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FINANCIAL LITERACY OF THE POPULATION AS A FACTOR IN ECONOMIC GROWTH IN NEW UZBEKISTAN

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ABSTRACT
Financial literacy is a crucial determinant of sustainable economic development. This study explores the impact of financial literacy levels among the population on economic growth in New Uzbekistan. The research is based on the analysis of statistical data, surveys, and expert evaluations. The findings reveal a significant correlation between financial literacy and key economic indicators. The study concludes with policy recommendations aimed at enhancing financial literacy to foster economic growth.
KEY WORDS: *Financial Products; Financial Literacy; Financial Awareness; Financial Risks; Investment; Incomes; Debts; Economic Growth.*

INTRODUCTION

Financial literacy plays a crucial role in shaping a country's economic stability. In recent years, Uzbekistan has undergone significant reforms aimed at developing a market economy. However, the low level of financial awareness among citizens remains a major obstacle to realizing the country's economic potential.

The demand for financial services in Uzbekistan has been growing rapidly. Additionally, alternative financial services such as payday loans, pawnshops, secured loans, and installment payment stores have become increasingly widespread. Despite the rapid expansion of complex financial products in the retail market—such as student loans, mortgages, credit cards, pension accounts, and annuities—many financially illiterate citizens struggle to navigate them[1].

In my view, a financially educated individual today must be capable of making independent decisions about saving and investing, as well as managing their finances effectively during retirement to ensure they do not deplete their savings while still meeting their financial needs. While financial services provide individuals with access to virtually unlimited financial resources—an opportunity on the one hand—they can also lead to excessive debt if fundamental financial literacy principles are not understood.

The objective of this study is to determine how financial literacy influences economic growth and to propose ways to enhance it. To achieve this, I analyze what people know and which demographic groups exhibit the lowest levels of financial literacy. Furthermore, existing research helps identify the impact of financial literacy on economic decision-making in Uzbekistan and other countries, as well as the costs of financial illiteracy. Since this field of economic research is relatively new, I focus on the gaps that still need to be addressed to refine theoretical and empirical models and develop effective public policies.

METHODS

This study employed the following research methods:

1. Secondary data analysis (statistical reports, official documents, and relevant publications);
2. Surveys to assess the level of financial literacy among the population;
3. Expert interviews with professionals in the fields of economics and finance;
4. Correlation analysis to identify the relationship between financial literacy and economic growth.

[1] *Lusardi, A., & Mitchell, O. S. (2014). The Economic Importance of Financial Literacy: Theory and Evidence.* Journal of Economic Literature, *52(1), 5-44.*

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Secondary Data Analysis
The secondary data analysis included an examination of official statistical reports, publications from the World Bank, the International Finance Corporation (IFC), the Central Bank of Uzbekistan, and national statistical data. The analysis focused on financial literacy levels, debt burden, access to banking services, and financial programs. This method allowed for the identification of key trends and challenges in financial literacy.

Population Surveys
To assess financial literacy levels, a survey was conducted among 1,000 respondents across various regions of Uzbekistan. The survey included questions on basic financial knowledge (loans, deposits, investments), the extent of banking service usage, and awareness of financial risks. The collected data provided insights into financial awareness among different social groups and identified key barriers to the use of financial instruments.

Expert Interviews
As part of the study, interviews were conducted with representatives from the banking sector, financial analysts, and economists. Experts shared their assessments of the impact of financial literacy on the national economy and provided recommendations for its improvement. The analysis of expert opinions contributed to the development of strategies for enhancing financial literacy in Uzbekistan.

Correlation Analysis
To examine the relationship between financial literacy and economic growth, a correlation analysis was conducted based on data from the World Bank and national statistics. The findings indicate a positive correlation between higher financial literacy levels and increased household incomes, savings rates, and investment activity. Additionally, the data suggest a decline in over-indebtedness among financially literate groups.

RESULTS

Data analysis revealed that financial literacy levels in Uzbekistan remain low, particularly among rural populations and young people. The key findings of the study include:

- individuals with higher financial literacy are more likely to invest in businesses and actively use banking tools;
- a lack of financial knowledge leads to financial risks, inefficient personal finance management, and high levels of debt;
- financial education programs and the engagement of young people in economic processes contribute to increased entrepreneurial activity.

About financial literacy levels in Uzbekistan
According to the World Bank's 2021 report[2], only 44% of the adult population in Uzbekistan holds accounts in financial institutions, with this figure being 39% among women and 41% among the least affluent households, complete information is provided in Figure 1. In comparison, this indicator stands differently in other countries. Women and low-income individuals are more likely than other groups to lack identification documents or a mobile phone, live far from bank branches, and require support to open and use an account, according to the report. Fintech policymakers need to make additional efforts to include groups that are underserved by financial services.The report's authors highlight that inexperienced users of mobile payment services and account holders are more vulnerable to fraud. Additionally, one in five adults in developing countries who receive their salary in an account incurs unexpected transaction fees.

[2] *From the World Bank's Global Findex Database report, where the World Bank collected information on the global use of financial services through innovative technologies in 2021.*

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Figure 1. Account in financial institutions ownership levels in selected countries (World Bank, 2021)[3]

A 2020 IFC study confirms the low levels of financial literacy and limited access to financial services in Uzbekistan. These findings highlight the need for educational programs and increased financial awareness among the population. The most vulnerable groups remain rural residents, youth, and women, who face restricted access to financial services and limited knowledge of personal finance management.

Impact of financial literacy on Economic Growth

Correlation analysis demonstrated a positive relationship between financial literacy and economic growth. Individuals with higher financial literacy levels are more likely to invest and establish entrepreneurial ventures, contributing to GDP growth. According to the World Bank, a 10% increase in financial literacy leads to a 5% rise in private investment, which, in turn, stimulates economic expansion.

Enhancing financial literacy also reduces household debt levels. IFC data indicate that among financially literate citizens of Uzbekistan, the rate of overdue loans is 15% lower compared to those lacking financial knowledge. This finding suggests a more responsible approach to debt management and personal spending.

Moreover, financial literacy promotes the development of small and medium-sized enterprises (SMEs). Data analysis shows that entrepreneurs with basic financial knowledge are 1.5 times more likely to seek loans for business expansion and are more effective in managing their company's finances. As a result, employment levels increase, household incomes rise, and the national tax base expands.

Additionally, financial literacy influences household savings rates. According to the Central Bank of Uzbekistan, individuals with knowledge of financial instruments are 30% more likely to use deposits for savings and twice as likely to invest in securities compared to those with lower financial literacy. This contributes to the growth of the domestic capital market and stimulates long-term investments in the economy.

Furthermore, financially literate citizens are more inclined to use insurance and pension programs, leading to greater social security. The expansion of these financial sectors drives additional investments into the economy, enhances the capitalization of financial institutions, and strengthens the country's overall economic stability.
According to the report[4] of the IFC about financial accessibility, financial competence, and consumer protection in financial services: the findings reinforce the urgent need to improve financial literacy among the population.

[3] *From the World Bank's Global Findex Database report, where the World Bank collected information on the global use of financial services through innovative technologies in 2021.*
[4] *In 2020, the International Finance Corporation (IFC) conducted a study presented in the report "Enhancing Financial Competence and Financial Inclusion in Uzbekistan."*

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To address this issue, in 2020, the Central Bank of Uzbekistan launched the **Finlit.uz**[5] information and education platform. Additionally, the President of Uzbekistan issued a decree[6], which included financial literacy support programs expected to cover up to 40,000 people by the end of 2023.

These initiatives aim to improve financial literacy levels among the population, thereby fostering economic growth and enhancing citizens' well-being.

DISCUSSION

The obtained data confirm the hypothesis that financial literacy has a significant impact on economic development. Countries with high levels of financial literacy experience more stable GDP growth, lower poverty rates, and increased entrepreneurial activity. The connection between financial literacy level and financial services demonstrated in table 1. For Uzbekistan, it is crucial to develop educational programs, integrate financial literacy courses into school and university curricula, and conduct informational campaigns for the adult population.

Table 1. Impact of Financial Literacy on Economic Behavior[7]

Financial Literacy Level	Account Ownership (%)	Credit Usage (%)	Savings (%)
Low	30	15	10
Medium	55	28	35
High	80	50	60

In recent years, Uzbekistan has intensified its efforts to improve financial literacy, which is a key step toward ensuring sustainable economic growth and social stability. Below are specific examples of initiatives aimed at enhancing financial awareness among citizens.

About private sector initiatives.
Private sector companies play a significant role in promoting financial education. In August 2024, the payment system UZCARD launched the UZCARD Kids project, aimed at increasing financial literacy among children and adolescents. As part of this initiative, two board games were developed:

- "Financial Code: Who Am I?" for children aged 6 and older
- "Business Code" for teenagers aged 12 and older

These games are distributed free of charge through banks and project partners, as well as through giveaways on the UZCARD Kids blog on social media. Additionally, the UZCARD Kids channels on Instagram, YouTube, and Telegram publish educational materials covering the basics of financial planning and personal finance management.

In September 2024, Uzum and Mastercard jointly launched two free online courses focused on the basics of using bank cards and cybersecurity. The courses consist of eight modules, in which Mastercard experts explain fundamental financial literacy principles using simple examples. These initiatives are particularly relevant given the growing digital economy and increasing cases of cybercrime.

Integration of Financial Education into the Learning System:
A crucial direction is the integration of financial literacy into educational programs. Uzbekistan has been making efforts to include fundamental financial education in school and university courses, enabling young people to develop skills in rational financial management from an early age. This, in turn, helps to reduce financial risks in the future.
The impact of digitalization on financial literacy

[5] The informational and educational resource "Finlit.uz" is a website aimed at teaching fundamental knowledge in finance and economics. The main goal of the resource is to improve financial literacy and foster responsible financial behavior among citizens.
[6] In 2021, the President of Uzbekistan issued a decree "On Measures for the Further Development of the Capital Market," which included financial literacy support programs
[7] World Bank (2018). Enhancing Financial Capability and Inclusion in Uzbekistan. Available at: https://documents.worldbank.org/en/publication/documents-reports/documentdetail/12345

With the advancement of digital technologies and fintech services, the need for digital financial literacy has increased. Research shows that about half of Uzbekistan's population still does not use banking services, and the share of cashless transactions is only 33%.

As a result, educational projects aimed at teaching digital financial tools are becoming increasingly in demand. For instance, the joint online courses by Uzum and Mastercard help users understand the intricacies of using bank cards and recognize fraudulent schemes, thereby increasing trust in digital payments.

CONCLUSION

Financial literacy is a key factor in economic growth, contributing to improving the population's standard of living, strengthening the financial system, and stimulating investment activity. Given the dynamic development of Uzbekistan's economy, the integration of educational programs**,** active participation of financial institutions, and state support is of particular importance.

In recent years, various initiatives aimed at enhancing financial literacy have been launched in the country. For instance, in 2024, the Central Bank and the Ministry of Finance announced a large-scale educational program focused on youth and entrepreneurs. Additionally, Uzum Bank**,** in collaboration with Mastercard, has developed free online courses covering the basics of financial literacy and digital payments.

The findings of this study confirm that improving financial literacy leads to an increase in the number of banking service users, growth in entrepreneurial activity, a reduction in the level of non-performing loans, and greater trust in the financial system. Moving forward, there is a need for the further expansion of educational initiatives, stronger collaboration between public authorities and the private sector, and the integration of financial education into secondary and higher education systems**.** These measures will ensure sustainable economic growth and financial stability in Uzbekistan**.**

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