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CONCEPTUAL PRINCIPLES OF THE FORMATION AND USE OF FINANCIAL RESOURCES OF THE POPULATION IN STATE POLICY

On the basis of generalization of scientific publications, literature and a number of economic definitions, the conceptual foundations of building a state policy on the effective use of investment opportunities of households are revealed. The place of the state for the functioning of households is substantiated, and the principles, criteria and main factors of monetary and fiscal policy that influence the process of forming the use of investment opportunities of households are determined. The main components of financial trust, such as the economic component, the information component, the participation effect, and independent control, are investigated. The directions in which the state policy should be implemented to support the formation and use of investment resources of households are proposed. A model of the investment potential of the economy is formulated.

Keywords: *households, population, investment resources, financial trust, economic component, information component, participation effect, independent control.*

JEL classification: *D 31, R 20.*

КОНЦЕПТУАЛЬНІ ЗАСАДИ ФОРМУВАННЯ ТА ВИКОРИСТАННЯ ФІНАНСОВИХ РЕСУРСІВ НАСЕЛЕННЯ В ДЕРЖАВНІЙ ПОЛІТИЦІ

На основі узагальнення наукових публікацій, літератури та ряду економічних визначень розкрито концептуальні основи побудови державної політики щодо ефективного використання інвестиційних можливостей домогосподарств. Обґрунтовано місце держави для функціонування домогосподарств, визначено принципи, критерії та основні фактори монетарної та фіскальної політики, що впливають на процес формування використання інвестиційних можливостей домогосподарств. Розглянуто два концептуальні підходи до формування державної політики: 1) представники неокласичної економічної думки вважають, що вплив держави на економічні процеси має бути мінімальним і спрямованим лише на стимулювання економічної діяльності; 2) представники кейнсіанського напряму вважають за доцільне розширити участь держави в інвестиційному процесі (пряму та опосередковану) через неефективність ринкових механізмів трансформації заощаджень в інвестиції. Проте обидва напрямки (ліберальний ринкоцентризм і кейнсіанський державоцентризм) сходяться у визначенні рівноважної норми відсотка і у визначенні оптимальної норми заощаджень. Досліджено основні складові фінансової довіри, такі як економічна складова, інформаційна складова, ефект участі, незалежний контроль. Запропоновано напрями реалізації державної політики щодо підтримки формування та використання фінансових ресурсів населення. Сформульовано модель інвестиційного потенціалу економіки. Доведено, що узгодженість з промисловою, грошово-кредитною, податковою і соціальною політикою дає можливість досягнути позитивних результатів в аспекті забезпечення країни інвестиційними ресурсами. Аргументовано, що державна політика щодо

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стимулювання інвестиційної діяльності домогосподарств та економічної активності населення перш за все має бути направлена на пом'якшення фіскального навантаження, забезпечення правового захисту власності та свободи підприємницької діяльності, а також на удосконалення інституційних зав'язків. Зазначені заходи є підґрунтям для подальшого розвитку вторинного ринку цінних паперів, розширення вибору фінансових інструментів, створення та оновлення ринкової інфраструктури, забезпечення системи державного захисту індивідуальних інвесторів.

Ключові слова: *населення, домогосподарства, інвестиційні ресурси, фінансова довіра, економічна складова, інформаційна складова, ефект участі, незалежний контроль.*

Formulation of the problem. The financial resources of the population are one of the key elements of the country's financial system, which is an integral mechanism. In the system of economic circulation of resources, interacting with the state, the financial market, the real sector of the economy, households are an important subject of financial relations. In order to ensure economic growth, measures are needed to attract household savings to the financial market. Such a policy will create conditions for reducing dependence on foreign investment (since 2014, there has been a significant reduction in its inflow), and provide domestic financial resources accumulated from household savings to the real sector of the economy, as well as additional income and increased spending by households, and the state, in turn, will receive taxes from households.

In today's environment, the state is also forced to focus on domestic sources of investment. That is why the problem of the formation and use of household savings is quite relevant and needs to be studied.

Analysis of recent research and publications. The financial behavior of the population, the process of forming household savings and their transformation into an investment resource have been the subject of research by all the most famous schools of economic theory. Thus, the following domestic and foreign scholars have studied certain aspects of the formation and use of household savings, and in particular, the development of state policy for regulating household savings: V. Bulavynets, I. Vlasova, V. Dorosh, V. Zayats, V. Zymovets, J. Keynes, T. Kizima, V. Kovalenko, G. Macedon, O. Mital, F.-E. Modigliani, D. Nehaichuk, T. Pavliuk, B. Pshyk, R. Tsitok, R. Tsishchyk, S. Yudina, and others. However, the assessment of the place of household finances in the structure of sources of investment resources of the country requires further research, taking into account the possibility of attracting household savings to finance the development of the country's economy.

*Identification of unexplored parts of the general problem***.** Despite the numerous developments of scientists in the field of studying household savings, their formation, use and transformation into an investment resource, the issues outlined remain relevant, especially in the constantly changing external environment in which households function and develop as economic entities. At the same time, taking into account the peculiarities of today's global economic system, the changes in the role of the state in guaranteeing an adequate level of household income, formation and use of savings lead to a change in the role of the state. That is why the issues of deepening the theoretical provisions on the regulation of these processes are important and require research.

The purpose of the article is to deepen the theoretical provisions of the State policy on the efficient use of investment resources of the population.

Summary of the main results of the study. The State is central to the model of circular flows of resources and goods. On the one hand, the State acts as a market participant, a large consumer in the market of goods and services, and, depending on the budget policy, either an investor or a borrower in the financial market. Thus, the state has the ability to influence market prices and the state of the financial market. On the other hand, the state acts as a market regulator and has the ability to directly influence the state of key market players. For example, fiscal policy in the area of corporations affects the level of market prices and, consequently, the level of household spending. Fiscal policy in the area of personal income taxation and social policy affect the level of household income. Monetary policy affects the value of the national currency and, accordingly, inflation expectations, employment and economic development. At the same time, all macroeconomic policies should be aimed at ensuring financial stability and an efficient domestic financial market, which is a prerequisite for economic growth and investor confidence in financial institutions.

Keynesian theories focus on two problems related to private savings. A low private savings rate causes a slowdown in future economic development. A high private savings rate tends to lead to an inefficient allocation of resources. Therefore, public authorities face the issue of optimizing the savings rate in the economy. The most well-known optimization methodology today is the "golden rule" by E. Phelps, namely: the highest possible level of consumption for present and future generations is achieved when the savings rate corresponds to the share of capital income in national income (NNP - net national product, national income). In a market economy that compensates factors of production according to their productivity, this share corresponds to the contribution that the capital factor makes to the country's net product [5].

Today, economic science considers two conceptual approaches to the formation of public policy: 1) representatives of neoclassical economic thought believe that the state's influence on economic processes should be minimal and aimed only at stimulating economic activity; 2) representatives of the Keynesian trend consider it advisable to expand state participation in the investment process (direct

and indirect) due to the inefficiency of market mechanisms for transforming savings into investments. However, both directions (liberal market-centered and Keynesian state-centered) converge in determining the equilibrium rate of interest and in determining the optimal savings rate. In other words, the optimal savings rate (at 25-30% of GDP) and the corresponding level of interest rate, which is as close as possible to the level of profitability in the real sector, are recognized as the main factors of economic development in the long run. Essentially, both approaches are based on the same optimality criteria, with the former believing that the optimal level is set automatically, and the latter that the state is called upon to ensure this optimal level through various forms of regulation [7].

While monetary policy was dominated by neoclassical theory until recently, and only after the global financial crisis of 2008 did the search for new mechanisms begin, fiscal policy in developed countries is dominated by the Keynesian approach, which involves active government intervention in economic processes and redistribution of income. At the same time, there is no single approach to determining the need for and limits of state intervention in the economy, but there is a need to find a model of state involvement that would most adequately meet current economic realities. At the same time, there are several types of tax doctrines in modern society, but there are two extreme forms of their implementation: liberally restricted and socially burdened. The first form is characteristic of countries with a liberal market model of management, within which the share of tax withdrawals is strictly limited with a corresponding limitation of social benefits; the second characterizes a socially oriented model of economic development and provides for a sufficiently high level of taxation for both enterprises and corporations and citizens [12].

The process of forming a unified effective state policy is complicated by the fact that its separate functions (fiscal, monetary and social) are performed by different state executive authorities, the central bank and state social funds, which have different, often contradictory, goals and objectives. According to Ukrainian scholars, a comprehensive state policy for regulating household finances has not yet been formed, although it is the public administration bodies that, through their activities in formulating economic and social policy, create the preconditions for households to generate income and use it [13]. Another problem with the formation and implementation of public policy in the economy in general and in the transformation of household savings into investments is that supply and demand in the market can be overlaid by many other economic and, more importantly, not only economic processes. The equilibrium of the market is greatly influenced by the expectations of its participants. Market participants make decisions about buying and selling or investing based on their expectations of future results and income. In turn, expectations are formed by observing other market participants and available information. This gives rise to many equilibrium outcomes, each of which requires a sufficient number of market participants to believe in its reality.

Reflexivity theory can be used to explain the effects of various market bubbles, which often lead to general crises. The behavior of market participants in such cases is irrational. However, the perception of the situation by market operators is beyond the scope of state regulation tools, which only give impetus to trends that participants evaluate later. Thus, public policy should become an integral part of the information and communication policy of public authorities. Without trust in the state, any of its policies aimed at shaping expectations are doomed to failure.

The main components of financial trust are [10]:

1. economic component (deposit guarantee fund, insurance of savings, formation of reserves, etc;)

2. information component (media coverage, personal report of the financial corporation to the investor, participation of the institution in associations of relevant service providers, etc;)

3. the effect of participation (investor's membership in associations and unions of consumers of financial institutions' services, roundtables and information meetings with representatives of the relevant institution, etc;)

4. independent control (availability of tripartite control over ensuring the solvency of the institution by the state, independent auditors and public organizations).

State policy to support the formation and use of household investment resources should be implemented in the following areas:

1. Increasing household incomes through the overall development of the economy, increasing employment, including self-employment, increasing wages and other incomes, including from investment activities, and targeted support for vulnerable groups of the population.

2. Reducing household spending through price stability in the consumer and financial markets.

3. Stable development of financial and investment institutions and instruments.

4. Information support to improve financial literacy and build financial confidence.

Let's look at the relationship between government policy and household budgets, which shape their investment opportunities:

1. Budget policy is a set of measures aimed at attracting, distributing and using state budget funds. As part of the relationship with household budgets, fiscal policy provides for transfers to households in need of social protection. In Ukraine, this segment of the budget policy is represented by subsidies, privileges and other payments provided for by the legislation of Ukraine. This group of transfers has a direct impact on increasing household incomes.

2. Tax policy is the state's activity in the field of establishing, legal regulation and organization of taxes and tax payments to the centralized funds of the state's monetary resources [8]. The study identifies two components of tax policy that affect household income and expenditures:

- income and property taxes - directly affect household income. Increasing taxes reduces incomes and, accordingly, reducing taxes leads to an increase in household

incomes. At the same time, changes in the taxation of personal income have a significant impact on the revenue side of the state budget. In Ukraine, when payroll taxes are mainly paid by the employer, an increase in the tax can lead to an increase in the unemployment rate in the country and, as a result, to an even greater reduction in household income.

- business taxes - this group of taxes includes corporate income taxes, indirect taxes, excise taxes, rents and other fees paid by the corporate sector of the economy. This group of taxes has a direct impact on market prices and thus affects the expenditure side of household budgets. In addition, the level of corporate taxation has an impact on the overall economic situation in the country and, consequently, on the level of employment.

3. Social policy is a state policy aimed at improving society and protecting vulnerable groups of the population. Today, some scholars believe that social policy is a component of budgetary policy, while other experts consider it a separate component of state policy. Given that social policy measures are financed by separate social funds, it can be assumed that social policy is a separate component of state policy. Accordingly, an increase in social spending directly affects the growth of household income.

4. Monetary policy is a set of measures of the central bank that determine the size and growth rate of money supply in the country [11]. The main instruments of monetary policy are regulation of the amount of money in the economy and setting the central bank discount rate. Price stability contributes to the growth of positive expectations among all participants and thus revitalizes economic processes. An increase in the amount of money in the economy leads to a revival of investment and consumption, but also leads to an increase in inflation. An increase in the key policy rate leads to a decrease in investment and consumption, and thus reduces inflation. Thus, monetary policy instruments affect the overall economic situation in the country and its individual components (employment, household expenditures and incomes, and the attractiveness of certain investment instruments).

5. Communication policy. The presence of savings in households does not necessarily lead to their transformation into investment resources. The state's communication policy should stimulate trust in the state, its institutions, and monetary policy, create positive expectations, and inform about areas of private investment to create an optimal investment environment and prevent market bubbles. As of today, the population of Ukraine does not fully utilize the full potential of financial instruments, which make it possible not only to preserve financial resources but also to increase their size. According to research, less than 20% of respondents use financial instruments to save money, while 49% of respondents prefer to keep their money at home in cash if they have excess funds [10].

According to the analysis, all elements of public policy aimed at the effective use of investment opportunities of households have a dual effect. Thus, an improvement in the situation in the field of investment opportunities leads to a deterioration in the situation in the budgetary sphere and vice versa. Thus, the public policy objective is to optimize the relationship between state budget expenditures and revenues and to generate household savings. This relationship was first proposed by the British scientist R. Kahn in his 1931 article “The Ratio of Housing Investment to Unemployment” as an employment multiplier, which showed how investment in a particular area affects employment changes.

Thus, the multiplier effect of tax cuts is less than that of increased government spending, so when choosing a fiscal policy, it should be borne in mind that an increase in budget expenditures will have a much greater impact on national income growth than a reduction in the tax burden.

As a result of the development of the multiplier system in the United States, the RIMS (Regional Industrial Multiplier System) was adopted as a decision-making tool in the field of public administration in the 80s of the last century. This system is one of the methods of modeling the regional economy of the United States. The RIMS system allows for a systematic analysis of the impact of the research object on the state of the economy [4].

The main subject of the formation of the investment potential of the economy should be the state, which, on the basis of the main instrument - public administration - structures and coordinates in time and space the activities of investment entities and components of the investment environment.

The investment potential model has input and output parameters.

Input parameters:

- institutional provision of conditions for the investment process - the main function of the investment environment:
- ensuring legislative and regulatory, organizational, financial, technical and technological, socio-economic, innovation and information, and environmental conditions for investment activity;
- specification of the powers and responsibilities of investment entities: the state - organization of free access of economic entities to investment resources; control over compliance with the “rules of the game” by entities; entrepreneurs - effective business management, compliance with the “rules of the game”;
- structuring of investment resources in time and space, harmonization of the activities of investment entities through state and market mechanisms.

The formation of investment potential is a continuous process of state influence on the investment environment in time and space, so the algorithm for the formation of investment potential has a closed cycle, which necessitates constant macroeconomic management of the investment process. The process of forming an investment potential management model is shown in Figure 1.

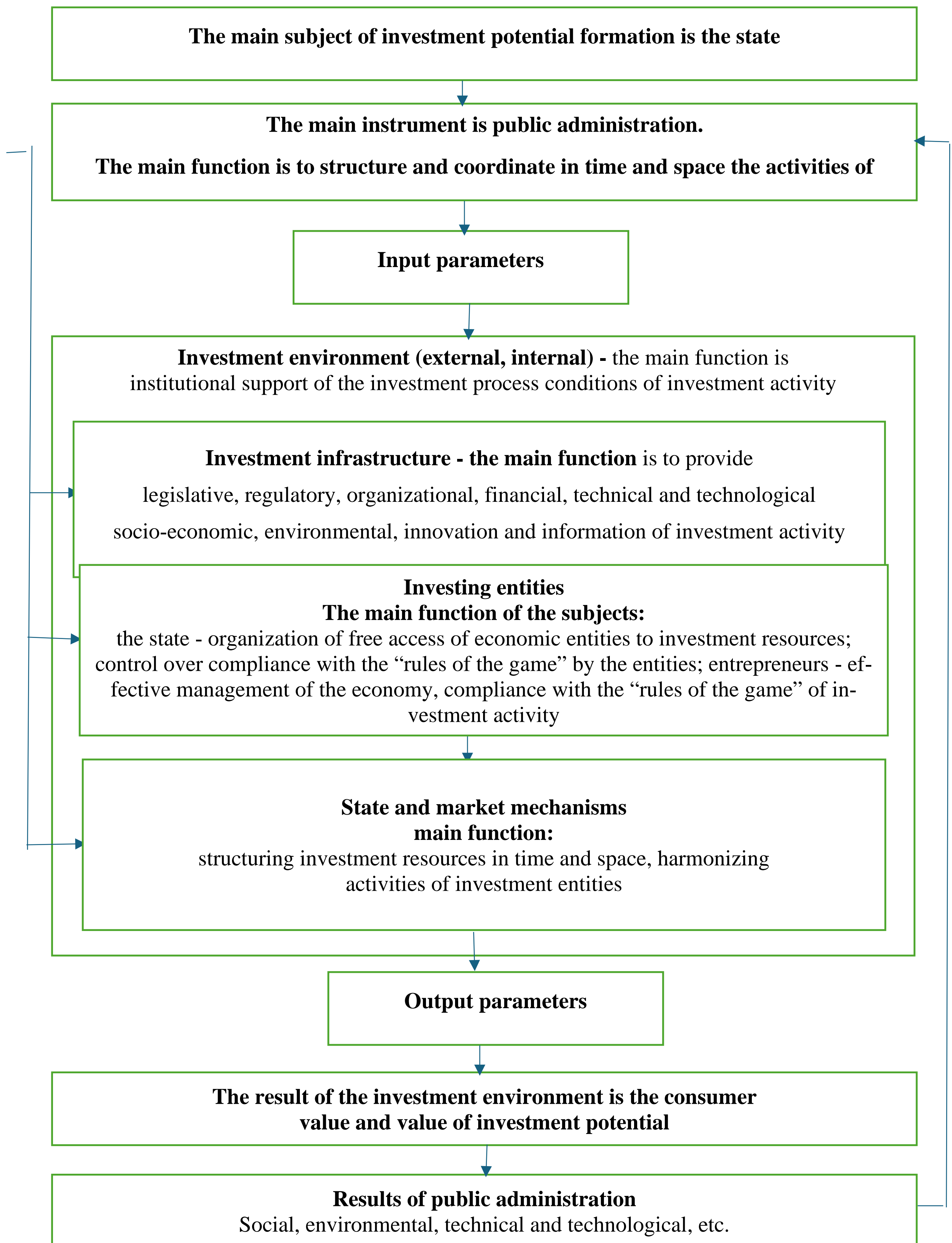

Figure 1. Formation of the model of investment potential of the economy
Source: compiled from [11].

Building an optimal model of state policy formation for the effective use of household investment opportunities is complicated by its multifactorial nature and the fact that many independent variables have a directly opposite impact on the final result. In building an effective public policy, the state faces the problem of combining individual components that often have different strategic goals and objectives. In addition to the already mentioned fiscal and monetary policies, the impact of: 1) social development policy, which should provide households with the necessary resources for investment; 2) economic development policy, which should ensure a high level of employment and determine the priorities of investment policy; 3) investment policy itself, which is aimed at ensuring the optimal structure and volume of investment resources, supporting priority areas and sectors of financing, and creating conditions for interaction between all participants in the investment market.

In turn, the parameters for the implementation of the state's social policy are determined by the following social areas:

- employment policy and social and labor relations;
- income policy;
- policy of reproduction of the population;
- policy of social development;
- regional social policy [6].

All of this necessitates state regulation to balance the impact of individual components and establish general rules of operation in the economic and investment market. So many different factors affecting the final result of the state policy on the effective use of investment opportunities of households require the use of models to optimize individual components of state regulation. As already mentioned, in the middle of the last century, the United States developed a model of a system of multipliers for modeling economic development. Today, similar models are widely used. The models use different approaches and try to achieve maximum accuracy and explanatory power by applying various theoretical and methodological approaches. In particular, we can mention the models of the Bureau of Economic Analysis (BEA) [3], Data Resources Inc. (DRI) [2], and the Federal Reserve Bank (FRB) [1].

The DRI model consists of 8 blocks and is developed on the principle of combining theoretical economic concepts on business cycles, including the principles of Keynesian, neoclassical, monetarist approaches and the theory of rational expectations. Private expenditures are determined by consumption, which depends on the level of income and prices, and investment.

Conclusions. Investment policy is important in ensuring the economic development of the national economy. Consistency with industrial, monetary, tax and social policies makes it possible to achieve positive results in terms of providing the country with investment resources. Given today's realities, there is a need to find alternative directions for the development of the investment market, encourage new investors and unlock the potential of the national economy.

State policy to stimulate household investment and economic activity should primarily be aimed at mitigating the fiscal burden, ensuring legal protection of property and freedom of entrepreneurial activity, as well as improving institutional ties. These measures are the basis for further development of the secondary securities market, expanding the choice of financial instruments, creating and updating market infrastructure, and ensuring a system of state protection for individual investors.

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