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### **PROSPECTS FOR THE DEVELOPMENT OF MONETARY POLICY OF RUSSIA UNDER DIGITALIZATION**

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#### *Abstract*

Russia, as an integral part of the world economic community, must take the necessary measures and choose an appropriate strategy to increase the effectiveness of the state's monetary policy. Reforming the tools of the monetary policy of the state is designed to overcome the most acute problems of the development of the banking sector and the monetary sphere. In accordance with the scenario conditions and the main parameters of the forecast of socio-economic development of Russia for the coming period, it becomes relevant to resolve issues related to clarifying the goals, principles, priorities of monetary policy, including in the banking system and banking supervision, the payment system, in the system financial markets. The purpose of the article is to develop theoretical and methodological provisions for a comprehensive analysis of monetary relations and the prospects for the development of monetary policy in Russia in the digital economy. The novelty of the study lies in the definition of monetary policy targets in the digital economy.

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## 1. Introduction

In a capitalist economy, monetary policy has a strong influence on all processes. The amount of the issue, the cost of the loan, the exchange rate determine the conditions for any commercial activity, as well as affect the consumption and living standards of the population. At the same time, in conditions of global financial processes, monetary policy parameters determine the international flow of capital, goods and resources. Thus, monetary policy forms both domestic macroeconomic conditions and the country's position in the global economic system and is a strategic lever in the management of the state.

XXI century characterized by the increasingly rapid development of digital technology in all areas of economic and government activities. A huge increase in computing power, data storage volumes and communication speed allows us to create new unique systems and systems, as well as intelligent technologies and financial products, based on new previously unrealized digital algorithms. Global trends are increasing transparency, manageability, transition of interaction between the state and enterprises of the real sector of the economy to a fundamentally higher level of development. Under these conditions, the ability of the central bank to control short-term interest rates can radically change, which means that the existing paradigm of monetary policy and its inflation targeting regime will change.

## 2. Problem Statement

The changes in the economy under the influence of globalization require an effective national monetary policy, while analyzing the policies implemented in foreign countries (Agur, 2019; Avdjieva & Haleb, 2019; Hakenes, Hasan, Molyneux, & Xie, 2015; Huang, Yeh, & Wang, 2019) allowed to use it in Russia in the following:

- the fundamental goal of the monetary policy of almost all developed countries is to achieve a certain benchmark for inflation and maintain price stability. In most countries, central banks use interest rates as intermediate targets, and monetary aggregates as information or recommendation variables;

- The anti-crisis policy was implemented, first of all, in two directions: increasing the liquidity of the financial sector and encouraging consumer demand, where the main instruments of monetary policy were open market operations with such securities as treasury bills, interest-free treasury bonds and government bonds;

- the most important, if not the only goal of central banks in the vast majority of countries has traditionally been considered to be to maintain inflation at a stable low level to ensure GDP growth in the face of increasing “market failures”, and almost the only tool to change interest rates;

- with a slowdown in economic growth, the policy of monetary authorities to maintain price stability loses its effectiveness. Therefore, in crisis conditions, deviations from this policy are possible in favor of stimulating economic growth. Nevertheless, the declared ultimate goals of monetary policy do not change so as not to increase inflationary pressures on national economies. During the global crisis, the central banks of foreign countries several times reduced the refinancing rate, reducing it to almost zero, bought up “bad” assets, channeling huge resources to save the financial sector, drastically reduced rates and injected significant amounts of liquidity through the use of open market operations. Such a policy is able to provide banks with excess reserves without guaranteeing expansion of lending to the real sector of

the economy. Reducing the refinancing rate to a low level in Russia can be applied when implementing a policy of stimulating the development of the real sector of the economy.

The ability of monetary regulation to effectively cope with emerging economic problems makes us speculate on the advisability of using it in order to maintain macroeconomic stability in the country and stimulate economic growth. Competent monetary policy can become the basis for stable economic growth and provide favorable conditions for the development of various sectors of the economy, including in Russia.

### **3. Research Questions**

The subjects of the study are economic relations arising in the implementation of the monetary policy of the state.

### **4. Purpose of the Study**

The purpose of the article is to develop theoretical and methodological provisions for a comprehensive analysis of monetary relations and the prospects for the development of monetary policy in Russia in the digital economy.

### **5. Research Methods**

The methodological and theoretical basis of the study was the fundamental scientific work of Russian and foreign scientists in the field of banking, state regulation of credit organizations. General scientific principles of cognition of economic processes and phenomena, such as – dialectical, systemic methods of cognition were the methodological basis of the study. The dialectic and systemic approaches made it possible to uncover the features of the digital economy in modern conditions, to determine the development trends of the banking sector, the institutions of their regulation in post-crisis conditions.

### **6. Findings**

The main directions of the unified state monetary policy for 2019 and the period 2020–2021, adopted by the Bank of Russia on October 1, 2018, set the main goal of monetary policy - maintaining price stability, that is, stably low inflation. Price stability is an important element of an enabling environment for people to live and do business. Its achievement and maintenance are the priority tasks of monetary policy, on which the successful development of the economy largely depends.

In the process of implementing the inflation targeting policy, the Bank of Russia pays special attention to the issues of inflation expectations both from the population, enterprises, professional market participants, and government bodies, which, firstly, is consistent with the above approach to the development of monetary policy measures, secondly, contributes to the formation of the much-needed confidence in the activities of the Bank of Russia, thirdly, it corresponds to the chosen methodology for determining the inflation target, namely, the consumer price index to ensure that the annual inflation rate was close to 4 % (Table 1).

**Table 01.** The main parameters of the Bank of Russia for 2011–2020

Years	GDP (% to the previous year)	Urals Oil Prices (Worldwide) (US \$ / bbl)	Inflation (CPI) on average for the year (% of the previous year)	Real wage
2011	104.1	109	7.0	103.6
2012	103.7	100	6.0	104.8
2013	104.0	97	5.5	105.9
2014	104.6	101	5.0	106.0
2015	104.9	105	5.0	105.7
2016	104.4	107	5.0	105.2
2017	103.3	111	4.5	103.9
2018	103.5	115	4.7	104.1
2019	103.5	118	4.0	104.5
2020	105.2	122	3.3	106.2

From table 1 it is seen that during 2017–2019. The Bank of Russia has achieved an extremely low inflation rate, which indicates the existence of a period of price stability that is quite long by the standards of monetary theories. At the same time, the economy did not receive a significant increase in demand, nor growth in corporate lending, nor adequate growth in production. It is worth recognizing that during periods of higher inflation both demand was higher, and real incomes of the population grew, and economic growth exceeded the forecasts for the coming years of 1.7–2.0 %. The current banking sector liquidity surplus does not find demand in the investment market. Logical and balanced monetary policy measures cannot cope with the deeper contradictions that have developed in the modern economy.

But monetary policy alone cannot be the only or even dominant source of sustainable economic growth. It is included in a complex set of economic policies along with budgetary, tax, customs and currency instruments, the interaction of which should ensure sustainable economic development (Kirdina & Vernikov, 2013; Kovalenko et al., 2019; Kuznetsova et al., 2019; Mamonov & Vernikov, 2017; Zinovieva, Kuznetsova, Ivashina, Votchel, & Vikulina, 2018; Zinovieva & Koptyakova, 2018).

The main parameters of monetary policy are the level of interest rates and the exchange rate. In the current conditions of the global financial system, their comparative level is important (Ammer, Claessens, Tabova, Caleb, & Wroblewski, 2019; Iacoviello & Navarro, 2019). Countries with higher rates and undervalued currencies are forced to function with economic “burdens” and are turning into donors of goods and resources for other countries. With relatively low rates and high exchange rates, a country gains an advantage in the global system. Economically developed countries with a high standard of living have become such primarily due to the advantageous monetary policy parameters that create a global flow of resources in their favor. A false theory has been imposed on other states that lowering rates provokes inflation. In fact, it is the level of interest rates that causes inflation, since interest on loans is included in all prices. “The rigidity of financial conditions naturally creates difficulties in financing the economy, slowing economic growth. In such conditions, financial resources generally become poorly demanded by the economy. The prohibitively high level of interest rates, in fact, blocks the flow of funds into the real economy and forms their local redundancy in certain segments of the economy”(Kvashnin, 2018, p. 32). With lower interest rates on loans, prices also decrease, it becomes easier to conduct any commercial activity, and production increases. An understated exchange rate depreciates the goods of the state and the

labor of its citizens. Foreign trade is not carried out on equal terms, which leads to the robbing of the state by other countries and a drop in living standards. “The modern global financial system is based on the circulation of the American dollar. The organizers of the issue of the dollar have the privilege to use the resources of the whole planet without resorting to an equivalent exchange. Their task is only to maintain the stability of their system by political methods and the uninterrupted operation of printing presses” (Kokin & Kvashnin, 2013, p. 10).

Until now, all official conversations and documents on the topic of monetary policy have been reduced to an endless analysis of mainly secondary instruments that have a regulatory effect, but cannot radically change the situation. Now the Russian leadership has learned to pursue a sovereign international policy. It is also necessary to formulate a sovereign monetary policy that meets the interests of the state and its population.

To do this, the following activities are implemented (Kvashnin, 2018, p. 38):

1. The interest rate continues to decline until it reaches zero in a few years. An interest-free monetary economy requires a review of the principles of many financial transactions. Some of these principles have been preserved in the sphere of the so-called “Islamic finance”, some are being re-formed.

2. At the same time, the ruble exchange rate is growing (including by administrative methods). It may be necessary to limit the degree of convertibility of the ruble and its tradability in the financial markets. This protects the economy and the population from manipulative factors and leads to an increase in living standards.

3. International reserves are reduced due to their domestic use. For Russia, international reserves are a relic of a dependent past (they are called international, as they come into international use). In the current geopolitical situation, investing in the economies of hostile states looks doubly strange. With reasonable management, there is no concept of excess resources. All resources are immediately invested in the modernization of the economy, construction, basic research.

4. Inflation is reduced down to a negative value. Talk about the need for inflation is due to the influence of foreign ideology on the minds of economists. Mental injection has played a role, but healing is already underway from delusions.

5. The status of the Central Bank is changing. It is part of the Government as a separate ministry. Corresponding changes are made to the legislation. The independence of central banks formed a system of supranational government. Russia leaves this game and implements its own monetary policy. At the same time, money issue is carried out proceeding from the needs of the economy; international market conditions are less taken into account.

6. All events are held in conjunction with the appropriate personnel policy. Only candidates with a spiritual and philosophical worldview formed within the framework of Russian culture and tradition are appointed to leading posts in the financial system. Persons prone to thirst for power, excessive material accumulation, parasitism are excluded from decision-making processes. Personnel selection is carried out by people who have managed to achieve a high level of awareness.

The implementation of these measures allows Russia to be a prosperous independent state with a high standard of living.

A notable feature of recent years is the rapid change in the international economic climate due to the orientation of the United States, which remains the undisputed economic leader, towards a course of anti-globalist selfish politics. At the same time, there is a literally explosive development in the financial world of new tools and technologies that has taken on the character of the digital revolution.

In the new situation, the central banks of large countries of the world, which, of course, the Central Bank of the Russian Federation, are forced to respond to the challenges of the time by:

- ensuring the willingness of states to pursue a decisive anti-crisis policy and stimulate economic growth by changing interest rates, up to negative values, as well as dosed emissions, without responding to irresponsible criticism of opponents of such a policy;
- adaptation of the financial system and its arsenal of regulation to the requirements and conditions of the digital revolution;
- balanced foreign exchange policy in the context of a changing configuration of the basket of world currencies and increasing complexity of work in the foreign exchange market.

## 7. Conclusion

In the course of the study, the authors determined that the monetary policy of the state is aimed at creating conditions for economic growth, improving the welfare of the population, maintaining macroeconomic stability, which is achieved in various ways depending on specific circumstances.

An analysis of the policies of foreign countries revealed its peculiarity, which consists in the fact that during the financial crisis, central banks are forced to revise the goals, functions and instruments of their monetary policy. With regard to the monetary policy of Russia and taking into account the geographic location of the country and the great dependence on the economies of countries belonging to the European Union, their experience related to maintaining price stability can be used, which creates a favorable economic environment and a high level of employment. However, practice has shown that only the integrated application of monetary regulation measures can successfully counteract the crisis factors in the economy, and in case of a crisis, a deviation from the monetary policy targets is possible.

In order to move to an intensive development model, the Russian banking system should strive to achieve a high level of competition in the banking market, to provide a variety of relevant banking services, increase capitalization, increase business efficiency, invest in advanced technologies and products, and develop a high risk management system degree of business transparency, compliance with market discipline. But it should be borne in mind the importance of not only quantitative indicators, but also the level of quality development of the sector.

Banking regulation should be aimed at mitigating systemic risks, protecting consumers and, ultimately, the entire sector from unprincipled behavior (for example, unfair pricing) and at achieving certain goals, in particular, industry stability.

The ambiguity of the development of the world economy in the medium term significantly affects the trends of the Russian economy and, therefore, provokes additional risks of a decrease in the rate of economic growth in the country. But also these risks can be associated with the dynamics of internal factors of the Russian economy. To reduce the possible risks of banking, it is necessary to continue the work on the further formation of the legal regulation of the banking sector.

In the future, to increase the effectiveness of monetary policy in Russia, it is necessary to continue to actively use refinancing operations of banks in order to ensure that the money supply meets the demand for money. It will also help to increase the role of the Bank of Russia interest rate policy in reducing inflation; improve the tools of monetary policy (namely, open market transactions, including repurchase transactions); maintain exchange rate regulation and track financial stability indicators; create conditions for the ruble to fulfill all the functions of money in the interests of stable socio-economic development of the country

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