

Varazdin Development and Entrepreneurship Agency and University North  
in cooperation with:  
Azerbaijan State University of Economics (UNEC)  
Faculty of Management University of Warsaw  
Faculty of Law, Economics and Social Sciences Sale - Mohammed V University in Rabat  
Polytechnic of Medimurje in Cakovec



## Economic and Social Development

55th International Scientific Conference on Economic and Social Development

### Book of Abstracts Vol. 1/4

Editors:

Altay Ismayilov, Khatai Aliyev, Manuel Benazic



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*55th International Scientific Conference on Economic and Social Development  
was dedicated to Azerbaijan State University of Economics 90th anniversary*



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## **FINANCIAL SECTOR DEVELOPMENT: EFFICIENCY OF THE REGULATION AND PUBLIC TRUST**

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### **ABSTRACT**

*Financial sector development, ensured by trust in the banking system, is an essential prerequisite for sustainable economic and social growth. The foregoing contributions to building a solid and reliable foundation for economic growth depend to a large extent on the efficiency of the state regulation in terms of monetary policy strategy, which has been adopted. Measuring its efficiency is one of the challenging research and practice questions of central banks. The purpose of the paper is to contribute to the methodology of indicators that allow for the measurement of the benefactions of efficient monetary policy to observed changes in public trust in the financial sector. A fundamental standpoint adopted is to view the maximization of public trust as a necessary (but not sufficient) step towards the goals that the Central banks have been tasked with within their mandates. An output-oriented data envelopment analysis method, which is widely used to measure efficiency within the banking industry, was developed and applied in order to measure the efficiency of the regulation*

*in a central banking context. In order to get a reliable, relevant, and interpretable result, input and output variables were selected according to the Central banks' majority core strategy and objectives. Input factors are represented by Central banks' balance sheets that record assets and liabilities resulting from monetary policy instruments. While the Heritage Foundation index on monetary freedom and coefficient of economy monetization was used as outputs in a quantitative dimension. The proposed measure of monetary policy efficiency could be used as an aid to detect so-called reserves of unused capacities, and hence to provide for recommendations as to the regulations and incentives, or managerial practices, that will contribute to promoting greater trust in the financial sector and price stability that each central bank seeks to maximize given its limited amount of inputs.*

**Keywords:** *Financial sector, Monetary policy, Central bank, Regulation, Efficiency, trust*

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