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REQUIRED RESERVES – A POWERFUL INSTRUMENT OF MONETARY REGULATION

The article deals with the theoretical and practical aspects of required reserve as a powerful instrument for regulation of the money market and the banking system. The achievements of the leading foreign and domestic scholars and practitioners who explore the major instruments of monetary policy, namely the issues of implementation and application of obligatory reserve, its impact on the monetary sphere by changing the liquidity and solvency of the banking institutions are analyzed.

The dynamics of standards in the formation of bank reserves since the first years of application is evaluated. The comparative analysis of the impact of changes in interest rates and reserve requirements in the banking sector and the economic sector is conducted. The authors determine the features of the minimum required reserves as a powerful lever of monetary policy, the essence of which is as follows: small changes in them lead to the significant changes in the volume of available resources of banks and even greater changes in the volume of credit investments due to the action of the multiplier; they are binding for all banks, because they are a strong instrument of direct action; they are a permanent long-term instrument of monetary policy, unlike other monetary instruments. Such features determine the specificity of the application of required reserves by the country's central bank.

After analyzing the above factors, it is concluded that when making a decision on the application of expansionary or restriction policy, central bank should take into account the current state of the money market, the prospects for its development. As far as the manipulations act as a certain signal to warn the economic subjects about intents of states regarding monetary policy and determining their behavior, their study may serve as a basis for further research.