

THE STATE OF FINANCIAL LITERACY IN UZBEKISTAN AND PRIORITIES FOR ITS DEVELOPMENT

Dusmukhamedov Oybek Suratkovich

Independent researcher at the National University of Uzbekistan

Abstract: This scientific article describes the content of the normative documents received by the Government of Uzbekistan to increase the level of financial proficiency of the population. The scientific works of foreign and local researchers working in this field have been studied. A comparative examination of the results of a study conducted by the Universal Monetary Fund, the International Finance Corporation, the World Bank and the European Bank for Reconstruction and Development (EBRD) to determine the level of financial literacy of the population. The author also conducted an independent analysis of the status and level of improvement of banking services by the population of Uzbekistan.

The author of the scientific article provides scientific proposals and practical recommendations aimed at the formation of financial literacy of the population of our country and the creation of mechanisms for its implementation and increase its efficiency.

Keywords: Financial literacy, financial literacy criteria and indicators of their assessment, government programs, Central Bank, commercial banks, financial education, planning, financial knowledge and skills financial products and services, financial planning, banking and financial institutions.

Introduction

Relevance of the topic: aimed at improving the financial literacy of the world's population, ensuring the effectiveness of government programs to improve the financial literacy of the population and improving the mechanism of their implementation, which will allow low-income people to intensively improve their financial knowledge, skills and abilities. work is a priority. Priority is given to the scientific research on improving the effectiveness of state programs aimed at improving the theoretical aspects of increasing the level of financial literacy of the population in developed countries and increasing the level of financial literacy, while the market economy is being formed and developing countries, the development of state programs on increasing the level of financial literacy of, scientific research on increasing the role of financial institutions, in particular commercial banks in increasing the level of financial literacy of the population is becoming more intensive.

During the years of independence, Uzbekistan has formed a financial system based on the requirements of a market economy and is constantly improving. President of the Republic of

Uzbekistan Sh.M.Mirziyoyev put it, "Poverty reduction does not mean an increase in salaries or benefits, mass lending. To do this, first of all, necessary to train the population, increase financial literacy, create a sense of entrepreneurship, improve infrastructure, educate children, provide quality treatment, targeted benefits.

Carrying out in-depth scientific and practical research on the functioning of the financial market in the context of modernization of the national economy and the development of the digital economy, improving the quality of financial services and financial products, sustainable development of the economy and its competitiveness. is a socio-economic problem of practical importance.

This scientific article was published by the decree of the president of the Republic of Uzbekistan № PF-5296 "on measures to radically improve the activities of the Central Bank of the Republic of Uzbekistan" dated 9 January 2018, Decree of the president of the Republic of Uzbekistan on measures to ensure more effective organization of the process of acquisition of rights over land parcels and other immovable property as part of the South Caucasus pipeline expansion project more in carrying out the specified tasks, a certain serves to the extent.

Examining the problem. Research on the methodology of assessing the level of financial literacy of the population, the provision of financial education services to low-income groups, the mechanism of implementation of programs to increase financial literacy. It has been analyzed in the scientific works of such scientists as Polani, D. Ricardo, P. Heine. In neighboring countries, the formation of state programs to improve the financial literacy of the population in the CIS countries, the theoretical and methodological foundations for increasing the financial literacy of the population, the features of the development of financial literacy in developed countries and the possibilities of creative use of their practice in the country are being studied. These problems were investigated by such scientists as A.A. Maksimova, A. Zelentsov, E.A. Bliskavka, D. Demidov, E. Alifanova, Yu.S. Evlaksova, A. Abysheva, E. Korchemkina, D. Moiseeva, E.Yu. Sushko, O. V. Bogomolova, U. Hikmatov, R.Sh. Sergey, O. Erina and other scientists.

Uzbek economists such as A.V. Vakhobov, Sh.A. Toshmatov, N. Khaidarov, A. Vakhobov, D.A. Tadjibaeva, Q.Q. Kurolov, E. Shadmanov, N.I. Hasankhanova highlighted the theoretical foundations of financial and economic literacy, sources of income in the economy, the development of the conceptual foundations of the knowledge economy, the organization of entrepreneurship and the development of family business and important aspects of family budgeting. At the same time, theoretical and practical issues aimed at improving the theoretical and methodological aspects of increasing the level of financial literacy of the population were not analyzed in a comprehensive, systematic, special study.

The analysis of research on this issue in the economic literature suggests the need to improve the methodology for assessing the level of financial literacy of the population in the context of modernization of the economy, the mechanism for implementing state targeted programs on financial literacy. The urgency of the problem, the insufficient study of the economic literature, the scientific and practical significance of the expected scientific results led to the selection of this topic as an object of research.

The purpose of the study. Development of scientific proposals and practical recommendations aimed at improving the scientific and methodological framework for increasing the level of financial literacy of the population in the context of modernization of the economy.

Research objectives:

- study need to increase the level of financial literacy of the population, its essence, composition and theoretical basis;
- scientific and methodological bases of assessing the level of financial literacy of the population, identification of their components;
- comparative comparison of the advanced foreign experience of increase of financial literacy of the population
- analysis, assessment and identification of areas for improvement of the legal and institutional framework for improving the financial literacy of the population in our country;
- assessment of the state of financial literacy of the population in the country, identification of development trends and problems;
- development of a system of national indicators for assessing the level of financial literacy of the population in the country;
- identification of priorities for increasing the level of financial literacy of the population by the state;

Development of scenarios for raising the level of financial literacy of the population in the country in the medium and long term.

Research methods. The research process used methods of systematic analysis, historical and logical, induction and deduction, analysis and synthesis, comparative and selective research, monographic analysis and grouping, econometric analysis and forecasting.

Main part

The world experience of increasing the financial literacy of then population shows that the presence of financial integration in the system of economic and financial relations is a factor that directly affects the sustainable economic growth in the country. This, in turn, will pave the way for a steady increase in the welfare of the population and an improvement in its quality. As the President of the Republic of Uzbekistan Sh.M.Mirziyoev said in his speech at the UN Assembly on September 20, 2017, "The richer the people, the richer and stronger the state." The fact that the issue of improving the welfare of the population has become a priority in the opinion of the President indicates the need to increase the level of financial literacy of the population.

The President of the Republic of Uzbekistan Sh.M.Mirziyoev said, "Poverty reduction does not mean an increase in salaries or pensions, mass lending. To do this, first of all, necessary to introduce vocational training, financial literacy, entrepreneurship, infrastructure, education of children, quality treatment, targeted benefits.

In our country, expedient to pay attention to increasing the level of financial literacy of the population, strengthening financial integration in improving the management of financial resources (ie income and expenses) of households, including businesses, and their planning processes. It envisages joint activities of commercial banks, financial institutions and insurance companies to inform the public about the terms and conditions of payment services, savings accounts, credit and insurance services, as well as to increase their knowledge in this area.

Commercial banks occupy the leading place in the financial system of our country. Various financial intermediaries operating in the financial market are microfinance organizations that can not

deposit. These organizations do not have a sufficient level of influence in the development of the financial market of our country. In particular, the lack of a single platform for additional financing of the population in our country is considered low level of development of tufali financial markets.

One of the internationally recognized methods is the use of the method of calculating the share of loans of the banking sector in the GDP in determining the level of access of the population to financial services and their level of financial literacy by the experts of the International Monetary Fund. According to the results of the research carried out by international experts, the level of financial intermediation in our country and the share of bank loans in the GDP are considered low. See Figure 1.

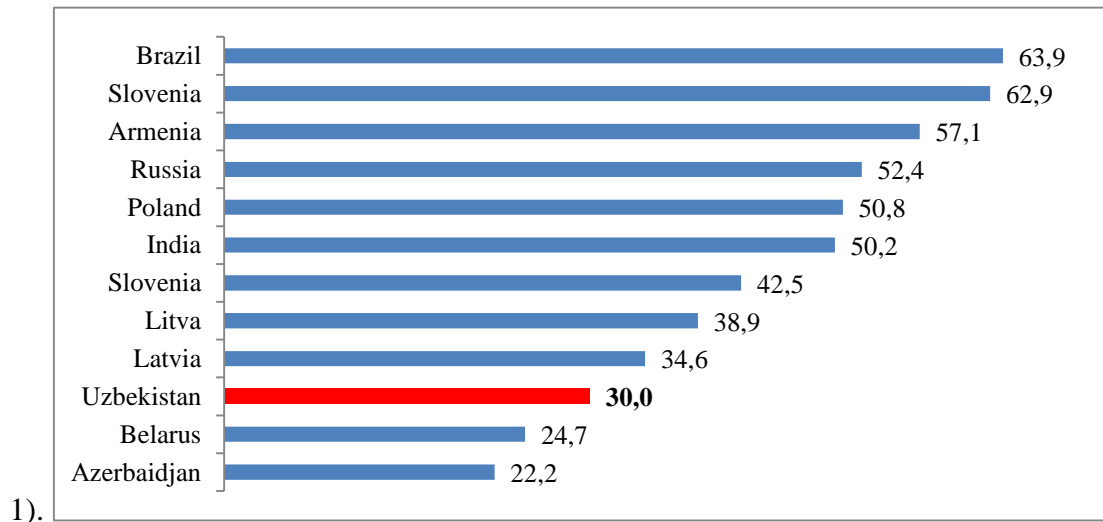


Figure 1. Share of bank loans to the private sector in GDP (in percent) in some emerging and developing market economies

The analysis in Figure 1 shows that the share of private sector-allocated bank loans in the country's GDP in 2019 year, which is formed and developing in countries such as Poland (50,8%), Slovenia (42,5%) and Slovakia (62,9%), is higher than in other countries and is indicative of the rapid development of financial intermediary relations in these countries. In particular, due to the consistent implementation of state programs aimed at increasing the level of financial literacy of the population in countries such as Brazil (63,9), Russia (52,9) and India (63,9), the volume of bank loans allocated to the private sector has also increased significantly in recent years in this group of countries.

In 2016-2020 reforms carried out in the field of Finance and banking of our country, priority was focused on financial liberalization. As a result, according to official data provided by the Central Bank of the Republic of Uzbekistan, in 2020 the share of loans of the banking sector in the GDP amounted to 47.7 percent. This figure increased almost 2 times compared to 2014 Year.

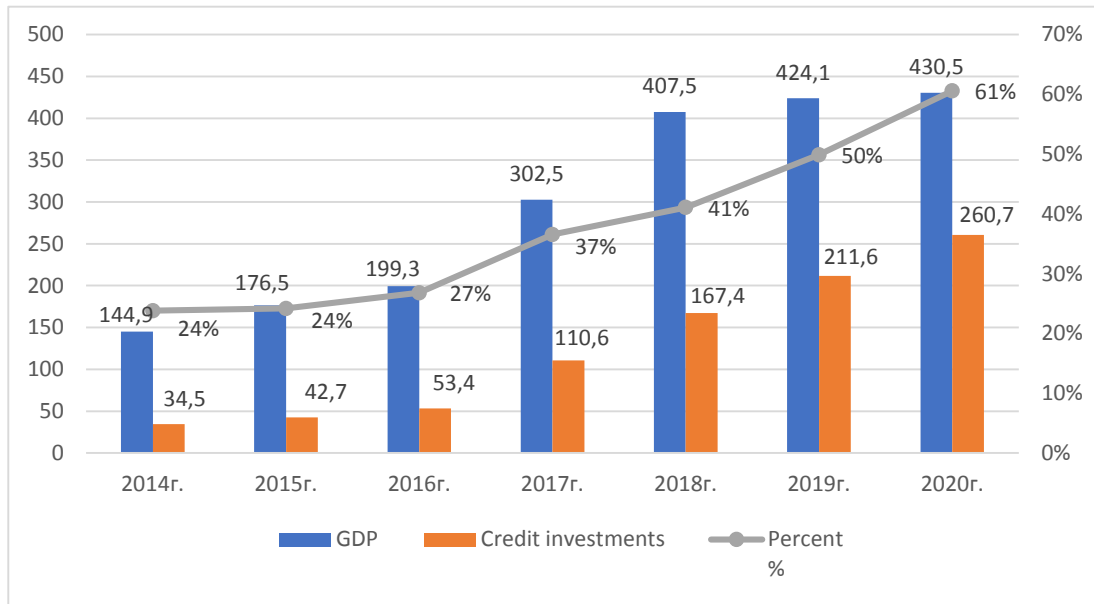


Figure 2. The share of total bank loans in GDP in Uzbekistan

The analysis of the share of population and legal entities in the total banking liabilities of the banks shows that the importance of deposit funds in the quality of fixed assets of banks decreased in 2016-2020 years. According to the opinions expressed by the experts of the Central Bank of the Republic of Uzbekistan, the increase in the volume of commercial banks' loans reached the account of borrowing directly from public funds and partly from international credit lines during the analysis period. As a result, the share of borrowed funds received in the total liabilities of commercial banks during this period increased from 36 percent to 49 percent, while the share of loans in total liabilities decreased from 50 percent to 37 percent (see Table 1).

Table 1
Consolidated balance of commercial banks (in trillion soums)

Name of indicators	2016 year	Share in %	2017 year	Share in %	2018 year	Share in %	2019 year	Share in %	2020 year	Share in %
Liabilities	75,1		146,0		187,7		221,7		307,8	
Including:										
Deposits	37,2	50	59,6	41	70,0	37	91,0	41	114,8	37
Loans and lease	26,8	36	72,8	50	104,4	56	105,3	48	151,7	49

According to the analysis, in 2020 the volume of deposits of individuals and legal entities in banks increased by 3.1 times compared to 2016, including 5.7 times the volume of loans and leasing

products received by banks. This weakens the ability of the country's commercial banks to lend to deposits from individuals and legal entities

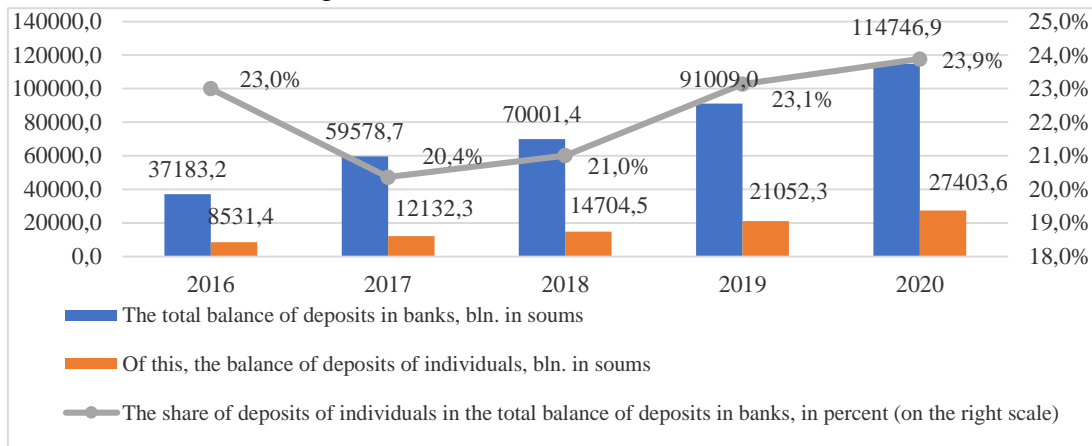


Figure 3. Dynamics of total deposit balances in commercial banks in 2016-2020

The analysis of the data in Figure 3 shows that the low level of confidence of individuals in the bank can be seen in the total deposits of commercial banks in the country. In 2016, the share of individuals in the total deposit balance in banks was 23%, while by 2020, this figure increased to only 0.9%

Table 2
Balance structure of deposits of individuals in commercial banks
(as of 01.01.2021, in billion soums)

	Balance of deposits in national currency (by types and terms)	Balance of deposits in foreign currency (by types and terms)
Total	17 019,2	10 384,4
Until requested	6 130,3	3 167,0
Savings including,	3 025,6	243,6
Higher than 1 year	2 242,8	212,5
Profit in percentage	13,0	2,0
Term	7 863,3	6 973,8
Higher than 1 year	6 373,8	5 730,8
Profit in percentage	37,0	55,0

According to the official data given by the Central Bank of the Republic of Uzbekistan, 50.0 percent of the total deposits made by the population in the national currency to commercial banks and 57.0 percent in foreign currency were made for a period of more than one year (Table 2).according to

the official data given by the Central Bank of the Republic In particular, the share of population deposits in total banknotes (legal and natural persons) was 24.0 per cent, and the fact that 53.0 per cent of these funds were put for more than a year demonstrated the relevant problems in the ability of banks to issue loans, in particular, the complex nature of serious restrictions on long-term lending. The increase in the financial literacy of the population, including their confidence in commercial banks, plays an important role in the creation of the necessary conditions for the expansion of the banks ' deposit base to the account of the population and increasing the possibility of lending.

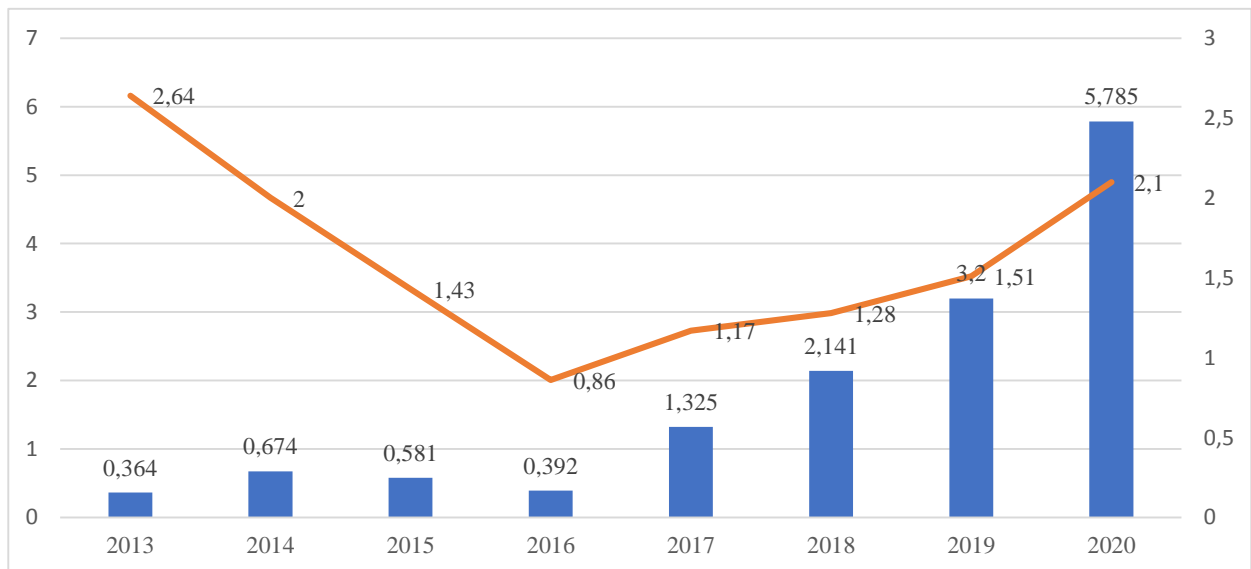


Figure 4. Dynamics of growth of problem loans in the banking system in 2013-2020

In 2013-2020, the volume of problem loans in commercial banks amounted to about 0.4 trillion soums. increased from 5.8 trillion soums. In particular, in the post-2017 period, the volume of problem loans increased sharply during the reforms aimed at liberalizing the economy. In particular, the coronavirus pandemic has become a stress test for the population and entrepreneurs of our country. As a result, as of January 1, 2021, it amounted to 5.8 trillion soums (see Figure 4). To eliminate problem loans, important to analyze the causes of their origin.

The coronavirus pandemic is affecting a total of 2 billion people in the informal sector worldwide. (62 percent of the world's total employment, including 90 percent in low-income countries, 67 percent in middle-income countries, and 18 percent in developed countries) has led to unemployment. This, in turn, once again raised the issue of raising the financial literacy of the world's population during the pandemic. In the context of the coronavirus pandemic, raising the financial literacy of the population in Uzbekistan has proved to be a vital task.

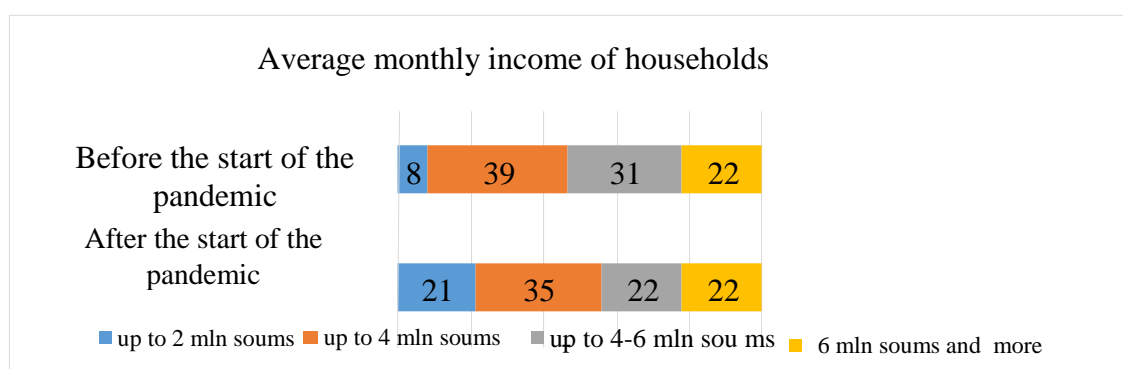


Figure 5 . Distribution of households by income level

On February 10-15, 2020, the Central Bank of the Republic of Uzbekistan conducted a “survey on household expenses and income (UXDS)” to collect statistical data on household incomes and consumer expenditures. In total, 880 respondents from each region and the Republic of Karakalpakstan (80 from Tashkent City and Tashkent region) took part in this survey. It is reported that 70 percent of respondents were urban residents and 30 percent were rural residents, according to the survey conducted on the basis of random sampling, the growth of household income and expenditure was analyzed. According to the results of the analysis, the share of poor households in our country reached from 8 percent to 21 percent during the pandemic period (See Figure 5). According to the results of the surveys carried out, 56 percent of households' family income declined due to the pandemic, while 15 percent remained without income.

According to the results of the research conducted in 2010 by the experts of the European bank for reconstruction and development and the World Bank, Uzbekistan will be included among the countries where the market economy is formed and the level of use of banking services among the developing countries is low. According to the results of the Findex survey in 2014 year, it was found that in our country there is an account of 15 percent of the population aged 26 and older. In 2017 year, this indicator amounted to 37 % (or increased to 11 item).

Table 3

Number of bank cards, payment terminals in Uzbekistan, the volume of transfers made with them, the number of ATMs and kiosks

Indicators	2011	2015	2016	2017	2018	2019	2020	2020/2011
Number of plastic cards issued (thousand units)	7 909	15 215	19 523,3	19 225,7	19 225,7	17 686,6	25 775,7	3,3
Volume of transfers through payment terminals (billion)	10 192,4	31 324	53 050	52 972,3	63 712,5	71 020,2	81 000	7,9

Number of installed payment terminals (thousand units)	85,7	169,6	208,5	235,7	244,9	392,4	438,4	5,1
Number of ATMs and kiosks installed	—	—	4 954	5 632	6 859	9 203	11 800	2,4

The main factor in the development of the use of bank cards in our country is the payment of salaries of hired workers by government organizations and institutions, including employers operating in the private sector, by transferring them to bank cards. According to the results of the Asian Development Bank Research, the payment of the fare by a plastic card is one of the most common ways of paying salaries to the population employed in the official sector in the countries of the world. According to the Central Bank of the Republic of Uzbekistan, the number of users of bank plastic cards in our country increased by 25,77 million to January 1, 2021. In 1999, this figure was equal to only 32 thousand. In particular, in the last three years, the volume of transactions carried out with the help of plastic cards in our country has sharply increased (see Table 3), the types of banking products and services that are carried out remotely through the Internet, mobile banking and mobile applications introduced by commercial banks are growing. This creates the need to increase the level of financial literacy among the population and entrepreneurs.

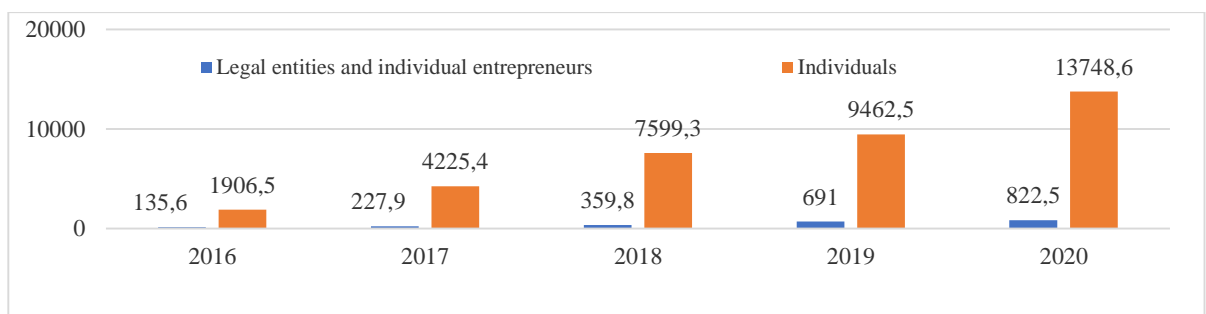


Figure 6. Number of users of remote bank account services in the Republic of Uzbekistan, thousand units

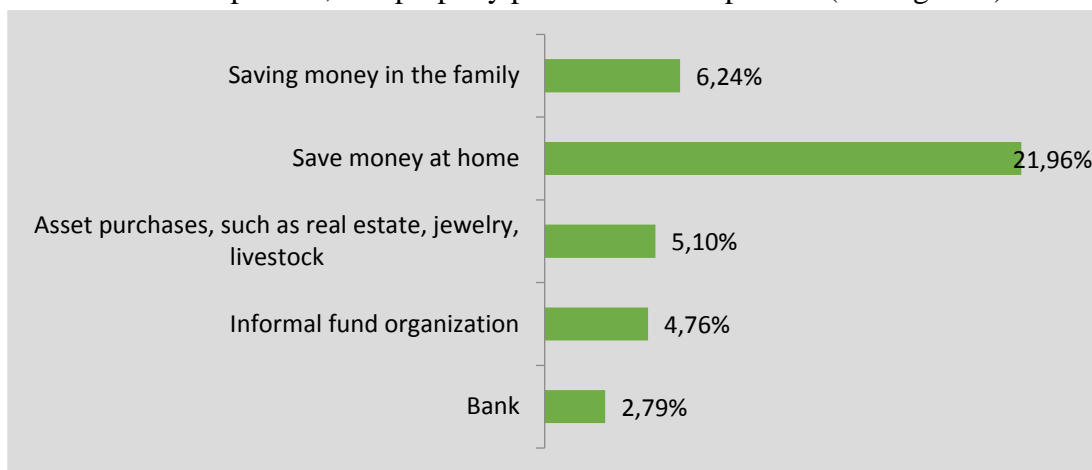
Based on the above information, we can say that most of the financial services provided to the population in our country are provided by commercial banks. According to the results of the research carried out by the organization Findex, in 2017 year in our country, 1,0 percent of women aged 15 and older, and 3,3 percent of men borrowed from official financial institutions. Most of them correspond to the hissass of commercial banks. The indicator of borrowing from official financial institutions is estimated to be 13,5 percent in women on average in the countries of Europe and Central Asia, and 17,4 percent in men. According to the state of indebtedness from close relatives and acquaintances, our country's indicator is 12,1 percent in women and 13,8 percent in men, while in European and Central Asian countries the average is 18,1 percent in women and 18,5 percent in men (see Table 4).

Table 4 The nature of debt in Uzbekistan (in%)

	Uzbekistan			European and Central Asian countries		
	2011	2014	2017	2011	2014	2017
Borrowing from official financial institutions						
Women	1,2	0,7	1,0	9,0	13,1	13,5
Men	1,7	1,9	3,3	11,1	16,4	17,4
Debt from close relatives, acquaintances						
Women	10,4	10,5	12,1	17,7	16,7	18,1
Men	13,0	11,7	13,8	18,4	18,0	18,5

The analysis of the data in Table 4 shows that despite the increase in the range and quality of financial services provided to the population in our country, the population is more likely to borrow from close relatives and acquaintances. The relatively high interest rates on loans from financial institutions to the population also have an impact on this. This, in turn, indicates the need for regular provision of information to the population on the financial services provided to the population and their performance in the areas of activity carried out by banks.

According to a study conducted by the International Finance Corporation to assess the financial potential of the population in 2020, 22.0% of the population has their own informal funds (for example, keeping their own funds at home), and 3.0% of respondents formed their own funds in organizations. In addition, savings in informal organizations accounted for 4.8 percent, savings with family and friends at 6.0 percent, and property purchases at 5.0 percent (see Figure 7).

**Figure 7. Methods of population savings in Uzbekistan for the last 12 months (in percent, 2020)**

According to the survey, the reasons why the population of the country saves or saves a certain part of their income are:

- Funding for the restoration and strengthening of their health (14%);
- contingencies in the future (11%);

- to organize, conduct and develop their business (3%);
- Reimbursement of incapacitated and elderly family members (2.5%).

The reasons for the accumulation are very relevant in terms of age groups, gender and place of residence of the population. It was also found that high-income segments of the population had more funds to form their own funds, which would primarily save money for future contingencies and the use of educational services.

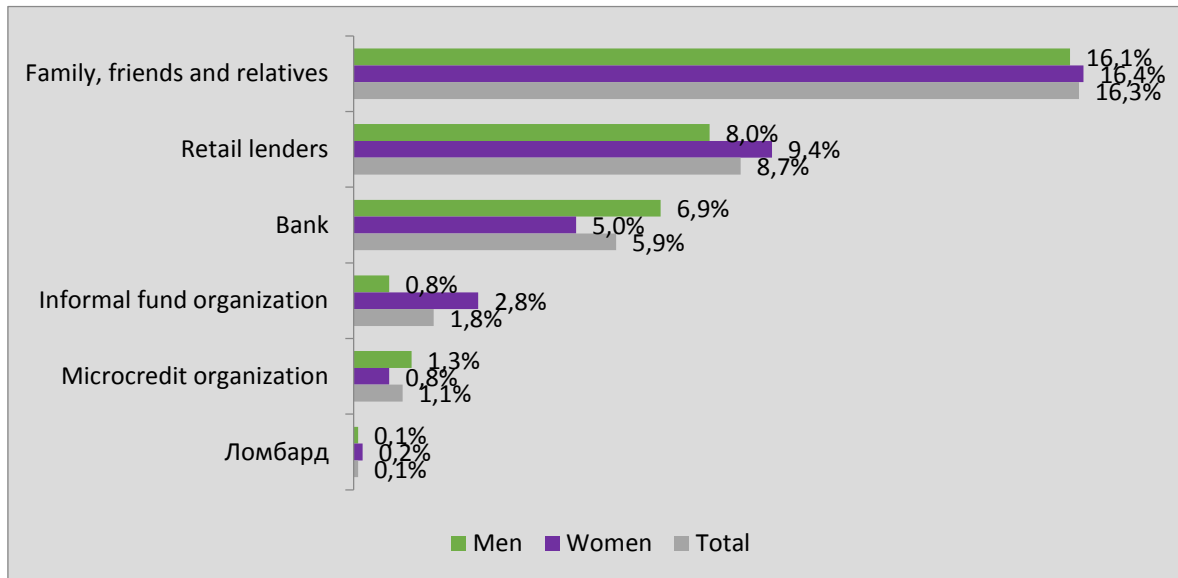


Figure 8. Status of indicators related to the nature of borrowing in Uzbekistan (in percent, 2020)

The analysis shows that in most cases (16.3%) the population of our country borrows from close friends and relatives when they need money. In particular, users of retail loans - 8.7%, users of loans from commercial banks - 5.9%. Borrowings from informal savings organizations (1.8%), microcredit organizations (1.1%) and pawnshops (0.1%) were also assessed as rare (see Figure 8). Based on the analysis, it was found that the respondents who took part in the survey did not apply to the official financial service organizations in case of need for financial resources or unexpected expenses:

- high interest rates (14%);
- non-compliance or inability to meet the relevant requirements for obtaining a loan (10%);
- lack of confidence in the system (4%).

According to the results of the study, it was found that the population of our country has a low level of awareness of the use of insurance services in risk management, as well as information on insurance products. Nearly 14 percent of respondents who participated in the survey said they had relevant information about insurance services, while 3,4 percent said they would use certain insurance services. Also in rural areas, insurance companies are more active than in urban areas, they sell insurance products on the principle of "buy with delivery service", while in urban areas citizens are forced to go to the offices to purchase insurance policies.

In addition, the fact that the community in the villages transporti has developed well olib leads to an increase in the number of car owners and the purchase of insurance policies for cars. For

this reason, they also use insurance services more than the rural population (26 percent), the urban area population (23 percent).

Conclusion

As a result of research conducted to assess the state of financial literacy of the population and determine its national characteristics, the following conclusions were drawn:

First, the methodology for calculating the share of banking sector loans in GDP is one of the methods used by experts of the International Monetary Fund to determine the level of access to financial services and their level of financial literacy. According to research conducted by international experts, the level of financial intermediation and the share of bank loans in GDP in our country is low.

Second, based on the analysis of the last five years, the level of access to financial services remains low, including the share of deposits in total liabilities of commercial banks in 2020 decreased by 13% compared to 2016, the share of individuals in total bank deposits in 2016 increased by 23%. By 2020, this figure will increase by only 0.9%, and in 2013-2020 the volume of problem loans in commercial banks will reach about 0.4 trillion. increased from 5.8 trillion soums. Improving the financial literacy of the population and entrepreneurs is important in achieving positive dynamics on these indicators;

Third, the sharp increase in the number of bank cards, payment terminals, the volume of transfers made through them, the number of ATMs and kiosks in Uzbekistan in recent years is important for the effective management of financial resources and security of the population and entrepreneurs.

Raising the level of financial literacy of the population plays an important role in overcoming the above-mentioned problems in our country. Taking into account the urgency of increasing the financial literacy of the population in Uzbekistan, expedient to implement the following in our country:

In conclusion of financial literacy in the curriculum of schoolchildren, academic lyceums and professional colleges, universities; Development of electronic textbooks, video lessons, mobile applications that will increase the level of financial literacy of schoolchildren, academic lyceums and professional colleges, students and pupils of higher education institutions, including the formation of knowledge, skills and competencies in basic financial literacy;

- assessment of the level of financial literacy based on the professional orientations of the able-bodied population and the implementation of measures aimed at increasing them;
- Regular presentation of programs, TV and radio quizzes aimed at improving the financial literacy of the population through the media;
- Development of financial literacy programs for businesses;
- formation of a general database on financial services provided to the population in the country;
- Establishment of centers for the protection of the rights of consumers of financial services in the Republic of Karakalpakstan, regional and Tashkent city centers;
- Development of monitoring programs to increase and control the financial literacy of the population

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