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# Inflation And Its Socio-Economic Impact In Uzbekistan

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**Abstract** – The article discusses the essence of inflation, types of inflation, also the article deals with the internal and external factors that contribute to the emergence of inflation. Moreover, the article also analyzes the inflation rate in Uzbekistan and the socio-economic impact of inflation.

**Keywords** – inflation, price, deficit, economic structure, crisis, economic relations, monetary system.

## 1. INTRODUCTION

Currently there are many problems of modern economic development in many countries of the world. One of the main problems is the depreciation of money, i.e. inflation. Inflation is a very dangerous process that affects finances, the monetary and economic industry in general and negatively affects all aspects of society. It increases social stratification in society and exacerbates social conflicts. Previously, this process was local and periodic, but now inflation is ubiquitous and chronic. The more started inflation, the more difficult it is for the state to determine the measures necessary to solve this problem. Inflation gives rise to an underestimation of the real value of property, the danger of the accumulation of depreciating funds, the depreciation of the income of enterprises and the population. Inflation is beneficial to debtors who repay debts in non-indexed amounts, banks that pay low interest on deposits, and the government, which maintains the level of payments to the population without taking into account price increases.

In each state, inflation has its own characteristics. Because inflation is a global problem of the modern economy and it is rather difficult and long to fight it, then the study of this topic is very relevant at the present time.

## 2. THEORETICAL ASPECTS

Inflation is an increase the general level of prices for goods and services. The word comes from the Latin "Inflatio" - bloating. However, not all price increases are indicative of inflation. Prices may rise due to improved product quality, changes in the needs of society.

Inflation can manifest itself in two forms.

1. Open inflation is a form of inflation characterized by an increase in the general price level. This form is also called "free". Open inflation is of two types:

a) demand-pull inflation: manifests itself in the excess of demand over supply. This leads to higher prices and a shortage of goods and services. This type of free inflation affects the volume of GNP and employment of the population.

b) cost-push inflation: manifests itself in the growth of prices for resources, factors of production. The consequence of this is an increase in the costs of production and circulation, as well as the price of products.

2. Suppressed inflation is a form of inflation held back by a shortage of goods, which leads the population to a forced accumulation of funds. The consequence of this type of inflation is a chronic shortage of goods and services. Suppressed inflation destroys market mechanisms and creates a deficit type of economy.

Both forms of inflation do not exclude each other. They can develop in parallel, complementing each other, perhaps even combinations of them.

According to the rate of price growth, inflation is divided for the following types:

1. Creeping or moderate - a long, gradual rise in prices. With this type of inflation, there are no significant shocks in the economy, but there is a slow depreciation of money. The annual increase in prices is 5-10%.

2. Galloping - inflation with an abrupt rise in prices. Prices are growing by 20-200% per year. Unlike creeping inflation, it is very difficult to manage. The economic equilibrium in this case is under threat, economic structures are in jeopardy, a crisis may arise.

3. Hyperinflation is inflation with a very high rate of price growth. Monthly price increases above 50%. Hyperinflation is virtually unmanageable. To stop or at least slow down hyperinflation, we have to use extraordinary measures. There is no clear idea of how best to deal with hyperinflation.

High inflation rates severely damage a country's economic development, and therefore its population.

## 3. ANALYSIS AND RESULTS

There are many causes of inflation. Each state has its own conditions for its emergence. All causes of inflation are divided into external and internal.

Internal causes (due to the state of the economy of a particular country):

1. Deficit of the state budget or imbalance of state expenditures and revenues. If the deficit is financed by loans from the Central Bank of the country, i.e. due to the active use of the "printing press", this leads to a sharp increase in the amount of money in circulation, if no goods are produced.

2. Military spending. This is one of the reasons for chronic government deficits and an increase in government debt in many countries, for which paper money is issued. Military spending generates huge growth in the money supply without commodity coverage.

3. Social spending. During the economic crisis, the standard of living of the population declines. The state is trying to support the population by allocating additional funds for social purposes (salary indexation, payment of benefits). The consequence of this is an increase in the amount of cash in circulation. Inflation is on the rise.

4. Inflation expectations. In this situation, the population purchases goods in excess of their current needs, "stocks up" with the necessary. There is a "flight from money". Demand stimulates supply, prices rise.

5. Disturbances in the structure of the economy - an imbalance between accumulation and consumption, supply and demand, government revenues and expenditures.

External causes:

1. Internationalization of economic ties: the presence of inflation in other countries affects the dynamics of domestic commodity prices through the prices of imported goods.

2. World economic crises.

The effects of inflation are different. They are negative, affecting the development of the economic process, social conditions, various aspects of society.

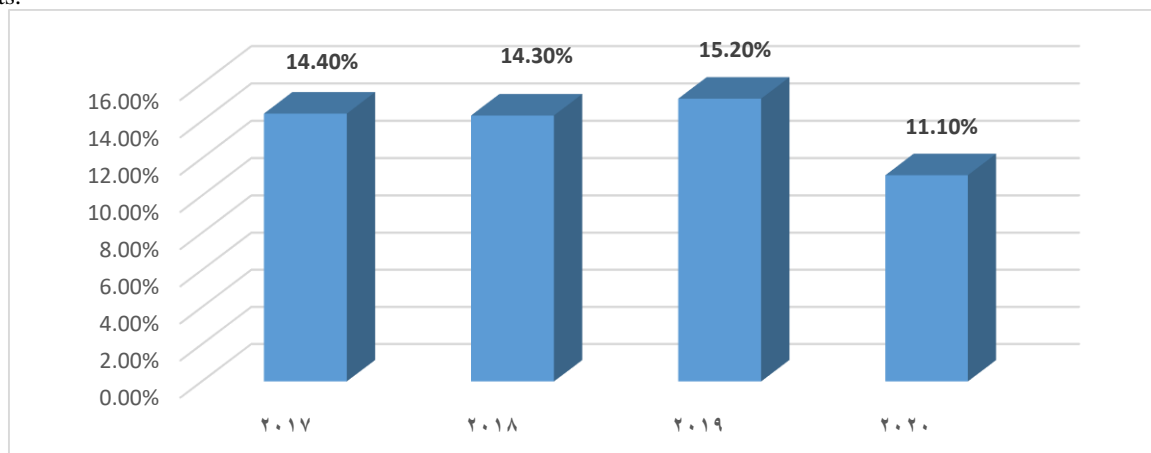
- The impact of inflation on production is contradictory and depends on its size. Moderate inflation is not harmful, its reduction leads to an increase in unemployment, and in some cases it can even cause a temporary economic recovery. Galloping inflation negatively affects production, finances, credit and money circulation. With it, deformations of the market mechanism begin.

- Inflationary processes undermine the incentives for economic growth, because the introduction of new technology into production is becoming more and more expensive.

- Devaluation of money within the country leads to their depreciation in relation to foreign currencies.

- Deposits and savings are depreciated. In order to insulate deposits from depreciation, the interest on deposits and the inflation rate must be equal.

Inflation is especially dangerous for the category of the population receiving fixed income: pensioners, students, dependents.



**Fig. 1. Inflation rate in the Republic of Uzbekistan for 2017-2020**

The inflation rate in Uzbekistan is calculated based on the consumer price index for goods and services. In the Fig. 1, compiled according to the State Committee on Statistics of the Republic of Uzbekistan, we can see the dynamics of inflation in the consumer sector of the country for the period from 2017 to 2020. If in 2017 inflation in the consumer sector of Uzbekistan amounted to 14.4%, then in 2020 prices for tariffs in the consumer market increased by an average of 11.1%. The Central Bank of the Republic of Uzbekistan assumes the formation of an inflation forecast at the end of 2021 at the level of 9.0-10.0%. According to the Decree of the President of the Republic of Uzbekistan "On improving monetary policy with a phased transition to inflation targeting" and the adopted plan of the Central Bank of the country "Main directions of monetary policy for 2021 and the period 2022-2023", inflation should be below 10% in 2021 and 5% target in 2023.

#### 4. CONCLUSIONS

Currently, inflation is one of the most dangerous processes that negatively affect finances, the monetary and economic system as a whole. Inflation means a decrease in the purchasing power of money. By its nature and manifestations, it can be different.

Inflation in one way or another covers all countries. The ideal scenario for a successful economy is the absence of inflation, although it is difficult to achieve. High rates of inflation seriously damage the economic development of the country

and its population. Inflation has become a constant factor in economic life, significantly complicating the system of economic relations. It requires increased attention and special measures to keep it at a "normal" level. Overcoming inflation is a necessary condition for normal economic development and effective functioning of the monetary and financial systems.

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