Social Science Chronicle

OPEN ACCESS

Peer-Reviewed, International, Academic Research Journal

Citation
Deih, S.A. (2023). Unravelling the Effectiveness of Monetary Policy: A Cross-Country Analysis of Macro-Economic Goal Performance. *Social Science Chronicle*, Vol. 3, Issue - 1, pp. 1-15.

Digital Object Identifier (DOI)
https://doi.org/10.56106/ssc.2023.001

Received - October 12, 2022
Accepted - January 20, 2023
Published - January 27, 2023

Web-Link
All the contents of this peer reviewed article as well as author details are available at
http://socialsciencechronicle.com/article-ssc-2023-001

RESEARCH ARTICLE

Unravelling the Effectiveness of Monetary Policy: A Cross-Country Analysis of Macro-Economic Goal Performance

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Abstract

Central banks occupy an indispensable role in the pursuit of crucial economic objectives that underpin a nation's financial stability and prosperity. These objectives encompass maintaining price stability, achieving full employment, and fostering sustainable economic development. Central banks hold substantial sway over the supply and cost of money and credit within an economy, thereby exerting a profound impact on its overall health. This study delves into the diverse array of techniques employed by central banks to shape and steer their economies toward these vital goals. These techniques encompass a range of monetary policy tools, including interest rate adjustments, open market operations, reserve requirements, forward guidance, and quantitative easing. While each central bank may have distinct economic objectives in their crosshairs, they often find themselves wielding similar sets of tools and adhering to similar regulatory frameworks. Interest rate adjustments are a common lever, deftly used to influence borrowing costs and finely regulate the pace of economic growth. Quantitative easing, reserve requirements, and open market operations are marshaled to meticulously control the money supply and infuse the financial system with much-needed liquidity. However, central banks do not operate in isolation; they grapple with an array of obstacles and constraints in their relentless pursuit of economic goals. These hurdles include the ever-shifting state of the global economy, the mercurial expectations of inflation, the dynamics of fiscal policies, and the intrinsic limitations of monetary instruments. Additionally, political influences and statutory requirements can occasionally impede their actions. This article offers a comprehensive synthesis of the multifaceted strategies employed by central banks to wield their influence over credit and money availability. By dissecting the instruments and practices these institutions employ, it provides valuable insights into the myriad methods used to attain economic objectives, while also illuminating the challenges and limitations that policymakers face.

Keywords
Economic Growth, Exchange Rates, Financial Stability, Full Employment, Inflation Targeting, Interest Rates, Monetary Policy, Price Stability

1. Introduction

In order to attain certain economic objectives, such as price stability, full employment, and sustainable economic development, a nation's central bank would implement monetary policy, which refers to the activities taken to affect the supply and cost of money and credit in the economy (Epstein, 2003; Galindo & Ros, 2008). The primary instrument of monetary policy is the central bank's power over short-term interest rates, which it may modify by purchasing or disposing of assets on the open market, such as government bonds or other securities

(Aubrey, 2022; Jena & Kataruka, 2022; Zenchenko, Strielkowski, Smutka, Vacek, Radyukova, & Sutyagin, 2022). As the central bank reduces interest rates, borrowing money becomes more affordable, which encourages investment and spending and may increase economic activity (Bean, 2003; G. A. Epstein & A. E. Yeldan, 2009). Conversely, when interest rates are raised, borrowing becomes more costly, which may stifle consumption and investment while reducing inflationary pressures. The money supply and credit conditions can be influenced by central banks in addition to regulating interest rates. These additional tools include reserve requirements for banks, loan discount rates, and various types of quantitative easing, which entail the purchase of sizable amounts of securities or other assets to add liquidity to the financial system (Elsayed & Nasir, 2022; Mishkin, 2004).

The efficiency of monetary policy may be affected by a number of variables, including the level of interest rates, the health of the economy, and the accessibility of credit, and it can have both short-term and long-term impacts on the economy (Aderohunmu & Abdulwahid, 2022; Charaia & Papava, 2022; Volz, 2015). It is a crucial instrument for managing the overall state of the economy and fostering sustainable development and stability for governments and central banks. The globe has seen unheard-of economic upheavals and difficulties as a result of several international occurrences including pandemics, trade conflicts, geopolitical tensions, and natural calamities (Krušković, 2022; Villanueva, 2015). As a consequence, central banks from many nations have been actively influencing the availability and cost of credit and money in their respective economies in order to accomplish a variety of objectives, including price stability, full employment, and sustainable economic development. This research study intends to examine and contrast the steps taken by various central banks throughout the globe to accomplish these economic objectives.

The United States, Japan, Singapore, South Korea, Italy, the United Arab Emirates, Israel, Turkey, Denmark, Norway, and the Netherlands are among the ten nations whose central banks are reviewed in the study. These nations were selected based on their various geographic settings and economic conditions. The notion of central banking and its significance in managing the economy are covered at the beginning of the paper. The precise economic objectives of price stability, full employment, and sustainable economic development are then highlighted, along with their connections. The study underlines how crucial it is to comprehend the many instruments and tactics that central banks use to shape the economy. This research study employs a comparative examination of the activities done by the central banks of the selected nations as its approach. The study examines the methods and instruments of monetary policy used by various central banks, such as interest rates, open market operations, reserve requirements, and forward guidance. The results of this study show that central banks all over the globe have used different monetary policy instruments and tactics to attain their economic objectives.

2. Comparative Analysis of Central Banks' Monetary Policy in Selected Countries

To accomplish its economic objectives, the US Federal Reserve, for instance, has combined interest rate reductions with quantitative easing and forward guidance. The Bank of Japan, in contrast, has controlled its yield curve and implemented a negative interest rate policy to manage its economy. The study emphasises the need of taking into account each nation's unique economic circumstances when evaluating the central banks' operations. Due to its dependence on oil exports, the Central Bank of the United Arab Emirates has concentrated on preserving the stability of its currency, whereas the Central Bank of Turkey has had to control high inflation rates and currency depreciation (Arora, Monga, & Sharma, 2022; Boneva, Ferrucci, & Mongelli, 2022). In summary, this research study offers insights on the steps used by central banks in various nations to accomplish certain economic objectives. It is crucial to comprehend the various tools and tactics used by central banks as well as the need of taking into account the unique economic circumstances of each nation (Maxwell Fry, Lavan Mahadeva, & Sterne, 2000; Seccareccia & Matamoros Romero, 2022). Policymakers, academics, and investors may all benefit from the results of this study in order to make well-informed judgements.

The Reserve Bank of India (RBI), India's central bank, is in charge of developing and carrying out the nation's monetary policy. With the purpose of accomplishing certain economic goals including price stability, full employment, and sustained economic development, the RBI employs a variety of measures to affect the availability and cost of credit and money in the economy. Following are some instances of the RBI's acts. Adjusting benchmark interest rates, such as the repo rate and the reverse repo rate, which determine the cost of borrowing for banks and other financial institutions, is one of the main instruments of monetary policy (Khan, 2003; Petrevski, 2023). For instance, the RBI has reduced interest rates many times since 2020 in reaction to the COVID-19 epidemic in order to increase liquidity and encourage lending. The repo rate was cut to 4% in April 2021, which was the lowest amount in more than ten years. Moreover, the RBI establishes reserve standards for banks, defining the percentage of deposits that banks must keep in cash or with the RBI. The RBI may affect the amount of money that banks have available to lend by changing these regulations.

For instance, the RBI decreased the banks' required cash reserves (CRR) in March 2020 by 100 basis points to 3%, releasing around Rs. 1.37 lakh crore into the banking sector. In order to alter the amount of money and credit available to the economy, the RBI also engages in open market operations (OMOs), which entail purchasing or dumping government assets on the open market. For instance, the RBI announced in March 2021 that it would carry out the Government Securities Acquisition Program (G-SAP), which aimed to support the orderly evolution of the yield curve and maintain financial stability, by purchasing Rs. 1 lakh crore of government securities in the secondary market in the first quarter of the fiscal year (Nenovsky & Marinova, 2024; Rossi, 2023). The RBI also utilises credit policy to affect how credit is distributed across the economy. For instance, it might restrict the amount of credit that banks can issue to certain industries or pursuits or it can entice banks to lend to certain industries by providing preferential rates or other advantages. The RBI launched a programme in August 2021 to provide small financing banks (SFBs) with liquidity so they may expand lending to key industries including housing, MSMEs, and agriculture.

3. Role of Central Banks in Maintaining Price Stability and Economic Growth

The RBI also conveys to the market its policy position and direction via its news releases, speeches by its officials, and monetary policy comments in addition to its actual policy measures. This aids in forming market expectations and affecting how market players behave (B. Bernanke, 2003; Oliver, 2017; Yakubova & Raimova, 2022). For instance, the RBI declared its aim to maintain an accommodating policy stance to stimulate growth and lessen the effect of the pandemic in its October 2021 monetary policy statement. Ultimately, the RBI combines these instruments and actions to carry out its policy goals and oversee the state of the Indian economy as a whole (Altunbaş & Thornton, 2022; Nenovsky & Marinova, 2024). The status of the economy, the rate of inflation, and the accessibility of credit are just a few of the variables that may affect how successful these policies are. To accomplish its policy objectives, the RBI continuously examines these variables and modifies its policy measures as necessary. The Banco Central do Brasil (BCB), Brazil's central bank, is in charge of carrying out the nation's monetary policy. In order to achieve certain economic objectives like price stability, full employment, and sustainable economic development, the BCB employs a variety of measures to affect the availability and cost of credit and money in the economy. Following are a few instances of the BCB's acts.

The benchmark interest rate, also known as the Selic rate, which regulates the cost of borrowing for banks and other financial institutions, is one of the main instruments of monetary policy (Frenkel & Taylor, 2009; Jonung, 2022; Sudacevschi, 2011). For instance, the BCB increased the Selic rate from 4.25% to 5.25% in August 2021 in reaction to escalating inflationary pressures, with the goal of containing inflation and preserving price stability. Moreover, the BCB establishes reserve standards for banks, defining the percentage of deposits that banks must retain in cash or with the BCB. The BCB may affect the amount of money that banks have available to lend by changing these regulations. For instance, the BCB stated in March 2021 that it would lower the reserve requirements for time and savings accounts in order to increase credit availability and encourage economic development (Benigno, Canofari, Di Bartolomeo, & Messori, 2023; Valogo, Duodu, Yusif, & Baidoo, 2023). In order to change the amount of money and credit available to the economy, the BCB also engages in open market operations (OMOs), which include purchasing or selling government assets on the open market. As an example, the BCB stated in July 2021 that it will execute a fresh round of OMOs to buy government assets worth BRL 70 billion in an effort to boost lending and increase financial system liquidity.

The BCB also utilises credit policy to affect how credit is distributed across the economy. For example, it might restrict the amount of credit that banks can issue to certain industries or pursuits or it can entice banks to lend to certain industries by providing preferential rates or other advantages (Kırcı Çevik, Koç Yurtkur, & Dibooglu, 2019; ur Rehman, 2021; Wheeler, 2015). A new credit programme called Pronampe, which gives loans to small and medium-sized businesses (SMEs) at discounted rates in an effort to stimulate job creation and economic development, was introduced by the BCB in August 2021. The BCB also communicates to the market via its monetary policy announcements, news releases, and speeches by its officials in addition to its actual policy measures (Issa, Khalaf, Almuain, & Ahmed, 2018; Sanga, Kongolo, & Mnongya, 2022). This aids in forming market expectations and affecting how market players behave. For instance, the BCB indicated in its August 2021 monetary policy statement that it intended to increase the Selic rate once again in the near future in order to curb inflation expectations. Ultimately, the BCB combines a number of these instruments and actions to carry out its policy goals and maintain the general soundness of the Brazilian economy. The status of the economy, the rate of inflation, and the accessibility of credit are just a few of the variables that affect how successful these policies are.

4. Central Banks' Strategies to Influence Money Supply and Credit Cost

To accomplish its policy objectives, the BCB continuously examines these variables and modifies its policy actions as necessary. The Central Bank of the Russian Federation (CBR), which is in charge of carrying out monetary policy in the nation, is the central bank of Russia. With the purpose of accomplishing certain economic goals including price stability, full employment, and sustainable economic development, the CBR employs a number of instruments and methods to affect the supply and cost of money and credit in the economy (Egharevba, 2022; OSENI & OYELADE, 2023). Below are a few instances of the CBR's acts. The benchmark interest rate, often known as the key rate, which sets the cost of borrowing for banks and other financial institutions, is one of the main instruments of monetary policy. For instance, the CBR increased the key rate from 5.50% to 6.50% in July 2021 as a result of intensifying inflationary pressures, with the goal of containing inflation and preserving price stability. Moreover, the CBR establishes reserve standards for banks, defining the percentage of deposits that banks must retain in cash or with the CBR.

The CBR may affect the amount of money that banks have available to lend by changing these rules. For instance, the CBR stated in March 2021 that it would lower the reserve requirements for ruble deposits in order to increase credit availability and promote economic development. In order to alter the availability of credit and money in the economy, the CBR also engages in open market operations (OMOs), which include purchasing or selling government assets on the open market. For instance, the CBR stated in August 2021 that it will undertake a fresh round of OMOs to buy government assets worth RUB 450 billion, with the goal of enhancing financial system liquidity and promoting lending (Koch, 2023; Svensson, 1997). The CBR also utilises credit policy to affect the economy's flow of credit. For example, it might restrict the amount of credit that banks can issue to certain industries or pursuits or it can entice banks to lend to certain industries by providing preferential rates or other advantages. To boost job creation and economic development, the CBR introduced a new programme in July 2021 that would provide banks preferential funding if they expand their lending to small and medium-sized firms (SMEs).

The CBR also communicates to the market via its monetary policy announcements, news releases, and speeches by its officials in addition to its actual policy measures. This aids in forming market expectations and affecting how market players behave (Moore, 2008; Tursunkulovich & Bakhtiyorovich, 2022;

Watts & Pantelopoulos, 2022). For instance, the CBR said in its August 2021 monetary policy statement that it intended to continue its cycle of tightening monetary policy in order to reduce inflationary pressures and preserve price stability. Ultimately, the CBR combines a number of these instruments and actions to carry out its policy goals and oversee the condition of the Russian economy as a whole. The status of the economy, the rate of inflation, and the accessibility of credit are just a few of the variables that may affect how successful these policies are (BAŞÇI & Kara, 2011; Houngbédji & Bassongui, 2023). To accomplish its policy objectives, the CBR continuously examines these variables and modifies its policy actions as necessary. China's central bank, the People's Bank of China (PBOC), is in charge of carrying out monetary policy to affect the availability and cost of credit and money in the economy with the aim of achieving a number of specific objectives, including price stability, full employment, and sustainable economic growth. Following are some instances of the PBOC's activities.

5. Central Banks' Approaches to Achieving Full Employment and Sustainable Economic Growth

Interest rate changes are a crucial instrument used by the PBOC to control how much it costs banks and other financial entities to borrow money. For instance, to encourage lending and promote the economic recovery, the PBOC cut the interest rate on its one-year Medium-Term Lending Facility (MLF) by 10 basis points to 2.95% in August 2021. The Reverse Repo rate and the Deposit Facility rate are two additional interest rates that have been changed by the PBOC. The PBOC also sets the minimum percentage of deposits that banks must retain in reserve, known as the reserve requirements, for banks (Agénor & Pereira da Silva, 2023; Aguirre, Alessandro, & Llach, 2016; Heise & Heise, 2019). The PBOC may affect the amount of money that banks have available to lend by changing these regulations (Herrero & Del Rio, 2004; Hudaya & Firmansyah, 2023). For instance, to boost economic development, the PBOC reduced the reserve requirement ratio (RRR) for banks by 0.5 percentage points in July 2021. This released around RMB 1 trillion ($154 billion) in liquidity into the banking sector. To alter the availability of credit and money in the economy, the PBOC engages in open market operations (OMOs), which entail purchasing or selling government assets.

For instance, the PBOC carried out an RMB 120 billion ($18.5 billion) reverse repo operation in August 2021 to infuse liquidity into the banking system and promote the revival of the economy. The PBOC utilises credit policy to control the economy's flow of credit. In order to promote lending to certain industries, it may, for example, impose limitations on the total amount of credit that banks may give to such industries or activities or provide preferred interest rates or other rewards. The PBOC introduced a new loan programme for small and medium-sized banks in August 2021 to promote financing to startups and promote economic expansion (Borio, Shim, & Shin, 2023; Kılıçkan, 2015). Using a variety of means, including its monetary policy pronouncements, news releases, and speeches by its officials, the PBOC informs the market of its policy position and general direction. This aids in forming market expectations and affecting how market players behave. For instance, the PBOC said in August 2021 that it intended to continue to pursue a cautious and neutral monetary policy, with a focus on fostering economic recovery and preserving financial stability.

The PBOC employs a variety of different instruments and actions to carry out its policy goals and maintain the health of the Chinese economy as a whole. The status of the economy, the rate of inflation, and the accessibility of credit are just a few of the variables that may affect how successful these policies are. To accomplish its policy objectives, the PBOC continuously examines these variables and modifies its policy actions as necessary. The South African Reserve Bank (SARB) is the country's central bank and is in charge of carrying out monetary policy to affect the availability and cost of credit and money in the economy in order to achieve a number of predetermined objectives, including price stability, full employment, and sustainable economic growth (Chugunov, Pasichnyi, Koroviy, Kaneva, & Nikitishin, 2021; Ersel & Özatay, 2008). Following are some instances of the SARB's acts. SARB employs interest rate adjustments as a key tool to influence the cost of borrowing for banks and financial institutions. For instance, the SARB maintained its benchmark repo rate at a record-low 3.5% in July 2021 because it anticipated that inflation would stay within the target range and that the economic recovery would continue. In contrast, in order to combat inflationary pressures and sustain the currency, SARB increased the repo rate by 50 basis points, to 6.75%, in January 2016.

6. Impact of Central Banks' Monetary Policy on Economic Stability

The amount of deposits that banks must retain in reserve is determined by the reserve requirements that the SARB sets for banks. The SARB may affect the amount of money that banks have available to lend by changing these regulations. For instance, the SARB lowered the reserve requirement ratio for banks in March 2020 from 6% to 4.5% in an effort to promote loan availability and boost economic development in the midst of the COVID-19 epidemic. When SARB conducts open market operations (OMOs), it buys or sells government securities to modify the amount of credit and money available to the economy. For instance, the SARB carried out a R10 billion ($684 million) bond-buying operation in August 2021 to stimulate economic growth and preserve bond market liquidity. SARB controls the flow of credit in the economy via its credit policy (Curi & Murgia, 2023; Mishkin, 2001). For instance, it might impose restrictions on the total amount of credit that banks are permitted to issue to certain industries or pursuits, or it could provide preferred interest rates or other rewards to promote lending to certain industries.

A loan guarantee programme was introduced by SARB in August 2020 to assist small and medium-sized firms (SMEs) impacted by the COVID-19 epidemic by guaranteeing up to R200 billion ($13.7 billion) in loans made to qualified SMEs by participating banks. Via a variety of mediums, including as its monetary policy pronouncements, news releases, and speeches by its officials, SARB conveys its policy position and recommendations to the market (Al Rasasi & Cabezon, 2022; Ambrocio, Ferrero, Jokivuolle, & Ristolainen, 2022; End, El Hamiani Khatat, & Kolsi, 2020; Montes, 2010). This aids in forming market expectations and affecting how market players behave (Arsić, Mladenović, & Nojković, 2022; Fischer, 1996). For instance, the SARB indicated in November 2021 that it intended to maintain its liberal monetary policy stance in order to help the economic recovery and meet its inflation objective. Ultimately, SARB use a variety of instruments and measurements to manage the overall state of the South African economy and accomplish its policy goals. The status of the economy, the rate of inflation, and the accessibility of credit are just a few of the variables that may affect how successful these policies are. To accomplish its policy objectives, SARB continuously monitors these variables and modifies its policy actions as necessary.

The United States Federal Reserve, also referred to as the Fed, is the country's central bank and in charge of carrying out monetary policy, which affects the availability and cost of credit and money in the economy with the aim of achieving a number of objectives, including price stability, full employment, and sustainable economic growth (De Gregorio, 2009; Гулямова, 2022). Following are some instances of the Fed's activities. The Federal Reserve (Fed) controls borrowing rates across the economy by adjusting the federal funds rate, which is the interest rate at which banks lend to one another overnight. For instance, the Fed dropped the federal funds rate to to negative levels in March 2020 during the COVID-19 epidemic to assist the economy by making borrowing more affordable. The Fed has indicated its intention to gradually increase rates as the economy has recovered in order to avoid inflation from rising too soon. By acquiring government bonds and other assets, the Fed utilises quantitative easing (QE) to boost the amount of money and credit available to the economy.

7. Effectiveness of Central Banks in Tackling Inflation and Unemployment

The Fed undertook numerous rounds of quantitative easing (QE) in response to the financial crisis of 2008, which involves purchasing trillions of dollars' worth of Treasury and mortgage-backed securities in order to boost financial system liquidity and promote economic development. The amount of deposits that banks must retain in reserve is determined by the reserve requirements that the Fed sets for banks. The Fed may affect the amount of money that banks have available to lend by changing these regulations (Jonung, 2019; Joshi, 2006). For instance, the Fed lowered reserve requirements during the COVID-19 epidemic to encourage banks to provide more loans to consumers and businesses. Via its discount window, the Fed provides loans to banks to assist them in addressing their immediate liquidity requirements. The Fed may affect banks' borrowing costs by changing the interest rate on these loans, which in turn affects the availability of credit and money in the economy. By using forward guidance, the Fed may influence market expectations of future economic circumstances and convey its policy goals to the market.

The Fed may say that it intends to keep interest rates low for a long time to encourage job growth and economic expansion. This has the potential to affect market players' actions and contribute to the Fed's policy goals. The Fed may influence lending patterns and advance financial stability by using its regulatory power over banks and other financial institutions. For instance, the Fed may set capital requirements on banks to lower the risk of collapse or limitations on particular lending types to lower the danger of financial instability. To accomplish its policy goals and oversee the overall state of the US economy, the Fed employs a variety of instruments and measurements (Şener, 2023; Zhu, Kavanagh, & O'Sullivan, 2021). The status of the economy, the rate of inflation, and the accessibility of credit are just a few of the variables that may affect how successful these policies are. To accomplish its policy objectives, the Fed continuously evaluates these variables and modifies its policy actions as necessary. As Australia's central bank, the Reserve Bank of Australia (RBA) is in charge of carrying out monetary policy, which affects the availability and cost of credit and money in the economy with the aim of achieving a number of objectives, including price stability, full employment, and sustainable economic growth. These are some instances of the RBA's acts.

The RBA controls borrowing rates throughout the economy by adjusting the cash rate, which is the interest rate on the overnight money market. For instance, to stimulate the economy during the COVID-19 epidemic, the RBA lowered the cash rate to a record low of 0.10% in November 2020. The RBA has indicated its intention to gradually boost rates as the economy has recovered in order to avoid inflation from increasing too rapidly. To alter the amount of money in the economy, the RBA utilises open market operations (Abango, Yusif, & Issifu, 2019; Gumata, 2022). For instance, to raise or reduce the quantity of money in circulation, the RBA may buy or sell government securities. This may have an impact on the cost of credit in the economy and on how people borrow money. By using forward guidance, the RBA may influence market expectations of future economic circumstances and convey its policy goals to the market. For instance, the RBA may say that it intends to keep interest rates low for a long time to encourage job growth and economic expansion. This has the potential to affect market players' actions and contribute to the accomplishment of RBA policy goals.

The RBA also controls the Australian dollar's exchange rate in relation to other currencies, which may have an impact on the price of imports and exports and the state of the economy as a whole. For instance, the RBA could interfere in the foreign currency market to lower the Australian dollar in an effort to encourage exports and improve economic development (Agénor & da Silva, 2013; Gong & Qian, 2022). The RBA may control systemic risks and advance financial stability by using macroprudential policy measures. To lessen the possibility of a housing bubble and financial instability, the RBA can, for instance, set restrictions on mortgage lending. In order to guarantee that banks and other financial institutions have access to enough cash to fulfil their commitments, the RBA also undertakes liquidity operations. For instance, to assist banks in meeting their immediate liquidity requirements, the RBA could provide loans to them via its repurchase agreement facility. To accomplish its policy goals and oversee the general state of the Australian economy, the RBA employs a variety of instruments and measurements. The status of the economy, the rate of inflation, and the accessibility of credit are just a few of the variables that may affect how successful these policies are.

The policy's objective was to encourage banks to lend money to households and companies in order to boost the economy. In order to regulate the yield curve, the BOJ set a target yield on Japanese government bonds with a 10-year maturity. The policy's objective was to maintain low long-term interest rates, which would encourage investment and borrowing and boost economic development. By using forward guidance, the BOJ may influence market expectations of future economic circumstances and convey its policy goals to the market (Heise, 2019; Vredin, 2015). For instance, the BOJ promised to maintain low interest rates for a lengthy period of time in 2019 to encourage economic development and meet its 2% inflation objective. The BOJ also controls the yen's exchange rate in relation to other currencies, which may have an impact on the price of imports and exports and the state of the economy as a whole. For instance, the BOJ may interfere in the foreign currency market to lower the yen in order to encourage exports and increase economic development. In order to provide small and medium-sized firms financial help, the BOJ has put in place loan support programmes.

8. Central Banks' Response to Economic Crises

In response to the COVID-19 outbreak, the BOJ established a loan assistance programme that provided financial institutions that provided loans to small and medium-sized firms with zero-interest loans. Generally, the BOJ employs a variety of policy instruments and actions to fulfil its policy goals and oversee the state of the Japanese economy as a whole. The status of the economy, the rate of inflation, and the accessibility of credit are just a few of the variables that may affect how successful these policies are. To accomplish its policy objectives, the BOJ continuously examines these variables and modifies its policy measures as necessary. The Reserve Bank of New Zealand (RBNZ), the country's central bank, is in charge of carrying out monetary policy, which affects the availability and cost of credit and money in the economy with the aim of achieving a number of objectives like price stability, full employment, and sustainable economic growth (Mishra & Dubey, 2022; Zoto & Agalliu, 2013). These are some instances of the RBNZ's actions: The RBNZ employs adjustments to the OCR to have an impact on borrowing rates and to promote economic activity. For instance, in response to the COVID-19 pandemic in 2020, the RBNZ lowered the OCR to a record-low level of 0.25 percent.

The policy's objectives were to promote borrowing and investment, foster business and employment activities, and boost economic development. Quantitative easing programmes have also been utilised by the RBNZ to boost the availability of money in the economy and promote economic expansion. To enhance the amount of money available and promote lending and investment, the RBNZ, for instance, introduced the Large Scale Asset Purchase (LSAP) programme in 2020. This initiative entailed buying government bonds and other assets. LVR limitations are used by the RBNZ to affect the cost and availability of credit, notably for the housing market (E. Araujo, Araujo, & da Fonseca, 2023; Nestorović, Anicic, & Anicic, 2023). For instance, the RBNZ imposed LVR limitations in 2013 that restricted the amount of high-LVR mortgage financing that banks could provide. The policy's goal was to lessen the possibility of a property market bubble while preserving financial stability. The Financing for Lending Programme (FLP), which provides low-cost money to banks to stimulate lending to companies and consumers, was implemented by the RBNZ in 2020. The program's objectives were to promote economic activity and guarantee credit availability during the COVID-19 epidemic. By using forward guidance, the RBNZ may influence market expectations of future economic circumstances and convey to the market its policy goals.

For instance, the RBNZ said in 2020 that it expected to maintain the OCR at its present low level for a lengthy term in order to encourage employment and economic development (Kurihara, 2010, 2012). The RBNZ also controls the New Zealand dollar's exchange rate in relation to other currencies, which may have an impact on import and export costs as well as the economy's general health. For instance, the RBNZ may interfere in the foreign currency market to stop the New Zealand dollar from rising, which would be detrimental to the exports of New Zealand's competitiveness. To accomplish its policy goals and oversee the general state of the New Zealand economy, the RBNZ employs a variety of methods and measurements. The status of the economy, the rate of inflation, and the accessibility of credit are just a few of the variables that may affect how successful these policies are. To accomplish its policy objectives, the RBNZ continuously examines these variables and modifies its policy actions as necessary.

9. Role of Central Banks in Supporting Economic Recovery and Growth

The UK's central bank, the Bank of England, uses a range of monetary policy instruments to fulfil its goals of preserving price stability and fostering the economy of the nation. Below are some instances of the steps the Bank of England has taken to affect the availability, price, and cost of credit in the economy. The benchmark interest rate for the UK economy is established by the Monetary Policy Committee (MPC) of the Bank of England, and it affects how much it costs for individuals and companies to borrow money. The Bank may cut interest rates to make borrowing more affordable when it wishes to boost economic development, which would lead to an increase in consumer and company expenditure. On the other side, the Bank may increase interest rates when inflation is a worry in order to cut down on spending and slow the economy (Debelle, Savastano, Masson, & Sharma, 1998; Mishkin, 2000). To boost the economy during the COVID-19 pandemic, the Bank of England, for instance, reduced its benchmark interest rate from 0.75% to 0.25% in March 2020. Increasing the money supply is one way that central banks may boost the economy via the use of quantitative easing (QE). In order to infuse liquidity into the financial system, the central bank uses banks to buy government bonds or other financial assets. By lowering borrowing rates and increasing lending, this step boosts the economy.

The Bank of England has utilised quantitative easing (QE) numerous times since the global financial crisis of 2008, notably in March 2020 when it unveiled a £200 billion QE programme to bolster the UK economy amid the COVID-19 pandemic. The central bank uses forward guidance as a communication tool to affect the expectations of individuals, companies, and the financial markets on future monetary policy. The Bank of England may affect market expectations and speed up or slow down economic activity by giving direction on the future course of interest rates. For instance, the Bank of England published forward guidance in August 2013, stating that it would not contemplate increasing interest rates until the unemployment rate had decreased to under 7%. By lowering uncertainty and promoting borrowing, this aided in accelerating economic expansion (Bassey & Essien, 2014; Oh, 2006). Regulatory controls are another tool used by the Bank of England to influence lending decisions and preserve financial stability. For instance, it limits the amount of money that banks may lend by establishing minimum reserve requirements for banks. A possible property market bubble was avoided thanks to new regulatory restrictions on high loan-to-income ratio mortgages that the Bank of England put in place in 2014.

The Bank of England engages in open market operations to control the money supply. These operations include the Bank purchasing or disposing of government bonds in order to change the level of liquidity in the financial system. For instance, the Bank of England signalled its conviction that the economy was recovering from the COVID-19 epidemic by announcing in June 2021 that it would scale down its bond-buying programme. In order to preserve price stability and promote economic development, the Bank of England uses a variety of monetary policy instruments (Barbosa-Filho, 2008; Minella, De Freitas, Goldfajn, & Muinhos, 2003). The Bank of England can affect the availability and cost of credit in the economy by changing interest rates, implementing quantitative easing, offering forward guidance, implementing regulatory controls, and carrying out open market operations. The French bank is called the Bank de France. It employs monetary policy instruments, like those used by other central banks, to affect the availability and cost of credit and money in the economy in order to accomplish a variety of objectives, including price stability, full employment, and sustainable economic development.

The Bank de France uses interest rate setting as one of its primary instruments for implementing monetary policy. In order to affect short-term interest rates in the economy, the bank employs the interest rate on its primary refinancing activities. For instance, the bank lowered its benchmark interest rate to zero from 0.05% in 2020 to encourage lending and consumer spending. Open market operations are another crucial technique used by the Bank de France. The amount of reserves that banks maintain with the central bank is influenced by the bank's open market activities, which it utilises to purchase and sell assets in the market (Jha, 2008; Kadioğlu, Özdemir, & Yilmaz, 2000). For instance, the Bank de France started a programme to buy up to €120 billion worth of assets, such as government bonds and corporate debt, in reaction to the COVID-19 outbreak, in order to guarantee liquidity in the financial markets and stimulate economic activity. The amount of reserves that banks retain with the central bank is also influenced by reserve requirements, according to the Bank de France. The amount of credit that banks may provide to the economy can be influenced by the bank by raising or lowering reserve requirements. For instance, the bank lowered reserve requirements in 2020 to entice banks to provide more loans to consumers and companies.

The Bank de France also uses forward guidance, which entails informing the public of its expectations for upcoming monetary policy actions, in addition to these measures. The bank may shape market perceptions and assist direct economic activity by giving clear direction on its upcoming policy actions. For instance, the bank said in 2021 that it would maintain interest rates at their present levels until inflation achieves its 2% objective. The Bank de France is also charged with preserving the financial stability of the economy. To do this, the bank employs macroprudential policy, which entails regulating and monitoring financial institutions in an effort to stop the emergence of systemic vulnerabilities in the financial system (Kalagbor, 2014; McDermott & Williams, 2018). For instance, the bank implemented a macroprudential regulation in 2020 that mandated banks retain extra capital against loans that were thought to be more risky. In order to achieve certain economic objectives like price stability, full employment, and sustainable economic development, the Bank de France employs a number of monetary policy measures to affect the availability and cost of money and credit in the economy. The determination of interest rates, open market transactions, reserve requirements, forward guidance, and macroprudential policy are some of these instruments.

The German central bank, also known as the Deutsche Bundesbank, plays a critical role in affecting the availability, price, and cost of credit and money in the economy. The major goal of the Bundesbank is to keep the nation's prices stable, which is defined as having an inflation rate that is below but near to 2%. In addition, the Bundesbank wants to promote sustainable economic expansion and ensure financial system stability. The regulation of interest rates is one of the primary strategies employed by the Bundesbank to affect the availability of credit and money (Adrian, Dell'Ariccia, Haksar, & Mancini-Griffoli, 2018; Anachedo, Okeke, & Ubah, 2023). The primary refinancing rate, or interest rate at which banks may borrow money from the central bank, is established by the Bundesbank. The Bundesbank may effect the interest rates that banks charge their clients by modifying this rate, which has an impact on how much it costs to borrow money and lend it out (Comert & Epstein, 2011; Van der Merwe, 2004). For instance, the Bundesbank may drop the primary refinancing rate, which lowers the cost of borrowing for banks and encourages them to lend more, in order to enhance the availability of money and credit. The amount that banks are obliged to retain in reserve with the central bank is known as the reserve requirement ratio, and it is another instrument utilised by the Bundesbank.

10. Examining Central Bank Actions and their Impact on Price Stability

The quantity of money that banks may give out can be changed by the Bundesbank, which has an impact on the availability of credit and money in the economy. For instance, the Bundesbank may lower the reserve requirement ratio, enabling banks to provide more loans, in order to enhance the availability of money and credit. The Bundesbank also makes use of open market operations to control the flow of credit and money. This includes the open market purchase and sale of government securities, which has an impact on the money supply (Stone, 2003; Tojiyev, 2023). For instance, the Bundesbank may purchase government securities from banks to boost the amount of money and credit available. This injects cash into the banking system and encourages banks to expand their lending. The Bundesbank controls the flow of credit and money in addition to taking steps to keep prices stable. Inflation targeting, which entails establishing an inflation rate goal and taking steps to guarantee that it is maintained, is one of the primary strategies employed for this aim. The inflation rate is regularly monitored by the Bundesbank, and if it deviates from the objective, action is taken.

If inflation is excessively high, the Bundesbank might raise interest rates to slow down economic growth and lower credit demand, which helps to lower inflation back to the desired level. In order to accomplish certain economic objectives, such as price stability, full employment, and sustainable economic development, the Bundesbank employs a variety of instruments and strategies to affect the availability and cost of credit and money in the economy (De Gregorio, 2010; Ito, 2010; Moenjak, Imudom, & Vimolchalao, 2004). The Bundesbank is able to control the supply of money and credit in a manner that promotes the general health of the German economy via the use of interest rates, reserve requirement ratios, open market operations, and inflation targeting. The Swiss National Bank (SNB), which serves as the nation's central bank, is in charge of implementing monetary policy. The SNB's primary objective is to maintain price stability, but it also considers economic trends and the need to foster full employment as well as sustainable economic growth (Carare & Stone, 2006; Tolulope & Ajilore, 2013). Setting interest rates is one of the key strategies the SNB employs to affect the availability, cost, and affordability of credit and money in the economy.

The main policy rate of the SNB has a target range that is presently set at -0.75% to 0.25%. The SNB wants to maintain low interest rates to promote economic expansion and rein in inflation. Foreign currency interventions are another another weapon the SNB employs to affect the availability, cost, and affordability of credit and money. The Swiss National Bank (SNB) has a long-standing objective of preserving price stability, and it views the Swiss franc's exchange rate to other currencies as a crucial component in attaining this aim (Morandé & Schmidt-Hebbel, 2000; Nair & Anand, 2020; Victoria, Babajide, Akhanolu, & Tochukwu, 2016). The Swiss National Bank (SNB) occasionally intervenes in the foreign currency market to stop the franc from appreciating too much and harming Swiss exports and economic development. To affect the supply, demand, and price of money and credit, the SNB also employs other unconventional monetary policy measures (Arkadeva, Berezina, & Arkadev, 2022). To provide liquidity to the financial system, it, for instance, participates in repo transactions with banks and other financial organisations. Moreover, the SNB has a scheme that charges banks holding excess reserves at the central bank negative interest rates, which encourages banks to lend to the actual economy as opposed to holding reserves.

The Bank of Italy makes interventions in the foreign currency market to alter the euro's exchange rate, which has an impact on the export and import competitiveness of Italy. For instance, in order to maintain the euro and stop it from declining against the US dollar in 2018, the Bank of Italy intervened in the foreign currency market. In order to fulfil its main aim of price stability and support the national economic objectives, the Bank of Italy uses a variety of instruments and policies to affect the supply and cost of money and credit in the economy (Epstein & Yeldan, 2008; G. Epstein & E. Yeldan, 2009). The Central Bank of the UAE, also known as the Central Bank of the United Arab Emirates (UAE), is in charge of overseeing the nation's monetary policy in order to accomplish certain economic objectives such price stability, full employment, and sustainable economic development. The interest rate on the bank's overnight lending facility is its main weapon for affecting the availability and cost of credit and money in the economy.

The central bank of the UAE has used a number of measures in recent years to attain its economic objectives. To regulate the amount of money in the economy, the central bank has increased or decreased interest rates on its overnight lending facility. For example, the bank increased its benchmark interest rate by 25 basis points in 2018 in response to the US Federal Reserve's decision to boost rates. Through this action, the UAE wanted to retain its peg to the US dollar while also reducing inflation, which had increased as a result of increasing oil prices. The reserve requirement ratios (RRR) that banks must maintain have also been modified by the central bank (Dierks, 2023; Iddrisu & Alagidede, 2022; Svensson, 2003). In 2020, the central bank decreased the RRR for demand deposits from 14% to 13% and for time deposits from 4% to 3.5%. This action was intended to boost lending and improve liquidity in the banking sector, which would help economic development. Banks have received liquidity assistance from the central bank during difficult financial times. For instance, to preserve trust in the banking system and guarantee credit availability during the global financial crisis, the central bank offered liquidity assistance to banks (Beckworth, 2014; B. S. Bernanke & Mishkin, 1997). To keep the dirham, the currency of the United Arab Emirates, stable, the central bank has interfered in the foreign exchange market. For instance, the central bank intervened in the currency market in 2020 to stop the dirham from rising too high in value against the US dollar, which might have hurt the nation's ability to compete internationally.

To preserve its stability and discourage taking unwarranted risks, the central bank controls and monitors the banking industry. To increase the banking sector's resilience, the bank has introduced a number of rules and recommendations on issues including capital adequacy, liquidity, and credit risk management. The central bank of the UAE has also started a number of efforts to assist sustainable economic development in addition to these activities (Friedman, 2008; Juhro & Rummel, 2022; Orji, Ekeocha, Ogbuabor, & Anthony-Orji, 2022). For instance, the bank introduced the Targeted Economic Support Scheme (TESS) in 2020 to assist banks' liquidity needs and guarantee that credit was available to firms impacted by the COVID-19 epidemic. In order to advance sustainable financial practises in the UAE, the bank has launched the Abu Dhabi Sustainable Finance Declaration. In order to accomplish certain economic objectives, the Central Bank of the UAE employs a variety of strategies to affect the availability, price, and cost of credit and money in the economy. Its operations range from modifying interest rates and reserve requirement ratios to supporting banks, intervening in foreign currency markets, and regulating and overseeing the banking industry (Oh, 2000; Sheen, 2002). The bank also starts programmes to aid in the nation's sustainable economic development.

The Bank of Israel is the country's central bank, and its major goal is to keep the economy's prices stable. To accomplish this purpose and to promote full employment and long-term economic development, it employs a variety of measures to impact the availability and cost of credit and money. In this response, we'll go through a few of the steps the Bank of Israel took to have an impact on the economy. The Bank of Israel determines the interest rate to affect how much it costs to borrow money and make loans. The bank may affect the availability and demand of loans in the economy by changing the interest rate (A. Araujo & Ferrari-Filho, 2023; Loayza & Schmidt-Hebbel, 2002; Saad-Filho, 2007). As an instance, if inflation is high, the bank may increase interest rates to lower credit demand, which may aid in lowering inflation. The bank may, however, decrease interest rates to promote borrowing and investment if the economy is sluggish and needs a boost. The Bank of Israel engages in open market activities to affect the nation's financial system (Meyer, 2001; Onwube & Nwogwugwu, 2014). This entails making open-market purchases or sales of government securities. The money supply is increased by the bank by purchasing securities, while it is decreased by selling securities. For instance, the bank initiated a scheme to acquire government bonds during the COVID-19 epidemic to boost liquidity and assist the economy.

The amount of money that banks are required to retain as reserves against their deposits is established by the Bank of Israel. The quantity of money that banks may give out can be changed by the bank by altering these conditions, which can impact the availability of credit in the economy. The value of the Israeli shekel relative to other currencies may be influenced by intervention by the Bank of Israel in the foreign exchange market. For instance, if the shekel is rising too rapidly, the bank may step in and purchase foreign money to boost the supply of shekels, which might serve to depress the value of the currency. To entice banks to provide more credit, the Bank of Israel may use credit-easing measures. For instance, it can provide loans to banks at cheaper interest rates to entice them to provide credit to individuals and companies (Chugunov, Pasichnyi, Kaneva, Nepytaliuk, & Koroviy, 2021; Mishkin, 1999). In order to inform the public of its monetary policy goals, the Bank of Israel employs forward guidance. Future inflation and interest rate expectations may be influenced by this, which may have an impact on consumer and corporate behaviour. For instance, if the bank says it intends to maintain low interest rates for a long time, this may encourage individuals and companies to borrow money and make investments.

In order to attain certain economic objectives like price stability, full employment, and sustainable economic development, the Bank of Israel employs a variety of measures to affect the supply and cost of money and credit in the economy. In order to assist the Israeli economy, the bank periodically evaluates the state of the economy and modifies its policy instruments. The formulation and execution of monetary policy in Egypt is the responsibility of the Central Bank of Egypt (CBE), with the objectives of preserving price stability, safeguarding the integrity of the financial system, and promoting sustainable economic development (Agénor, 2000; Rossi, 2022; углі Алікорієв & Хамідов, 2014). The CBE employs a variety of methods and instruments to affect the price and availability of credit and money in the economy in order to accomplish these objectives. The policy interest rate is one of the main instruments the CBE employs. The overnight deposit rate is established by the CBE as a standard for other short-term interest rates throughout the economy. The CBE may change the cost of borrowing for banks and other financial institutions by increasing or reducing the policy interest rate, which in turn influences the availability of credit in the economy.

11. Limitations

This work has restrictions, just like any other scientific study, and those restrictions must be mentioned. The following are some restrictions placed on this study. The emphasis of the article is on the measures taken by the central banks of 20 different nations to affect the availability and cost of credit and money in their individual economies. Although while these nations cover a wide variety of geographical areas and economic structures, they do not always provide a complete picture of international central banking policies. As a result, other nations or locations may not be able to apply the study's results and recommendations. The majority of the information utilised in this research came from official sources such central bank publications, papers, and websites. Although typically trustworthy, these sources may not provide a full picture of the measures made by central banks. In addition, owing to variations in reporting standards and techniques, the data gathered may not always be comparable between nations. The choice and interpretation of data might be influenced by prejudice. It's possible that the researchers subconsciously overlooked evidence that was inconsistent with their assumptions and preferred data that did. Also, it's possible that the researchers unintentionally left out crucial elements or variables that would have impacted the study's findings.

Despite the fact that this study aims to pinpoint the steps central banks have taken to affect the amount and cost of money and credit in their respective economies, it does not prove a causal link between these steps and particular economic outcomes like price stability, full employment, or sustainable economic growth. These results could be influenced by other variables and circumstances, which this research does not take into consideration. It's possible that the results of this research can't be applied to other situations, such as various eras, political or economic systems, or certain sectors. It is crucial to recognise that various situations may call for different responses from central banks in terms of how the economy is affected. Notwithstanding these drawbacks, this study adds to the body of knowledge on central banking activities and how they affect the economy. Future study might improve on this work by analysing other nations and historical eras, using more data sources, and delving further into the causal links between central bank activities and economic results. Future research might also look at the effects of digital currencies and the possible involvement of central banks in their creation and regulation.

12. Future Research and Way Forward

In order to achieve certain economic goals like price stability, full employment, and sustainable economic development, this study has examined the activities done by different central banks throughout the globe to affect the availability and cost of money and credit in the economy. While the analysis offers a thorough review of the various strategies and instruments used by central banks, there is still much to be learned in this field of study. The efficiency with which these regulations and instruments accomplish their intended objectives is one possible subject for further study. The availability and cost of money and credit may be influenced by a variety of tools at the disposal of central banks, but it is not always obvious which policies would best serve a given purpose. The best economic strategies for reaching certain objectives may be identified with the aid of further study, which could also provide light on the circumstances in which these strategies work best. The influence of global events and macroeconomic circumstances on the efficacy of central bank policy is another possible subject for future investigation. For instance, the COVID-19 epidemic has significantly impacted the world's economy and prompted some central banks to undertake novel policies like quantitative easing and negative interest rates. The effectiveness of these measures in attaining their intended outcomes in the present economic environment remains to be seen. Future studies might examine how the efficacy of central bank policies is impacted by global events and provide guidance on how central banks can effectively react to these events going forward. Examining the link between central bank policy and financial stability might also be fascinating. In addition to their other objectives, central banks have the duty to maintain financial stability. Low interest rates are one central bank policy that may aid in boosting economic development, but it can also encourage people to take excessive risks and contribute to financial instability.

Future studies might examine the trade-offs between the promotion of financial stability and the promotion of economic growth, and they could provide guidance on how central banks can best strike a compromise between these conflicting goals. Lastly, future studies can examine how technology advancements might affect the strategies and equipment used by central banks. For instance, the emergence of digital currencies may fundamentally change how central banks implement monetary policy. Understanding the potential advantages and disadvantages of digital currencies as well as how they can affect current monetary policies and instruments will be crucial as more central banks investigate their usage. The availability and cost of money and credit in the economy may be influenced by a variety of policies and instruments available to central banks, but there is still more study in this area to be done. Future studies could aid in determining the best policies for achieving various economic objectives, investigate the effects of global events and macroeconomic conditions on the efficacy of central bank policies, investigate the link between central bank policies and financial stability, and investigate the potential effects of technological advancements on central bank policies and instruments. Future central bank policy choices will be greatly influenced by this study, which will also help to ensure that these organisations continue to play a vital role in fostering economic stability and prosperity.

13. Conclusion

This study looked at the steps taken by different central banks throughout the globe to affect the availability and cost of credit and money in their respective economies. The relevance of these measures in accomplishing certain economic objectives, such as price stability, full employment, and sustainable economic development, was stressed in the article. In the article, the central banks of Switzerland, Norway, Singapore, South Korea, Italy, the United Arab Emirates, Israel, Austria, Turkey, the Netherlands, and Spain were analysed in relation to their acts. These central banks have used a variety of policy instruments to affect the availability and cost of credit and money in their respective economies. Open market operations, reserve requirements, concession rates, and forward guidance are a few examples of these policy instruments. According to the study, central banks have employed these policy instruments to address a variety of economic problems, including inflation, the recession, and financial instability. To decrease the flow of money and credit in the economy and alleviate inflationary pressures, for instance, central banks have raised interest rates and increased reserve requirements during periods of inflation. In contrast, during recessions central banks have used strategies like decreasing interest rates and cutting reserve requirements to enhance the availability of money and credit in the economy, so boosting economic activity and fostering full employment. The study also discovered that central banks have been crucial in fostering steady economic development in their respective countries' economies. In order to promote investment, innovation, and entrepreneurship—which are crucial for long-term economic growth—central banks have used a variety of policy measures. These policy instruments include small company funding options, investment incentives, and regulatory changes that promote the use of innovative technology. The report concludes by emphasising the crucial role central banks play in fostering economic stability and long-term economic development. The supply and cost of money and credit in their economies have been influenced by central banks via the use of a variety of policy instruments, enabling them to accomplish certain economic objectives including price stability, full employment, and sustainable economic growth. Yet, it is crucial to remember that the success of these policy instruments depends on a number of variables, including the degree of economic growth, the makeup of the financial system, and the current state of the economy. In order to improve our knowledge of the efficacy of these policy instruments in various economic circumstances, future research should thus aim to study these elements in more depth. The results of this study provide important insights into the steps taken by central banks to impact the availability and cost of money and credit in their individual economies, despite the limitations of this research, such as the small number of countries analysed and the wide issue. Policymakers, economists, and academics interested in learning how central banks support economic stability and sustainable growth may find this study to be a helpful resource.

Funding Information:
This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

Disclosure Statement:
No potential conflict of interest was reported by the author(s).

Competing Interest:
No potential conflict of interest was reported by the author(s).

Data Availability Statement:
Data sharing is not applicable to this article as no new data were created or analysed in this study.

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