

ISSUES TO ENHANCE FINANCIAL LITERACY ON EXTRABUDGETARY TARGETED FUNDS

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Abstract: This scientific article reveals the economic content of financial literacy of the population on extrabudgetary targeted funds in reliance upon the role and significance in ensuring current socio-economic development of the country.

Key words: Extrabudgetary targeted funds, financial literacy, economic policy, economic education, financial services.

Introduction. Sustainable and balanced development of the economy, increase in living standards and welfare of the population mainly depends on the conscious and reasonable attitude of citizens to economic events and processes, as well as development of economic thinking and skills because the higher the economic activity and financial literacy of citizens, the higher the efficiency of their economic activity and the decisions they make in various spheres of life. In particular, financial literacy creates favorable conditions for the development of the business environment in the country, as well as expansion of entrepreneurial activity.

In this regard we should mention, that the President of the Republic of Uzbekistan Sh. Mirziyoyev in his Message to the Oliy Majlis has emphasized that “Indeed, we can achieve development and prosperity only through active entrepreneurship, hard work and aspiration” (Mirziyoyev, 2018), thus emphasizing the need to efficiently use all available capabilities.

As a result of socio-economic reforms implemented in our country in recent years, the processes of formation of market relations are becoming more rapid, the share of market mechanisms in the regulation of economic events and processes is growing significantly. Significant aspects, such as the use of economic resources, creation of new job places, raising production efficiency are being approached through more material incentives, privileges and introduction of economic benefits. All this constitutes the basis for the restructuring of our economy on the basis of democratic market principles.

However, it should be noted that the entire implementation of efficient and democratic market principles in the economy depends on the level of economic knowledge and skills of citizens, as well as their economic culture. Adequate formation and efficient functioning of economic culture requires a high level of financial literacy of each individual. Accordingly, the issue of enhancing financial literacy of the population in the majority countries of the world is becoming crucially important. In addition, in our country it is essential to ensure and raise financial literacy of the population, and determination of systemic measures in this regard requires consideration of the economic content of these issues and their role in ensuring economic development.

Literature review. The issues of financial literacy and its provision have been comprehensively studied by foreign scholars and experts. First of all, if we look at the definition of this concept, in social dictionaries and interpretations it is approached as follows:

“Financial literacy represents a combination of awareness, knowledge, skills, attitudes and behavior related to finance and necessary for making sound financial decisions, as well as achieving personal financial well-being; a set of human competencies that form the basis for sound financial decision making. Developing financial literacy is believed to provide an opportunity to maintain and improve financial well-being” (Dictionary).

According to the opinion of A. Sudakova, “Currently, the concept of financial literacy is inextricably linked with financial information, competence, awareness and other terms. The main difference between financial literacy and the above-mentioned concepts is reflected in the wideness of application and depth of description of the key elements to which it relates. ... The concept of financial literacy can be interpreted as a set of competencies that enable a person to make financially sound decisions to enhance their well-being. Meanwhile, it predominantly minimizes financial and time losses” (Sudakova, 2017). These concepts have been revealed by O. Kuzina in a relatively detailed and sufficiently clear way (Kuzina, 2015). Moreover, S. Huston identified some preliminary definitions based on 71 analyses collected in 52 databases on financial literacy (Huston, 2010).

The Organization for Economic Co-operation and Development (OECD) documents a formal definition of financial literacy as follows: “Financial literacy is a set of elements such as awareness, knowledge, skills, values (life directions) and behavior that enable to make reasonable and grounded financial decisions to achieve personal financial well-being” (Measuring Financial Literacy, 2019).

From the point of view of Ye. Gartsueva, financial literacy “is the ability of a person to consciously participate in social reproduction as an investor, which should generate income in a rational and responsible approach to the choice of financial support, or at least ensure the financial stability of the learner” (Gartsueva, 2017).

From the point of view of representatives of the extrabudgetary targeted funds, financial literacy is the skill of managing and raising your own funds. It also means knowing the specifics of the financial market, being aware of the products and services offered by market participants, and taking responsibility for decisions made on that basis (Ulugmurodov).

In terms of a systematic approach to extrabudgetary targeted funds, various definitions of financial literacy, and its key aspects have been outlined in various literary sources, and thus we consider it appropriate to conduct analysis and research that further explores the economic meaning of this concept and its significance in the economy.

Analysis and results. A number of theoretical guidelines can be put forward in reliance upon the analyses conducted during the study and the results obtained.

As its name implies, first of all, this concept means having knowledge and skills in the field of finance, an accurate and appropriate understanding of the processes and events associated with it. However, in our view, staying at this level of initial imagination does entirely reveal the full content of financial literacy. Accordingly, it is recommended to consider the main aspects related to this concept on the basis of a specific system.

First of all, it should be noted that the concept of financial literacy is very comprehensive by its essence. It involves simple economic events and processes in the daily life of the population (e.g., purchases of food and household goods), payments for the use of various resources (electricity, natural gas, drinking water) and public utilities, employment in the private or public sector, receiving salary, pension, or other allowances, etc., as well as participation in relatively complex processes (for example, doing business,

using loans from commercial banks, buying securities, etc.) which are considered to be rather complicated.

Moreover, high level of financial literacy of the population in the country makes an impact on the rapid development of the financial services sector. Through the popularization of financial services, it will be possible to strengthen the knowledge of the population in this area and raise the demand for such services by small businesses. In addition, one of the reasons for the high unemployment rate in the country currently is that “the majority of the population does not have enough knowledge and skills in the field of entrepreneurship, including the use of loans and simple financial reporting” (<https://kun.uz>).

However, even in countries with a modern system of economic education, a significant proportion of citizens may be weakly focused on personal finance (Shibaev and Shadrina, 2015).

First of all, it should be noted that the main, central link of financial literacy is the person because the main purpose of this process is to improve his welfare and quality of life. However, in order to do so, the person must have adequate knowledge and skills to use the economic resources at his disposal, the events and happenings that may occur, the conditions that may arise, on the beneficial and effective basis for himself and society. In addition, it is crucially important that the system of values in society is compatible with these goals. Most significantly, each individual must be able to make short-term decisions using the tools and incentives mentioned, as well as to properly organize long-term financial planning process.

In this regard, particular attention should be paid to the social significance of financial literacy of the population because the knowledge and skills of an individual in finance ultimately determine the success and stability of the economic life of society as a whole. “Financial illiteracy of the population has a negative impact not only on personal well-being, but on the entire financial sector. For example, due to the fact that citizens do not have a precise idea of their income and expenses or plan incorrectly, accounts payable occur, illiteracy leads to an increase in the number of financial pyramids and fiscal fraud. In global terms this could lead to a financial crisis in the national economy” (Sudakova, 2017).

According to the opinion of R. Voskanyan, the issue of enhancing financial literacy of the population can not be solved without identifying the main factors that affect its level. Accordingly, the scholar highlights the following factors:

- 1) level of economic education in the country;
- 2) availability and level of development of financial infrastructure;
- 3) level of public confidence in the economy;
- 4) access to financial services (Voskanyan, 2018).

In our opinion, the concept of financial literacy of the population has a very generalized content, which can not be fully expressed in the above classification of factors impacting the level of financial literacy. A more comprehensive understanding of its content, in turn, requires the differentiation of various levels of this concept (for example, an individual, a certain region, a country) (Figure 1).

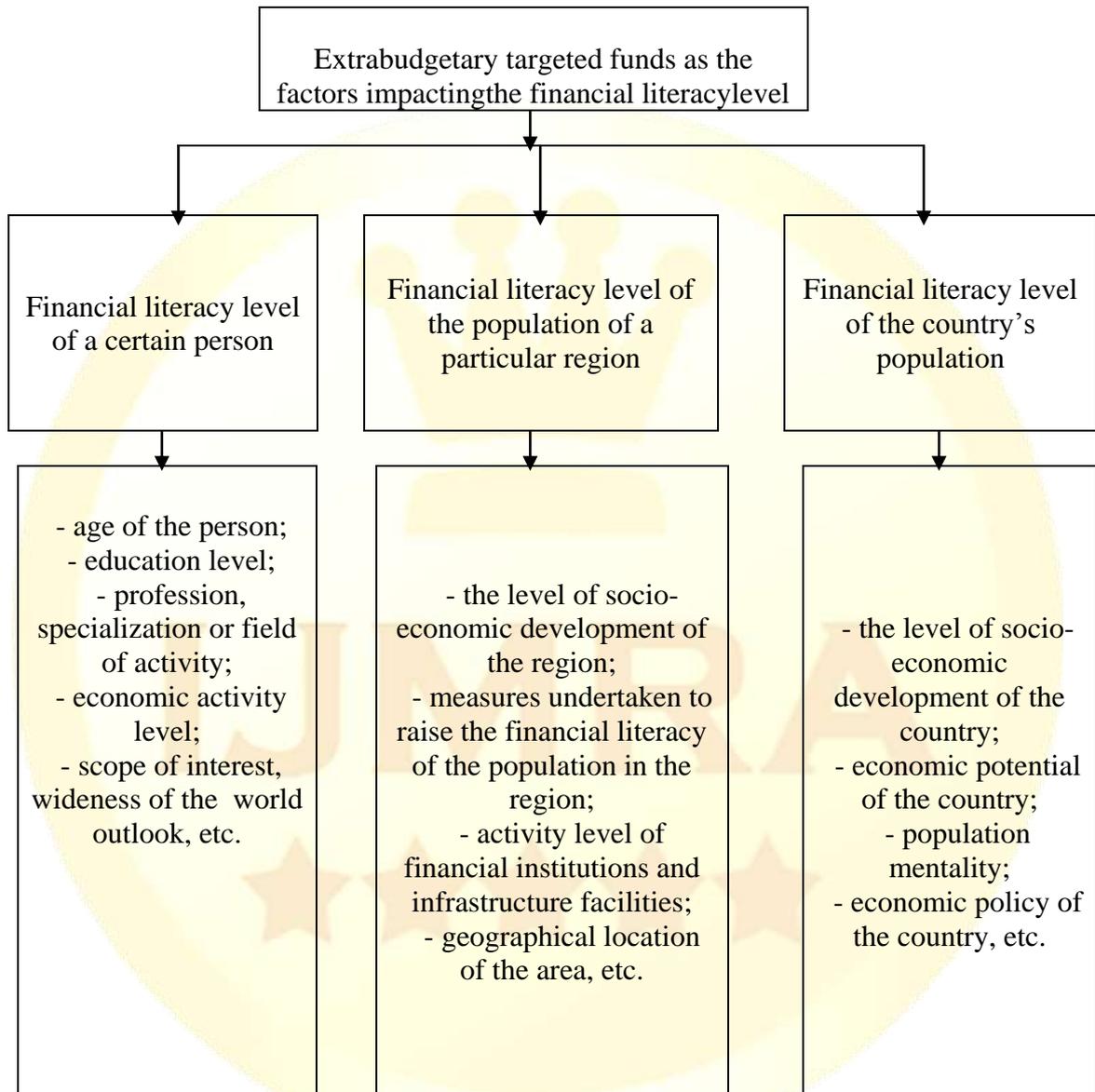


Figure 1. Differentiation of extrabudgetary targeted funds by various levels of factors impacting the financial literacy level

As can be seen from Figure 1, financial literacy of an individual (or citizen) must first be distinguished.

Financial literacy level of an individual is under impact of the following key factors:

1) age of the person. Definitely, a person's age, or rather, the experience he or she has gained during his or her life, makes a direct impact on the knowledge and skills in the field of financial literacy. It is clear that there is a significant difference in the economic behavior of a middle-aged person and a minor. However, this factor may not always affect

in the same direction. This is because as a person gets older, his or her ability to absorb and perceive news about financial literacy may decrease;

2) education level. This can have the same effect as an individual's age, i.e. a gradual increase in primary, secondary, secondary special, higher education can have a direct impact on the increase in financial literacy;

3) profession, specialization or field of activity. This factor differs in its importance because financial literacy of individuals directly involved in the economy, including financial sector (e.g., financier, banker, economist, accountant, etc.) will be at the highest level. Individuals who are relatively far from the economy in terms of occupation or business sphere are more likely to have lower levels of financial literacy;

4) economic activity level. At the average level of the above factors, an individual's economic activity may play a determining role. If it has behaviors such as entrepreneurship, striving for innovation in economics and finance, i.e. being economically active, the level of financial literacy will also be high and vice versa;

5) scope of interest, wideness of world outlook, etc. In addition, the interests of ordinary citizens, their efforts to develop their world outlook play a significant role in raising the level of financial literacy as well. Timely observation, analysis of daily economic events and developments and the formation of personal attitudes in this regard raise the role of the citizen in society.

The level of financial literacy of the population of a particular territory (region, city, district) is influenced by the specifics of the region and the following factors that are developed as a result of economic policy:

1) the level of socio-economic development of the region. Socio-economic development of some cities, districts or regions offers a wide range of opportunities for its population to enhance financial literacy in comparison with population of relatively underdeveloped areas;

2) measures undertaken to raise financial literacy of the population in the region. Currently, implementation of systemic measures to enhance financial literacy of the population at the level of some cities, districts or regions will have a significant impact on this process;

3) level of activity of financial institutions and infrastructure facilities. High level of activity of financial institutions in the region (commercial banks, insurance companies, investment funds, pension funds, etc.) and financial literacy infrastructure facilities (consulting on economic, financial, legal issues, business incubators, training centers, etc.) can make a positive impact on the level of financial literacy of the population of the region as well;

4) geographical location of the area. It is obvious that the closer the region is to the economic and administrative center of the country, the more financially literate its population will be. Naturally, these indicators of the population of rural and remote villages, mountainous areas will not be so high;

The following factors affect the level of financial literacy of the population of the country on extrabudgetary targeted funds:

1) the level of socio-economic development of the country. Socio-economic development is a product of the population's levels of education, health and employment. Accordingly, the better these components perform, the more positive the level of financial literacy of the country's population will be;

2) economic potential of the country. Economic potential represents the economic resources and opportunities that exist in the country but have not yet been fully exploited.

However, despite the fact that they have not yet been launched, these economic resources and opportunities are of particular interest to the population of the country. In this regard, the desire to use this potential can have a significant impact on the level of financial literacy of the population;

3) population mentality. The mentality of the population, that is, the complex of mental, emotional, cultural characteristics and values, also plays an important role in the formation of the financial literacy level. Some nations are by their nature inclined to education and culture, to innovation, and in their behavior the constant increase of financial knowledge and skills plays a key role. At the same time, there are cases when the mentality of the population contradicts these issues;

4) economic policy of the country. While the national economic policy is focused on creativity, progress and development, the main condition for achieving these goals is the level of financial literacy of the population.

Financial literacy on extrabudgetary targeted funds will depend on the level of economic development of the country. However, this does not imply that this problem is completely solved in developed countries.

Currently Uzbekistan particularly focuses on raising financial literacy of the population on extrabudgetary targeted funds. In this regard, in reliance upon the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated July 11, 2014, Uzbekistan has made decided to join Financial Literacy Project in Central Asia and Azerbaijan (ACAFI) in partnership with the Finance and Markets Department of the World Bank Group in cooperation with the Chamber of Commerce and Industry of Uzbekistan. Moreover, since 2018, the Central Bank of the Republic of Uzbekistan, the International Finance Corporation, the Chamber of Commerce and Industry and the Center for Professional Development “Norma” have launched a program “Enhancing financial literacy of entrepreneurs and the population”. Furthermore, on August 17, 2018, the Executive Board of the Central Bank of Uzbekistan decided to join the Alliance for Financial Inclusion. The alliance was established in 2008 to assist member countries in developing and implementing fiscal policy, establishing and training working groups on topical issues of banking services, creating a platform for exchange of experience, protecting consumer rights and assisting in small businesses financing.

Conclusion and proposals. Financial literacy of the population on extrabudgetary targeted funds, that is ensuring sustainable socio-economic development of the country, high growth rates, active entrepreneurship and introduction of “Financial literacy on extrabudgetary targeted funds” in higher and secondary specialized education are considered to be a crucially essential condition for achieving full employment of the population.

Financial literacy of the population on extrabudgetary targeted funds is a qualitative indicator that ensures that everyone in society has adequate economic knowledge, skills and abilities, values and the right approach to economic decision-making, which enables to ensure their own well-being.

The higher the level of financial literacy of the population of extrabudgetary targeted funds, the higher the level of stability and prosperity in the region in which he lives, as well as in the national economy as a whole.

The factors which make an impact on the level of financial literacy of the population on extrabudgetary targeted funds are diverse, and the development of appropriate measures by paying particular attention to each of them will ensure the efficiency of this indicator.

The development level of the national economy makes a positive impact on the financial literacy level of the population. However, this does not mean that there are no problems in this area in developed countries. Accordingly, it is important that each country, regardless of its development level, to elaborate regular and systematic measures to enhance the financial literacy level of the population in reliance upon the characteristics of their economy and the mentality of the population.

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