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THE IMPORTANCE OF FINANCIAL LITERACY IN THE DIGITAL AGE

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ABSTRACT

This article reveals the definitions of financial literacy given by various scientists, the factors affecting it, and recommendations on ways to increase financial literacy in the country in the conditions of today's digitalization of the economy based on foreign experiences.

Keywords: financial literacy, financial resources, factors, attitude, knowledge, skills.

INTRODUCTION

Economic culture and financial literacy have historically developed together. Thanks to scientific and technical progress, new products have entered the market and they have gradually become a necessity, as a result of which humanity feels the need for it more and more. However, the economy is not always able to quickly adapt to changes in time, and as a result, sudden changes can lead to economic crises that affect the lives of thousands of people. Such processes show the need for financial literacy.

In the 21st century, great importance is being paid to increasing financial literacy in countries around the world. Therefore, by the current years, it is necessary to implement various activities in this field accumulated extensive experience. In our country , a large-scale project to improve the financial literacy of the population has begun, and the attention paid to improving this area is increasing year by year. The reality of the market economy requires the wide participation of the population in the accumulated benefit fund, insurance programs and mortgage schemes, which in turn directly helps the population in solving issues related to the accumulation of benefits, housing, social and medical insurance . At the same time, use of new savings and insurance instruments , effective interaction with financial institutions , effective use of banking and insurance products requires a high level of financial literacy from the population . It can be seen from the above that the increase in financial knowledge serves to increase the quality of life and well-being of citizens, which is considered one of the most important factors of economic development. A lot of work is being done in this regard from the legal point of view . Including the Decree of the President of the Republic of Uzbekistan dated April 13, 2021 "On measures to further develop the capital market" [1] National Strategy for Increasing the Popularity of Financial Services for 2021-2023 within the scope of implementation tasks were determined. Therefore, this issue is one of the urgent issues of economic and social reforms of our country.

REVIEW OF LITERATURE ON THE SUBJECT

Today, many definitions of financial literacy are given in many economic literatures, economic dictionaries and scientific works. We will review the theoretical foundations of these concepts.

Lusardi and Mitchell, among foreign scholars, "Financial literacy is the knowledge of basic financial issues and related terms, which enables people to understand financial investments, read, plan for retirement, and rationally respond to events that may affect daily financial decisions" [2] described as Another economist, Schshab, defined financial literacy as a person's ability to use their financial knowledge and skills to effectively manage their financial resources for lifelong financial well-being. One of the main distinguishing features of this definition is that Schshab recognized financial well-being as a specific feature of the definition of financial literacy [3]. Some researchers, such as Huston and Remund, defined financial literacy as a skill that helps people make effective financial decisions [4].

According to the Financial Consumer Agency of Canada document, "financial literacy is having the knowledge, skills and confidence to make responsible financial decisions." Agency knowledge as "understanding of personal financial matters"; skills as "the ability to apply financial knowledge in everyday life"; defined confidence as "having the self-confidence to make important decisions" and responsible financial decisions as "people's ability to use their acquired knowledge, skills and beliefs to make choices appropriate to their circumstances" [5].

The Organization for Economic Co-operation and Development (IHRT) documents that "Financial literacy is a set of elements such as awareness, knowledge, skills, values and attitudes that enable one to make sound financial decisions to achieve personal financial well-being" [6].

From the above definitions, it can be concluded that although there is no standardized definition of financial literacy, based on the literature, financial literacy is the basic financial skills needed to understand and evaluate new complex financial instruments; management of financial resources; economic information processing; and can be defined as a concept that includes making responsible financial decisions about financial planning, wealth accumulation, retirement, and debt to achieve financial well-being.

RESEARCH METHODOLOGY

The theoretical and scientific methodological basis of this article is scientific articles from various economic sources, researches of foreign economists on the issues of increasing the financial literacy of the population, and scientific conclusions based on the analysis of experts' opinions. Also, in the course of research, methods were used to make appropriate conclusions through a systematic approach to economic events and processes, comparative analysis with the author's experiences.

ANALYSIS AND RESULTS

According to World Bank research, financial literacy is one of the main keys to reducing poverty. In addition, the ability of the population to effectively use financial services is the basis of the country's economic development. According to a study conducted by experts of the World Bank in Kenya, about 185,000 women left farming and started developing their own businesses thanks to the possibility of using mobile financial services. As a result, it reduced poverty by 22%. [9]

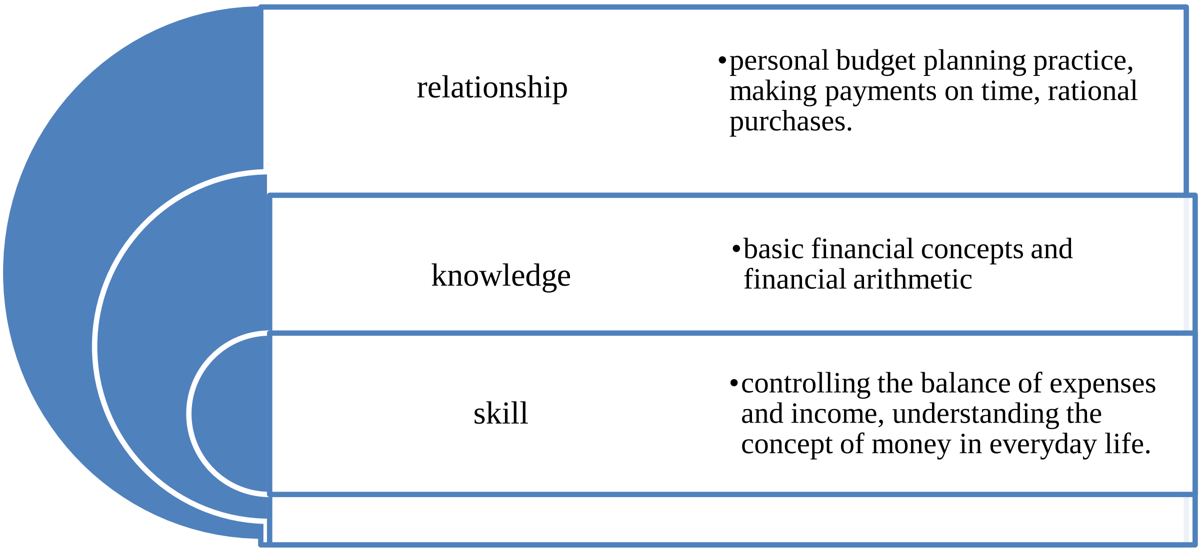
Financial literacy also has an effective impact on ensuring the stability of the financial system by reducing the cycle of risk. An increase in the level of financial literacy increases the ability of the population to repay loans on time, to keep savings in bank deposits, and through a significant increase in small amount of bank deposits, it leads to an increase in the size and stability of the deposit base of commercial banks, which leads to an increase in the size and stability of the deposit base of commercial banks, which makes them more suitable for large depositors, which show great volatility in periods of crisis. reduces dependence. In turn, low-income groups of the population are more resistant to fluctuations in the economic cycle. Studies show that in times of economic instability, depositors are often in no hurry to withdraw their funds from banks, preferring to keep their savings in a safe place, while borrowers try to continue paying their loan obligations on time. Therefore, the introduction of small retail banks and non-bank credit organizations in the financial sector increases the stability of the financial system. The results of a study conducted by Hanning and Jenson in 2010 in cooperation with the Asian Development Bank proved the above. Scientists carefully studied the experience of Indonesia, Bangladesh, Bolivia and other developing countries and came to the conclusion that financial institutions, which mainly serve individuals, small legal entities, come out of macroeconomic crises more easily and use assets in the local economy. [10]

As we know, digital financial literacy is a key factor in digital economic development today. This is mainly directly related to the rapid spread of mobile communication and the development of Internet technologies. According to A. Lyons, while innovation increases access to financial services, it may not always have a direct impact on the development of financial services. Knowledge and trust in the financial system continue to be a major barrier to the development of digital financial services. Today, it is not enough for entities operating in the digital economy to have a basic level of financial literacy, they must be able to manage their accounts through devices (mobile phones, tablets, computers), carry out digital financial transactions with the help of personal accounts, applications. [11]

Based on the above, financial literacy means the ability of individuals to effectively manage their financial resources and make current and long-term financial decisions. At the same time, there are different approaches to determining financial literacy in different countries . For example:

- people living within their means, monitoring personal finances, planning future income and expenses, choosing the right financial products, and understanding financial issues. (UK , Financial Services Regulation and Supervision Authority);
- the ability of each person to effectively respond to constantly changing personal and external economic conditions (USA, Advisory Council on Financial Literacy);
- affecting material well-being the ability to analyze, manage, read and understand financial conditions (USA, Institute for Social and Financial Research).

Financial literacy has three important components: attitudes, knowledge and skills.



It should be noted that the range of issues in the field of financial literacy is quite wide and includes not only the ability to manage a personal budget, but also awareness of banking and insurance services, knowledge of consumer rights, understanding of investment principles and risk identification. In particular, financial risk management is an important issue due to the need to prevent the formation of excessive debts and the risk of bankruptcy.

Factors affecting financial literacy can be divided into the following types:

1. ***Demographic factors*** :age, gender, education, experience, income, occupation, nature of employment. If we consider the age of the population among these factors, the analysis shows that the level of financial literacy in the younger and older age groups is lower than that of middle-aged people, so they make more financial mistakes [7]. If we look at the example of Uzbekistan, in 2022, 63% of the total population will be young people (under 35 years old) and 18% will be old people (over 50 years old), statistics show that the level of financial literacy is 81% of the total population. Looking at gender, according to studies conducted in the United States, it has been observed that women's financial literacy may be lower than men's. It was hypothesized that this may be due to the fact that women are less involved in funding decisions than men. Also, many studies have confirmed the low participation of women in stock market transactions [8].

2. ***Socio-economic factors*** : occupation, personal income, position, other factors of wealth.

3. ***Developmental factors:*** family upbringing, childhood experiences, employment rate, health, access to credit. Among the factors of development, in our opinion, the level of employment of the population is one of the most important factors. The analysis shows that countries with higher employment rates tend to have relatively higher levels of financial literacy, which can be explained by the income of the employed population. In 2020, the banking level of the population in our republic was 66%, and this indicator decreased by 2.1% compared to 2019 and 1.4% compared to 2018. We can explain this by the pandemic situation observed all over the world. However, 66 percent is slightly lower than other developed countries. For example, 82% in the Netherlands, 76.7% in Germany, 75% in Estonia, 74% in Austria, etc.

4. ***Behavioral factors:*** self-confidence, self-esteem.
5. ***Financial relations:*** This involves people's ability to manage their finances or interest in increasing their interests in this area.
6. ***Influences on financial vision:*** influence of family, friends, acquaintances, peers.
7. ***Personal psychological factors:*** motivation, perception, learning.
8. ***Cultural texture and religion*** . If we consider religion among these factors, it is usually observed that in Islamic countries, the participation of women in making financial decisions in the family is relatively low. This in turn leads to low levels of financial literacy among women. About 90 percent of the population of Uzbekistan are followers of Islam.

Depending on the influencing factors, the main goal of financial literacy programs in different countries may differ. In most countries, programs are aimed at children and young people, and the main tool for program implementation is the Internet. In some countries, individual projects have been developed for individual social groups. For example: Australia has a special program for young housewives.

In almost all countries, these programs are financed by the state, as well as international financial institutions and public organizations:

- by National (central) banks in Belgium, Poland, Korea;
- by Financial Regulators and equivalent organizations in the USA, Great Britain;
- by institutes (organizations) on employment issues in Austria;
- by the Ministry of Education and educational organizations in Slovakia;
- by debt settlement institutions (organizations) in Belgium;
- By various Foundations in Poland.

At the same time, in the USA, Poland, and other countries, there are programs that are also financed by the private sector, and these sectors mainly include commercial banks.

CONCLUSIONS AND SUGGESTIONS

To sum up, increasing the financial literacy of the population is considered one of the urgent issues of today, determining the level of financial literacy in different countries of the world, analyzing the influencing factors, programs and the sources of financing these programs differ from each other.

The following can be recommended based on the experience of countries that are effectively implementing programs to increase financial literacy of the population:

1. Financial literacy programs should focus on areas considered important in life planning. Including savings, credit and debt management, insurance, pension, financial risk management, consumer rights protection;
2. Using separate programs and methods for each target group.
3. It is necessary to involve all financial institutions in the process of increasing financial literacy, mainly by creating a website and posting information related to opportunities, risks and consumption.

We believe that by effectively applying the above recommendations, it is possible to further increase the financial literacy of the population of our country, especially young and old people and women.

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