансовые требования по поиску признаков таких дисбалансов. Однако, как бы то ни было, на переднем плане в противостоянии финансовой нестабильности должны постоянно находиться регулирование и контроль.

Ключевые слова: финансы, денежно-кредитная политика, кредит, кризис, финансовое регулирование, монетарная политика, контроль, регулирование.

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