

## ABSTRACTS OF THE ARTICLES

### FROM THE DEBT TRAP TO A SOVEREIGN ECONOMY

*Introduction by Minister of Finance to the thematic issue of Economy & Finance published on the 10<sup>th</sup> anniversary of the Pénz7 event series*

*Mihály Varga*

One of the most frequently used visual aids in economics is Maslow's pyramid illustrating the hierarchy of human needs. Security of existence is at the very bottom of the pyramid, and indeed, it is one of the most fundamental needs in our lives. The scope of the concept had become ever broader over human history, and it means something very different to us today than to our predecessors a few centuries ago. The most significant 'instruments' of existential security in the 21<sup>st</sup> century are undoubtedly money as well as financial products and services. Just as we learn to master our instruments in all other areas of life, it is equally important to acquire the necessary skills in the case of money. But money is an artificial, man-made instrument and its effective use cannot be learned the way one learns to walk. You do not need a theoretical basis for walking. But that is generally not the case in finances today. Over the first decades after Hungary's transition to democracy, many have learned their lessons from experience at their own expense, because they were not prepared for the changes. Hungary has come a long way over the last decade or so, from the brink of sovereign default towards an increasing self-financing capacity.

### FINANCIAL LITERACY IS THE BEST PROTECTION FROM CYBERCRIME

*Levente Kovács – Elemér Terták*

As a "side effect" of the stormy digitisation of financial services, cybercrime has taken its toll. Therefore, financial service providers must continuously strive to protect the wealth entrusted to them and preserve their reputation. Law enforcement agencies in all countries highly support these efforts, since their core tasks include safeguarding their citizens' financial security and maintaining financial stability. However, customers of financial institutions are also accountable for the safety of their assets, notably by taking care of passwords, computers and network connections. This paper is primarily dedicated to teachers and educators participating in improving financial literacy so that, on the one hand, they can obtain a comprehensive picture of the different manifestations of financial crime and the

means to protect themselves against it. On the other hand, it is aimed at elevating the level of their financial literacy to be able to provide professional answers to the questions raised by their target audience.

*JEL codes:* A20, G2, O30

*Keywords:* financial literacy, cybercrime, risks, financial security

## **CORRUPTION PERCEPTION AND FINANCIAL CULTURE IN HUNGARY**

*Zoltán Zéman – Judit Bárczi – Botond Géza Kálmán*

This study focuses on the correlation between corruption and financial inclusion using statistical methods. The population studied were the people of Hungary. The organisations publishing the source indices of the study took representative samples of the population. The authors used data available from public sources on the internet for their study. They analysed time series data of two indices of corruption perception and two indices measuring financial culture and inclusion. The data from secondary sources were analysed applying statistical methods. They surveyed the correlation between corruption indices, the connection between the two financial indices and also the links of corruption and financial indices. The findings of the study prove there is a close positive correlation between the indices measuring financial inclusion. The findings of indices measuring corruption are less compatible. Corruption indices relying more on statistics and less on subjective opinions and indices of financial inclusion have also provided positive correlation. Our findings offer practical benefits: corruption sensitivity can not only improve through legal means or by increasing prosperity but also by spreading economic knowledge and providing a larger group of people with access to financial services.

*JEL codes:* G53, D73, A20

*Keywords:* corruption, financial literacy, financial inclusion, financial behaviour

## **PESSIMISTIC, REALISTIC OR AWARE? – HUNGARIAN YOUTH'S PENSION EXPECTATIONS**

*Ágnes Vaskövi*

Pension awareness is a specific part of financial awareness focusing on material preparation for the years of retirement at an unknown time to start in the distant future. Its starting point is dual: on the one hand, a recognition of longevity risk and, on the other hand, a proper assessment and planning of future options based on the individual's current financial position. In this study, we wanted to survey

the expectations of Hungarian university students about the state pension system, so we conducted online research with questionnaires. Three groups of questions were devised, (i) expectations of the state pension system, (ii) the generosity of the pension system, and (iii) retirement age. Pension-related expectations show that young people, in general, are quite pessimistic and regard the ageing society as the most worrying factor. Expectations about the generosity of pensions are also pessimistic, both in terms of replacement rate and the rate of state pension compared to pensioners' total income which is estimated lower than it would actually be under the current laws. Expectations of retirement age reflect the European trends; the youth asked typically plan to retire at 65+. We also looked into regional differences and found the youth of Budapest and the Central-Hungarian region were quite negative on every issue while there were differences in other regions. Young people in Northern Hungary have a higher than average positive view of their retirement prospects. The negative attitude can be explained by the lack of transparency of the pension system and limited access to information. Also, because the reform of the state pension system is delayed in this country, respondents have major issues about its sustainability. Our findings can be important input for decision makers to shape the attitude of pension savings and retirement preparations.

*JEL codes:* D14, D84, G51, G53

*Keywords:* personal finances, pension expectations, financial awareness

## **BORDERLESS OFFICES – OPPORTUNITY FOR TAX OPTIMISATION?**

*Orsolya Éva Tóth*

The prevalence of telework, or working remotely or from home, has grown significantly in recent years, in which the COVID-19 pandemic played a major role. This paper focuses on a narrower subsection of remote work arrangements, and analyses employees' possibilities for tax optimization and potential taxation risks in the context of cross-border remote work or telework. Major obstacles to the spread of remote work are identified by investigating the challenges associated with cross-border remote work from an employer's perspective.

As a further objective, the paper aims to explore how jobs offered in the Hungarian labour market, but performed remotely from abroad influence domestic tax revenues. Three scenarios were developed which reveal that the budget of Hungary suffers at least HUF 46 billion loss in fiscal revenues if 10% of remote job vacancies are filled from across Hungary's borders. If only 50% of remote/work-from-home job vacancies are filled within borders, the potential loss in revenue from taxes and contributions is HUF 229 billion.

The research conducted under this study highlights the tax consequences of technology-driven changes in the labour market for individuals, employers and central budgets. States need to consider these factors when shaping their tax systems to ensure sustainable tax revenues.

*JEL codes:* D14, F22, H24, H61, J2, J61

*Keywords:* cross-border remote work; tax optimisation; permanent establishment; transfer price; fiscal revenues; income tax base erosion

## **EXAMINING COMPETENCES AFFECTING FINANCIAL SUCCESS AMONG MICRO-ENTERPRISES IN THE SOUTHERN GREAT PLAIN**

### ***Results of a pilot study***

*Éva Kuruczleki – Klára Kazár*

In micro-enterprises, financial decision-making is typically concentrated in the hands of one person, therefore the competences of the leading financial decision-maker significantly determine the financial success of the enterprise. In our pilot study, we examined the impact of three competences (financial literacy, digital and entrepreneurial competences), on financial success among micro-enterprises in the Southern Great Plain region, in a 92-item sample, using PLS path analysis. The results showed that the most important factors in financial decision-making are the behaviour and acquired practices of the decision-makers, and we proved that the combination of the three competences has a positive effect on the financial success of enterprises.

*JEL codes:* C31, G41, G53, L25, L26, D83

*Keywords:* financial literacy, competence, financial success, PLS path analysis