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The Impact of the Central Bank Refinancing Rate on Economic Growth in Uzbekistan

Khamdamov Shah-Jakhon Rakhmat ogli, PhD

Senior Lecturer, Tashkent State University of Economics

ABSTRACT: We know that in all countries the monetary policy of the Central Bank should serve the economic growth of the country. This scientific article analyzes the impact of the refinancing rate of the Central Bank on the gross domestic product of Uzbekistan. The study used the correlation methods of Tau-b Kendall and Ro Spearman. In the study, quarterly indicators were observed from 2016 to 2022, and the number of observations was 26. IBM SPSS Statistics 25 was used. As a result of the study, it was found that the growth of gross domestic product does not depend on the refinancing rate of the Central Bank in Uzbekistan.

KEYWORDS: rate of Central bank, refinancing rate, gross domestic product, economic growth, monetary policy.

Introduction. We know that the results of the monetary policy of the Central Bank in all countries should serve the stable development and economic growth of the country. The Law of the Republic of Uzbekistan "On the Central Bank of the Republic of Uzbekistan" defines the task of developing and implementing monetary and credit policy of the Central Bank of the Republic of Uzbekistan, including currency policy.¹.

Literature review. A number of researches have been carried out on the effect of anti-monopoly policy effectiveness on the country's economic growth. In particular, M. Spence[2] researched the criteria of the quality of sustainable growth, such as increasing the importance of the factors of economic growth.

According to the research results of Robert Solow in the calculation of economic growth, the factors of economic growth were divided into 3 instead of 2 (capital and labor), unlike Maynard Keynes. In other words, there is a factor other than labor and capital in ensuring economic growth, and it is interpreted as a factor of technical development[8].

E. Corso justified the impact of economic growth and changes in labor productivity on the quality of sustainable growth in his scientific works [3].

The influence of institutional units on the inclusive aspects of the quality of economic growth was determined in the studies of K. Sen [4].

Economic growth indicators and new methodological approaches to their calculation are based on the importance of modern digital economy factors in the joint scientific works of P. Vellala, M. Madala, U. Chhattopadhyay[5].

¹ LAW OF THE REPUBLIC OF UZBEKISTAN ON THE CENTRAL BANK OF THE REPUBLIC OF UZBEKISTAN. https://lex.uz/ru/docs/4590452

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C. Aoyagi, G. Ganelli's scientific works revealed ways to increase the quality of sustainable growth on the basis of macroeconomic policies aimed at reducing unemployment, increasing labor and production productivity [6].

Issues of increasing rapid economic growth on the basis of macroeconomic stability, human capital, structural changes and foreign trade freedom were studied in R. Anand, S. Mishra, S. Peiris [7].

Ways to achieve sustainable growth based on the accumulation of fixed capital and human capital and technical progress can be seen in the scientific works of C. Jones, E. Denison, R. Solow, T. Swan [8].

At the same time, the interpretation of technical progress as an endogenous factor and its specific features are covered in the researches of D.Barro, P.Romer, R.Lucas, S.Rebelo[9].

Research methodology: Tau-b Kendall and Rho Spearman correlation, monographic observation methods were used in the research through IBM SPSS Statistics 25 program.

Analysis and results. From the official websites of the Central Bank of the Russian Republic of Uzbekistan and the State Statistics Committee of the Republic of Uzbekistan, the indicators of the Central Bank (CB) base rate and gross domestic product (GDP) for the last 26 quarters (from the 1st quarter of 2016 to the 2nd quarter of 2022) were obtained. (See Table 1).

		Data of	GDP in				GDP in
Year	Quartile		billion	Year	Quartile	Rate of CB	billion
		CD	sums				sums
2022	II	16	389 631,2	2019	Ι	16	97 788,8
2022	Ι	17	162 784,6	2018	IV	16	424 728,7
2021	IV	14	734 587,7	2018	III	16	304 010,8
2021	III	14	520 531,0	2018	II	14	186 203,0
2021	II	14	320 817,8	2018	Ι	14	77 314,4
2021	Ι	14	133 905,4	2017	IV	14	317 476,4
2020	IV	14	602 193,0	2017	III	14	221 430,7
2020	III	14	426 971,1	2017	II	9	131 712,5
2020	II	14	265 941,9	2017	Ι	9	53 985,2
2020	Ι	16	117 132,3	2016	IV	9	255 421,9
2019	IV	16	529 391,4	2016	III	9	185 109,8
2019	III	16	378 442,1	2016	II	9	114 568,0
2019	II	16	231 713,8	2016	Ι	9	47 816,2

Table 1. Central Bank key rate and GDP indicators in the Republic of Uzbekistan in 2016-2022²

The above statistics are summarized. The number of observations, that is, the number of quarters, was 26. The fact that the number of observations of 2 indicators is more than 20 makes it possible to accurately calculate the correlation dependence. These data were loaded into IBM SPSS Statistics 25 for correlation analysis, and the correlation relationship was first tested using the Rho Spearman method (see Table 2).

² It was developed by the author based on the information of the Central Bank of the Republic of Uzbekistan and the State Statistics Committee of the Republic of Uzbekistan.

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		Rate of the Central Bank
GDP at current prices calculated by the production	Correlation coefficient	,317
method, National currency, billion soums	Value (one-sided)	,057
	Ν	26

Table 2. Correlation analysis using the Spearman method

According to the results of the correlation analysis using the Spearman method, it was determined that the one-way correlation between the central bank rate and GDP is equal to 0.317. But the level of reliability of the analysis result was 0.57, which is higher than 0.5. It follows that there is no correlation between these 2 indicators.

In order to determine the relationship between this indicator, we conducted a study using the Tau-b Kendall correlation method other than Rho Spearman method (see Table 3).

Table 3	. Tau-b	Kendall	correlation	analysis
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		Rate of the
		Central Bank
GDP at current prices calculated by the production	Correlation coefficient	,247
method, National currency, billion soums	Value (one-sided)	,057
	N	26

According to the results of the correlation analysis using the Tau-b Kendall method, it was determined that the one-way correlation between the central bank rate and GDP is equal to 0.247. But the level of reliability of the analysis result in this method was 0.57, i.e. higher than 0.5. As a result, it was found that there is no correlation between these 2 indicators.

Conclusions and suggestions:

- 1. According to the results of the study, it was found that there is no correlation between the main (refinancing) rate of the Central Bank and GDP.
- 2. Based on this, it can be concluded that the policy of the Central Bank for the last 7 years on setting the main rate did not serve the growth of GDP.Марказий банкнинг кайта молиялаштириш ставкасини белгилаш бўйича илмий кенгаш ташкил килиш ва илмий асосли пул-кредит сиёсатини такомиллаштириш таклиф этилади.
- 3. Economist prof. According to the results of Usmanov's research, it was explained that inflation does not affect the basic rate of MB, in some cases the basic rate of MB affects inflation. In addition, the country's development strategy sets the task of reducing the inflation rate to 5%. Based on the above, it is recommended to study the policy of lowering the MB base rate in order to reduce inflation in the country.

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