



The Impact of Denomination on the State Economy

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Denomination (Latin denominatio - "denomination") - change of the nominal value of banknotes (that is, by reducing the numerical scale). After the hyperinflation, stabilization of the currency and simplification of the calculations are carried out. This is the process of changing the nominal value of the currency by subtracting zeros from the banknotes or pennies. Inflation, especially hyperinflation, which can make it difficult to use the state currency in daily operations, is taken into account. Denomination helps to simplify the transactions of all people by simplifying the currency relations, it is possible to restore the value of the currency of the world. It should be noted that denomination does not mean demonetization. Denomination is a change in the value of the national currency, and demonetization is calculated by removing the value of the national currency from circulation and replacing it with new currency. Since the 1960s, countries have denominated their own currencies in more than 70 countries. Denomination is the goal of achieving certain fiscal and economic goals, and the goal is to reduce zeros in the national currency. (1)

During the history of the denomination, it was used in various countries. Here are some examples:

Zimbabwe: In 2006, Zimbabwe re-denominated its currency through the 300-dollar bill. The old currency was replaced by a new currency called "Zimbabwe dollar". The currency was put into circulation in denominations of 1, 5, 10, 20 and 50 cents, 1, 2, 5, 10, 20, 50 and 100 dollars. However, due to hyperinflation, in 2009, the country was forced to re-denominate its currency through a 12-dollar bill. The new currency was called the "Zimbabwe dollar (ZWL)" and was recirculated in denominations of 1, 2, 5, 10, 20, 50 and 100 ZWL.

In the last 30 years of the 20th century, hyperinflation was observed in Turkey. After the year 2000, prices began to reach single-digit numbers again. As a result of long-term continuation of high inflation, the prices have been increased to a very high level. On the other hand, the economic costs also caused the market subjects to suffer. In 2005, the Turkish government decided to respond by denominating the Lira (reducing it to 6 zeros, 1:1,000,000). It is possible to look at this as an integral part of the strategy of approaching the standard conditions of the old market economy to the price level of all developed countries. The purpose of the denomination was to clarify the prices in the economy using all the costs. (3)

A denomination may have several virtues. First of all as we have already said, it will help to restore the people's money due to inflation or hyperinflation. For example, the reduction of transaction costs can have a significant impact on the economy, because people do not need to carry large amounts of banknotes for transactions. Apart from this, the denomination helps in the modernization of the currency system by making the transaction process even more convenient for the people.

However, there may be some potential tensions related to the denomination. First of all uncertainty in the market may cause confusion when people buy foreign currency. In addition, it is possible that during the period of time when several currencies are used at the same time, it may complicate the



transaction work and cause short stops in the economy. In any case, inflation in both denominations does not give birth to hyperinflation, because the value of the denomination may continue to increase. After stabilizing the country's economy, the possibility of changing the denomination was established. If the economy is not in a stable state, inflation will be under the control of the monetary and credit authorities, and the currency exchange process will also be under pressure.

Inflation rate in the Republic of Uzbekistan has changed between 8.1% and 17.5% over the last 6 years (2015-2021) on the World data website, which compiles the statistical information of the countries of the world. The inflation rate for the year 2021 will be 10.8%. Between 2015-2021, the average inflation rate in the period of recovery is 14.4%. This means that the wholesale price increase is equal to 125.50%. In 2015, it was 100 SWM, and by 2022, it will be 225.50 SWM. (4) Even if it comes from the curriculum, it is possible to have a special mathematical essay, but the average price of the books in 6-7 volumes is about 2 cents. So, is it possible to have such an opinion on the level of denominational transmission in the Uzbekistan region? It should be mentioned that the denomination was changed to 1000:1 on July 1, 1994 in the Republic of Uzbekistan.

The country, which has suffered from high inflation, has come to the country with high prices. Even though the country was already in the grip of disinflation, such a situation came to an end. All nominal prices may change as a result of denomination change at the time of payment. This raises an interesting question, does the denomination contribute to the disinflation process? It is possible to convince the intermediate bank system of the zero-reduced market entities to have a responsible attitude towards the inflation rate. (3)

In short, the denomination can be an important tool for the governments (countries) to fight significant inflation or hyperinflation and restore the value of the nation's currency. Although this is not a panacea for all economic problems, it helps to improve the currency system and reduce transaction costs, which has a beneficial effect on the economy. As in any economic system, it is very important to ensure the process efficiency and to minimize the problems related to it.

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