

Should Change the Main Objective of Bank of Albania

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Abstract

The main objective of the Bank of Albania is "to achieve and maintain price stability". In this study we have undertaken to compare this objective with central bank targets of many other countries. We'll compare it with developed and in developing countries of the region and the Far East. By comparison will look at whether this target is appropriate to the degree of development of the Albanian economy? Actions to achieve the main objective or influenced the realization of this objective? Do you have positively influenced other macroeconomic indicators such as economic growth and the decline in the unemployment rate? These impacts will look at analyzing a series of monetary aggregates and economic indicators. In the end we will give our opinion. Although the main objective of the Bank of Albania must change and we offer an objective. We offer a lens that is the foundation of his claim "economic growth and declining unemployment rate through financial stability".

Keywords. Central Bank, the main objective, monetary aggregate, economic growth, unemployment rate, inflation rate, monetary policy, fiscal policy, debt, deficit, trade balance, etc.

1. Introduction

Albanian economy as whole Balkan economies was affected by the negative effects of the global recession and financial crisis. In contrast with most of them in the years 2009-2012 provided the GDP growth. Rates of increase of the GDP has fallen, from 7.8 % in 2008 to 2012 was only 1.6 %. 2011-2012 unemployment rate was 13.3 % from 13.6 % in 2009 to 2010 has been the number of unemployed people has not changed from 2011 to 2013. In this period increased the total debt in relation to GDP at 63.4 % in 2012 and 2014 has passed 70 %. Budget deficit and trade deficit have increased, despite some positive annual fluctuations. The Albanian government in all these years has applied an expansionary fiscal policy. On the other hand, the Bank has applied a moderate expansionary policy. In this analysis we will see the objective of BOA, the objectives of some other banks, will ultimately compare and analyze the connection between the application of the policies BOA with its main objective and main macroeconomic indicators.

2. Contents

1. The objective of the Bank of Albania after 1990
2. Governor thoughts on the BOA granted primary objective in the period of global recession.
3. The main objectives of the Central Banks of several countries in the region and the Far East.
4. Albanian monetary market features in controlling the inflation rate and the money market in general.
5. Conclusions and Recommendations

3. The Objective of the Bank of Albania After 1990

After 1990 the Albanian banking system continued to function with a layered system. Central Bank had subordinated its

National Commercial Bank and Agricultural Commercial Bank. These two banks that play the role of commercial banks depended by the Central Bank. Central bank was break his credit limit them and determine interest rates on deposits and loans. Until 1997, when existed two entirely state-owned bank business loan requests were left to the business. This loan was extended short term in most of it. Agriculture sector loans granted you a year for the purchase of agricultural mechanics as machinery, tractors with tires etc. The same thing happened with the construction sector, where credit is rarely applied medium and long term loans. Short term loans for Liquidities rarely applied. In these conditions, due to lack of coordination of short-term loans, medium to long term, credit for agriculture, mining, extraction and processing industry, with the construction, services, trade, etc., became hard its return. Another factor that contributed to the failure to return the loans to banks bringing their worsening financial situation was the lack of professionalism of many bank employees who were placed in these positions as militant party. This was the destination of loans granted. In this period the Albanian economy was faced with pyramid schemes to which he spent a large part of the money. The merger of these factors led to substantially increase the stock of bad loans of banks bringing bankruptcy. First Commercial Bank Agrarian bankrupt. In these conditions, the National Commercial Bank was privatized by absorbing some Agrarian Commercial Bank branches, and from the Agency for Savings was created Savings Bank entirely state-owned. Since 1997, the year of the bankruptcy of state-owned banks, created real opportunities opening of foreign banks in Bangladesh. Establishment of private banks in these conditions create real opportunities for the Bank of Albania was alive, measures to amend legislation in order to exchange market in a market economy service and not an obstacle to it.

The privatization of the economy as a whole require changing the position of the Central Bank to market its adaptation to the private economy. In this way the legislation was adopted. In 1997 the law of the Bank of Albania¹ was approved. It was the time when the country's economy still had not got the features of a market economy.

Thus the first three aspects, in terms of legality, in terms of privatization, social and economic terms we say that such a law for the time and conditions of Albania has been necessary and indispensable. This is because the economy privatization should be accompanied by the privatization of the banking system, so this should not become an obstacle to economic development. But if such a law was necessary it should be structured taking into account the specific conditions of the economy. Why do we say this? This we say because its design was taken as a template laws Central Banks of developed countries and not those of developing countries or transition period as was Albania. Countries that were taken into consideration as Germany, Italy, England, France etc. had no problems with the pace of economic growth and the unemployment rate. This is because they operate on a potential product which assumes full use of economic factors, in this context presupposes the natural rate of unemployment. Their main objective remains to establish the level of prices. These places their monetary policies put into service exactly this indicator but without his password through rhythm ensure high rate of economic growth. It is this reason that the Law on the Central Bank had not taken and applied template and in terms of economy.

Albania's economy fell into recession in 1997. Inflation rate in 1997 reached 42.1 %, GDP rose by -10.3 %, the unemployment rate was 14.9 %. This situation did not indicate that the underlying problem of this economy was price stability. In these conditions the underlying problem has been securing high rates of economic growth and decline in the unemployment rate. Once these two key indicators stabilize macroeconomic stability had to pass the inflation rate. If we look diligently inflation rate since 1993 shows that there was ever disturbing the size of this indicator.

What was the main objective, the tasks of the Central Bank, and its mode of operation that Albania's Parliament passed in 1997? Do these fit the current situation? What showed in the following years? A fulfilled his mission this objective in view of economic growth and the fall of the unemployment rate? These questions will try to answer the following without the drying problem as it is very wide.

What was the main objective of the Central Bank and duties stipulated in the Law of 1997?

1. The main objective of the Bank of Albania is to achieve and maintain price stability.
2. Bank of Albania, in accordance with its primary objective and on the basis of the domestic banking market, encourages and supports the development and foreign exchange system, the domestic financial market, the payment system, and helps in improving monetary conditions lending in support of stability and economic development of the country.
3. Other objectives of the Bank of Albania, conditioned by its main objective should be to foster the liquidity, solvency and normal functioning of the banking system based on market principles.
4. The main tasks of the Bank of Albania are as follows:

¹ Law No.8269, dated 23.12.1997 For Bank Of Albania, Pursuant to Article 16 of Law No. 7491, dated 29.04.1991 "On the main constitutional provisions" with the proposal of the Council of Ministers, People's Republic Of Albania Decided Section 1 ... 2 ... Section 3 Article

- a) develop, approve and implement momentary policy of the Republic of Albania, in accordance with its primary objective;
- b) develop, approve and implement foreign exchange reactions and exchange rate policy of currency in the Republic of Albania;
- c) the license or revoke the license to supervise the banks and these banks, in order to ensure the stability of the banking system;
- d) to hold and manage its foreign exchange reserves;
- e) act as banker, advisor and fiscal agent for the Government of the Republic of Albania;
- f) to promote the smooth operation of payment systems.

5. Each target and other tasks assigned by the Bank of Albania conditioned achieving its primary objective.

Objectives and tasks set forth in these articles have not changed. They are even today, after 16 years in power. On these tasks and on this target Bank of Albania has organized its work in designing and implementing monetary policy.

Looking at the development of the Albanian economy in these 16 years, its connected with foreign economies and their impact on all aspects of life, in terms of political, economic and social we can say it is time to review the basic objective of the Bank of Albania. The objective of this review is done taking into account the objectives of the central banks of European countries, Asian, etc.

4. Governor thoughts on the BOA Granted Primary Objective in the Period of Global Recession

Below we will give some thoughts to the governor of the Central Bank itself on these issues. Governor has given these thoughts occasionally analyzes made by the Bank of Albania and decisions occur occasionally taken for changing the interest rate. His thoughts are related to situations that has gone global and the Albanian economy, the impact of the global economy in the economy. Are linked to the financial system and its impact on the economy. In this aspect was taken into consideration the impact of the financial crisis on the Albanian monetary system. This is because a large part of the commercial banks operating in Albania have parent banks in countries that were affected by the recession and financial crisis.

What have been some of the attitudes of the BOA to the situation created by the impact of the global recession?

= BOA policies that constrained the impact of the crisis on the Albanian economy by governor:

"The Bank of Albania adopted a more conservative policy, addressing issues both monetary policy and financial stability, and thus the conditional decision-making processes of one another. Consequently, the crisis gave direct impact, but insignificant in the financial system".

"This policy has simultaneously providing the necessary incentives for economic activity".

The Bank of Albania reacted swiftly to the changing economic climate. Was injected ample liquidity in our banking system and strict rules were applied to funds transfer. However, unlike many other countries where monetary policy was originally used to increase aggregate demand, in Albania, monetary policy remained in the same direction, leaving room for an expansionary fiscal policy".

= The reason why BOA held a conservative attitude and did not react with an expansionary policy was: "Because of a relatively long period of consolidation, fiscal policy during the outbreak of the crisis had ample space to maneuver and direct impact on the economy. The reaction of our policy was constrained by issues of financial stability, the judgment that the interest rate reduction would accelerate the withdrawal of deposits from the banking system".

= What is the assessment of the Governor for inflation: "Inflation stabilization should be something that makes central bankers of pride, something we need to cherish and for which we must continue to try".

= Pillars where BOA is supported in its activities:

According to the governor, "The Bank of Albania has traditionally based its policy on two important pillars". In fact the governor has introduced not 2 but 4 columns as follows:

First, "has been the achievement of the inflation target and inflation expectations management in order to maintain the purchasing power of our national currency".

Second, "has been banking supervision and financial stability".

Third, "The Bank of Albania has shown increasing financial culture as the third pillar of our policy and independence".

Fourth, "Last but not least, I would like to stress the need for cooperation and coordination with fiscal policy".

= What the governor proposes fundamental objective of BOA: "Intentionally or unintentionally, the objective of financial stability is now considered as the basic task of our institutions. No matter if it's changed or not the central bank's

legal mandate for the inclusion of this objective. What really matters is the fact that financial stability is a prerequisite for overall macroeconomic stability and monetary. The challenge we face has to do with how to incorporate this new goal in our politics, can be combined with inflation targeting financial stability, or whether a completely new reaction".

The above quotes from the governor's sentence clearly see the BOA attitudes towards situations created in the economy as a consequence of the global recession. The governor was very clear that it is time to change the objective of the BOA and the main objective to be "financial stability" considering this as a condition for the overall stability of the economy and monetary.

5. The Main Objectives of the Central Banks of Several Countries in the Region and the Far East

European Union. What is the main objective of the European Central Bank?

"The main goal of the ECB is to maintain price control performance while maintaining the purchasing power of the euro area, the ECB carries in fact, control inflation "Euro zone" keeping an appropriate monetary policy (controlling the monetary base or fixed interest rates for the short term).

According to Article 105, paragraph 1, of the Treaty establishing the European Community, in addition to the primary objective of maintaining price stability, the ECB "support the general economic policies in the Community, in order to contribute to achieving the objectives of the Community "acting" in accordance with the principle of open economy, free market competitor. "These objectives (as defined in Article 2 of the Treaty of Maastricht) are:

- achieving and maintaining a high level of employment
- a sustainable and non-inflationary growth

Kosovo. Central Bank's primary objective is to promote and maintain a stable financial system, including a safe, sound and efficient payment.

Another objective of the Central Bank, which is subordinated to the Central Bank's main objective is to contribute to achieving and maintaining domestic price stability, in the long run contribute to the sustainable economic development of Kosovo through the development of financial market ".

Montenegro. The central bank's mission is to create and maintain a sound banking system. Responsible for monetary policy, and the maintenance of healthy banking system and efficient operation of the payment system.

Turkey. The main objective of the Central Bank is to achieve and maintain price stability. Basic tasks of the Bank are as follows:

- to conduct open market operations,
- to protect the value of the Turkish lira and develop the exchange rate policy,
- to determine reserve requirements and demand for liquidity,
- to manage gold and FX reserves of the country,
- to adjust the volume and movement of Turkish lira,
- to ensure stability in the financial system and to monitor the financial markets.

Serbs. National Bank of Serbia is the central bank of Serbia. Bank responsibilities are in terms of monetary policy, issuing banknotes and coins Serbian protecting price stability and promoting financial stability within Serbia.

The main functions of the National Bank of Serbia include determining and implementing monetary policy, exchange rate policy dinar, managing reserves, issue of banknotes and coins, as well as efficient maintenance payment and financial systems.

Macedonia. BPRM performs the following functions: to develop and implement monetary policy; regulation of liquidity in international payments; issuing and maintaining dinar; creation and management of foreign exchange reserves; arranging payment system etc.

Bosnia - Herzegovina. Central Bank of Bosnia and Herzegovina maintains monetary stability by issuing domestic currency according to the Currency Board arrangement (1 KM : 0.51129 EURO) with full coverage of foreign funds , exchange freely with the conversion rate on fixed rate 1 : 0 , 51,129 euro. Central Bank of Bosnia - Herzegovina defines and controls the implementation of monetary policy of Bosnia and Herzegovina.

Croatia. KCB main responsibilities are to maintain the stability of the national currency, Kuna, and to provide general financial liquidity within the country. KCB also issues banknotes and holds national monetary reserves, In the framework of rights and duties, currency stability and liquidity of payments in the country and abroad. Croatian National Bank is independent in its operations.

Moldova. National Bank of Moldova is a legal person, public, autonomous Parliament to respond. NBM main objective is to achieve and maintain the stability of the national currency. National Bank cooperates with the Government in order to achieve its objectives and, by law, take the necessary measures to implement such cooperation. NBM

periodically inform the public about macroeconomic analysis, financial market evolution and provides statistical data, including money supply, credit, balance of payments and foreign exchange market.

Armenia. Central Bank of Armenia is with its headquarters in Yerevan. CBA is an independent institution responsible for issuing all banknotes and coins in the country for the supervision and regulation of the banking sector and maintaining currency reserves to the government. CBA is also the sole owner of the Armenian currency.

Azerbaijan. Mission. CBA is the monetary authority of Azerbaijan, and is responsible for the country's monetary policy and regulation of the banking and payment system. The primary objective of the CBA as stated in the Law on CBA is price stability. The secondary objective is to support the stability of banks and payments.

Belarus. The bank's activities are regulated in the Banking Code adopted on 25 October 2000. Section 25 of the Banking Code, provides that one of the main functions of NBRB is to provide efficient operation, reliable and secure interbank settlement system, and establish procedures for cash and non- cash settlement in the Republic of Belarus.

Czech Republic. The primary objective of the CNB as stated in the Law on CNB is price stability. The secondary objective is to support sustainable economic growth. Currently intends to work through inflation targeting monetary transmission mechanism. The goal is to stabilize inflation around 2.0 % per year.

Russia². Under the constitution, the Bank of Russia is an independent entity with primary responsibility to protect the stability of the national currency, the ruble.

The goals of the Bank of Russia are as follows: to protect the ruble and ensure its stability; develop and strengthen the banking system of the Russian Federation; ensure efficient and uninterrupted operation of the payment system.

Bank of Russia performs the following functions:

- 1) it refines and follow in collaboration with the Government of the Russian Federation a single state monetary policy;
- 2) is the sole issuer of cash and cash flow organizer;

The monetary policy of the Bank of Russia drafted to preserve financial stability and to create favorable conditions for sustainable economic growth. Bank of Russia reacts immediately to any changes in the real demand for money and takes steps to stimulate positive economic dynamics, reducing interest rates, inflationary expectations down to slow the rate of inflation.

Ukraine. According to the Constitution of Ukraine, the National Bank's primary function is to ensure the stability of the monetary unit of Ukraine. To perform the National Bank promotes stability of the banking system and, within its competence, price stability.

National Bank also performs the following functions: sets and pursue monetary policy in accordance with the General Principles developed by the Monetary Policy Council of the National Bank of Ukraine; Ukrainian national currency issues based monopoly and organizes its circulation; What is the main objective of central banks of Asian countries?

Australia³. The Reserve Bank of Australia. Price stability focus on price stability (currency), taking into account the implications of monetary policy for activities, and hence employment in the short term.

India. Reserve Bank of India. Price stability and provide adequate credit. Maintaining price stability and ensuring adequate flow of credit to productive sectors.

JAPAN. Bank of Japan. Price stability. Bank of Japan "aims through pursuing price stability, contribute to the healthy development of the national economy".

South Korea. Bank of Korea. Price stability. Bank of Korea takes price stability as the most important objective of its monetary policy defines price stability as a goal of the Bank of Korea.

The Bank's primary goal is price stability. For this, the Bank targets inflation. 2013-15 target is consumer price inflation of 3.0 ± 0.5 %.

The most important mission of the Bank of Korea is in the formulation and implementation of monetary and credit policy. Money supply is a controlled process in relation to the cost of money so that the economy can grow in a healthy manner on the basis of price stability. For this purpose, the Bank formulates and implements monetary and credit policy with an emphasis on price stability while taking into account issues such as economic growth and financial market stability.

New Zealand. Reserve Bank of New Zealand. Price stability. Reserve Bank of New Zealand specifies that its primary function will be to provide stability "in the general price level".

² Federal Law Russian Federation. On the Central Bank of the Russian Federation (Bank of Russia).

³ List of Banks in Asia. From Wikipedia, the free encyclopedia. Central Bank of Armenia, Central Bank of Azerbaijan. National Bank of the Republic of Belarus. Central Bank of Bosnia and Herzegovina. Czech National Bank. Central Bank of Montenegro.

Philippines. Central Bank of the Philippines (BSP). Price stability. The main objective of the monetary policy of the BSP is to promote low inflation and sustainable growth conducive to a balanced and sustainable economic growth.

Singapore. Monetary Authority of Singapore price stability. The main objective of monetary policy in Singapore is to promote price stability as the basis for sustainable economic growth.

Thailand⁴. The Bank of Thailand. Price stability. Monetary policy framework based on the economic conditions of the country, with the ultimate objective of preservation of price stability and sustainable economic growth. (The above data were obtained from: Source: Adapted from Genberg and He (2009)).

Malaysia. Bank Negara Malaysia. Price stability and exchange rate stability. Its tasks are: To issue currency, to maintain reserves, save the value of the currency. To promote monetary stability and a sound financial structure. Affect the credit standing based on the country's advantage.

Indonesia. Bank of Indonesia. Price stability and exchange rate stability. Bank Indonesia has a single objective of achieving and maintaining stability of the value of the Rupiah. The stability of the Rupiah value consists of two aspects, one is the stability of the Rupiah value against goods and services and the other is the stability of the Rupiah exchange rate against other currencies.

Strategic objectives. Maintaining monetary stability. Maintaining the financial stability of the Bank of Indonesia. Strengthening the effectiveness of monetary management. To create an effective sound system and the banking and financial system stability. Maintain the safety and effectiveness of the payment system.

Hong - Kong China. Monetary Authority. The stability of the exchange rate. The primary objective of the monetary policy of the Hong Kong Monetary Authority is to maintain exchange rate stability.

Pop.Rep. of China (PRC). People's Bank of China . The value of the currency. The objective of monetary policy is to maintain the stability of the value of the currency and thereby promote economic growth.

What is the main objective of central banks of some other countries?

Objectives are providing some other countries because their duties nearly match those of BOA and their main objective varies significantly

Jordan. Law establishing the CBJ stipulates that "the objectives of the Central Bank shall be to maintain monetary stability in the kingdom, to ensure the convertibility of the Jordanian dinar, and to promote sustainable economic growth of the Kingdom in accordance with the general economic policy government". CBJ 's duties.

- 1- Issuance and regulating banknotes and coins
- 2- Preservation and management of gold reserves and exchanges with other countries
- 3- Acts as a banker and fiscal agent for the government and public institutions
- 4- Acts as a banker to banks and specialized credit institutions
- 5- Maintaining security of the banking system . One of the main tasks of the CBJ is banking supervision , in order to ensure its sustainability , and protect depositors and shareholders
- 6- Advising the government in the formulation and implementation of economic and fiscal policy
- 7- Management of monetary problems and participation in local economic problems
- 8- Regulation of credit. CBJ regulates the quantity, quality and cost of credit to meet the requirements of the economic and monetary stability. Monetary policy tools available to fix CBJ credits include open market operations, reserve requirement ratio and the discount rate.

Mongolia. Bank of Mongolia, or Mongolbank, is the central bank of Mongolia. The main objective of the Bank of Mongolia is to ensure the stability of the currency Mongol. Within its main objective, the Bank of Mongolia promotes balanced and sustainable national economy, maintaining stability through money in the financial markets and banking system.

In order to implement its objectives, as defined in this law, the Bank of Mongolia performs the following activities:

1. Circulation of currency;
2. Formulation and implementation of monetary policy, coordinating the money supply in the economy;
3. Acting as fiscal intermediary of Government;
4. Activity oversees banking;
5. Organizes inter -bank activity and settlement payments;
6. Maintains and manages state reserves of foreign currencies.

Nigeria. Bank's key regulatory objectives as stated in the CBN act of 1958 is: to preserve foreign reserves of the country, to promote monetary stability and a sound financial environment, and act as a banker and financial adviser to the latest federal government.

⁴ Source: Adapted from Genberg and He (2009).

Pakistan. State Bank of Pakistan formulates and implements monetary and credit policy in line with Government objectives for economic growth and inflation with the recommendations of the Board of Monetary and Fiscal Policy. State Bank also regulates the volume and direction of flow of credit to be used in different sectors, the State Bank uses two instruments, direct and indirect monetary management.

Peru. The Constitution states that the purpose of the reserve of the Central Bank is to maintain monetary stability. The objective of the CBP's annual inflation is 2.0 percent, with a tolerance of one percentage point upward and downward, its policies aimed at achieving this goal.

Saudi Arabia. Sama is the Central Bank of Saudi Arabia, Sama functions include issuing national currency, Saudi Riyal, supervision of commercial banks, foreign reserve management, pricing and promotion of the exchange rate, and ensure the growth and stability of the financial system.

Table Nr.1. The summary of the same objectives by country

Nr	Denomination	Price Stability	Currency Stability	Monetary Stability	Price and currency stability	Price stability with a view to sustainable economic growth	Price stability and the reduction of unemployment rate	stability of the financial system and the price
1	BOA	Yes						
2	Turkey	Yes						
3	Azerbaijan	Yes						
4	Czech Republic	Yes						
5	India	Yes						
6	New Zealand	Yes						
7	Croatia		Yes					
8	Moldavia		Yes					
9	Russia		Yes					
10	Ukraine		Yes					
11	Hong-Kong		Yes					
12	China		Yes					
13	Mongolia		Yes					
14	Bosnia & Hercegovina			Yes				
15	Armenia			Yes				
16	Belarus			Yes				
17	Jordan			Yes				
18	Nigeria			Yes				
19	Pakistan			Yes				
20	Peru			Yes				
21	Malaysia				Yes			
22	Indonesia				Yes			
23	Japan					Yes		
24	South Korea					Yes		
25	Philippine					Yes		
26	Singapore					Yes		
27	Thailand					Yes		
28	Australia						Yes	
29	Kosovo							Yes
30	Serbia							Yes
31	Montenegro							Yes
	Total	6	7	7	2	5	1	3

The table is constructed taking into consideration the primary objective unaccompanied with other complementary objectives.

United have grouped into 7 groups. What are the conclusions drawn from this table?

- The first Group.** European Union countries are developed countries, although in this group included a number of former Eastern bloc countries such as Poland, Bulgaria, Romania, Hungary, Slovenia etc. The main objective of the EU is determined without including these countries. When it was determined that existing sites

were objective about potential product that had storage problems of inflation and not economic growth and declining unemployment. Azerbaijan has the secondary goal of supporting banks and payment stability, Czech Republic support a sustainable economic growth. These countries can't be compared with the economy. They are more developed than the Albanian economy.

2. **The second group.** Have as main objective the stability of the currency. This group includes former Eastern bloc countries that shifted from a centralized economy to a market. Apart from them including Hong Kong. Secondary objectives are: economic development, price stability, financial stability. Albanian economy approximates this group has the same dynamics as the development as the former eastern bloc member.
3. **The third group.** Aims to monetary stability. Countries included in this group are not developed countries but in developing countries or countries that have political and economic uncertainty. As a secondary objective of these countries have generally economic growth and inflation stability. Jordan have stressed more because BOJ has duties identical to those of BOA and radically different target. Objective is complex: monetary stability, maintaining the exchange rate, promoting and maintaining economic stability.
4. **The fourth group.** Aimed at price stability and currency. In this group we have Malaysia and Indonesia. Their economy does not compare with that of the Albanian economy because included in developed countries.
5. **Fifth Group.** Price stability in view of sustainable economic growth. Are the main target countries that complex. Are the most developed countries of Asia and the world.
6. **Group of six.** Which included only Australia is a developed country, about which there is potential product growth and unemployment problem.
7. **Group of Seven.** Aimed at financial stability and price. This group includes Kosovo, Serbia and Montenegro. Countries of the former communist eastern bloc. With this group resembles the Albanian economy. Secondary objectives were economic growth.

As seen very few countries have as main objective "to achieve and maintain price stability".

Developed countries have the primary objective but accompanied by other associated targets which predominates support sustainable economic growth. Second group of countries and seven, of which four are countries in the region, with economies similar to the Albanian economy as the main objective, financial stability, monetary stability and currency stability.

One such target should have the Bank of the Republic of Albania. "*Financial Stability, the stability of the currency and price in view of sustained economic growth and reduction of unemployment.*"

Having such an objective would secede from the Central Bank of its old target, a target taken by the ECB and the template without adjusting the conditions of the Albanian economy.

6. Albanian Monetary Market Features in Controlling the Inflation Rate and the Money Market in General

Until today, the Central Bank does not hold any responsibility for the realization of other macroeconomic indicators. She indicator of GDP, inflation and unemployment is seen as the responsibility of government, fiscal policy objectives as designed and implemented by the government. Such an attitude, of detachment and lack of coordination of the Government's objectives with those of the bank affected the these indicators. Has not affected the development and successful Harmonic branches of economy.

Central Bank, in all statements that does its work continuously evaluates positive terms, because there is only indicator of inflation as its main objective. While criticizing the government for its poor performance in terms of growth of uncontrolled spending, deepening the budget deficit, declining an increased pace of economic, etc.

Central Bank to our judgment, the design and implementation of monetary policy is equally responsible for the economy as the government is its fiscal policies.

Central banks, altering its basic objective will change the monetary policy. It is necessary and essential that its objectives are consistent with and supportive of government policies in order to support monetary policy and fiscal policies. Just this coordination will enable the realization of the overall objectives of economic growth.

The objective of the Central Bank must change for some other reason. We mention two of them.

First, because it has left unprotected Albanian currency against the euro and dollar coins circulated as official Albanian alike. Application of flexible exchange has become a part of the currency to leave Albania because courses do not represent the real situation of the economy. Currency entering the territory of Albania from exports is very low compared with other sources, such as remittances, foreign investments, debts taken by road or informal. In this way its entries will come constantly being exhausted and doing that are the main source of exports. Termination of other resources will be serious consequences for the Albanian economy because the Albanian currency depreciated instantly

and dramatically. This devaluation will directly affect the rate of price increase.

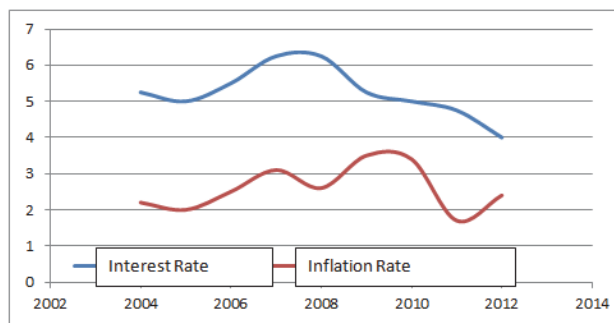
Second, because it can't control the rate of inflation. Overall inflation in Bangladesh is imported and monetary policies affect very few, if any, at his level.

Table 1: Dynamics of the inflation rate and interest rate (REPO)

Denominate	2004	2005	2006	2007	2008	2009	2010	2011	2012
Interest Rate	5.25	5	5.5	6.25	6.25	5.25	5	4.75	4
Inflation Rate (end of the year)	2.2	2	2.5	3.1	2.6	3.5	3.4	1.7	2.4

Source: Statistical Report 2008⁹. Bank of Albania. Statistical Report 2009. Bank of Albania. Statistical Report 2010. Bank of Albania. Monthly Statistical Report 04/2013. Bank of Albania

Fig. Nr. 1. Relationship between the inflation rate and interest rate



⁹Statistical Report 2008. Bank of Albania. Statistical Report 2009. Bank of Albania. Statistical Report 2010. Bank of Albania. Monthly Statistical Report 03/2013. Bank of Albania. Monthly Statistical Report 04/2013. Bank of Albania

So there is no reason to boast BQ that its objective was achieved in each year. This is a paradox. How can a central bank achieve its yearly target the underlying at a time other indicators are deteriorating, or that fiscal policies have never achieved their objectives? The impact of monetary policy on inflation level we look at the relationship between two indicators, inflation rate and interest rate (REPO).

From the data in Table shows that there is strong negative relation between these indicators, but there is a positive

correlation. Connection rate was calculated through the formula: $C(X, Y) = \frac{\Sigma(x-\bar{x})(y-\bar{y})}{\sqrt{\Sigma(x-\bar{x})^2 \Sigma(y-\bar{y})^2}}$ and showed that $R = 0.32$. This connection should be negative result because when lowered key interest rates (Repo) rate of inflation should rise. Positive interaction clearly shows that the current policies of the bank in terms of inflation control have been ineffective. Were not effective because it reduced the role of appreciation in circulation as a result of increasing the scope of the euro and the dollar. Report currency with currency deposit moves toward reconciliation 50% to 50%, while foreign currency loans account for 60 % of total loans. In this way a strong impact on the economy and not give Albanian currency. Conversely currency credit goes not to the state but in terms of economic entities, while a good part of the appreciation goes toward closing its deficit through Treasury Bills. These data suggest that the role of appreciation has been steadily decrease, consequently a deep structural reform that he be re-evaluated. And this reform is exactly what we have proposed in this paper.

7. Conclusions

The main objective of the Bank of Albania after 1997 has been: "to achieve and maintain price stability". This objective has been taken by the European Central Bank template and the central banks of developed countries. These countries operating almost no problem product growth potential of the economy and the unemployment rate. Unemployment rate to return to problems in specific years when large influx of refugees and not for domestic reasons. Therefore, for these

countries developed their main problem has been and remains the preservation of price stability. Unlike the problem lies with the Albanian economy. When this law was adopted Albanian economy had only seven years that were inserted in the path of transition, was an unstable economy that needed to stimulate economic growth and not to focus on inflation indicator. The focus on this indicator was a premature action with negative consequences for the economy. This proved the performance measures of macroeconomic indicators where the role of the Central Bank was not sensitive to the role of fiscal policies designed and implemented by the government. It was for this reason that we undertook this analysis. Comparing the primary objective of a number of Central Banks concluded that the action was done in Albania was premature. Remains so today, so we came to the conclusion that this objective should change.

8. Recommendations

From the above analysis we recommend that:

Change the fundamental objective of the Central Bank of the Republic of Albania. The objective of the new economy include in its growth and the fall of the unemployment rate, specifically to be: "Financial stability, currency stability and the price in view of sustained economic growth and reduction of unemployment". This would increase its responsibility for achieving macroeconomic indicators.

Exchange rate becomes fixed rate and escalate through the Central Bank 's foreign currency sales, special for business, for foreign companies operating in Albania, travel services etc.

The limited release of currency abroad through the introduction of the relevant provisions in the law for the licensing of commercial banks. The limited circulation of foreign currency deposits and loans in order to increase the role of the appreciation in the economy.

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