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The effectiveness of monetary policy tools and their impact on the inflation rate in developing countries, with reference to the case of Algeria during the period (2015-2019)

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Abstract:

This study aims to study the effectiveness of monetary policy and the extent of its success in targeting inflation as the latter is an economic problem faced by the world and developed countries, especially developing countries , considering inflation as one of the economic indicators that show the economic situation and situation of each country .

The study concluded that giving independenceto the central bank will enhance the activation of quantitative monetary policy tools, especially in order to control the development of inflation rates and the money supply at an acceptable level

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- ✓ *monetary policy;*
- ✓ *inflation.*

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1. ***Introduction:***

Monetary policy is one of the types of pillars and elements of economic policy that the latter rely on in the face of inflation in order to control and control it at least in the medium and short term to improve the economic and social situation by controlling the overall stability of the price level and balancing aggregate demand and .aggregate supply of goods and services

Inflation is one of the economic phenomena and problems facing developed and developing countries that are affected and hit by their economies.inflation is one of the economic indicators that shows the economic ,situation and situation of each country through which economic policies are built .and drawn in order to address this problem

Algeria is one of the developing countries that are looking for solutions to reduce the negative effects of the inflation phenomenon that leads to achieving acceptable economic growth rates aimed at raising the standard of living of individuals, and Algeria has witnessed significant fluctuations in inflation rates since the beginning of the Eighties of the last century, especially with the beginning of the collapse of oil prices in 1986, which Which prompted the Algerian state to develop a comprehensive strategy to restructure the Algerian economy

Monetary policy is also based on a set of quantitative and qualitative measures and tools to target inflation in order to control and control it, and the role of carrying out and ensuring the activation of these measures and tools on which monetary policy is based is assumed by an authority called the Monetary Authority, represented by the central bank in each country, which enjoys independence according to the circumstances of each country The ability of this Monetary Authority is in the extent of activating this monetary policy in order .to control and control inflation

The problem of the study: based on the above, thisstudy seeks to answer the :following problem

extent do monetary policy To what instruments affect inflation in developing countries during 2015-2019the period 2015-2019

To answer the main problematic, we ask :the following sub-questions

- What is the reality of inflation in Algeria during the period 2015-2019؛
- What instruments have been activated by the Bank of Algeria ؛during the period 2015-2019
- Does the independence of the central bank play a role in the .activation of monetary policy

:Importance of the study

The importance of this study is manifested through the study of the effectiveness of monetary policy and the extent of its success in targeting inflation as the latter is a problem of the economic problem faced ,by the world and developed countries especially developing countries, and in the example of our study, we chose the case of Algeria during the period 2015-2019, and this study came to shed light on the reality of inflation in Algeria and the most important tools of monetary policy that It was activated by the Bank of Algeria .during this period

Objectives of the study: the study seeks :to achieve the following objectives

- Presentation of the reality of inflation in Algeria during the period 2015-;2019
- Knowledge of the most important monetary policy instruments activated by the Bank of Algeria during the period 2015-2019 and interpretation of ;their rate figures
- Trying to understand and interpret the most important indicators and rates of inflation and the growth of the monetary mass during the period 2015-;2019

:Study methodology

We relied on the descriptive approach in the theoretical frameworkالاطار reviewing toبـ of the study , i.e. the aspect related ,monetary policy, monetary policy tools inflation, tools for measuring inflationary andthe analytical approach that we forces relied on in analyzing the statistics that are .the subject of the study

: Previous studies

- **Ekin Lunis:** monetary policy and its role in controlling the money supply in Algeria during (2000-2009), obtaining a master's degree in economics ,specialization: money and banking University of Algiers 03, Faculty of Economics and Management Sciences where the study concluded ,2011/2010 that the Bank of Algeria was able to modern trends of indirect monetary management and advocate the need to adopt The policy of targeting inflation and strengthening control over commercial banks, while granting greater independence to the central bank and working to control and .control the money supply
- **Haddadi Abdellatif:** the role of monetary and fiscal policy in combating inflation in developing countries case study 2000-2014 PhD ,thesis in Economic Sciences specialization: Financial Economics ,gilali Elias University, Sidi Bel Abbas Faculty of economic, commercial and ,Management Sciences, 2016-2017 where the study concluded the extent of the impact of both monetary and fiscal policy on achieving The stability of the general level of prices by projecting theoretical concepts on the Algerian economy, especially after the reforms that Algeria has known since .and especially in 1990 1988

: Study sections

In order to understand all aspects of the subject and in order to answer the ,problem we decided to present this study in the following main axes :

- **Theoretical framework of monetary ;policy**
- **The conceptual framework of inflation**
- **The relationship of monetary policy with inflation**
- **Limits of monetary policy in developing countries (its (effectiveness**
- **The impact of monetary policy instruments on inflation in Algeria .during the period (2015-2019)**

theoretical framework of monetary : policy

Definition of monetary policy .1.2

There have been numerous definitions of monetary policy, where he knewthey those " as (2002) Hussein Bin Han measures and procedures taken from the baby, the monetary authority to manage the amount of money, regulate the process ,issued, to ensure ease and speed of trading liquidity regulation, the general of the "national economy to achieve certain goals (page 142)While known also as"strategic optimal or guide the work of the authorities of cash for active participation in directing the course units of economic power ,towards the achievement of self-growth by increasing the GDP to the extent that ensures the state access to the relative stability of prices, in the framework of the provision of appropriate liquidity for the ,national economy" (key, 2005, page 98) Either over Amar (2008) has defined it "as a policy, which is aimed at establishing and maintaining conditions of monetary and credit policy is appropriate in the shadow of a healthy economy" (page 66) can also be defined as" the standard is designed to influence the size and direction of money and credits, to achieve economic goals, which can be :expressed in economic variables dogs like Inflation and real output and "unemployment**(Abaenewe & Ndugbu, 2012, p. 141)** in general, they can be defined as those decisions taken by the state through its monetary authority represented by its central bank in order to control the volume of money in circulation .in the economy

Objectives of monetary policy

The objectives of monetary policy vary from one country to another dependingonthe level of economic and social progress and development, in addition to the prevailing conditions and the applicable systems, and its objectives ,can be limited to : (zarqoon Faisal, 2023 (P. 253

❖ **:Initial objectives**

It is considered to be the starting point for achieving a progressive policy, as it represents the variables through which the progressive Authority seeks to achieve a ,set of intermediate as well as final goals :namely (key, 2005, p. 124)

- :**Cash reserve pools** includes the monetary base, the total reserves of Banks, special deposit reserves and non-borrowed **reserves.**

- **Cash market conditions:** it contains free reserves, the rate of bank balances and other interest rates in the cash .market

❖ **:Intermediate goals**

It is intended for those monetary variables that enable the monetary authority to achieve its ultimate goals, or at least part :of them, and which it must respond to (sari, 2016, p. 469)

- There is a relationship between them and the final goals
- The possibility of monitoring them with the Monetary Authority's tools (monetary policy tools)

It consists of three types aimed at :quantitative or price standard variables total cash, interest rates and exchange rates **(Dominique, 2013, p. 88)** however, there , ,is a fourth type that has recently appeared which is inflation targeting**.** ,volcanic) (page 7 ,2019

❖ **:Final objectives**

These are the goals thatthe Palestinian Authority seeksto achieve by using the primary and intermediate goals, and they are limited to: (shloan, 2013, p. 6) achieving stability in the general level of ,prices, full employment achieving high rates of economic growth,balancing the .balance of Payments

: Monetary policy instruments .

To achieve the objectives of monetary ,policy, the most important of these tools :most notably the following

A-**the mandatory reserve ratio:** if the central bank wants a monetary policy, it can reduce the mandatory reserve ratio and thus produce more liquidity for banks to expand credit grants, and in the case of raising the ratio, it can adopt a deflationary monetary policy to refute the money supply and reduce the inflation rate, it is noted that the central bank does not often resort to As for the، mechanism of action of this tool, when a situation of inflation occurs, the central bank raisesthe legal reserve ratio andthus the moneycreation multiplier decreases, which leads to a decrease in the ability of commercial banks to create credit deposits by multiples of this increase in the reserve ratio The opposite happens when the central bank aims to pursue an expansionary monetary policy or when it needs to extend credit.(Ahmed Ramzi and Mohamed (Abdel Aal, 2014, P. 64

B-**re-discount rate:** the change in the re-discount rate not only affects the discount rate and the volume ,of credit but even affects the total amount of money in circulation as it is an important tool for controlling credit that every change in the discount rate is accompanied by a change in the interest rate in the local money markets through its impact on the supply and demand for money and credit However those responsible for formulating economic policy doubt the usefulness of this tool and the extent of its ,effectiveness, and this is for many reasons the most important of which is increasing the size and capacity of the banking system ,and the availability of cash balances which allows it to dispense with sometimes resorting to the central bank to

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,borrow from it or return In addition several other monetary policy instruments have emerged that are more effective than the rebate rate instrument.(Abdul Hamid (Abdul Muttalib, 2013, p. 95

C-**interest rate:** the interest rate represents the rate that commercial banks receive when granting loans and facilities for the benefit of individuals on the one hand and on the other hand is the return that individuals receive in exchange for depositing their savings for short, medium and long-term with commercial banks, and the only authority that has the right to set the ceiling or change the rate Commercial banks must comply with the maximum interest rate set by the hierarchy of the Monetary Authority, represented by the ,central bank.(Zaher Abdul Rahim Atef (p. 60 ,2008

Theoretical framework of inflation

The concept of inflation

Finding a special definition of inflation is a very difficult task, the opinions of economic thinkers and scientists have differed depending on what it is intended for and the time in which it occurred, the definition of inflation in the nineteenth century is different from the definition of .the twentieth century

Johnson defined it as a definite rise in ,prices, considering it his simplest concept at the same time he also saw that the rise in prices does not necessarily have to be inflation, it may result from the competitive stimuli of the economy(Barber, 2016, p.182). Cardner Ackley defined it**Gander Ackley** as the state of continuous and palpable rise in the general level of prices, and believes that cases in which prices rise very little or intermittently can not be considered inflation, or in other words, inflation expresses a state of imbalance and should be analyzed according to kinetic criteria and not static criteria(Hutat, 2006, p. 27)**.**

The great Mark Keynes defined it as an increase in purchasing power that is not offset by an increase in the volume of production, or an increase in real demand ,in the atmosphere of full use(Enaya, 2006 p. 20), while Pigou considers that the case of inflation is available in a situation where increases in monetary income become greater than The increases in the amount of output achieved by the use of production elements that obtain those input(al- .(Mousawi Z., 2010, p. 215

The difference in defining the concept of ,inflation varies from one period to another even it differs in the same period according to the different speakers and the different points of view between them, and in the face of these differences, the best definition that combines them is as follows: "inflation is defined as every increase in the circulation of money entails an increase in effective aggregate demand This leads to an increase in the general .level of prices"(attention, 2006, p.25)

The relationship of monetary policy to :inflation

Since inflation is a continuous increase in the rise in the general level of prices, the depreciation of money and the rise in cash incomes, it is an economic imbalance characterized by the general rise in prices due to the increase in cash circulation, that is, inflation is closely related and cannot be separated from money or monetary phenomenon in general, and the monetary phenomenon is controlled by monetary . policy

Monetary policy is considered a means of treatment, considering inflation as a consequence of changes in the value of money in the positivist economy

Discount rate policy and inflation - treatment: the rebate rate expresses the interest rate that the central bank can charge commercial banks when borrowing or requesting a rebate of their commercial .papers

It is understood that the re-discount rate has a close correlation with short-term interest rates, there is a direct relationship .between them

If the monetary authorities want to address the inflation situation that the national economy is going through, they deliberately raise the rebate rate, which makes commercial banks raise the interest rate on loans they grant to their customers due to the high costs of commercial banks ,obtaining money, credit or cash reserves and the higher interest rate in turn leads to a decrease in demand for credit By ,institutions, businessmen and individuals which reduces the volume of total spending, and this contributes to easing .inflation

In other words, if the central bank wants to reduce the liquidity of the public, it raises the rebate rate, forcing commercial expenses to raise the discount rate on the public, making them reluctant to discount their commercial papers and prefer to wait for the deadlines of their solutions instead of expediting their delivery from the ,banking system. (Muhammad Ali, 2003 (page 282

The policy of the legal reserve and the - :treatment of inflation

Through this policy, the central bank can influence the volume of credit granted by .commercial banks to their customers

If the economy is in a state of inflation, the central bank in this case raises the legal reserve ratio, and this leads to a decrease in the volume of commercial banks liquidity, which leads to banks' reluctance' ,to expand lending, and this, of course reduces overall spending, which limits inflation. (Muhammad Ali, 2003, page (281

Open market policy and treatment of - :inflation

It is the fact that the central bank on its own sells or buys government securities on the financial market, which is why central banks maintain a huge portfolio of .government bonds of varying maturities (Ahmed Adel, 1992, page 155)

If there is a situation of an increase in the ,price level and the emergence of inflation the central bank enters the money market selling some bonds, securities and financial stocks, and this reduces the cash reserves held by commercial banks, which makes the latter reduce the volume of credit and loans, and this necessarily leads to a decrease in overall spending, which .limits inflation**.**

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Literary persuasion and treatment of - :inflation

Moral persuasion is simply the acceptance by commercial banks of the instructions ,and guidelines of the central bank morally regarding the provision of credit and directing it.the central bank can influence commercial banks by moral persuasion in order to act in the direction it wishes. Here and in our case, as he addresses the inflation problem, he will urge commercial banks to raise the interest rate, reduce the granting of credit, and therefore the central bank does not need to take quantitative action, and commercial banks adhere to moral persuasion due to the close relationship between them and the central .bank

Information and inflation treatment

This means directing the central bank officials to the public opinion through various media, in order to express the state of the economy, as well as problems, and all this to control the credit process, and .direct it towards reducing inflation

Instructions, directions and treatment :of inflation

This means that the central bank issues directives or instructions, distributed to commercial banks, specifying the size and type of credit that commercial banks can .grant to their customers

The aim of these instructions and recommendations is to set restrictions on certain types of credit, or require commercial banks to use part of their liquid assets in the purchase of government .bonds

Such binding banking orders and instructions can be used by the central bank to chart the path that commercial banks should take in the areas of borrowing and employment. (Abdul Fattah Abdul Rahman, 2000, p.267) this method aims to reduce the granting of loans and credit to the public in order to reduce overall spending, and thus reduce the .severity of inflation

Limits of monetary policy in developing :countries (its effectiveness)

All the theories that were interested in explaining the effectiveness of monetary policy were not originally developed for developing countries, but to explain periodic crises that need advanced capitalist systems and provide appropriate .treatment for them

Neither Keynesian analysis paid attention to developing countries, nor the Friedman" theory was designed to" address the conditions of underdeveloped countries, in addition to many factors that reduce the effectiveness of monetary and credit policy in developing countries compared to its counterpart in developed countries

– **The effectiveness of the canonical :reserve ratio tool**

The policy of changing the legal reserve ratio is considered one of the most appropriate monetary control tools in developing countries where open market operations are limited in scope and the .discount rate policy has a weak impact**.**

Effectiveness of open market :operations

The open market is considered one of the most successful monetary policy instruments in influencing the monetary base in developed countries (Mohammed Ezzat, 2002, p. 180), but in developing countries the matter is different because the success of open market operations :requires

The existence of a developed securities - market for the purpose of conducting open .market operations

.And the markets in these countries

The financial markets in these developing" countries are characterized by very narrow or non-existent at all, so it is difficult to conduct open market operations to the extent necessary to influence the reserves of commercial banks or the structure of interest rates without creating violent fluctuations in securities prices" (Ahmad (Ramadan, 2000, p. 202

Limits (effectiveness) of the rebate :policy

Some economists, such as Milton Friedman, have called for the central bank to cancel the use of the rebate rate in influencing the money supply because he considered that its effect is dependent on the effects of open market processes and its ineffectiveness if used as a single tool to ,influence the money (Mohammed Ezzat .(p.179 ,2002

If this appeal concerns developed ,countries, let alone developing countries addressing the re-discount rate seemsأن as useless due to the lack of a developed cash market, and the dependence of commercial banks on the central bank to obtain .additional cash balances

Factors of weak monetary policy of developing countries: these countries suffer from an imbalance in the economic structure and an imbalance in their economic relationship, in addition to the imbalance of the existing credit structure .in these countries

Developing countries lack the existence of organized monetary markets, and they are characterized by a narrow range of financial markets, if any, which leads to the effectiveness of the political rate of rebate and the impossibility of applying .the open market on a large scale

- Commercial bank financing in developing countries to provide bank credit to finance ,the trade sector (short-term financing) compared to the financing provided to the production sector (agriculture and industry), which is a (long-term) financing that is considered one of the pillars of .economic development

As a result of the weak role played by the - central bank in influencing commercial banks, this prevents commercial banks from playing any effective role in .influencing economic activity

Weak monetary and banking awareness, as individuals in developing countries tend to keep their deposits in the form of currency and not deposits and securities, which indicates the weak role that deposits play in the marketing of payments, which reduces the role of commercial banks in these countries compared to developed countries, in which individuals rely mainly .in dealing On credit money

The reality of inflation in Algeria

In order to make sure that the Algerian economy is suffering from the phenomenon of inflation, it is necessary to use some indicators by which it can be judged that the Algerian economy is experiencing a rise in prices, that is, it is necessary to stand on the most important indices that reflect the rises in local price levels, and there are several types of : Namely

*Consumer Price Index

*Implicit GDP reducer

We point out that the Consumer Price - Index (CPI**CPI** is measured using (***the X***-spear index according to the following :relationship

$$\mathbf{CPI} = \frac{\sum_{i=1}^{n} P_t^i\, Q_0^i}{\sum_{i=1}^{n} P_0^i\, Q_0^i}\, \mathbf{X\ 100}$$

Where :as

P_t^i *the price of commodity* :

i*at consumption during the current year*

P_0^i *the price of item* :

i.*at consumption during* base year

Q_0^i *the quantity of commodity* :

i.*consumed during* the base year is

In Algeria, the National Bureau of Statistics S publishes periodic data on the indicators of Consumer Price Indices at the urban and rural levels annually, seasonally .and monthly

In Algeria, the CPI Consumer Price**CPI** Index includes eight groups of consumer .spending items on goods and services

It was adopted on the basis of the statistics of the National Bureau**of statistics on S** , where the base year is 2001 as the base year, but the base year changes every five years at the international financial statistics institution**IFS** while in Algeria it can , sometimes reach ten years and the materials are selected based on criteria determined by the statistical apparatus of the National Bureau of Statistics, where this Calculate**the CPI** on the lasper .formula

The inflation rateπ for the current year t can be calculated by the Consumer Price :Index according to the following formula

$$\pi = \frac{(\mathrm{CPI}_t - \mathrm{CPI}_{t-1})}{\mathrm{CPI}_{t-1}}\ \mathrm{X}\ 100$$

Table 1: development of inflation rates and situation in Algeria during the period (2015-2019)

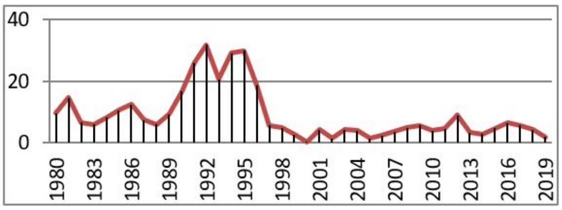
2019	**2018**	**2017**	**2016**	**2015**	**Year**
inflation	206.20	202.25	183.70 193.97	prices 172.65	**measurement index of consumer**
1.95	4.27	6.59	6.40	4.78	**rate**

Source: prepared by theresearchers through the reports of the Bank of Algeria

Tripartite Statistical Bulletin of the Bank .of Algeria March 2020, No. 49

Inflation is also an indicator of the level of general changes in prices, due to several ,reasons in Algeria, including monetary ,institutional and structural(Ben Ali, 2004 p. 207), Algeria relies in its calculation of inflation on the Consumer Price Index (CPI) and includes eight groups of items Consumer spending on individual goods and services per capita, while the commodity sample contains 260 products or tools representing the total consumer expenditures of households, inflation is calculated in Algeria by a device called the ,National Bureau of Statistics (htat, 2006 p.223). The following figure shows the fluctuations of the inflation phenomenon :in Algeria from 1980 to 2019

Figure1 the development of inflation in : Algeria during the period (1980-2018)



source: based on World Bank dataand using Excel

Since the independence of Algeria, its political authority has relied on central planning, as it did not pay much attention to the role of the central bank through monetary policy, which is considered one of the important tools to confront the phenomenon of inflation, as the government authorities intervened directly in imposing their control over monetary variables to ensure the satisfaction of economic needs, which led to In the eighties, the shortage of agricultural ,production led to the import of foodstuffs which witnessed a rise in international prices at that time, in addition to the collapse of oil prices in 1986, which led to the deterioration of the trade balance and the heavy size of indebtedness, which forced Algeria to agree to economic reforms that led to changing its economic ,system by moving to an open economy which we note from During the record rise in inflation rates from 1990 to 1995, the year 1992 witnessed the highest rate of ,inflation in Algeria, estimated at 31.7% and this was due to the policy of price liberalization and lifting government subsidies, in addition to the devaluation of the dinar, which had significant and immediate repercussions on the prices of imported products after the liberalization of foreign trade, forcing it to cover the deficit By issuing coins. (Abdulaziz bin Al- (AAIB and moloud Kabir, 2021, page 97

5. The impact of qualitative and direct tools of monetary policy in Algeria

These instruments were represented in the press release of the monetary policy operations committee of the Bank of Algeria, which held its regular meeting on Tuesday, March 10, 2020, chaired by the .governor of the bank

This meeting was devoted to reviewing the most important developments of the national and International Monetary and financial economic situation, especially ,related to the development of inflation .bank loan liquidity and economic growth

In light of these developments and their prospects in the medium term, the monetary policy operations committee decided to reduce the mandatory Reserve rate from 10% to 8% and reduce the Bank of Algeria's benchmark rate by 25 basis to fix it at 3.25% starting points (0.25%) .from March 15, 2020

The decisions taken at this meeting will allow freeing up additional liquidity margins for the banking system, thus providing banks and financial institutions with additional support to finance the national economy at an affordable cost within the framework of the measures taken to counter the consequences of the outbreak of the covid-19 pandemic, the Bank of Algeria has taken a series of ,exceptional and situational measures which The killer.In this regard, instruction dated April 06, 2020 was issued 2020-05 regarding extraordinary measures to ease some of the precautionary provisions applied to banks and financial institutions in order to allow the latter to raise their financing capabilities towards economic .institutions

The most important measures taken are the following

- ✓ Postponing the payment of outstanding loan installments or rescheduling loans for customers affected by the circumstances caused by the outbreak of ;the covid-19 pandemic
- ✓ Continuation of financing for clients benefiting from the postponement or ;rescheduling of loan repayments
- ✓ Reducing the minimum coefficient of liquidity of banks and financial institutions to raise the level of available ;financing

Exemption of banks and financial institutions from compulsory formation and deducted security Masters from their ;own funds

The monetary policy operations committee held its regular meeting on 29-04-2020 under the chairmanship of the governor of the bank.

They decided as follows.

1- reducing the guideline rate applied to major refinancing operations by 25 basis points (2.5%(to fix it at 3% instead of 3.25%.

2- reduction of mandatory reserve rates from 8%to 6 % thanks to this reduction, an additional significant amount of liquidity .will be freed up

3- raising the refinancing thresholds of the Bank of Algeria for negotiable public :securities as follows

a. The remaining benefit period is less than a year : from 90%to 95 %.

b. The term of the remaining benefits is less than 1 year : from 80%to 90 %.

c. The term of the remaining benefits is greater than or equal to 5 years : from 70%to 85 %.

The Bank of Algeria has issued another statement on 7-03-2021 to the heads general managers, general managers and chief executives of banks and financial institutions with the advent of the covid-19 pandemic, the Bank of Algeria has decided, since the beginning of April 2020 to take monetary and precautionary measures, directed to banks and financial institutions (Instruction No. 05-2020 dated 06-04-2020 and subsequent .(measures

These measures are aimed at ensuring the appropriate accompaniment of enterprises producing goods and services in order to reduce the negative effects of the pandemic on the national economy.the Bank of Algeria has adopted exceptional facilities and exemptions in order to support and maintain the resilience of banks to the difficulties they may face and their customers affected by the health .crisis

Through these measures, the Bank of Algeria counts on the solidarity commitment and the good judgment of the arena banks in order to provide the necessary support to its customers in this .difficult period

It is also understood that maintaining and developing the activity of institutions in a way that ensures the sustainability of the work and activity of banks, which ultimately contributes to the preservation .of their own interests

However, it seems that some banks have not yet understood the meaning of the ,measures approved by the Bank of Algeria and even continue to apply harsh measures to institutions experiencing transient :difficulties, such as

The application of late payment penalties ,to the maturity of loans, which consequently, allows some banks to raise their incomes contrary to professional ;ethics

Some banks issue foreclosure decisions against customers who have difficulties in ;repaying their loans

It should be noted that such draconian and even cruel measures towards the enterprise in this particular circumstance expose banks that resort to such practices to keep in their portfolios the largest volume of uncollectible debts, which are likely to subsequently burden their balance sheet .positions

This way of dealing is completely contrary to the objectives set by the Bank of Algeria, as well as the reasons that motivated the facilities granted and the benefits offered exceptionally to banks, by allowing them, in particular, to free up more private funds, in order to maintain their ability to continue financing institutions during this period of health .crisis

In view of this situation, which is detrimental to maintaining the relationship between banks and institutions, the Bank of Algeria recalls all the attention it pays to the field application of the support ,measures approved by the Bank of Algeria with a view to containing the impact of the .covid-19 crisis on the national economy

,The Bank of Algeria will, at its discretion take appropriate measures against any .breach it may notice.

6:Conclusion

In order to apply and activate the monetary policy tools as required by the economic conditions of Algeria and the liberation from restrictions and absolute dependence on the management of the government, this had a positive impact on the start of keeping pace with the modern thought of monetary policy and the activation of monetary policy tools for modern economic thought. The Monetary Law came 90-10 and the order 03-11 supplemented and amended to give independence to the Bank of Algeria

In order to give independence to the Bank of Algeria, the Bank of Algeria has activated quantitative monetary policy ,tools during the period 2015-2019 especially in order to control the development of inflation rates and the .money supply

Our study in this research concluded the :following results

- Monetary policy is considered one of the elements of effective economic policy in controlling and controlling ;inflation through theoretical concepts
- Inflation is the general and continuous rise in the general level of prices over a long period of time and arises when the quantitative demand for goods and services is greater than the total supply of these goods and services and is more and exceeds 2%;per annum

1.6Recommendations :

- In order to ensure the unification of the monetary policy objective of achieving price stability, it is necessary to combine efforts between both monetary policy and fiscal policy to avoid falling into the problem of conflict of interests ;between them
- The need to establish a competent committee in the accountability of the central bank to achieve transparency, which is one of the general conditions for the successful implementation of ;inflation targeting policy
- Controlling the phenomenon of inflation requires monitoring the .general level of prices

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