

International Monetary System



Objectives of IMF

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According to the Second Amendment to the Articles of Agreement of International Monetary Fund, main objects of the IMF are stated below:

- 1. International Monetary Co-operation:** The foremost objective of the Fund was to establish monetary co-operation amongst the various member countries. IMF provides the machinery for consultation and collaboration on international monetary problems

2. To Promote Exchange Stability

- ❖ Before the Second World War, great instability was prevailing in the foreign exchange rates of different countries which had adversely affected the international trade
- ❖ Thus, IMF has the objective to promote exchange stability and to avoid the bad effects of depreciation on exchange rates

3. To Eliminate Exchange Control

- ❖ Another significant objective of IMF is to eliminate the control over foreign exchange
- ❖ During war period, almost every country has fixed the exchange rate at a particular level
- ❖ This has adversely affected the international trade
- ❖ Hence, it becomes inevitable to remove the control over exchange rate by boosting international trade

4. Establishment of Multilateral Trade and Payment

- ❖ IMF aimed at establishing multilateral trade and payment system in place of old bilateral trade
- ❖ By the elimination of exchange restrictions which hampers the growth of smooth trade relations in the world trade

5. Growth of International Trade

- ❖ IMF is useful to promote international trade by removing all obstacles and bottlenecks which had created unnecessarily restrictions
- ❖ In this way, a significant role has been assigned to it so as to accelerate the growth of international trade by maintaining equilibrium in the balance of payment

6. Balanced Economic Growth

- ❖ IMF helps the member countries to achieve the balanced economic growth
- ❖ It facilitates the expansion of balanced growth by the promotion and maintenance of high level of employment as the primary objective of economic policy

7. To remove the Disequilibrium in the Balance of Payment

- ❖ IMF helps the member nations to eliminate the disequilibrium in the balance of payment by selling or lending foreign currencies to the member countries
- ❖ With its financial assistance and guidance, International Monetary Fund helps to lessen the degree of disequilibrium in the balance of payment of its member nations

8. Generating of Higher Employment and Income

- ❖ IMF helps to expand the trade with the significant measures of multilateral trade and balanced economic growth
- ❖ This in turn generate employment and income

9. Help during Emergency

- ❖ The fund will provide short-term monetary help to its member countries during any type of emergency

10. To Develop Confidence

- ❖ Another objective was assigned to the IMF to create confidence among member countries by coming up to their rescue at the time of any crisis by providing temporary monetary help
- ❖ This will provide them an opportunity to correct disequilibrium in the balance of payments

Thank You