

Financial Ways to Achieve Sustainable Economic Growth and Reduce Inflation

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ABSTRACT

Background: Escalating international tension and economic slowdown across countries have increased the urgency of formulating monetary policy that can support sustainable economic growth. Speculative and fundamental approaches to monetary policy are seen as producing different consequences for economic stability and performance.

Objective: This study analyzes the implications of speculative and fundamental approaches to monetary policy on economic development across countries and evaluates the relevance of the benchmark interest rate as a determinant of inflation in Russia.

Method: This study uses a dialectical approach with historical and empirical analysis of economic development in Japan, the United States, several European countries, Russia, India, and China. Correlation analysis evaluates the relationship between the Central Bank of Russia's benchmark interest rate and inflation, accounting for industrial production growth.

Results: Using the benchmark interest rate as the main determinant of inflation is not fully consistent, as it disregards the contribution of industrial production growth. The speculative approach is more likely to trigger economic instability, while the fundamental approach better supports economic growth through credit policy that is targeted and oriented toward the productive sector.

Conclusion: Monetary policy based on the fundamental approach is more effective in driving economic growth and long-term stability than the speculative approach. This finding supports reformulating monetary policy to better strengthen the productive sector and increase economic competitiveness.

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1. INTRODUCTION

Achieving sustainable economic growth is especially necessary in the context of modern market turbulence, complex international relations, and armed conflicts. Financial ways to achieve sustainable economic growth and reduce inflation are determined by financial policy (Chernov, 2003). One of the indicators of economic stability is the level of inflation, which is increasing in many countries. The economic downturn is observed in many countries of the world. Following outdated dogmas and conflicting aspirations in solving problems do not allow the economy to turn from recession to dynamic growth. The search for ways to ensure economic growth is becoming particularly relevant

The purpose of the study is to reveal the internal processes underlying economic growth and the strengthening of the national currency; to identify factors hindering economic growth and to find solutions to the problem of economic recession. The solution to this goal determines the choice of methods and their use in analyzing the economic dynamics of a number of countries in a historical sequence, which led us to the results identifying differences in the management of the economy of

different countries, as well as the causes of changes in the state of their economies. This allowed to give them an objective assessment, identify ways to achieve sustainable economic growth and reduce inflation.

Previous studies have extensively examined the relationship between the financial sector, inflation, and economic growth, but most have been conducted partially, focusing on the influence of financial sector development on economic growth (Karlsson et al., 2021; Osei & Kim, 2020; Rahman et al., 2020), the linkage between financial development and innovation as a driver of economic growth (Zhu et al., 2020), the role of financial development in enhancing the effectiveness of foreign investment on economic growth (Pham et al., 2025), the relationship between financial system stability and economic growth (Demetriades & Rewilak, 2020), the influence of financial regulation on sustainable economic development (Odugbesan et al., 2021), the development of sustainable financing in supporting the achievement of development goals (Lagoarde-Segot, 2020), as well as the linkage between financial development, information technology, and economic growth (Asongu & Odhiambo, 2020, 2021). Nevertheless, these studies generally still evaluate each financial instrument separately, so they have not extensively discussed how monetary policy, fiscal policy, financial system stability, financial regulation, and sustainable financing can be integrated into a comprehensive policy framework to simultaneously drive sustainable economic growth while reducing inflation, particularly amid rising global economic uncertainty.

2. LITERATURE REVIEW

2.1. Determinants of Inflation

The empirical literature shows that there is no agreement on the main factor determining inflation. Various studies have found that growth in the money supply significantly affects inflation, although it is not always the most dominant factor (Can, 2020; Durguti, 2021; Hemmati et al., 2023; Mumtaz, 2020; Nasir, 2020; Warsame, 2023). In developing countries, exchange rate depreciation and fiscal deficits often have an equally large, or even stronger, influence, especially when exacerbated by external shocks or economic sanctions (Hemmati et al., 2023). Research in Ghana also shows that the relationship between money supply, budget deficit, and inflation depends on the prevailing macroeconomic regime (Duodu et al., 2022). In addition, in developing countries, fiscal deficits drive inflation mainly through the weakening of the exchange rate. Supply side factors, such as fluctuations in energy prices and global as well as domestic shocks, also contribute significantly to inflation, although the magnitude of the effect differs across countries (Finck & Tillmann, 2022). Overall, no single factor is universally the main cause of inflation because its influence depends heavily on the economic characteristics of each country.

2.2. Benchmark Interest Rate Transmission Mechanism

Research on monetary policy transmission generally focuses on the interest rate, credit, and exchange rate channels (Mishkin, 1996). However, recent studies show that the effectiveness of this transmission differs across countries and across banks. The pass through of policy rate changes to lending rates does not always occur fully because it is influenced by the characteristics of the banking sector and the structure of financial markets (Altavilla et al., 2020). However, recent studies show that the effectiveness of this transmission differs across countries and across banks. The pass through of policy rate changes to lending rates does not always occur fully because it is influenced by the characteristics of the banking sector and the structure of financial markets (Benchimol & Palumbo, 2024). Therefore, the effectiveness of interest rate policy is strongly influenced by financial structure, central bank credibility, and the external conditions faced by a country.

2.3. Comparison of Economic Development

The experiences of Japan, the European Union, China, and Russia show that the effectiveness of monetary policy is strongly influenced by the structural conditions of each country. In Japan, monetary easing policy has been able to increase economic activity but has not fully succeeded in achieving the inflation target (Shibamoto et al., 2023). In the European Union, the impact of monetary policy on core inflation occurs more slowly compared to headline inflation. Meanwhile, the coordination of monetary and fiscal policy in China has been more effective during periods of

economic expansion than during a slowdown. Russia faces a different condition, where international sanctions increase inflation through exchange rate depreciation, while interest rate hikes have not been able to optimally suppress inflation. These findings show that the success of monetary policy depends heavily on economic structure and geopolitical conditions, although studies comparing the four regions simultaneously remain limited.

2.4. Research Gap and Theoretical Contribution

Although research on monetary policy has developed rapidly, several gaps remain. First, few studies integrate the inflation targeting, monetarism, and productive credit approaches within a single analytical framework, so the relationship between credit allocation and inflation has not been widely examined (Chin, 2022). Second, the relationship between the determinants of inflation and the effectiveness of interest rate transmission is still rarely analyzed in an integrated manner, especially in cross country studies (Altavilla et al., 2020). Third, not many studies have compared Japan, the European Union, China, and Russia within a single framework to explain how differences in economic structure, credit allocation, and sanctions affect monetary policy outcomes (Benchimol & Palumbo, 2024; Shibamoto et al., 2023). Therefore, this study offers a comparative analysis of these four regions to evaluate the effectiveness of fundamental and speculative approaches in monetary policy and to reassess the role of the benchmark interest rate in controlling inflation under different structural and geopolitical conditions.

3. METHOD

Fundamental and speculative approaches are at the heart of ways to combat inflation and achieve sustainable economic growth (Chernov, 2025). The study was conducted on the basis of empirical data, current legislation, the main directions of the unified monetary policy of the Central Bank of the Russian Federation (CB RF) and an analysis of its consequences, materials from meetings of the President, the Government and the Central Bank on economic issues. Statistical comparisons of the dynamic series of the main economic indicators in their dependence on the applied approaches in the countries of Europe, Asia, the USA in the historical sequence are carried out.

The conducted research has shown that an obstacle to the scientific approach in solving this problem is the superficial judgments of a narrowly speculative orientation within the framework of formal logic, dogmatic adherence to monetarist principles, shortness of dialectical logic, requiring a comprehensive systematic approach to research based on objective economic laws, the study of internal relationships between ongoing processes and phenomena, taking into account place, time and circumstances (Sadovskij, 1982; Sheptulin, 1971, 1983). This made it possible to make the right choice of an econometric model that adequately expresses the interdependence between the change in the key rate and inflation, taking into account the time lag.

The fundamental approach is based on the underlying principles and objective laws of economic development. It is based on the growth of the real sector of the economy and its financing. It considers inflation as a derivative of the state of the economy. The speculative (voluntaristic) approach boils down to playing on market quotations, market conditions, prices, exchange rates, currency intervention, targeting methods, countercyclical monetary policy (MP), the use of the MP transmission mechanism, forward guidance and interest rate pass-through (Wang et al., 2025), etc. In the Main Directions of the unified state monetary policy of the Bank of Russia, the inflation rate is considered as a derivative of the key rate of the CB RF.

The research data uses annual macroeconomic data for the period 2013 to 2025 obtained from the Central Bank of the Russian Federation (CBRF), Rosstat, the IMF, and the World Bank, as well as official monetary policy documents of the Central Bank of Russia. The study compares Russia with several countries in Europe, Asia, and the United States to identify differences in monetary policy approaches. The analysis is conducted using a correlation model with several time lag scenarios (0, 3, 6, 9, and 12 months) to evaluate the relationship between changes in the benchmark interest rate and the inflation rate. The choice of the time lag approach is based on the monetary policy transmission mechanism, which shows that the impact of interest rate changes on inflation

does not occur immediately, so the analysis procedure can be replicated using the same data sources and stages.

4. RESULTS AND DISCUSSION

4.1. Global Comparative Findings: Japan, the European Union, the United States, and China

An analysis of historical approaches to economic management in leading world economies illustrates the consequences of the speculative approach on the global market. In the 1980s, Japan has become ahead of the United States in the most important industries, from shipbuilding to the production of integrated circuits. Japanese banks have taken 8 leading positions in terms of deposits among the world's credit institutions. 17 of the 25 largest banks in the world belonged to Japan. In terms of stock market capitalization, Japan surpassed the United States in 1987. But at the same time, the largest number of high-yield debt obligations of the US Treasury was paid by the Bank of Japan. With these funds, the United States paid for the purchase of imports from Japan. Thus, Japan stimulated the demand for the export of national products. And to do this, she invested money in high-yield U.S. debt obligations, not in national production. With this interaction of fundamental and speculative approaches, there was a steady decline in real GDP (Figure 1) (Kuznetsov, 2024).

In this interaction, Japan preferred to develop its own production by increasing export demand while reducing GDP. In this, we see the expectation of increasing the income of the Japanese industry without a sufficient increase in contributions to innovation, technology improvement, and without a proper reduction in cost. In other words, the speculative approach regarding the development of the real sector of the economy has become a priority for Japan. At the same time, by investing money in American securities, the Japanese strengthened dollar quotes, increasing the purchasing power of the American currency for Japanese goods, increasing their export sales. On this speculative basis, they reinforced their own competitive advantages over American goods.

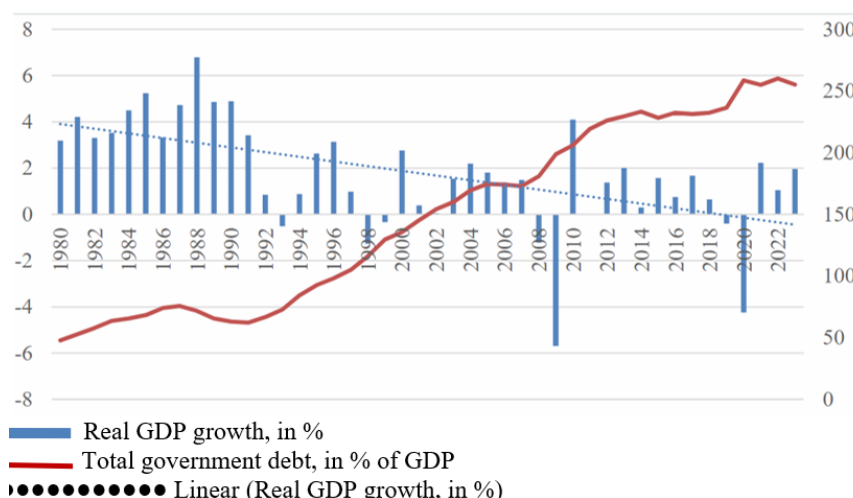


Figure 1. Dynamics of Economic Growth and the Size of Public Debt in Japan in 1980–2023

Source: Compiled by the authors based on data from the International Monetary Fund (IMF), World Economic Outlook Database, 2023

In response to the international Japanese expansion, the United States and its allies conducted currency interventions in 1985 to raise the yen. As a result, the value of the dollar decreased from 261 yen in March 1985 to 121 yen per dollar in November 1988. As a result, the speculative competitive advantages of Japanese exporters were lost. The artificially created “bubble” in the Japanese stock market “collapsed” in 1990, and Japan entered the era of the “lost decades”, in which economic growth began to be financed mainly by increasing government debt (Kuznetsov, 2024) as pictured in figure 1. Thus, from the 1990s onward, under a speculative approach and without sufficient investment in the real sector of the economy, Japanese goods gradually gave way to Korean and subsequently Chinese manufacturers.

The coordinated currency interventions of the United States and the coalition also belong to a speculative approach, rather than strengthening the real sector of the US economy, therefore they

have a short-term effect to the detriment of the economic strategy. Nevertheless, the United States and European countries continued to follow a speculative course of economic regulation. The next devaluation of the dollar occurred in June 2003 as a result of the pumping of the American market with liquidity after a sharp reduction in the Fed's interest rate to 1%. Pumping up the market with liquidity can have an effect in the presence of competitive industries. But during this period, Chinese goods, as a result of the growth of the real sector of the economy, displaced American exporters following speculative principles. Accordingly, an increase in the money supply in the United States was not able to restore the weakened competitive position of American goods relative to Chinese manufacturers. If an increase in cash does not lead to a proportional increase in the growth of production and supply of goods on the market, then this leads to inflation.

The devaluation of the dollar led to a decrease in its value in euro currency from 1.16 in January 2002 to 0.63 euros per dollar in July 2008 (Kuznetsov, 2024). As a result, there was a speculative weakening of the competitiveness of Eurozone producers due to their transition from national currencies to the single euro currency. Such changes led to a balance of payments crisis in the European Union (EU). Before the conversion of national currencies into euros, the competitiveness of Greece, Portugal, Spain, and Italy was also supported speculatively by periodic devaluations of their national currencies, rather than by the growth of the real economy. After the transition to settlements in euros, countries lost the ability to influence the quotes of national currencies. As a result of the appreciation of the euro, they lost their speculative competitive advantages, which led to a negative foreign trade balance (Figure 2) (Ilzetzki et al., 2021; Kuznetsov, 2024). To pay off the resulting negative balance, a sharp increase in external debt obligations in the form of loans from the IMF and the US Federal Reserve was required. In 2007-2010, this debt amounted to 8.0 trillion dollars (Kuznetsov, 2024).

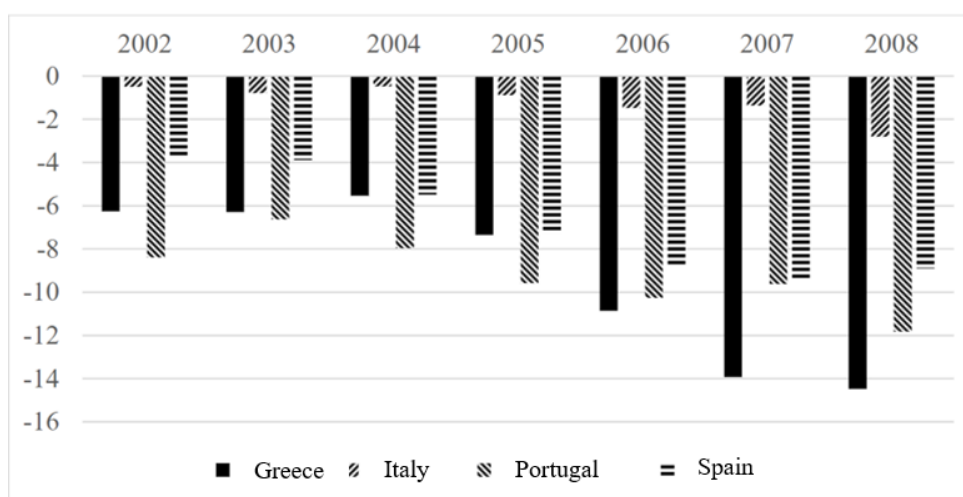


Figure 2. Dynamics of the Current Account Balance of the Eurozone Peripheral Countries in 2002–2008, as a Percentage of GDP

Source: Compiled by the authors based on data from the International Monetary Fund (IMF), World Economic Outlook Database, 2023

As a result, a speculative device in the form of the devaluation of the US dollar destabilized the EU economy, which caused a significant outflow of capital from the Eurozone, the deficit of which is still covered by swaps concluded between the Fed and the European Central Bank (ECB) (Perks et al., 2021). A sharp change in the value of the US dollar as world money has thus weakened the global position of the main competitors of the United States, namely Japan and the EU. According to the WTO, Japan's share of world exports decreased from 9.8 percent in 1993 to 3.1 percent in 2022, while the EU's share decreased from 45.3 percent to 35.8 percent. The average annual growth rate of real GDP in Japan was 4.3 percent between 1980 and 1991, compared with 0.8 percent between 1992 and 2014. In the Eurozone countries, GDP growth was 2.7 percent between 1994 and 2001, slowing to 0.9 percent between 2005 and 2014 (Figure 3) (Kuznetsov, 2024).

The analysis indicates that the speculative, dollar centric approach in global finance has weakened the national economies not only of competitors of the United States, but also of the United States itself. In March 2026. A total of \$39 trillion was raised (Finances, 2026). The US government recorded a \$164.1 billion budget deficit in March 2026, compared with a \$160.5 billion deficit a year earlier, and missing forecasts of \$156.7 billion (Trading Economics, 2026). In the US foreign trade balance, imports exceed exports for a number of years (Table 1) (Rosstat, 2025). The foreign trade deficit of the United States is sizeable higher than the deficit of many countries. In April 2026, the foreign trade deficit of the United States amounted to -57.347 billion US dollars, which is higher than the value of the previous month, which amounted to -54.677 billion US dollars (MetaQuotes Ltd., 2026).

Table 1. Data on Exports and Imports of Goods (Billion US dollars)

Countries	Export			Import		
	2010	2022	2023	2010	2022	2023
Russia	397.1	592.5	425.3	228.9	255.3	285.3
USA	1,278.5	2,065.2	2,018.1	1,969.2	3,371.8	3,168.2
China	1,577.8	3,544.4	3,544.4	1,396.2	2,706.5	2,556.9
Germany	1,258.9	1,676.5	1,702.3	1,054.8	1,583.6	1,467.6
France	523.8	620.5	651.1	611.1	823.2	788.2
Italy	447.3	658.6	676.7	487.0	694.3	639.9
Sweden	158.5	197.7	197.5	148.9	203.1	193.1

Source: Compiled According to Russian Statistical Yearbook 2025

Thus, the dollar centric speculative order in the management of international finance has become a cause of the crisis in the global monetary and financial system (GMFS) and a catalyst for its intensification (Rogoff, 2022), indicating the dysfunctionality of this order. In the pursuit of global dominance, the United States uses the dollar as a financial instrument against other countries in order to maintain its position of hegemony, with the result that the crisis prone nature of the GMFS's dollar centric standard is increasing, carrying numerous risks of destabilizing the global economy. This trend can be attributed to the speculative approach pursued by the economies of the EU and the United States, which are consequently losing ground to China, as China relies on the real sector of the economy, investing in industrial development rather than in speculation on currency quotations.

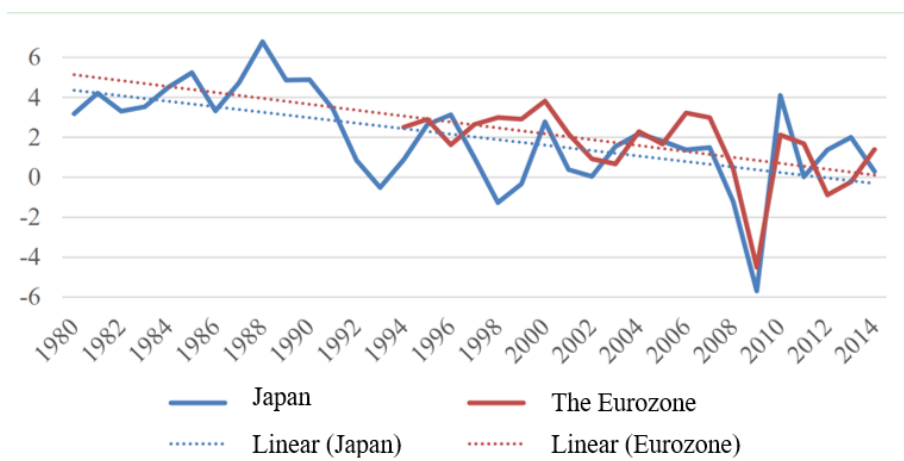


Figure 3. GDP Growth Rates in Japan and the Eurozone in 1980–2014

Source: Compiled by the authors based on data from the International Monetary Fund (IMF), World Economic Outlook Database, 2023

The results of the study show that the speculative approaches adopted have not led to economic growth in Europe and Japan. From the 1980s to the present, these countries have experienced a steady decline in economic growth, and neither currency speculation nor an increase in external debt has been able to reverse this negative trend.

During this period, the world's largest investors became convinced that the total costs of Chinese manufacturers were most in line with the socially necessary level, in contrast to advanced countries (the United States and Europe), whose production costs were incomparably higher than Chinese ones. This circumstance has dramatically increased the investment attractiveness of the PRC economy. Therefore, American and European investors have shifted their capital to the development of production in China, India and other countries. A flood of investments in innovative industrial development has flooded into China. Meanwhile, the leading economies continued to experience a steady decline in economic growth, which they attempted to halt through speculative measures, increased external debt, and currency wars, yet the natural decline in their economic growth has continued, as shown in Figures 1, 2, and 3.

This revealed the relevance and confirmed the validity of Karl Marx's formula from the labor theory of value, according to which the value of a commodity is a set of socially necessary labor costs. The preference of speculative approaches to the study of the labor theory of value on the part of the United States and Europe has led to the redirection of transnational capital to production, where the total costs of producers are most consistent with the socially necessary level. This demonstrates, on a global scale, the operation of the objective fundamental laws of economic development, and in particular the law of correspondence between value and socially necessary costs (Chernov, 2018).

In 2025, China's adherence to the fundamental laws governing the development of the real sector of the economy, relative to the speculative approaches of the United States and Europe, once again demonstrated its clear advantages in the innovative high technology sector and in quotations on global financial markets. China released a neural network that surpassed its competitors in the field of artificial intelligence. The Chinese chatbot DeepSeek R1 had a substantial impact on the neural network market within only a few days of its release, and shares of major US technology companies fell sharply. Russian Foreign Minister Sergei Lavrov noted the superiority of the DeepSeek R1 chatbot, developed by the Chinese company DeepSeek, over the comparable ChatGPT utility developed by the American company OpenAI. According to Lavrov, Chinese specialists succeeded not only in creating an effective product, but also in making it more cost efficient and more energy efficient (Rezchikov, 2025).

It is evident that not only the condition of the real sector of the economy, but also the manipulation of market quotations, devaluation, and inflation affect the state of supply and demand, and consequently production (Balyuk & Balyuk, 2024). However, it is not inflation or quotations that determine the development of production; rather, the reverse holds true: the condition of production determines financial stability, company value, quotations, and inflation. Therefore, the rise in production is the main basis of both the economy and inflation. At low production volumes, no speculative methods, including targeting, countercyclical PREP and its transmission mechanism are not able to stop inflation if the real sector of the economy does not have sufficient growth. Therefore, it is necessary to combat inflation, the weakening of the national currency on the world market, and falling demand for domestically produced goods, first of all, by investing in competitive industries, achieving quality, efficiency, and demand for manufactured products, taking into account effective demand (Chernov, 2008; Kuznetsov, 2025). This requires access to financing for producers in the real sector of the economy (Udell, 2020).

To this end, China is pursuing collateral monetary policy to manage the liquidity of the financial system and influence economic processes. Such a mechanism makes it possible to reduce risks for the central bank and improve credit conditions in the financial system (Yuan et al., 2025), which serves the stability of financing the real sector of the economy. The example of Chinese advances in artificial intelligence relative to the United States illustrates the principal advantage of this approach, namely achievement in high technology industries rather than speculation in currency quotations and interest rate policy.

Comparative findings from Japan, the United States, the European Union, and China highlight that differences in monetary policy orientation lead to different consequences for long-term economic performance. This comparison serves not only as a historical overview but also as a conceptual foundation for testing whether similar patterns of relationships can be found in the Russian economy. Hence, the following section presents an empirical analysis of the relationship between the Russian Central Bank's benchmark interest rate, the inflation rate, and the dynamics of economic indicators using a correlation analysis approach.

4.2. Stagflation Mechanism: Monetary Policy of the Bank of Russia and Changes in Russian Economic Indicators

Unlike China, the monetary policy of the CB RF is based on a different principle. In the main directions of the unified state monetary policy, the Bank of Russia is limited to the main function enshrined in the Constitution of the Russian Federation: protecting and ensuring the stability of the ruble. In accordance with Federal Law No. 86-FZ of 07/10/2002 “On the Central Bank of the Russian Federation (Bank of Russia)”, this function is performed by maintaining price stability, that is, persistently low inflation (Bank of Russia, 2025b).

The objectives of the Bank of Russia's activities are as follows: protecting and ensuring the stability of the ruble by maintaining price stability; developing and strengthening the banking system of the Russian Federation; ensuring the stability and development of the national payment system; developing the financial market of the Russian Federation; and ensuring the stability of the financial market of the Russian Federation (Bank of Russia, 2025b).

The objectives of the Bank of Russia do not include improving credit conditions for producers in order to achieve economic growth. The Central Bank of the Russian Federation maintains that, by ensuring price stability, it creates one of the necessary conditions for balanced and sustainable economic development (Bank of Russia, 2025b). The key rate is the principal instrument of the Bank of Russia's monetary policy. The key rate is the interest rate used by the Bank of Russia to create monetary conditions in the economy that allow inflation to be maintained consistent with the target (Bank of Russia, 2025b).

To reduce inflation within the banking system, countercyclical PREP and its transmission mechanism are applied, leading to an increase in the Central Bank's key rate and, consequently, an increase in rates on bank loans. This approach produces the following consequences. First, lending to production and innovation is reduced as a result of the increase in interest rates on loans. Second, the effect of financial leverage, whereby the return on equity is increased through borrowing despite the cost of servicing the debt, is diminished. Third, enterprises forgo borrowing and limit the financing of production to their own resources. Fourth, production facilities that become uncompetitive as a result of being unable to access loans are forced to close.

In the first case, an increase in the Central Bank's key rate forces manufacturers to raise prices for their products in order to compensate for the increased costs of using bank loans. In the second case, a decrease in the return on equity reduces profits and the tax base. This reduces budget revenues and increases the budget deficit. This is an obstacle to the course noted by the President of the Russian Federation to balance the budget, maintain its stability, and focus on development (President of Russia, 2026).

Enterprises that are unable to pay such high interest rates (case 3) are forced to abandon the use of loans and limit production volumes at the expense of their own capital. This leads to an even greater reduction in the production and supply of goods on the market and, as a result, an increase in prices and inflation. In case 4, enterprises cannot compete, refusing to lend to production facilities, and leave the market. And this also leads to a reduction in supply on the market, which means an increase in inflation. All four instances represent a pathway to stagflation, in which inflation increases while production decreases.

Effective and sustainable economic development is possible only through a substantial increase in production. Speculative measures of any kind, absent a corresponding increase in the real sector of the economy, cannot strengthen the economy; on the contrary, they weaken stability and give rise to crisis phenomena, a conclusion supported by the practice of recent decades and by current changes in the economy.

This provides an answer to the question posed by the President of the Russian Federation to participants in a meeting on economic issues, namely why the trajectory of macroeconomic indicators remains below expectations, including the expectations not only of experts and analysts, but also of the forecasts of the Government itself and of the Central Bank of Russia (President of Russia, 2026). Vladimir Putin instructed meeting participants to determine the causes of the negative dynamics affecting business and investment activity in the country (President of Russia, 2026). He noted that, according to official statistics, GDP declined overall by 1.8 percent in January and February. This decline is occurring in manufacturing and industrial production generally, including in construction. The President emphasized the need for meeting participants to focus consistently on

preparing concrete measures to stimulate growth and on developing appropriate solutions to overcome the generally anticipated negative trends that have recently been emerging. The Head of State called for proposals on additional measures aimed at resuming the growth of the domestic economy and supporting business initiatives (President of Russia, 2026).

Only an increase in production can supply the market with goods sufficient to satisfy demand, without which it is not possible to reduce prices and inflation. The claim made by representatives of the Central Bank that an increase in the Central Bank's key rate reduces inflation was not confirmed by the present study.

4.3. Russian Central Bank Key Rate and Inflation: Correlation Findings

A correlation analysis was conducted of the dependence of changes in the inflation rate on changes in the Central Bank's key rate for the period from September 2013 to November 2025 (Bank of Russia, 2025a). The results are presented in Table 2. A positive value of the correlation coefficient indicates a direct relationship between the key rate and changes in the inflation rate, meaning that an increase in the key rate does not lead to a decrease, but rather to an increase, in inflation. The relationship between the measured indicators is weak. The correlation coefficient reached its highest value of 0.473 when the time lag between the factor and the outcome was excluded from the calculation.

To ensure that the observed correlation is not solely due to sample variation, a statistical significance test was conducted on each correlation coefficient. The test results imply that the strength of the relationship between the benchmark interest rate and inflation tends to decrease as the time lag lengthens, so the ability of the benchmark interest rate to explain changes in inflation also diminishes. The significance values (p-values) for each correlation coefficient are presented in Table 2 so that readers can evaluate whether the observed relationship is statistically significant.

Table 2. The Nature and Degree of Dependence of the Inflation Rate on the Change in the Central Bank's Key Rate for the Period From September 2013 to November 2025

Indicator	Time lag (months)				
	0	3	6	9	12
Correlation coefficient	0.473	0.472	0.355	0.213	-0.067
Coefficient of determination	0.224	0.223	0.126	0.046	0.005

Source: Developed by the author

The coefficient of determination reached its highest value of 0.224 across the range of time lags examined. This indicates that only 22 percent of the change in the outcome indicator is attributable to a change in the key rate, while the remaining 78 percent of the relationship between the indicators examined is explained by other, unaccounted for factors. Consequently, the effect of the Central Bank's key rate on changes in inflation is extremely limited and should be disregarded. As the time lag applied in the calculations increases, the correlation coefficient decreases further, and the coefficient of determination approaches zero, indicating that no effect of the key rate on the inflation rate exists once a time delay is introduced between the change in the key rate and the change in the inflation rate.

The results of the study show that the fundamental approach, oriented toward strengthening the real sector, is more effective in supporting sustainable economic growth than the speculative approach, which relies on interest rate management and financial market instruments. This finding is consistent with Mumtaz (2020) who states that inflation is influenced by various factors and therefore cannot be explained solely by interest rate policy. In addition, this finding also supports Altavilla et al. (2020), who show that the effectiveness of monetary policy transmission differs across countries. The finding of a positive correlation between the benchmark interest rate and inflation in Russia indicates that an increase in the interest rate is not always able to suppress inflation, particularly when inflationary pressure originates mainly from supply side factors, exchange rate weakening, and geopolitical conditions.

Nevertheless, these results need to be interpreted in light of their limitations. The empirical analysis focuses only on the relationship between the benchmark interest rate and inflation in Russia using a correlation approach, and therefore does not include other macroeconomic variables, such as

the money supply, exchange rate, energy prices, and fiscal policy, which also influence inflation. Accordingly, future research is recommended to use more comprehensive econometric models, such as VAR or ARDL, and to expand the scope of countries and variables in order to obtain a more thorough understanding of the effectiveness of monetary policy.

5. CONCLUSION

Correlation analysis accordingly shows that inflation should be regulated not through changes in the key rate, but through an increase in the supply of goods on the market, which in turn requires an increase in production. Therefore, the key rate should be set in such a way as to maximize the growth of production and market supply, rather than limiting them through an increase in the cost of credit. To this end, the rate should tend toward zero, and under conditions of inflation, toward an inflationary value capable of covering the bank's borrowing costs, taking inflation into account.

These results should be interpreted within the context of this study's scope, namely the Russian economy during the observation period and the characteristics of inflation, which are largely influenced by supply-side factors, geopolitical conditions, and the capacity of the real sector. Therefore, the resulting policy implications are not intended as universal recommendations, but rather as recommendations relevant to economic conditions with characteristics similar to those of this study's context.

This study has successfully addressed its research objectives, namely evaluating the effectiveness of fundamental and speculative approaches in monetary policy and analyzing the relevance of the benchmark interest rate as a determinant of inflation in Russia. The results show that the fundamental approach is more effective in supporting sustainable economic growth, whereas changes in the benchmark interest rate have a limited effect on inflation.

An increase in the lending rate is acceptable only as a temporary measure, in critical situations where it is necessary to moderate sharp spikes in inflation and avoid economic shocks. The application of this measure is permissible only for such a short period, during which industry will not yet have had time to reduce production and investment in innovation as a result of the increased cost of loans. Low-rate lending, however, should likewise be targeted, extended on the basis of an analysis of the capacity of the manufacturer requesting the loan to achieve a proportional increase in production and sales.

To activate efficient competitive production in Russia, it is necessary to change the priority of exporting fuel and raw materials to the priority of redirecting them to the needs of domestic producers in order to reduce the cost of fuel, raw materials, and costs of building insulation during harsh Russian winters, heating, and electricity. This will also reduce transportation costs, which are of particular importance for long-distance transportation in the Russian Federation. This would make it possible not only to move away from the economy's dependence on fuel and raw materials, but also to make full use of Russia's natural competitive advantages, reduce costs, increase efficiency, and enhance the competitiveness of its products.

This study nonetheless has limitations, as the empirical analysis is focused on data from Russia and uses a simple correlation approach. Hence, future research is recommended to employ more comprehensive econometric models, such as VAR or ARDL, incorporating other macroeconomic variables and expanding the scope of countries examined, in order to obtain a deeper understanding of the effectiveness of monetary policy in controlling inflation and driving economic growth.

Conflict of Interest Statement

The authors declare that there is no conflict of interest regarding the publication of this paper.

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Data Availability

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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