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SJIF IMPACT FACTOR (2022: 5.636) (2023: 6.741) (2024: 7.874)

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Research Article

THE EFFECT OF INFLATION ON ECONOMIC DEVELOPMENT

Submission Date: March 20, 2024, Accepted Date: March 25, 2024,

Published Date: March 30, 2024

Crossref doi: https://doi.org/10.37547/ijasr-04-03-34

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ABSTRACT

In this article, we discussed inflation and its role in the economy. In addition, inflation refers to the quality of money that leads to an increase in the general level of prices. The level of inflation is represented by an increase in average prices or a decrease in the quality of money. Inflationary urgency refers to the extent to which an increase in inflation or a decrease in the quality of money can occur. In general, to determine the relevance of inflation, it is necessary to compare it with other financial indicators. For example, resources used for production, goods purchased by consumers, employment, real wages and other financial indicators are important factors in determining the level of inflation.

KEYWORDS

Inflation, money, resource, purchase, , consumer, price, growth, funds, quality, freedom, human, retail, national economic security, supply inflation, hyperinflation.

Introduction

An economic crisis in any country can affect not only one person, but the entire population. The results can be detrimental to all areas of life. We ask the question of understanding what inflation is, the advantages and disadvantages of the crisis

and whether it can be eliminated. What is inflation? In this economic period, it means increasing the value of goods and services. The essence of inflation is that it becomes possible to buy less property for the same amount of money

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before its onset. It can be said that the purchasing power of finances has decreased and they have lost some of their value. In a market economy, such a process can manifest itself in rising prices. With administrative measures, pricing remains the same, but there may be a shortage of product groups.

At the same time that the rate of inflation in Uzbekistan fell to a record level, in many countries of the world, on the contrary, it accelerated sharply. For example, in the United States it reached a record level 40 years ago, and in Russia five years ago. There are several reasons for this. The first, of course, is that almost all countries have eased monetary policy following the coronavirus pandemic. That is, government began to pour more money into the economy, for example, in the form of direct payments to the population or cheap loans. As a result, demand for consumption is increasing, and production is lagging behind. Another reason is the devaluation of the national currency. For example, the Turkish lira has depreciated by almost 50 percent this year, causing inflation to exceed 20 percent. In this situation, the Uzbek soum is strong. In the first ten months, the currency depreciated by only two percent. Head of the Central Bank, Mamarizo Nurmatov, said that a relatively stable exchange rate was achieved as a result of the 35 percent increase in foreign currency income due to exports, as well as the increase in the volume of currency exchange by banks and exporters. Such phenomena as a high share of state participation in the economy, strong dependence on raw materials exports, and

structural imbalances can significantly accelerate the growth of prices of goods and services, especially during the period of reforms. Inflation targeting aims to prevent this from happening. The low level of inflation means price stability, which, in turn, has a positive effect on the standard of living of the population and its labor activity. It is expected that these factors will ultimately increase the confidence of the population in the national currency, reduce the level of dollarization in the economy, and increase the volume of domestic and foreign investment.

Inflation is an increase in the overall price of money in terms of the selling power and a qualitative increase in funds. In other words, inflation is an increase in the total price of money in terms of the selling power and a qualitative increase in funds. When inflation occurs, the prices of every sector (such as goods, services, wages, etc.) will increase, and it can also increase as funds.

Inflation is generally considered to be one of the economic problems and there are different types due to its causes. Then, if inflation occurs at a high level, it can be harmful to the country, because funds become loose and people's purchasing power decreases. States and central banks regulate financial policies to control inflation. They try to control inflation by changing the money supply, credit terms, and other economic instruments. Inflation rate and cost control practices are expressed as inflation rate or next year inflation.

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Inflation is inherently volatile, and its effects are different for different people, businesses, governments and countries. When inflation is high, it can reduce the purchasing power of goods and services, and it can also reduce monetary freedom. Therefore, advanced policies and strategies are important to control and reduce inflation.

There are two main causes of inflation.

- 1. As a result of the presence of more money in circulation than the value of goods and services produced in the country. In this case, the amount of aggregate demand for goods and services exceeds the amount of goods and services offered. Therefore, prices will increase.
- 2. As a result of the increase in the prices of resources (labor and raw materials) necessary for the production of goods. For example, if the cost of labor resources, i.e. wages, is increased, the price of goods will increase on the one hand (because wages are included in the cost of goods), and on the other hand, the money supply of the population will increase.

Inflation can be of different types, and each of them has its own causes and effects. The following are some of the most popular types of inflation:

- 1. Som inflation: This type of inflation is associated with an increase in the supply of funds and a decrease in the selling power of money. If the amount of funds occurs, it indicates inflation.
- 2. Retail Inflation: This type of inflation is associated with an increase in prices and an

increase in the wage force to increase it. If the wage force is increased and this increase is passed on to prices, it causes retail inflation.

- 3. Structural Inflation: This type of inflation occurs due to differences between the prices of goods and services. If the prices of several goods and services increase, it causes structural inflation.
- 4. Tax Inflation: This occurs due to the type of inflation, tax policy, increase or decrease in tax revenue and tax support. Tax inflation occurs when taxes increase or income support decreases.
- 5. Import Inflation: This type of inflation occurs due to the increase in the prices of imported products entering the country. If the prices of imported products increase, it causes import inflation.

These types are only a few examples, and other types of inflation may exist. Each type of inflation has its own causes and requires different policies and strategies to control and reduce it. The actuality of inflation generally measures the increase in economic activity and the decline in the quality of money. High inflation can cause financial stability, consumer spending and purchasing power problems. Also, the low level of inflation will be related to the increase in income and the increase in spending by consumers. Inflation is an important financial issue for governments, financial institutions and other organizations. There are various policies that are used to control the inflation rate and bring it down. Efforts are made to control the level of

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inflation and bring it down through financial policies.

Inflation is an organizational increase associated with an increase in general prices, representing an increase in the supply of funds, and a decrease in the selling power of money. Inflation can be caused by free growth of money supply, increase in costs and prices, change in value of currency or other reasons. Inflation usually causes prices to rise and the money supply to decrease, so its effects on politics and the economy are significant. The fact is that low and predictable (stable) inflation is a very necessary factor for stable economic growth in the country. Consequently, the inflationary expectation is added to the interest rate when granting a loan by commercial banks, and a high inflationary expectation leads to a higher loan interest rate. Thus, high interest rates calculated for the use of borrowed funds (loans) by entrepreneurs (under the influence of high inflation) affect the payments related to their return. If the interest rates (calculated for the loan) are high, entrepreneurs will get less credit. This has a negative impact on long-term economic growth, affecting their ability to invest. After all, the investments we make today serve as an important tool in creating the main production resources used in the production of goods and services tomorrow. Low and predictable (stable) inflation is one of the necessary conditions for central banks for sustainable economic growth. Therefore, maintenance of low and predictable (stable) inflation is defined by most central banks as their long-term goal (target).

Anti-inflation policy is a set of measures aimed at suppressing inflationary processes in the sphere of state regulation. Anti-inflationary policy is often implemented in two ways: deflationary policy and income policy

Deflationary policy regulates the demand for money through money, credit, tax mechanism. It is implemented by reducing government spending, increasing interest rates on loans, and increasing the tax burden while limiting the money supply. A deflationary policy leads to a slowdown in economic growth in any economic system.

- Income policy is implemented in the process of parallel control by completely freezing prices and wages or setting limits on their growth. The implementation of income policy often causes social contradictions. The main focus of this policy is on price control. These policies include: Long-term and targeted price control of certain groups of goods and services offered to the market by oligopolies or monopolies;
- Discretionary income management. In this case, the state acts as a mediator between the employer and the employee in matters of wages and working conditions. The last type of policy, currency policy, helps to strengthen the national currency. The main anti-inflation measures are as follows: Clarification policy, the purpose of which is to establish the most reliable relations with society regarding public finances and its political activities. This policy is implemented through the media:

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- Establishing a stabilization fund, the purpose of which is to support the national currency through interventions, as well as to minimize the cyclical penalty in the economy;
- Establishing a stable exchange rate, as well as introducing certain restrictions on currency and foreign economic policy; Increase exports and decrease imports to strengthen the position of the national currency.

In addition to the above, monetary reform and institutional methods are among the ways to regulate the inflation rate.

Institutional methods are the unique basis of positive anti-inflation policy. This implies the stabilization of market institutions.

Anti-inflationary policy instruments. The main means of regulating inflation in our country include credit and monetary policy, through which the government of the Russian Federation influenced the money supply in the 1990s.

Define demand-regulating deflationary monetary policy. This is done by reducing the cost of society and the state, increasing the discount bank rate, reducing the demand for loans and increasing savings, and limiting the demand for money through taxation to increase budget revenues. the reserve requirement ratio and the central bank's sale of fixed-income government securities.

Another weapon of anti-inflationary policy is income policy, which means parallel control over wage and price increases. In this process, they are frozen or limits are set for their growth. With the

help of indexation policy, economic entities' losses from currency depreciation are indexed. The government of Uzbekistan periodically indexes the amount of scholarships, allowances, pensions, and wages. At the same time, due to the lack of funds, this indexation is carried out without the necessary connection with the timely growth of prices and the amount of reimbursed expenses.

However, there are several negative consequences as a result of these measures. In the state, arrears, consisting of non-payment of wages, debts owed by customers to suppliers and budget debts, appear in large volumes. In such conditions, an increase in the money supply can lead to hyperinflation.

Inflation can affect the stability of economic activity and financial security for people. For these reasons, various policies and strategies should be implemented to deal with inflation. For example, monetary policy, tax policy, revenue raising, export and import regulation, price control and other policies are important in controlling inflation. An important goal of combating inflation is to stop the free growth of the money supply and allow the economy to stabilize by controlling prices. For this reason, maritime policies and economic development strategies are important to combat inflation. In countries with high inflation, governments and financial institutions use various policies and tools to control inflation and bring it down. Through these policies, efforts are made to maintain financial stability and increase purchasing power for consumers.

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In countries with high inflation, governments and financial institutions use various policies and tools to control inflation and bring it down. Through these policies, efforts are made to maintain financial stability and increase purchasing power for consumers.

Inflation is a global financial problem today and can affect international trade and foreign exchange markets. This can affect the economic activity and financial stability of countries.

Governments, financial institutions, and other organizations use various policies and tools to control inflation and bring it down. Inflation problems and their solution are one of the important financial issues for countries, and actions to solve them are on the way.

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