



# **ADOPTION OF DIGITAL ECONOMIC POLICY BY OBTAINING INTEREST RATE MEASURE TO SAFEGUARD INFLATION IN THE CIRCULAR ECONOMY**

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<b>Received:</b> 10 <sup>th</sup> January 2022 <b>Accepted:</b> 10 <sup>th</sup> February 2022 <b>Published:</b> 21 <sup>th</sup> March 2022	This study portrays the adoption of digital economic policy by obtaining interest rate measure to safeguard inflation in the circular economy in sovereign country. The task facing financial sector policymakers is further complicated by the fact that these innovations are still evolving and morphing as new technologies come into play. These developments call for improvements in oversight monitoring frameworks and active engagement with stakeholders to identify possible risks and remedial regulatory action leading to a prudential circular economy. The COVID-19 pandemic is accelerating the shift toward a more contactless environment and increasingly digital financial services, which will further strengthen the appeal of circular economy systems to providers of financial services. Companies applying this strategy redesign their products and manufacturing processes to maximize recoverability of the materials involved for use in new products. Often involves partnering with companies that have specific technological expertise or that may be best able to use the materials recovered within circular economy dilemma based on adoption measure of FinTech or digital economy policy in UK perspective.

**Keywords:** Inflation, Interest Rate, Digital Economy, Circular Economy, UK

## **1. INTRODUCTION**

In this post we build two chains of reasoning explaining how a tightening of monetary policy can help to lower inflationary pressure. How higher interest rates can control inflation. If a central bank raises their main monetary policy interest rate. This usually increases the costs of loans & also improves the incentive for people to save. Consequently, this causes a slowdown in demand for new credit and mortgages and can lead to a rise in household saving. As a result, weaker consumer spending helps to slow aggregate demand relative to potential output. So, if the output gap becomes negative, then there is less demand-pull and cost-push inflationary pressure. A rise in base interest rates involves a tightening of monetary policy, otherwise known as a deflationary policy. One possible consequence of this is an appreciation in the external value of a currency. This is because higher interest rates attract savings deposits (hot money) from overseas in the banking system. If the exchange rate appreciates, this will lead to a fall in the costs of imported products such as food and energy. As a result, there will be an outward shift of short run aggregate supply and a fall in cost-push inflationary pressures. The rate of inflation consistently higher for emerging market and developing economies contrasted with advanced countries. Afreen (2022) researched regarding the financial arena risk primer in her study in accordance to advanced economies. A number of demand and supply-side reasons might be given to help explain the difference. We build two chains of reasoning as an example to improve exam technique..

One reason why inflation in emerging countries tends to be higher is that many of these countries are experiencing rapid economic growth contrasted with slower growth in advanced economies. Fast growth can lead to excess demand and a positive output gap thereby causing demand-pull inflation. It also brings about cost-push inflation for example because of rising global demand for raw materials. A second reason why inflation in developing countries is higher is because many of these countries have volatile exchange rates and do not necessarily have a well-established central bank to operate monetary policy. Therefore, if a fast-growing country has a large current account deficit, this can lead to a large depreciation in their exchange rate. One effect of this is a big jump in the prices of essential imports such as foodstuffs and energy.

This study portrays regarding the adoption of digital economic policy by obtaining interest rate measure to safeguard inflation in the circular economy with perspective to the United Kingdom.

**2. MATERIALS AND METHODS**

Guidotti et. al (2019) discussed regarding the survey of methods for explaining Black Box Models with regard to Digital Economy perspective in their research. Haksar et. al (2021) researched regarding the global approach to data in the digital age. Afreen (2021) demonstrated regarding the instability study in her research. Hao (2019) researched regarding the digital economy perspective in his research. IIF (2017) studied regarding to deploying regtech against financial crime. IMF (2020) researched regarding the regional economic outlook for Sub-Saharan Africa in their study. Mayson (2019), OECD (2021) portrayed the importance of digital economy in their research. Ribeiro (2016) explained the predictions based on digital economy. Shapley (1953), Sy (2019) researched regarding fintech in Sub-Saharan African Countries. Afreen (2020) portrayed regarding the financial sector volatility in her study.

This research studies regarding the adoption of digital economy policy to undertake recovery measures for inflation by obtaining interest rate leading to a standard circular economy. Here, specifically the UK as the sovereign economy perspective is undertaken in research.

**3. RESULTS**

Here, it is been shown the predicted rise of inflation in the United Kingdom for the timeline of 2021M2 to 2022M12. The Figure shows the actual and predicted timeline based on moderate, downtrend, up-trend and highest trend respectively. The trendline is also been shown here in the Figure 1.

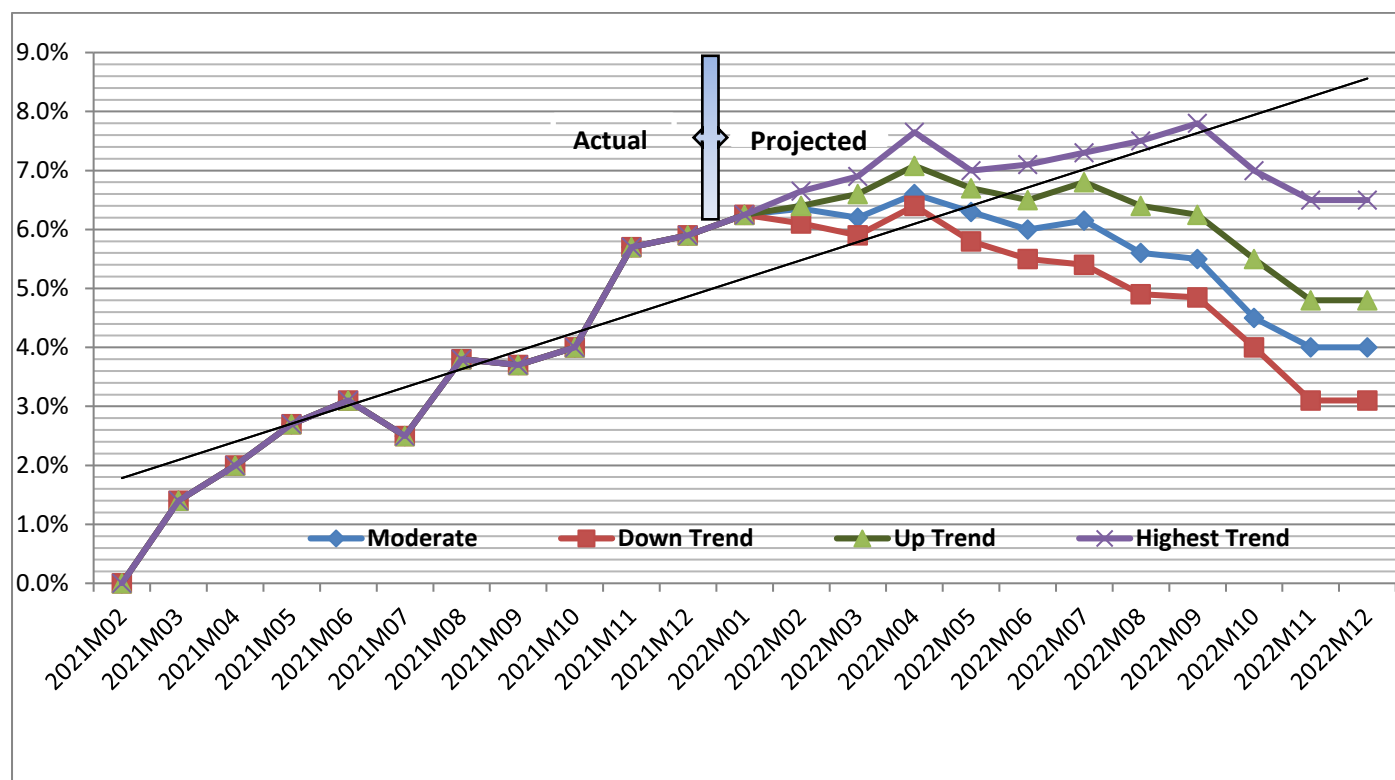
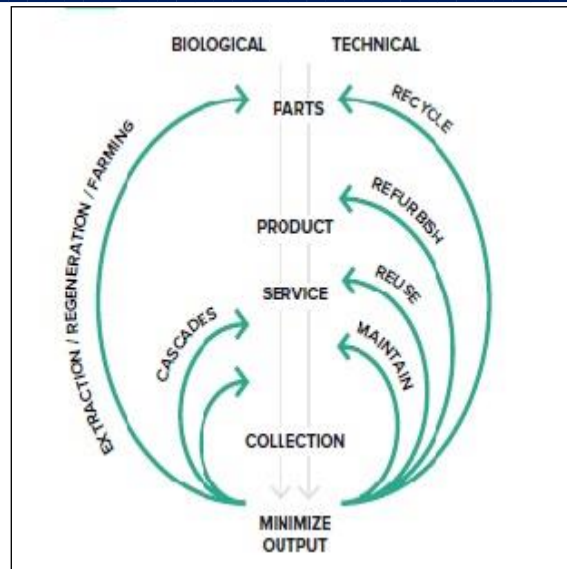


Figure 1: Predicted Rise of Inflation in the United Kingdom

**4. DISCUSSION**

By controlling the inflation through the adoption of interest rate option as the measure, it could be focused to the circular economy model for attaining the growth of the sovereign economy and recover the financial instability by means of digital economy or fintech implication as another alternate measure within the gaps where there prevails deficiency as the consequences of the detected shortcomings.

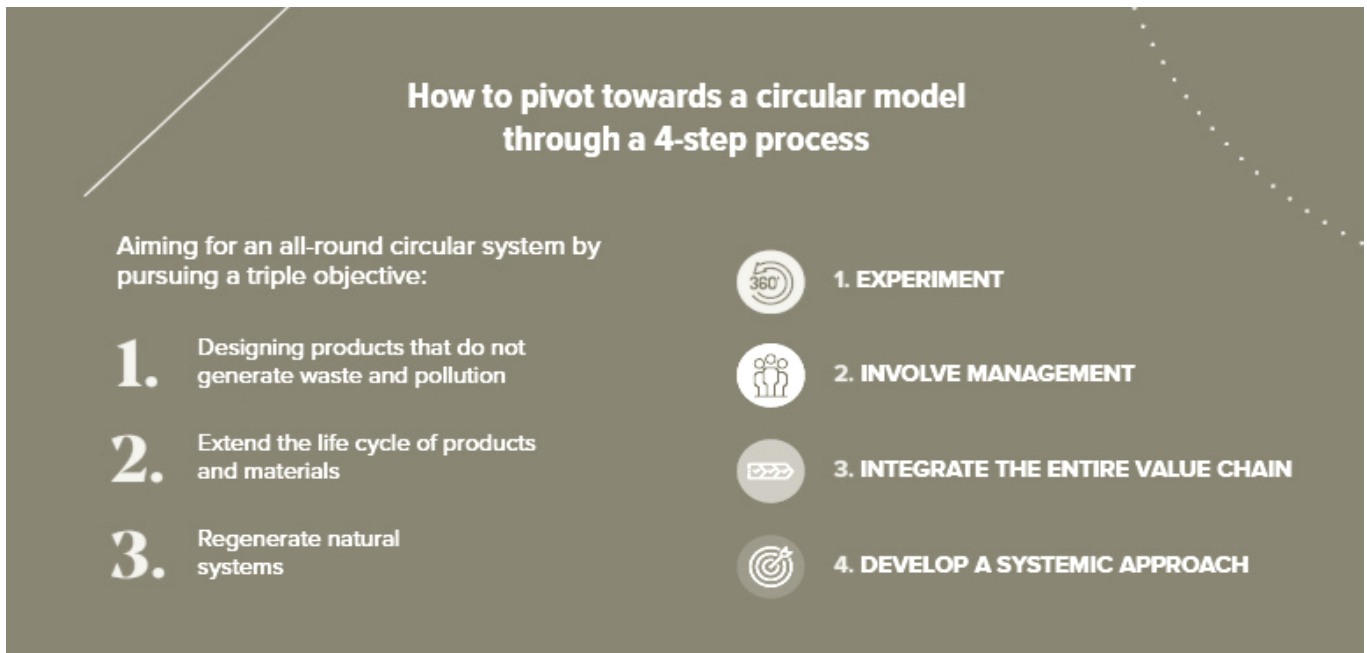


**Figure 2:** Butterfly Diagram of the Circular Economy

The circular economy makes the engagement of regulatory organization in circularity with regard to both upstream as well as downstream activities. Companies often possess an incomplete vision with regard to the circular economy as well as concentrate their actions based on the core operations with regard to plant and more particularly based on the management of their significant waste (recycling, prevention, recovery...) The Butterfly diagram particularly represents the feedback loop system by means of valorizing as well as appreciating flows of the energy, material as well as "main d'oeuvre". In case there prevails no feedback, there is no single circularity. On the left side portrays the biological cycle as well as on the right side prevails the technical cycle. Both cycles function within a restorative system, which means that products as well as materials retain the highest utility with regard to all times.



**Figure 3:** Inter-relation of Jumpstarting, Diffusing and Sustaining in the Circular Economy



**Figure 4:** Four-Steps Pivot Process towards the Circular Model

The deployment with regard to digital economy policy as well as fintech systems in the specific financial sector will continue getting accelerated. This trend is specifically driven by rapid increases in the computational powers, data storage capacity, as well as big data, and by significant progress in modeling as well as use-case adaptations. The COVID-19 pandemic still accelerating way to shift toward the more contactless specific environment as well as increasingly digitally functioned financial services, which will in the long run strengthen the appeal with regard to circular economy specific systems to the providers of remarkable financial services.

Use of digital economy or the fintech will particularly bring important settlement but will also raise the significant financial policy kind of challenges. Fintech or digital economy systems specifically offer financial institutions the prospective potential for the significant cost savings as well as efficiency gains, new markets, also leading to better risk management; bring customers experiencing new experiences, products, as well as lower costs; and offer the powerful tools with regard to regulatory compliance particularly prudential oversight. However, these systems furthermore bring about the ethical questions and new unique risks towards the financial system’s kind of integrity and safety, of which the complete extent is yet to be assessed. The task facing through financial sector policymakers is further much complicated by the genuine fact that these innovations are at a standstill evolving and morphing at the same time as new technologies come into play. These developments particularly call for improvements in the oversight monitoring frameworks as well as active engagement with the stakeholders to identify possible specific risks and remedial regulatory kind of action leading to a significant prudential circular economy.



**Figure 5:** Probable Suggestion for Stakeholders to support its clients in their circular transition, from carrying out diagnostics to transformation actions

In step with the Bali Fintech Agenda's call on the national authorities to cuddle the fintech revolution, regulators should also broadly welcome the advancements in regard of digital technology in finance as well as undertake the preparations in order to capture its potential benefits as well as mitigate its risks. This includes the timely strengthening with regard to institutional capacity, recruiting relevant kind of expertise, building up knowledge, improving the external communication with stakeholders, as well as expanding consumer education. Deployment of the fintech/digital economic policy systems in the specific financial sector has demonstrated to be most effective when there are the national circular economy remarkable strategies in place that involve the all relevant public as well as private bodies. Afreen (2022) studied regarding the fintech and bitcoins volatility dilemma in her research.

### 5. CONCLUSION

Cooperation and knowledge dissemination at the regional as well as international level is becoming increasingly much important. This would allow significantly for the coordination of the actions to support the secure deployment of fintech or digital economy specific systems and the sharing of the experiences and knowledge. Cooperation will be particularly much important to ensure that the less-developed economies have access towards knowledge related to the techniques and methods, use significant cases, and regulatory as well as supervisory approaches.

Finally, the evolving kind of nature of the digital technology as well as its applications in finance signify that neither the specific users, the technology providers as well as developers, nor the regulatory body understand, currently, the overall extent of the strengths as well as weaknesses of the significant technology. Hence, there may be many particular unexpected pitfalls that are still to materialize, and sovereign countries will need to get strengthen their specific monitoring and the prudential oversight.

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### Author's Biography:

Dr Maria Afreen holds expertise in data analysis in the areas of Financial Volatility Forecasting & Macro-economic Modeling, Credit Risk Management, Constructing Risk Indicator & Filtering tools. She has a remarkable number of high impact factor indexed peer-reviewed journal publication records at the international level.