



CAN FINANCIAL LITERACY SAVE US FROM POVERTY?

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Abstract

The article assesses the current state of financial literacy of the population of the Republic of Uzbekistan. Special attention is paid to the recommendations and suggestions in government and policy documents, including issues of financial literacy of the population. The author's proposals for the introduction of new forms and methods of increasing the financial literacy of the population of Uzbekistan are also presented.

Keywords: Finance, financial literacy, finance, welfare, poverty, financial planning, active income, passive income, bank, credit

Аннотация.

В статье проводится оценка современного состояния финансовой грамотности на-селения Республики Узбекистан. Особое внимание уделяется рекомендациям и предложениям, которые содержатся в правительственных и программных документах, включающих вопросы повышения финансовой грамотности населения. Также представлены авторские предложения по внедрению новых форм и методов повышения финансовой грамотности населения Республики Узбекистан.

Ключевые слова: Финансы, финансовая грамотность, финансы благосостояние, бедность, финансовое планирование, активный доход, пассивный доход, банк, кредит

Find a job for your money. See the money as an employee. Take care of your money, and they will take care of you in turn.

Robert T. Kiyosaki

A person's well-being and ability to provide for himself and his family depend in many ways on his financial literacy. Unlike developed and developed countries, financial markets and institutions are underdeveloped in many developing countries. Only in recent decades have some less developed countries begun to



reform their financial systems and introduced increasingly diverse financial services and products. Consequently, the issue of (low) financial literacy is increasingly attracting the attention of political scientists and scholars in developing countries, leading to the call for more empirical research.

Everyone can avoid falling into the mire of poverty only if he can properly distribute and save the money he has earned throughout his life. Every member of the population is financially literate. What kind of economic work and reforms are being carried out in our country, what is their significance for each member of the population, what are their benefits? These questions must be answered by everyone. Unfortunately, the majority of our population does not even know enough about the exact meaning of economic concepts, the activities of financial institutions in the state, the order of their use, and so on. Financial literacy is the understanding of how the financial side of life is organized, how events in the state affect a person's life because of certain events, and what the consequences of this or that step with their own funds are. It is not necessary for a person to be educated in order to provide for himself and his family. Making a certain profession, a sum earned in a profession, ten sums, a hundred sums through financial knowledge As they say, a person who does not earn money, but spends it wisely, is smart. In our view, in order to overcome the poverty of the population, we must pay special attention to raising the level of financial literacy of citizens. In international practice, one of the main directions of poverty alleviation is to increase the financial literacy of the population. In particular, many measures are being taken to reduce poverty in China. is to teach.

The current pandemic is a phenomenon that has caused many to reflect on their financial situation and take a closer look at their financial habits. According to a recent survey by the National Endowment for Financial Education (NEFE), 88% of people believe that the COVID-19 crisis is causing them personal financial problems. These barriers make it necessary for all of us to increase our financial literacy. So what should we do? Before answering this question, let's take a look around. The role of the most important material value belongs to money. And, of course, there are a million ways to spend them. But there will be fewer ways to make money and enjoy life. For 70% of people, it is usually the only source of income, and they don't know how to make money the other way around.

We spend a lot of time and effort, but in the end, we spend what we have worked for. If the money we earn honestly isn't enough, we borrow, borrow from our friends, and continue to dream of a luxurious life. Have you ever asked yourself



why this is happening? Maybe it's because no one has taught us to succeed and achieve financial well-being? Or is it because we want a better life but don't want to take responsibility for our decisions? We make no assumptions. Do you know why? The answer is simple - a general lack of complete knowledge of finance and the lack of competent personal financial management skills, financial planning and practical skills in achieving financial goals make success impossible.

So why do we need financial literacy? Financial literacy is the ability of a person to be financially literate, to understand how money works, to manage your income and expenses, to distribute money properly, to increase our income, and to create financial capital. To make it clear, let's highlight two characteristics of a financially literate person: total expenses never exceed income; the difference between monthly income and expenses must be used for the investment. Remember, some of your acquaintances make decent money, but you can't call them rich. And some of them are still in debt. Do You Remember? Do you know what the most interesting aspect of this situation is? They themselves do not understand where their money will be lost. Because they do not have financial knowledge.

Financial literacy is very important because it provides us with the knowledge and skills needed to manage money effectively. It's something that affects almost every aspect of our lives, yet many people don't have the knowledge they need. Securities, loans, interest, denomination and devaluation ... how can all this be understood and why?

- To put it simply: it is the right management of funds, even in the most difficult situations. In the global sense, financial literacy is a set of knowledge about finance, financial institutions and their relationships. To be financially literate, you do not have to enroll in some courses or go to university. Financial literacy is a set of knowledge in the field of finance, aimed at improving the quality of life. having a financial airbag, vacationing in an exotic country, buying a car, and other financial goals will bear fruit.

Financial literacy refers to people's understanding of financial concepts, as well as their ability to manage money and make competent financial decisions. financially illiterate households and those with low cognitive abilities faced difficulties in managing their daily expenses, economic operations, and financial resources. This is especially true and worries the poor, who are on the one hand more likely to be financially illiterate and on the other hand face constant financial hardship. Therefore, their lack of ability to manage their already limited resources



to meet their various basic living needs exacerbates their financial hardship with low and unsustainable incomes. Financial literacy helps the poor by informing them of their financial problems and choices and developing strategies to deal with their financial situation.

Financial literacy influences financial behavior because it is an internal factor that motivates an individual to seek information and use it with what they know. However, the poor are more likely to be financially excluded and low financial literacy is one of the barriers required for financial well-being. Financial literacy has a positive impact on people's awareness and understanding of available financial services, which is crucial to encourage banks to be financially involved. Nowadays, financial literacy is important because it influences financial behaviors that are critical to asset formation and wealth accumulation, such as savings, pension planning, financial market participation, investment, and credit. Not only is it important to practice certain financial behavior practices, but also the robustness of the decisions made when using financial services and products. It has been found that there is a negative correlation between financial literacy and financial error.

Lack of financial knowledge and poor financial capacity can result in unintended economic consequences. Low financial literacy is cited as a potential reason for low cost savings. Hastings et al. (2013) found that for the Poor, especially in developing countries, savings from household surveys in developed countries can help ease consumption, make financially viable investments in human and business capital, and avoid shocks. However, given their low and uncertain income, it is not easy for the poor to save money (even if they do), and strong financial knowledge is also needed to turn a small amount of money into more money.

We live in a consumer world where everything (well, almost everything) is about money. And not having financial knowledge can be costly for each of us, for those who are developing their own business (or someone else's) business, or for the average person who is careless in managing their personal finances. depends on our information. Fundamentals of financial literacy are, unfortunately, not included in the school curriculum or in the curricula of many non-state universities. Although, I believe that children should be given financial knowledge from childhood. And I firmly believe that financial illiteracy is one of the reasons for the low living standards and poverty of this population. See, the financial literacy of Europeans is much higher than ours. I recently read in Poland, for



example, that about 30 percent of the population uses money-saving programs, while we So to minimize the risk of falling into a difficult financial situation, I recommend getting the basics of economics and financial literacy to improve one's personality. So what does a "mandatory" program for everyone include?

1. The right approach to money. First of all, it is important to change your approach, your attitude to money. Money should be seen in terms of investment, not as a means of consumption. We should strive to get rid of money addiction and make sure that we are the money manager, not the money that controls us.
2. Financial planning and accounting. You need to start small, that is, your personal budget, and then gradually move on to forming a family budget, running a home finance account. Thus, starting with basic planning and accounting, we program ourselves to keep records in the future, which will have a positive impact on our standard of living. All this allows you to be aware of financial transactions, use available money wisely, and most importantly, save money and raise capital to invest in the future.
3. Spend less money than you earn. There can be many objections to spending even less with our monthly salary. But with proper financial planning and accounting, you can do just that. A small amount of money per month will be big in a year.
4. Relations with banks. In front of the bank you just need to see the financial partner and establish a mutually beneficial partnership with him. I'm talking about deposits. The deposit is a reliable tool for saving and saving funds. Also, try to take a sensible approach to choosing financial institutions. Choose reliable partners with many years of experience in financial markets and foreign capital. Remember the basic rule: your money should work for your benefit, not lie dead.
5. Passive income. A person can have two incomes: active - from the main job and passive - it is the result of his investment. Different incomes help in case of force majeure, additional capital. It is necessary to invest, first of all, to anticipate all actions to reduce the risk and therefore to know, understand and use the necessary financial instruments.
6. Move in the world of finance. Participate in trainings, seminars, read relevant literature. Invest in yourself and your development. Over time, this is paid in interest.
7. Make sure you have an airbag ready for you. You may get sick, lose your job, or just get tired of the race for money and take a break. But with all of this, you need money to meet basic needs. Make yourself safe. Even if you set aside at least 10



percent of your monthly salary, in 10 years you will have an incredible amount of money.

Knowledge of finance and the ability to manage personal funds will allow you to accumulate wealth and gradually increase your financial capabilities. You don't need to take out big loans to buy what you need. It will be easier for you to solve problems like buying a car and real estate. You will be calmer and more confident in life, worrying less about tomorrow. Improving financial literacy is a continuous process. So read useful books, explore the world of finance, take advantage of various opportunities to increase your personal funds.

Everyone can improve their financial life through the above.

- ❖ ensuring a comfortable and decent life (housing, car, quality medical care, regular recreation, etc.);
- ❖ creating conditions for good education and development of children (school, higher education, additional classes);
- ❖ providing financial protection for yourself and your family (guarantee of stability in an unexpected life situation);
- ❖ creation of passive sources of income; creating opportunities for a decent life after retirement;
- ❖ formation of own capital and others. It is also important to remember that financial literacy increases self-esteem and boosts self-confidence.

Financial literacy is necessary for people to: earn money even if you stop working, take control of your personal and family finances, manage your life, bring financial well-being to your family, protect yourself and your family from unforeseen circumstances, avoid falling into the hands of financial fraudsters ; achieving life and financial goals, understanding how financial instruments work and using them properly, improving personal performance and self-esteem, etc. Through financial literacy, everything can be changed for the better. So, we have seen that financial literacy saves people from poverty and is necessary for their financial well-being.

Financial literacy is gaining great attention from researchers, practitioners and politicians around the world. In the growing collection of relevant literature, most of the research has been devoted to developed countries and most have studied the relationship between financial literacy and various financial behaviors. For comparison, less effort has been made to determine its impact on welfare indicators, further reducing its scope, particularly individual consumption levels and poverty. Financial literacy has a positive and statistically significant effect on



an individual's consumption. This article aims to provide empirical insights into the role of financial literacy in improving the economic well-being of poor people and reducing poverty in a developing country where the importance of financial literacy in reducing poverty.

Given the important role of financial literacy in enhancing people's economic well-being, national and international efforts to reduce poverty should focus more on improving and enhancing an individual's financial knowledge and skills. This can be done through the inclusion of financial literacy in the curriculum, as well as the provision of targeted and specially designed curricula. Financially illiterate people are concentrated among women, those living in rural areas, and those with the least education. Groups where formal training is difficult. This underscores the importance of targeting such programs to the economically and socially disadvantaged, who have the greatest impact on poverty reduction. In our opinion, it is necessary to implement a program to increase financial literacy in our country. It is possible to organize festivals and events on financial literacy. It is advisable to offer additional financial literacy classes in schools, colleges and universities. Be financially successful and succeed!

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