

Analysis of the Financial Thinking of the Population (On the Example of the Republic of Uzbekistan)

Khasankhonova Nodira Isametdinovna

Abstract--- *This article discusses the theory and practice of financial behavior using the example of the population of Uzbekistan. Financial thinking is the behavior, action, evaluation and ability to make decisions on investing funds. Therefore, a thorough study of financial thinking provides an answer to a number of questions, such as raising credit, investing cash in the population. When considering financial thinking, objective and subjective factors are described, such as confidence in the banking system, inflationary expectations affecting financial thinking and population behavior. The article also analyzes inflation expectations, population sentiment and liquidity in the banking system in the Republic of Uzbekistan. Of particular importance were such questions as in what form it is better to keep savings, intentions to take a loan, which show variability, analysis of the financial thinking of the population.*

Keywords--- *Financial Thinking, Subjective Factors, Objective Factors, Inflation Expectations, Population Sentiment, Liquidity in the Banking System, Indicators, Income.*

I. INTRODUCTION

Money-raising operations, loans and payments on them, operations related to long-term liabilities, etc., as well as economic services, such as planning, investing, forecasting, lending, insurance, and a settlement system, become an important part of human economy and economic behavior. In this case, the individual or consumer must understand, decide, draw conclusions on financial services, take an active part and trust them.

Financial thinking is the assessment, action, behavior and ability to make decisions on investing funds. Thus, financial behavior occupies a special place among various types of economic behavior of the population, since it is that is directly related to the redistribution and investment of funds. The financial situation of the population is one of the indicators of social well-being and economic well-being of the consumer. The manifestation of such behavior in the context of market relations not only ensures economic prosperity, but also allows predicting ways to influence certain changes in the financial situation and structure of the population.

II. LITERATURE REVIEW

In the history of the development of economic thought, J. Keynes, J. Schumpeter, M. Friedman, F. Modigliani, M. Miller, D. Keneman, A. Tversky, G. Becker and other foreign researchers studied various aspects of human financial behavior. For example, D. Keneman and A. Tversky argue that a normal person is not able to correctly assess future benefits in absolute terms, in fact, he evaluates them relative to some generally accepted standard while trying to

*Khasankhonova Nodira Isametdinovna, Senior Lecturer, Department of Economics, Tashkent Financial Institute, Uzbekistan.
E-mail: xasanxonova@tfi.uz*

avoid worsening his position [3, p. 179-187] . And G. Becker in his article [1] (later in his book [2]) described human capital as financing of education and showed the importance of financial thinking in making future plans. In fact, all this is rational behavior recognized by financial thinking.

Among Russian scientists studying financial behavior, the works of A.A.Shabunov, G.V. Belekhov, N.Ya. Gondik are presented. For example, A.A.Shabunova, G.V. Belekhova believe that financial behavior is a special kind of economic behavior associated with the behavior of the population in the market of financial products and services and offers the mobilization, redistribution and investment of available monetary resources in the distribution of the population [4 , p.70]. This type of behavior is associated, first of all, with the disposal of funds outside the current consumption of the individual. Financial thinking in this behavior is assessed as the accumulation of monetary investments in investment funds, etc. And N.Ya. Gondik believes that financial behavior is a special kind of economic behavior associated with the behavior of the population in the market of financial products and services and involving mobilization, redistribution and investment of available monetary resources of the population. Financial behavior includes various types of financial activity of the population, such as: savings, investments, insurance, credit behavior, various pension accumulation programs, etc. [5, p.331]. Yes, in reality, in practice, a person in various ways tries to get rich and tries to accumulate. In practice, financial behavior is different, so in poorly developed countries, everyone tries to accumulate money in expectation of something (for example, a crisis), but in developed countries, the stability of the economy allows a person to invest more money to increase their well-being. In developed countries, people, of course, try to enter the world of finance or business, increasing their financial thinking and successfully mastering its economic, sociological, legal aspects.

III. MAIN PART

In N.N. Zarubin, financial behavior is understood as the manifold external manifestations of the activity on the use of money, focused on achieving various goals, in the context of formal and informal rules and social relations [6, p. 95]. It is associated with diverse attitudes regarding money that have developed in various social contexts generated by myths and prejudices, customs and habits of people. His motives do not always meet the criterion of rationality as a cultural property determined by money; on the contrary, the observed actions of people in relation to money are often irrational, affective in nature. Financial behavior or action due to the comprehension of the economy leads a person to a set of actions. So, in the financial market, the financial thinking of the population is, first of all, deposits and loans of individuals.

In many publications, authors try to focus on investing, business solutions to increase wealth, and not on the study of financial behavior. In the real sector, the financial behavior of the population on the deposit and credit market is reflected through inflationary expectations of the population. Inflationary expectations, in turn, reflect the confidence of economic agents in their actions and also their financial thinking on the consumption of goods. In this case, five types of financial behavior can be distinguished, these are: savings, credit, insurance, investment, and pension. These types of behavior in the population are revealed through the disposal of their savings based on some financial factors. We can distinguish the following factors that affect the financial thinking of people. So:

- objective factors: inflation rate in the state, credit rates;

- subjective factors: confidence in the banking system, the attitude of the population to the economic development of the country, the effect of financial institutions on the market.

In recent years, compared with other developing countries in Uzbekistan, the inflation rate is high, in 2018 it amounted to 14.3% [7]. But this is not reflected in the financial behavior of the population. The population, on the contrary, is moving more actively due to the internal credit and currency policy of the President of Uzbekistan Sh. Mirziyoyev.

The Report on monetary policy of the Central Bank of the Republic of Uzbekistan [8] for 2019 and 2020–2021 presents the following data on inflation expectations for 12 months in percent (Figure 1).

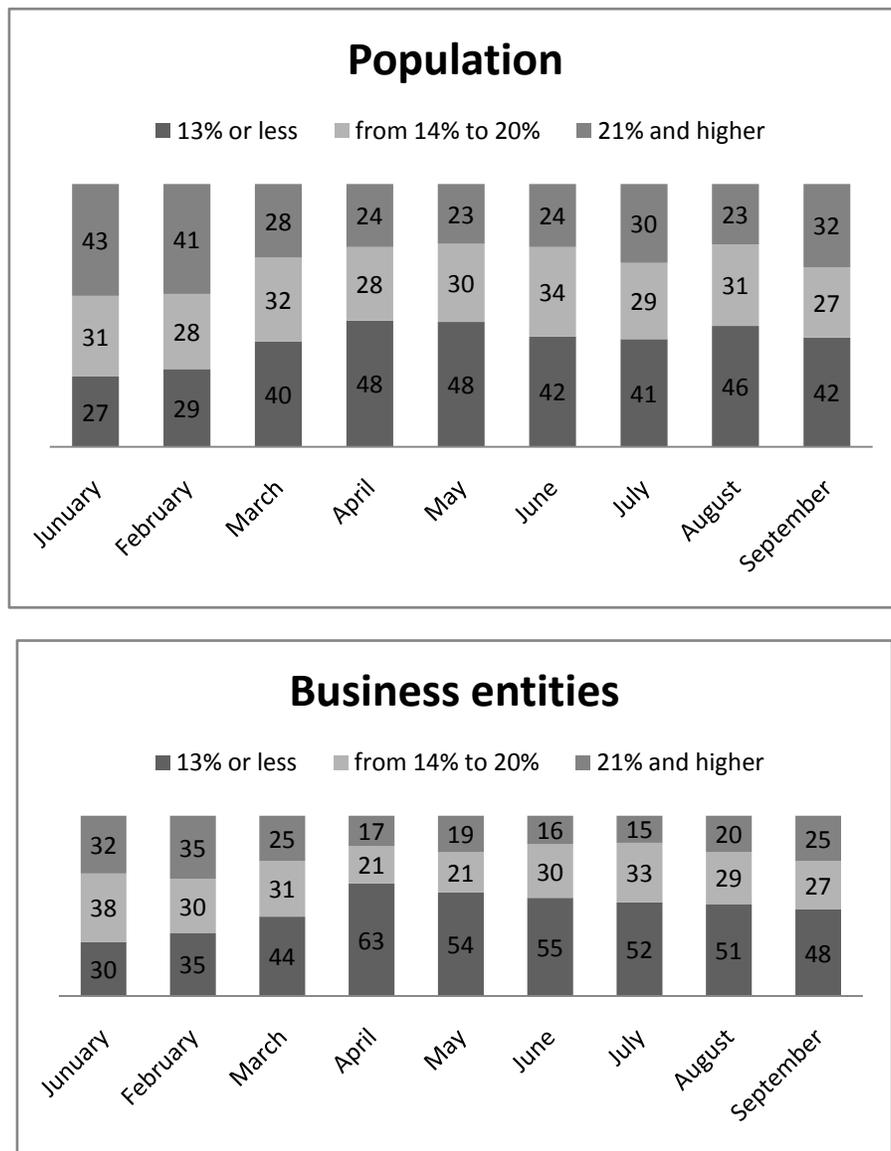


Figure 1: Inflation expectations for the next 12 months of the population and business entities as a percentage¹.

¹Источники: расчеты Центрального банка Узбекистан.

As can be seen from the figure, high inflationary expectations stimulate the population to save, for current consumption or to purchase some highly liquid goods as savings assets, which ultimately increases consumer demand. In addition, in the context of high inflationary expectations, the population seeks to protect savings from inflationary depreciation and converts them into foreign currency, which increases the dollarization of the economy.

A survey by the Central Bank of Uzbekistan shows that currently half of the respondents are ready to spend their savings on entrepreneurship, and the other part is ready to use for consumption (Fig. 2). This indirectly indicates the uncertainty of respondents in the future dynamics of inflation.

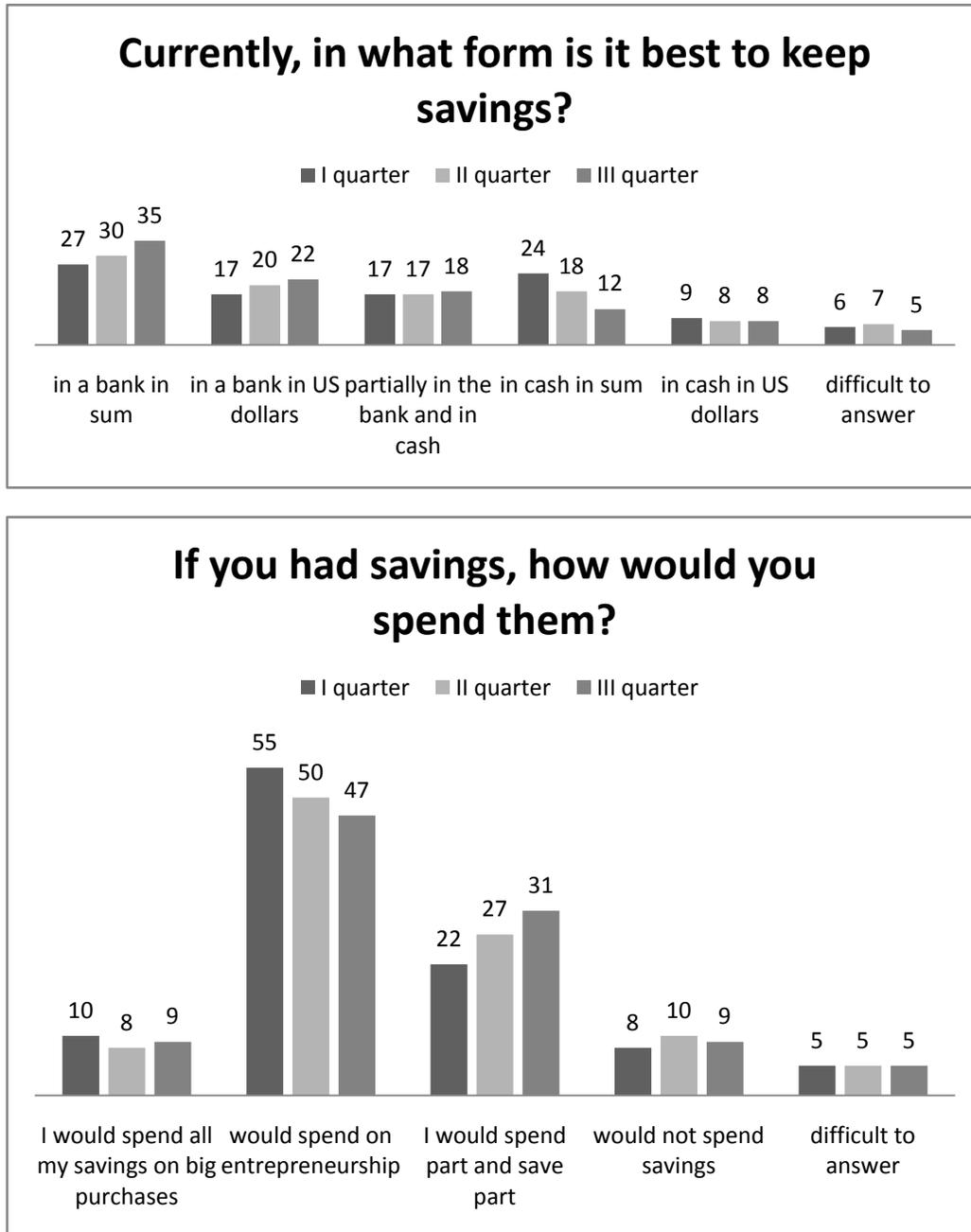


Figure 2: Savings sentiment of the population

The interest rate depends on the credit policy of the state. The main areas of credit policy include the size and type of loans, the ratio between short-term and long-term loans, the process of analyzing financial information, the loan portfolio and measures for repayment. The goal of any credit policy is to provide shareholders with high returns on long-term investments, maintain liquidity, diversify risks, comply with laws and regulations, and meet regional credit needs.

The increase in interest rates on loans indirectly affects the future plans of the population on loans. If an increase in lending rates will lead to a decrease in demand for loans, then in the future this will lead to increased inflationary pressures on the economy.

According to the Central Bank, the current credit and savings sentiments of the population show an increase in economic activity in the coming year, which means that inflationary pressure on rates will continue. It should be noted that the policy of restricting imports during a period of growth in global economic demand and economic activity can lead to a sharp increase in future inflationary pressures (Figure 3).

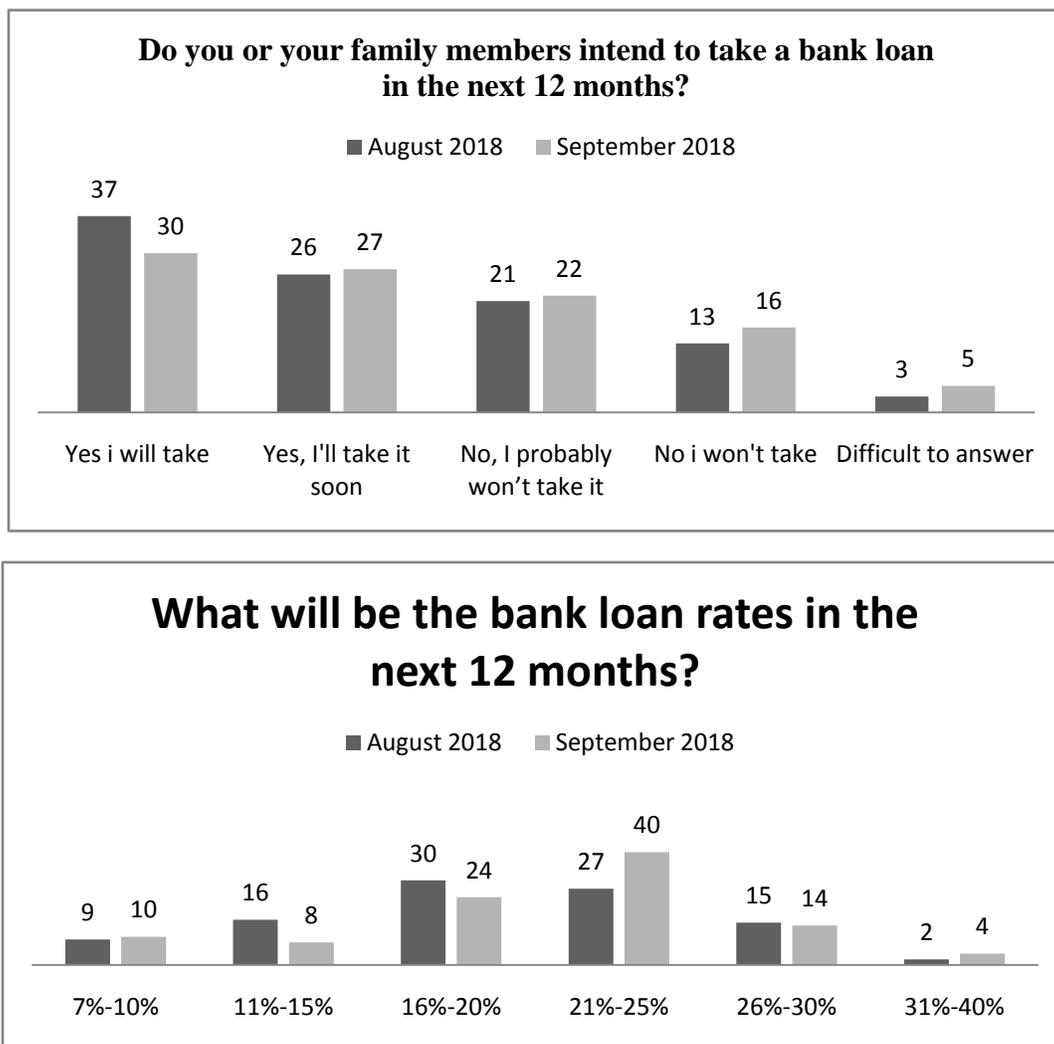


Figure 3: Credit mood of the population

Based on the foregoing, it can be concluded that the desire to get a loan in the next 12 months is 37% of the total number of respondents. And 40% of the population had a loan at a rate of 25% over these months. This indicates a high demand of the population for credit resources. Given the current inflationary expectations in the economy of Uzbekistan, the government needs to maintain tight monetary conditions to further reduce domestic prices. At the same time, the Central Bank should take these conditions into account when pursuing a monetary policy in the medium term.

The level of analysis of the state of financial institutions also plays an important role in the financial thinking of the population. The Central Bank of Uzbekistan conducted an analysis, monitoring and forecasting of monetary policy, primarily factors affecting the formation of liquidity in the banking system and its formation.

In January-October 2018, various factors (seasonal, monetary, foreign economic, budgetary expenses) influenced the liquidity situation in the banking system. During the 10 months of 2018, the liquidity of the banking system was formed as a result of the following factors (Fig. 4). The main factors shaping liquidity were Government operations (11.8 trillion soums), settlements with precious metal producers (12.4 trillion soums) and central bank refinancing loans (358 billion soums). Interventions reduced the liquidity factors. Of the Central Bank in the domestic foreign exchange market (19.5 trillion soums), a change in the procedure for obligatory reservation (2.9 trillion soums) and the issue of cash (4.2 trillion soums).

Of course, the above analysis has a significant impact on financial behavior and people's well-being. However, there are subjective factors that affect the ability of the population with their financial thinking to establish economic relations.

IV. RESULTS

In fact, financial behavior, in particular savings and investment, contribute to saturating the economy with the necessary funds, developing the market for financial products and services, activating investment activities, and improving the living standards of citizens. So, the subjective factor is a person's standard of living, his financial stability, his desire to increase his savings, investment.

So, exploring the financial thinking of the population, we can draw the following conclusions:

- Financial thinking of the population is a holistic rational behavior aimed at improving living standards;
- The financial thinking of the population is an objective and subjective orientation of a person;
- Financial thinking can be aimed both at the preservation and accumulation of monetary resources, and at their multiplication, investment and spending.
- After analyzing the above opinion, we make suggestions to improve the financial thinking of the population of Uzbekistan:
- Consumer and inflationary expectations also reveal life satisfaction and optimism in the future, so the Central Bank should propose measures to subsidize certain goods;
- Openness of some financial reports of large organizations of the republic, will give an opportunity to increase financial thinking;

- Consumer risk leads the population to underconsumption in certain goods, therefore, insurance companies need to participate in sales;
- For more active financial behavior of the population, it is necessary to introduce credit plastic cards for the population.

V. CONCLUSION

Today, financial thinking is becoming increasingly relevant due to its objective and subjective factors; in turn, it raises risks, confidence and the expectation of a high standard of living. Thoughts and feelings that arise in a person's financial thinking affect the financial condition of the population.

Concluding, it can be noted that the study of the financial thinking of the population is important not only at the theoretical level, but also in terms of the financial literacy of the population in practical life, and is also a prerequisite for the successful functioning and further development of the state.

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