THE MONEY MARKET AND ITS ROLE IN THE ECONOMY

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The money market is a short-term investment market, for a period of less than one year. It is a money market in which the equilibrium value of the money supply and the equilibrium interest rate are established as a result of the interaction between the demand for money and their supply. In the money market, money is not "bought" or "purchased" like other commodities. This is his uniqueness. In money market operations, money is exchanged for other liquid assets at the opportunity cost, measured by the nominal interest rate.

Money is a type of property of economic entities, and it differs from other types of property according to two characteristics: first, money has high liquidity, that is, it has the ability to be exchanged for another item with imperceptible expenses in a short period of time; secondly, in conditions of constant prices, money does not bring any income, or its level of profitability is much lower than that of other types of property.

The money market is a system of economic relations related to the provision of funds for a period of up to one year. The system of economic relations related to the provision of funds for a period of more than one year is called the capital market.

The money market, along with the capital market, belongs to a more general financial category the financial market. The money market is a segment of the financial market that trades in highly liquid and very short-lived financial instruments. It is used by the participants as a tool to obtain or give short-term loans for a period of a few days to a year.

The money market is the exchange of money as an asset for other liquid assets at their potential value, measured by a unit of nominal interest rate. Such an exchange is organized according to the laws of commodity-monetary relations, where the purchase and sale of money as an asset is carried out between subjects of market relations, taking into account the prevailing demand and supply in the market.

With the help of the money market, the movement of working capital of enterprises is ensured, short-term resources of banks are formed, deposits are made, and short-term loans are obtained by the state, institutions and individuals. With the development of international currency-credit relations, an international money market was formed in which transactions are carried out with foreign currency.

The following components of the money market can be distinguished:

1. Short-term securities market, in which the main instruments are treasury and commercial bills, other types of short-term obligations (securities).

2. The interbank loan market, where temporarily free funds of credit organizations are mutually attracted and placed by banks, mainly for short periods in the form of interbank deposits. The main lender in the market is the Central Bank.

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3. The foreign exchange market is an area where are buying and selling of foreign currency is carried out on the basis of supply and demand. It is divided into exchange and non-exchange (interbank). The foreign exchange market is characterized by two types of operations: "spot" (immediate delivery of currency) and "forward" - delivery after a specified time (a month or more) at an agreed rate.

Money market participants are, on the one hand, persons who lend money for up to one year (lenders), and on the other hand, persons who take loans under certain conditions (borrowers). There is also a special category of participants in this market - financial intermediaries, with the help of which funds are transferred from lenders to borrowers. But it is possible to get funds without the participation of intermediaries.

The following participate in the money market as lenders and borrowers:

Banks. Non-bank credit organizations.

Various types of enterprises and organizations are legal entities.

The state represented by certain bodies and organizations.

International financial organizations.

Individuals.

Financial intermediaries in the money market:

Banks.

Management companies.

Professional participants of the stock market (brokers and dealers).

Other financial and credit organizations.

The main lenders in the money market are commercial banks, and the borrowers are industrial and commercial companies, credit and financial institutions and the state. Lenders receive income as a percentage on the amount of transfers. Borrowers receive income in the form of additional profit from the use of borrowed funds. Financial intermediaries receive the difference between interest rates in the form of a commission or for attracting and placing funds. Either way, everyone is satisfied because everyone is benefiting.

Money market instruments are a certain carrier of the obligations of money buyers to their sellers, and at the same time, they are carriers of the right of money sellers to fulfill their demands to their buyers. Money market instruments include:

- interbank loans,
- commercial loans,
- deposit certificates,
- savings certificates,
- accepted bank check,
- promissory notes,
- short-term state securities.

Money market instruments are classified as an investment object that is more suitable for receiving current income rather than capital growth. A feature of money market instruments is that they belong to investment objects with low financial risk.

MONEY MARKET FUNCTIONS

Stock exchange converts long-term savings into long-term investments. Money markets make short-term money available to those who can use it, and they also have the ability to convert very short-term deposits into money that can be lent out for longer periods.

Determination of currencies in international practice

	Qozog'iston tengesi
	O'zbekiston so'mi

Money markets perform several functions:

1. At any time, there will be banks and other institutions experiencing a temporary shortage of money; money is withdrawn from one bank and deposited in another.

2. Banks want to keep a certain part of their resources in a form that allows them to get them as quickly as possible when needed. This means placing them in deposits in other financial institutions or buying short-term financial instruments.

3. Although banks receive most of their sterling funding from individual depositors, they also borrow heavily from companies, financial institutions and local authorities with short-term surpluses to run.

4. The money market serves as a bridge between the government and the private sector. It is a mechanism that alleviates imbalances in the money supply between the banking system and the government as a whole.

5. Provides decisions on official interest rates.

The role and function of the money market is to serve the movement of working capital of firms, short-term resources of banks, institutions, government and individuals. Operations in the interbank money market can be credit and deposit operations, conversion operations, SWAP operations, banknote operations.

The main operators in the money market are commercial banks. The role of commercial banks in the money market is to collect free funds and invest them in various bank assets, as well as to provide quality services to their customers.

Money serves as a necessary active element and an integral part of relations between various participants and links of the economic activity of society, reproduction process. The essence of money is characterized by their participation:

- implementation of various types of social relations;
- distribution of gross national product (GNP) in the purchase of real estate, land;
- determination of prices representing the value of goods.

The nature of money cannot be changed: it must reflect the development of economic relations in society and changes in money itself.

In modern conditions, banknotes and money in non-cash circulation do not have their own value, but the possibility of using them as exchange value remains. This shows that money is increasingly different from commodities and has become an independent economic category, retaining some of the characteristics that make them commodity like.

There are several basic approaches to determining the interest rate (rate of return). For example, nominal and real interest rates differ. The last of these reflects the return of the investor after taking into account inflation.

The main elements of the national and world currency system

	The order of the national exchange rate
The burden of exchange rate limits and controls	Regulation of international currency liquidity of the country
Regulation of the use of international credit exchange instruments	Regulating the country's international accounts
The order of the national currency market and the gold market	National bodies that manage and regulate the currency relations of the country
International currency units of account currency reserve	Conditions for mutual conversion of currencies
Procedure for unification of currency parity	Regulation of exchange rate formation
Interstate regulation of currency borders	Interstate regulation of international currency liquidity
Rounding up the rules for using international credit exchange instruments	Rounding up the main forms of international calculations
The order of the world currency market and the gold market	International organizations implementing interstate currency regulation

The formula proposed by Irving Fisher to determine how much real income exceeds inflation was later named after him.

The money market is divided into:

- the market of retail operations (money transfers, deposits, certificates of deposit and savings, plastic cards, short-term loans to enterprises and residents);

- interbank loan market;
- foreign exchange market;
- commercial paper market (as a rule, promissory notes of enterprises issued for a period not exceeding 270 days);
- short-term (up to 1 year) state securities market.

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