

ASPECTS OF THE BANKING SYSTEM IN THE PROCESS OF MONEY CREATION IN THE REPUBLIC OF MOLDOVA

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Abstract

The saying "banks create money" can be often heard nowadays. The issue is particularly relevant at present because the idea that banks can create money from nothing has generated social anger. Without a proper understanding, the misconception that banks create money from nothing will continue to influence business patterns in the financial sector and interventions of the monetary policy. The ability of the banking system to create money is influenced by a number of factors. The banking system of the Republic of Moldova faces numerous problems in the process of money creation, and namely: banks eagerly invest in securities only for a short period of time; a significant share of loans in foreign currency in the total of loans; dollarization of the currency and economies; a large share of cash in the money supply structure; an increased degree of risk associated with loan services of the real sector of the national economy – all these factors determine the amount of money created.

Key words: banking system, money, money stock.
