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THE EFFECTIVENESS OF FINANCIAL AND MONETARY INSTRUMENTS OF SUSTAINABLE DEVELOPMENT IN TAJIKISTAN'S ECONOMY AND WAYS OF IMPROVING THEM

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Abstract

This study analyzes financial and monetary instruments and investigates ways of improving them, with a view to achieving a sustainable economic development of Tajikistan. It was proven that the period of economic transformation significantly changed the perception of the role of financial and monetary instruments in economic development and reinstated their priority in the system of state regulation of an emerging market economy. Nowadays, the state economic policy should take into account the development priorities of global markets and the rules and regulations of global competition. Further stabilization of the monetary sphere should bring with it a gradual reduction in reserve requirements, which will improve the conditions for attracting funds by banks and public institutions and enhance the competitiveness of commercial banks in general. Improvement of the mechanism of monetary and fiscal policy within the framework of the general state economic policy should contribute to the advancement towards macroeconomic balance, including internal and external balance of the economy, optimal combination of parameters of economic growth, employment, price of goods and services, and payments to the country.

Keywords: Financial Instruments, Monetary Instruments, Sustainable Economic Development, Monetary Policy, Fiscal Policy of Tajikistan

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INTRODUCTION

After the dissolution of the USSR, countries that became independent encountered a severe socioeconomic crisis [1-3]. For Tajikistan, a post-Soviet country, the transition to a market economy was complicated by the civil war of 1992-1997. As a direct result, the GDP dropped by 16% (in real terms) in 1993, by 24% in 1994, by 12% in 1995, and by 17% in 1996. In 1995, the GDP amounted to 41% of its 1991 level [4].

Having overcome the crisis of 1991-2000, the Republic of Tajikistan began establishing a civilized and modern society, organizing effective cooperation between the government and business, and searching for new ways of combining strategic national and corporate interests [5-7].

With the loss of financial resources due to a sudden decline of production, reduced tax revenues, less active investments on the part of the state and private businesses, and significant sequestering of the possibilities of foreign investment in Tajikistan's economy, the government was forced to actively search for new algorithms to achieve sustainable development [8-10].

Over the last decade, the main condition for Tajikistan to achieve sustainable and significant economic growth was financial stability, which the government maintains by carrying out an effective monetary policy [11]. The period of economic transformation significantly changed the perception of the role of monetary instruments in economic development and reinstated their priority in the system of state regulation of an emerging market economy.

The modernization and formation of sustainable economic development in Tajikistan has been the object of serious scientific and theoretical studies [8,12]. However, considering the complexity, versatility, and social orientation of the problem, as well as the importance of creating financial instruments to solve this problem, it is necessary to develop theoretical and methodological approaches to and practical recommendations for the substantiation of directions and use of financial mechanisms of modernized economic transformations, with a view to ensuring effective cooperation between the authorities and business in this process.

The Republic of Tajikistan and its regions have to develop effective monetary and budgetary policies. The world experience shows that this is a difficult task, since it requires taking into account and balancing two opposing trends [13-15]:

- To search for ways to increase revenue to the state budget;
- To alleviate the tax burden on manufacturers, with a view to improving investment opportunities. Assessment of the effectiveness of taxes and their compliance with international standards should play a major role in this process.

Cutting-edge technologies used in modern conditions create new types of production of goods and services and new forms of business (innovative entrepreneurship, e-business, e-operations, etc.), i.e. the structure of the economy changes, a new economic sector emerges and becomes a traditional sector. All this has a considerable effect on the goals and methods of state regulation of the economy, including the budgetary and tax policies. New elements of national and international taxation are formed; they emerge during globalization and concern the incentivization of innovative entrepreneurship and taxation of e-commerce.

Thus, the purpose of this study is to investigate ways of improving the economy of Tajikistan.

METHOD

The theoretical and methodological framework of the research includes the theory of regulation of sustainable development of economic processes under diverse business patterns and integrative development of the economy. The study uses general scientific methods of analysis. The conclusions were based on the generalization of Tajik and foreign experience and the abstract-logical, analytical, concrete-historical, economic-statistical methods, and experimental grouping.

DATA, ANALYSIS, AND RESULTS

Nowadays, the state economic policy should take into account the development priorities of global markets and the rules and regulations of global competition. Electronic transparency of geographic state borders, extensive use of the Internet, and e-business make it difficult for governmental agencies to control the activity of taxpayers that run their respective businesses online. The emerging problem is related to the taxation of e-business actors that can minimize their taxation. In such circumstances, a special virtual network jurisdiction or Internet jurisdiction emerges in addition to national jurisdictions, since the Internet is a special virtual space where various forms of e-business and innovative activities take place [16]. New electronic technologies, forms of execution of financial operations, income gain, and taxation emerge. All this leads to a transformation of the instruments and procedures of the tax policy and tax administration, which manifests, for instance, in the filling-in of tax returns online or the implementation of electronic tax payment systems. A virtual taxpayer and e-government emerge; they interact within the Internet jurisdiction and build their relationship based on new principles. Any changes in tax laws, tax amount, and taxation regulations immediately become known and available to the taxpayer.

The main goal of the budgetary and tax policy is to ensure financial and social stability. The budgetary and tax policy should be aimed at creating macroeconomic conditions that would stimulate economic growth on a qualitatively new and innovative foundation and structural reorganization of the economy, with a view to increasing the share of knowledge-intensive businesses and improving the standard of living.

The budgetary policy of the Republic of Tajikistan is aimed at achieving the strategic goals of development, improving the wellbeing of the population, and reducing poverty via dynamic and sustainable economic growth and improvement of the country's competitiveness. Top-priority national projects are being implemented: the strategy for reducing poverty in Tajikistan, the strategy for improving the standard of living, and the strategy for reforming the system of state administration [11]. A foundation is being laid to solve the unsolved problems, improve the quality of education and public health, provide citizens with affordable and comfortable accommodation, create good living conditions in rural areas, and develop agricultural production. In the long term, the budgetary policy of the Republic of Tajikistan should proceed from the need to improve the standard of living, create conditions for positive structural changes in the economy and the social sphere, solve problems of macroeconomic balance, and improve the effectiveness and transparency of public finance management.

The main focal points of the budgetary policy of the Republic of Tajikistan are as follows [8]:

- To ensure the balance in the budgetary system in the long term;
- To improve the effectiveness of budgetary expenditures.
- Expenditures from all budgets should be aimed at the final result, which should be achieved as efficiently as possible:
 - Enhancement of the role of mid-term planning;
 - Expansion of independence and responsibility of the main allocators of budgetary funds;
 - Improvement of inter-budget relations;
 - Effective participation of the Republic of Tajikistan in the projects of the world community aimed at alleviating the debt burden of poor countries.

The mid-term tax policy proceeds from the need to stimulate positive structural changes in the economy, consistently reduce the total tax load, and improve the quality of tax administration.

The tax policy should continue implementing the reform that will reduce the tax load, improve tax administration, and make the tax system more rational, fair, and stable. To that end, Tajikistan took the following measures [7]:

- Repealed small taxes and fees that were inefficient and had a negative effect on the activity of economic entities;
- Evened out taxation conditions for all taxpayer categories by reducing the number of existing tax concessions and optimizing tax rates;
- Corrected the definitions in the tax framework in regards to certain taxes and fees (duties), with a view to specifying their economic content;
- Improved the tax administration system, which reduced the level of expenditures and ensured the abundance by tax laws on the part of both the state and

- taxpayers;
- Reduced the number of governing agencies and the number of regular inspections;
- Cut down the possibilities of tax evasion.

The budgetary policy, while maintaining a high level of social expenditures, should be aimed at optimizing state obligations and improving the efficiency and effectiveness of budgetary expenditures by improving the forms and procedures of their funding. The main directions for the creation of an efficient system of state funds management are as follows:

- Expansion of control on the part of the state treasury system in regards to the volume of financial operations in the public sector;
- Optimization of the budgetary fund allocator staff based on their performance of governmental duties, exclusion of overlapping duties, and efficient use of budgetary funds;
- Realization of the principle of shared (whole account) cover of expenditures, which implies that all budgetary expenses should be covered by the total amount of budget revenues and revenues from sources of funds aimed to cover the budgetary deficit.

Further stabilization of the monetary sphere requires gradually reducing reserve requirements, which will improve the conditions for banks to attract funds from the public and organizations and increase the competitiveness of commercial banks in general.

In the future, the main priority in budgetary expenditures will still be expenditures on the social sphere. The main goals of the inter-budget relations reform in the mid-term period are as follows [6]:

- Ordering and fixation of revenue sources and expenditure authorities for each level of the state budgetary system in a long-term period, as well as interrelation and correspondence between them;
- Provision of equal access to the main budgetary services and social guarantees to all citizens, regardless of their place of residence;
- Creation of long-term incentives for maintaining a competitive environment and creating a favorable investment and business climate, which will facilitate economic growth and expand the taxable base.

The Republic of Tajikistan is carrying out an active debt policy as part of the creation of a mechanism for monitoring and managing the state debt, with a view to minimizing risks and limiting the growth of the state debt via economic security parameters, including the minimization of risks related to budgetary obligations in regards to the guaranteed debt. Effective state debt management with regard to the achieved level of cost of public borrowing and the structure of financial instruments in use, and

optimization of advisory, administrative, and operational expenditures on investment projects is provided by state foreign loans.

Another important instrument in achieving sustainable economic development is the development of the securities market. The development of the securities market should intensify investment processes in the country and improve the effectiveness of the interest rate instrument and the efficiency of the state monetary policy. It is necessary to enhance the role of the financial market in the redistribution of financial resources, their accumulation for the purpose of solving priority problems of socioeconomic development, and minimization of risks in the banking sector. The scope and other parameters of the state securities market will be determined by the need of the budget for loans if the principle of assurance of state economic security is observed.

The solution of the emerging problems related to investment in the production and social sphere and increase in housing construction require developing the market of corporate securities. Considering the role of banks in the funding of investments and housing construction, it is important to create favorable conditions for the issuance and circulation of bank bonds. This will allow banks to extend their resource base thanks to internal and external sources, optimize their balance sheet structure, and improve their risk management systems.

In order to improve the efficiency of the monetary policy, it is necessary to improve the financial market infrastructure. The National Bank of Tajikistan (NBT) and other banks of the country should facilitate the formation of financial institutions that accumulate long-term financial resources, the creation of a legislative framework for mortgage lending, development of term financial instruments, and expansion of their assortment. In order to improve the quality of liquidity management and the efficiency of monetary policy instruments, the government and the NBT should improve the coordination between the monetary, budgetary, and tax policies, including in the exchange of information concerning the operations on the financial market [4].

Therefore, such components of the state economic regulation system in the Republic of Tajikistan as the monetary and fiscal policy should be improved based on the enhancement of their role in economic regulation and the need to achieve further sustainable economic development in general.

The monetary policy of the NBT in 2015 was aimed at maintaining stable prices, moderate increase in money stock, and assurance of the normal functioning and sustainable development of the banking system. Considering the adverse situation in the activity of financial markets, unstable prices on global markets, another financial crisis in a number of European countries, and the effect of seasonal and administrative factors, the level of inflation in 2015 was 5.1%.

Periodical indices that help achieve the main goal in this direction are the amount of reserve funds, naked international reserves, naked internal reserves, and total foreign

assets, which can only be achieved by efficient and timely use of monetary policy instruments within the framework of the monetary program.

In order to maintain the money stock in circulation, the monetary policy in 2015 provided for an increase in monetary reserves of the economy, enhanced the role of bank savings in the national currency, and reduced the dollarization of the economy.

Considering the changes in the main macroeconomic indices, the NBT continued to improve the monetary policy instruments in 2016 [4].

The use of interest rates, especially the refinancing rate and reserve requirements, will be set in the following year based on the inflation level, the state of the financial market, and changes in the money stock in circulation. In addition, in order to minimize the effect of monetary factors on the level of inflation and achievement of indices set in the program, the scope of activity of the NBT Credit Committee related to the provision of liquid loans will be extended. This will improve the efficiency of interest rate use during the implementation of the monetary policy.

In 2015, considering the needs of credit organizations, the NBT continued to issue securities and state treasury bills. The expectation is that the formation and development of this market with regard to the efficient use of appropriate capabilities will continue in the future. To that end, a coordination of the monetary policy and the tax policy will be offered, with a view to creating conditions for the effective implementation of the monetary policy.

The payment system provides the estimation, clearing, and accounting of monetary and financial operations and facilitates the sustainable activity of financial markets.

For the purpose of improving the quality of services delivered to the participants of the system and bringing said services into compliance with modern standards, the NBT continued to modernize this system in 2015 with regard to the recommendations of international financial organizations. In 2015, credit organizations that issued and served payment cards were joined to the national Korti Milli payment system. In addition, in order to further develop this system, cooperation is planned with an international payment system to issue brand payment cards that would allow using national payment cards abroad.

The following measures were provided by the Strategy for the Development of the Banking Sector 2015 with a view to improving the activity of the country's banking system [4]:

- Continuation of reforms in banking business;
- Efficient management of assets and obligations in all credit organizations;
- Extension of loans to the main economic branches;
- Implementation of a unified information security policy;

- Within the framework of the economic policy, delivery of bank services to the residents of remote mountainous regions and small and medium-sized businesses via increase in the number of bank branches, representative offices, and other structural subdivisions of credit organizations;
- Development of the interbank credit market;
- Assurance of transparency of credit organizations, with a view to improving the trust of clients and attracting internal capital;
- Improvement of regulatory legal acts, with a view to enhancing banking supervision, reducing bank risks, and suppressing illegal income;
- Extension of the scope of cashless reciprocal payments by implementing modern payment technologies and introducing new services.

In general, it is worth noting that the Republic of Tajikistan established a stable monetary mechanism that satisfies the needs of economic sectors. The two-level banking system provides for coordinated activity of the NBT and commercial banks.

Achievement of the goals of the monetary policy and the development of the banking sector are realized within a single complex of the state economic policy based on the reinforcement of the potential of economic branches, which has a stimulating effect on their growth dynamic and the standard of living.

At the same time, the tasks of ensuring the long-term socioeconomic growth of the country and the evolution of domestic and foreign economic relations require continuous improvement of the monetary regulation system and the general system of economic regulation. The current monetary regime should be adequately adjusted with regard to the state and development of the economy with a view to ensuring the effectiveness of the monetary policy during the pursuance of socioeconomic development goals.

DISCUSSION

Further improvement of the effectiveness of the monetary policy will be facilitated by the following [8]:

- Consistent and extended analysis of the monetary transmission mechanism that reflects the qualitative and quantitative correlations between the monetary sector and other economic sectors. This will allow for a timely modification of the content of monetary guidelines and the regime of the monetary policy in general;
- Coordination of goals and mechanisms of monetary, tax, budgetary, foreign economic, and production regulation. In this context, it is expedient to enhance their financial block and expand the consideration of foreign economic factors;
- Increase in the significance of interest rates in the monetary mechanism as an instrument of monetary regulation based on the development of the financial market;
- Purposeful development of monetary instruments and coordinated technology of their use.

In the methodological aspect, it is relevant to develop a model set of instruments in the following areas:

- Consideration of production functions, with a view to reflecting the interconnections of the economic mechanism comprehensively;
- Expansion of forecasting horizons, which is expedient for the consideration of time cycles in general economic and monetary processes.

In general, the development of the mechanism of the monetary and budgetary policy within the framework of the state economic policy should advance the country towards achieving macroeconomic balance, which implies internal and external balance of the economy, optimal combination of economic growth parameters, employment, prices of goods and services, and the balance sheet of the country.

The solution of the emerging problems related to investment in the production and social sphere and increase in housing construction require developing the market of corporate securities. Considering the role of banks in the funding of investments and housing construction, it is important to create favorable conditions for the issuance and circulation of bank bonds. This will allow banks to extend their resource base thanks to internal and external sources, optimize their balance sheet structure, and improve their risk management systems.

In order to improve the efficiency of the monetary policy, it is necessary to improve the financial market infrastructure. The National Bank of Tajikistan (NBT) and other banks of the country should facilitate the formation of financial institutions that accumulate long-term financial resources, the creation of a legislative framework for mortgage lending, development of term financial instruments, and expansion of their assortment. In order to improve the quality of liquidity management and the efficiency of monetary policy instruments, the government and the NBT should improve the coordination between the monetary, budgetary, and tax policies, including in the exchange of information concerning the operations on the financial market.

It is worth noting that one of the promising directions for Tajikistan is to become a member of the Eurasian Economic Union [17]. Such integration will significantly extend the economic bonds between Tajikistan and other members of the EAEU. As a direct result of it, Tajikistan can gain duty-free access for its products to the EAEU market and establish import of petroleum, wood, and grain, which are key products for the Tajikistani market. Another advantage will be the formalization and legalization of the migrant market.

However, there are a number of disadvantages, as well, for instance, import from Iran, China, and the USA will become considerably more expensive once Tajikistan becomes a member of the EAEU.

The diversity of methodological and practical approaches to the achievement of sustainable development goals necessitates the formation of an adapted mechanism of economic activity organization, which will take into consideration the natural, environmental, structural, production, institutional, and other conditions of the country.

CONCLUSION

According to the definition used in this study, a sustainable development of this or that system is a development that is aimed at satisfying the needs of the society to the greatest extent possible, includes technological and managerial innovations, is notable for the political stability of the society, does not disrupt the natural environmental balance, and is characterized by an irreversible process of all the main indices of socioeconomic life.

The main goal of sustainable development is to create effective economic institutions and an appropriate institutional environment. Practice shows that flawed markets, vague property rights and poor protection thereof, fragmented methods of state regulation of natural resource utilization, rapid development of certain institutions and delayed development of other ones, and other institutional problems are a serious obstacle for the achievement of a sustainable economic system. In this case, institutional regulators of sustainable development imply the use of various rules and stereotypes of behavior, part of which are enshrined in the form of legal standards and public institutions.

Therefore, such components of the state economic regulation system in the Republic of Tajikistan as the monetary and fiscal policy should be improved based on the enhancement of their role in economic regulation and the need to achieve further sustainable economic development in general.

In order to achieve such results, the government should carry out a stable macroeconomic policy and conduct structural reforms that will facilitate economic growth and help to achieve good economic results.

- In order to achieve economic stability, Tajikistan should complete the following tasks:
 - Create conditions for achieving a high rate of economic growth;
 - Stimulate scientific and technological progress;
 - Improve the standard of living;
 - Improve national competitiveness at all levels;
 - Create a favorable investment climate;
 - Provide for an outstripping development of the scientific, technological, and innovative potential.

The results of this study can serve as a theoretical source in the formation of a new economic policy in developing countries.

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