

THE IMPACT OF FINANCIAL LITERACY GROWTH ON ENTREPRENEURSHIP ACTIVITY AND INCOME LEVEL GROWTH

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ABSTRACT

In our country, special attention is paid to solving problems related to increasing financial literacy and creating a favorable environment for the development of this system. Therefore, this article analyzes the issues of increasing financial literacy of the population and draws conclusions.

KEYWORDS: *Financial Literacy, Citizens, Business Environment, The Global Coronavirus Pandemic, Dynamics Of Gross Income Of The Population.*

INTRODUCTION

World experience shows that the sustainable and balanced development of the economy, the growth of quality of life depends in many respects on the financial literacy of citizens. In particular, financial literacy facilitates the development of the business environment in the country, the expansion of entrepreneurial activity.

The world's leading research centers and experts conduct a lot of research on the content and level of financial literacy. In Uzbekistan, special attention is paid to improving the financial literacy of the population. In particular, in accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated July 11, 2014, the project "Improving financial literacy in Uzbekistan" in partnership with the World Bank Group Finance and Markets Project (ACAFI) From 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 "Improving the financial literacy of entrepreneurs and the population." On August 17, 2018, the Board of the Central Bank of Uzbekistan decided to become a member of the Alliance for Financial Inclusion. Improving the level of financial literacy of the population in ensuring socio-economic development in Uzbekistan has many theoretical aspects in this regard, including: The impact of the level of financial literacy on socio-economic development, the methodological basis for its assessment, the factors

influencing the level of financial literacy, the mechanisms of their incentives and regulation require the study of the scientific basis of current issues.

LITERATURE ANALYSIS

The economic content of financial literacy of the population and issues of its increase were discussed by foreign economists and specialists Abysheva A.V. [1], Babina N.V. [2], Belexova G.V. [3], Voskanyan R.O. [4], Gartsueva E.V. [5].

The state of financial literacy in Uzbekistan, its peculiarities and issues of its development studied by national scientists and experts such as Vakhobov AV [6], G'afurov U.V., Dusmuhamedov O.S., Dusmukhamedova Sh.A.

ANALYSIS AND RESULTS

The growth of financial literacy of the population means the expansion and improvement of their knowledge, skills and abilities to plan their own finances, manage income and expenses, use various financial instruments, which in turn affects the business and income of the country (1 - table).

According to the table, the total nominal income of the population in the analyzed period increased from 117.9 trillion soums in 2014 to 401.5 trillion soums in 2020, or 3.4 times. The nominal growth rate of the total income of the population did not go smoothly, which was due to many factors, including favorable conditions for income, changes in the general level of prices. In particular, the relatively low rate in 2020 is partly due to the impact of the economic downturn caused by the global coronavirus pandemic. This situation is clearly reflected in the dynamics of real incomes of the population. During the analysis period, this figure increased 3.2 times. The real growth rate of the total income of the population was around 6-10% on average by 2019, but it decreased to 2.6% by 2020.

The analysis of total income per capita reflects another important factor - changes in the scope of natural population growth. During the analysis period, the total per capita income increased 3.1 times, while the real total income increased 2.9 times.

TABLE – 1 DYNAMICS OF GROSS INCOME OF THE POPULATION IN UZBEKISTAN

Indicator	2014	2015	2016	2017	2018	2019	2020
Nominal gross income of the population, trillion. sum	117,9	132,0	151,7	183,0	286,3	344,7	401,5
Nominal growth rate of total income of the population, percent	116,0	112,0	114,9	120,6	156,4	120,4	115,9
Real total income of the population, trillion. sum	110,8	125,1	143,7	167,1	243,6	301,0	355,5
Real growth rate of total income of the population, percent	109,0	106,1	108,8	110,2	110,3	106,5	102,6
Nominal gross per capita income, mln. sum	3,8	4,2	4,8	5,6	8,7	10,3	11,7
Nominal growth rate of gross per capita	114,0	110,1	112,9	118,6	155,3	118,4	113,7

income, percent							
Real gross per capita income, mln. sum	3,6	4,0	4,5	5,2	7,4	9,0	10,4
Real growth rate of gross income per capita, percent	107,1	104,3	106,9	108,4	108,4	104,5	100,7

Source: Compiled by the author on the basis of data from the State Statistics Committee of the Republic of Uzbekistan.

The real growth rate of gross per capita income was average around 4-8 percent by 2019, but it dropped to 0.7 percent in 2020. This suggests that the above-mentioned global pandemic had a significant negative impact on the income level of the population.

In general, although the level of financial literacy of the population to some extent affects all types of income listed above, it is also possible to distinguish between them that have a more significant impact.

The structure of gross income of the population in Uzbekistan and the growth rate compared to the same period last year can be seen in the following table (Table 2).

The table shows that during the analysis period, the share of primary income in total income decreased, while the share of income from transfers increased.

TABLE – 2 THE STRUCTURE OF THE TOTAL INCOME OF THE POPULATION IN THE REPUBLIC OF UZBEKISTAN AND THE GROWTH RATE COMPARED TO THE SAME PERIOD LAST YEAR

Indicator	Percentage of total over the years			In percent, compared to the previous year	
	2018 y	2019 y	2020 y	2019 y	2020 y
Gross income - total (I + II)	100,0	100,0	100,0	121,9	115,9
I. Primary income	76,1	74,9	74,5	119,7	115,3
I.1. Revenues from production	73,0	72,0	71,5	118,9	115,0
I.1.1. Income from employment	71,0	69,8	69,3	118,7	115,1
I.1.1.1. Income of hired workers	26,4	28,7	28,8	125,1	116,3
I.1.1.2. Income from self-employment	44,6	41,1	40,5	114,9	114,2
I.1.2. Income from self-produced services for personal consumption	2,0	2,2	2,2	124,6	112,1
I.2. Income from property	3,1	2,9	3,0	137,6	123,6
II. Income from transfers	23,9	25,1	25,5	129,1	117,6

Source: Socio-economic situation in the Republic of Uzbekistan. January-December 2020. State Statistics Committee of the Republic of Uzbekistan. - Tashkent, 2021. - 393-p.

There is also some instability in the share of income from self-employment and property income, which has a significant impact on financial literacy.

In our opinion, in order to assess the impact of financial literacy on the income of the population, it is expedient to observe the change in the income of the population over a period of time, which is inextricably linked with this situation. To do this, it is important to first determine the share of income of the population in total income, where the impact of financial literacy is significant, which can be done by the following equation:

$$\Delta Y_{MC} = \frac{\Delta_{MB} + \Delta_M + \Delta_T}{YD} \times 100\% = \frac{\sum_{i=1}^n \Delta_i}{YD} \times 100\%,$$

Where:

ΔY_{MC} – the share of income of the population in total income, where the impact of financial literacy is significant, in percent;

Δ_{MB} – the amount of income from self-employment;

Δ_M – the amount of income from property;

Δ_T – the amount of income from transfers;

YD – the amount of total income;

i – types of income where the impact of financial literacy is significant.

After that, the change in the share of income in the total income of the population over a certain period, which has a significant impact on financial literacy, is determined by the following quotation:

$$\Delta Y_{MC}^{\check{}} = \Delta Y_{MC\check{}} - \Delta Y_{MC\delta}$$

Where:

$\Delta Y_{MC}^{\check{}}$ - changes in the share of income in the total income of the population over a certain period of time, in percentage terms;

$\Delta Y_{MC\check{}}$ – the share of income of the population in total income, in which the impact of financial literacy is significant for the current period, in percent;

$\Delta Y_{MC\delta}$ – the share of the population's income in total income, in which the effect of financial literacy for the base period is significant, in percent.

It should be noted that one of the sources of income of the population, where the impact of financial literacy is significant, is the income from self-employment. This is due to the fact that in recent years there has been a growing interest in this type of activity, which is based on personal labor and is organized independently.

In particular, the Resolution of the President of the Republic of Uzbekistan dated June 8, 2021 "On measures to simplify the state regulation of entrepreneurial activity and self-employment" was adopted. According to it, from July 1, 2020, the number of activities that can be engaged by self-employed people has expanded to 67. Resolution of the Cabinet of Ministers No. 566 of July 9, 2019 defined 24 types of activities (services, works) of self-employed citizens.

The document instructs the State Tax Committee to develop and implement a special mobile application for remote registration of self-employed people by July 1, 2020.

The impact of property income on the change in the total income of the population is very small. According to the State Statistics Committee, in 2020, income from property provided an increase in total income of the population by 0.7%.

The data show that during the analyzed period, the share of income from small business in the total income of the population has been steadily declining in all regions except Kashkadarya and Tashkent regions. This is explained, on the one hand, by the relative increase in non-entrepreneurial income in the structure of total income in recent years, and, on the other hand, the negative impact of the coronavirus pandemic on income from small business. Accordingly, in our opinion, it is expedient to increase the financial literacy of the population, increase measures to

increase business income and strengthen measures to protect against various risks.

Based On The Research And Studies Conducted, We Draw The Following Conclusions:

1. Financial literacy, which is an important condition for a conscious attitude of citizens to economic events and processes, plays an important role in the sustainable and balanced development of the economy, improving the living standards and welfare of the population. Financial literacy not only ensures the correctness and effectiveness of decisions made by citizens in various spheres of life, including economic activity, but also facilitates the development of the business environment in the country, the expansion of entrepreneurial activity.
2. The main goal of financial literacy is to improve human well-being and quality of life, so that it has sufficient knowledge and skills to use the economic resources at its disposal, possible events and circumstances in a beneficial and effective way for itself and society. The system of values in society must also be compatible with these goals. Most importantly, each individual must be able to make short-term decisions using the tools and support listed and to properly organize the long-term financial planning process.
3. The main idea of the author's approach to the system of assessment of factors influencing the financial literacy of the population and the solution of problems of their development is a pragmatic description of the approach, the assessment of factors ends with the development of appropriate measures.
4. The implementation of systemic measures aimed at increasing the economic knowledge and thinking of the population in Uzbekistan has a positive impact on further increasing the level of financial literacy. This, in turn, has an impact on business activity and income levels in the country. The analysis of the level of financial literacy of the main types of income of the population, presented in official statistics, revealed that the income from self-employment and income from property are highly dependent on the level of financial literacy of the population.
5. The impact of financial literacy on the income of the population can be analyzed in terms of income from self-employment, income from property and social transfers. The data show that the 1% increase in income from self-employment in the regions of the country has a gradual decrease in the value of the impact on the growth of total income of the population; that the share of interest, royalties and dividends, which directly affect the level of financial literacy of the population, is growing; shows that the share of pensions and stipends in social transfers decreases and the share of benefits increases.
6. Effective organization of raising the level of financial literacy of the population in the country should be carried out in accordance with the content of close and related measures to increase the level of financial literacy of the population; prevent the recurrence of measures to increase the level of financial literacy of the population in terms of form and content; In the implementation of a significant part of the measures identified in this regard, it is advisable to follow such principles as the existing measures and the use of the organizational framework.
7. In the world experience, the assessment of the level of financial literacy of the population based on the responses of a group of respondents often leads to vague assumptions without fully reflecting the view. Accordingly, it is advisable to include an electronic survey in the list of measures to determine the level of knowledge and skills of citizens in financial literacy through the system of "mahallabay". This will ensure the development of specific measures to increase financial literacy, based on the current situation and characteristics of each particular neighborhood, rather than general measures for the country or its regions.
8. Improving the mechanisms of regulation of private funds and investments of the population, the development of the ability to create and increase personal savings in the population associated

with increasing financial literacy, the formation of automatic supports for this process; formation of the ability to properly and efficiently spend personal funds; It is proposed to promote such areas of the fund as the simplification of the investment process, the creation of the necessary conditions.

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