



PROBLEMS AND SOLUTIONS FOR IMPROVING THE FINANCIAL LITERACY OF THE YOUNGER GENERATION

Uzakbaev Amanbay Artiqbay uli

2nd-year student, Finance and Financial
Technologies program, Faculty of Innovative
Technologies and Business

Abstract. *The article analyzes the current problems of improving the financial literacy of the younger generation and ways to solve them. The theoretical foundations of the concept of financial literacy, its structural components and economic importance are described. The paper highlights the lack of financial knowledge and skills among young people and the risks arising from the expansion of digital financial services, such as impulsive spending, excessive borrowing and online fraud. International experience is examined, and a comprehensive set of proposals covering the education system, financial institutions, the family and public policy is developed.*

Keywords: *financial literacy, youth, personal budget, savings, financial behavior, digital finance, financial inclusion, financial education.*

INTRODUCTION

In the modern economy, the range of financial services is steadily expanding and financial products are becoming more complex. Today, a young person starting out in life can pay via mobile apps, manage a bank card, take out an online loan, use installment payment services, and even become acquainted with crypto-assets. However, the convenience of using these services does not always develop at the same pace as an

understanding of their essence. It is precisely this gap that turns the issue of youth financial literacy into a problem of economic and social significance.

Young people make up a large share of Uzbekistan's population, which is both a great opportunity and a serious responsibility for the country. In recent years, extensive work has been carried out to reform the banking and financial system, develop the digital payment ecosystem and expand the population's access to financial services. However, the development of financial infrastructure is effective only when accompanied by the ability of the population, especially young people, to use this infrastructure sensibly.

The purpose of the research is to identify the main problems in improving the financial literacy of the younger generation and to develop practical proposals aimed at addressing them. To achieve this purpose, the following tasks were set: to clarify the concept and components of financial literacy; to analyze the factors influencing young people's financial behavior; to summarize international experience; and to substantiate comprehensive directions for solving the problems. The object of the research is young people's financial behavior, and its subject is the mechanisms for forming and improving financial literacy.

The concept of financial literacy is interpreted differently in foreign and local literature. The Organisation for Economic Co-operation and Development (OECD) and its International Network on Financial Education (INFE) define it as a combination of awareness, knowledge, skills, attitudes and behavior necessary for an individual to make sound financial decisions and ultimately achieve financial well-being (Atkinson and Messy, 2012). Thus, financial literacy is not merely theoretical

knowledge; it also includes the ability to apply that knowledge in practice, that is, to develop sound financial behavior.

In their research, A. Lusardi and O. Mitchell proposed using short questions on three key concepts — compound interest, inflation and risk diversification — to assess financial literacy. According to the authors' findings, individuals with higher financial literacy plan their savings better, save more, participate more actively in financial markets and are more likely to avoid expensive borrowing (Lusardi and Mitchell, 2014). In addition, the level of financial knowledge is considered one of the important factors of wealth inequality in society.

The components of financial literacy can be summarized in Table 1.

Table 1. Components of financial literacy

Component	Content	Example for young people
Financial knowledge	Knowing basic concepts such as money, interest, inflation, credit, insurance and investment	Understanding the relationship between deposit interest and inflation
Financial skills	Performing calculations, drawing up a budget, reading financial documents	Keeping a plan of monthly income and expenses
Attitude	An approach to planning for the future and to responsibility	Putting short-term wants below long-term goals
Financial behavior	Applying knowledge and skills in real decisions	Saving regularly, repaying debts on time
Financial security	Protecting oneself from fraud and excessive risks	Not sharing card details with strangers

A distinctive feature of forming the financial literacy of the younger generation is that habits formed during this period persist throughout a person's life. For this reason, it is advisable to start financial education

from school age, deepen it at the higher education stage, and supplement it with practical support in the first years of employment.

The research used general methods of scientific cognition: analysis and synthesis, induction and deduction, comparative analysis, a systematic approach and logical generalization. OECD/INFE documents, international studies (the S&P Global FinLit Survey and the PISA financial literacy assessment) and national legal and regulatory documents were studied as the theoretical basis. For the practical part, a methodology for a survey among young people is also proposed: the survey may consist of blocks on financial knowledge (3–5 test questions), financial behavior (saving, budgeting and borrowing habits) and financial security (protection from fraud).

Important note: when working with the statistical indicators cited in the article, it is recommended to use the latest official data from the Central Bank, the Statistics Agency and international organizations. The conclusions in the text of this article are based on theoretical analysis and general trends in open sources.

Many countries have recognized financial literacy as a priority of public policy and adopted national strategies. According to OECD data, such strategies typically rely on coordinated cooperation among education, regulation, the financial sector and the mass media (OECD, 2020). In addition, students' financial literacy is assessed separately within the PISA program, and these results allow countries to compare their education policies (OECD, 2023).

In the United Kingdom, financial education has become part of the school curriculum, and a dedicated public body coordinates this activity. In the United States, a personal finance course is being introduced in

many states as a mandatory or recommended requirement for high-school graduates. In countries such as Singapore and South Korea, practical programs in schools and universities, game-based learning platforms and teacher training systems have been established through cooperation between financial institutions and educational establishments.

The general conclusion of international experience is that no single tool is sufficient to improve financial literacy. The best results have been recorded when school education, the educational activities of financial institutions, digital tools and mass campaigns are combined, and when results are measured regularly.

According to the results of the analysis, it is advisable to work in the following comprehensive directions to improve young people's financial literacy.

It is necessary to introduce step-by-step personal finance modules in schools, colleges and higher education institutions. In primary grades, the concepts of money and thrift; at the middle level, budgeting, savings and banks; and at the upper level and in higher education, credit, investment, taxes, insurance and pension issues can be taught. Practical cases, business games and personal budget projects should be used in classes, and professional development courses should be organized for teachers.

The most effective way to reach young audiences is to use the digital environment in which they are active. Mobile apps, short video lessons, interactive tests, budget calculators and learning platforms based on game elements can be created for financial literacy. Adding expense

analysis, savings-goal setting and risk warning functions to banking apps also helps shape financial behavior.

Banks, microfinance organizations, insurance companies and payment systems should present product terms in plain language and provide open information on hidden fees and the effective interest rate. It is advisable to offer special low-cost products for students and to organize open lectures and internship programs in cooperation with universities.

Regular information campaigns on fraud methods, signs of detecting them and rules of protection should be held, and warning materials based on real cases should be prepared. Teaching young people the basic rules prevents a significant portion of the damage caused by fraud.

Recommendations for parents on talking to children about financial topics and educational events organized through the mahalla (neighborhood community) and public organizations strengthen family financial culture. Creating high-quality content on financial topics with the participation of the media and trusted experts reduces the influence of misinformation on social media.

The level of young people's financial literacy should be measured annually using a standard methodology, the results analyzed by region, gender and age group, and the strategy updated on the basis of the indicators. The share of those who pass a financial knowledge test, the share of young people who keep a budget, the share who save regularly and the share who have been victims of fraud can be used as key indicators.

In financial education, the simplest way to demonstrate the concept of compound interest to a young audience is to calculate an example of

regular saving. Suppose a young person saves 200,000 soums every month at an annual rate of 15 percent with monthly capitalization. The results of such a calculation are given in Table 2 (the rate is hypothetical and taken for educational purposes).

Table 2. Result of regular saving (hypothetical example, soums)

Period	Amount contributed	Final amount	Income from interest
1 year	2 400 000	2 572 072	172 072
3 years	7 200 000	9 023 101	1 823 101
5 years	12 000 000	17 714 902	5 714 902
10 years	24 000 000	55 043 412	31 043 412

As can be seen from the table, the income earned from interest increases significantly as the saving period lengthens: over 10 years, additional income exceeds the amount contributed. For this very reason, starting to save as early as possible is considered one of the core principles of financial education. Of course, in real life inflation, taxes and changes in rates affect the result, so students should also learn to perform calculations using the real interest rate (adjusted for inflation).

The interrelation of the problems indicated above and their solutions is summarized in Table 3.

Table 3. Main problems and directions for solving them

Problem	Direction of solution	Responsible party	Expected result
Lack of systematic education	Step-by-step learning modules, teacher training	Ministry of Education, universities	Increase in knowledge level
Impulsive spending	Budgeting apps, expense-control skills	Banks, payment systems	Reduced risk of indebtedness

Problem	Direction of solution	Responsible party	Expected result
Online fraud	Warning campaigns, security rules	Central Bank, banks, mass media	Reduction in fraud cases
Unreliable information	High-quality content, popular expert participation	Financial institutions, mass media	Accurate perception of risk
Weak communication in the family	Recommendations for parents, mahalla events	Mahalla, family organizations	Family financial culture
Lack of monitoring	Annual survey and unified indicators	Central Bank, Statistics Agency	Assessment of policy effectiveness

The proposed measures envisage three consecutive stages: in the first stage, knowledge and awareness are formed; in the second, practical skills are developed; and in the third, stable financial behavior is consolidated. Only when all three stages are implemented together does financial literacy turn into real financial well-being.

The results of the analysis show that raising financial literacy should be considered not only as an educational issue but also as a factor of economic stability and social well-being. Financially literate young people manage their debt burden prudently, correctly assess financial resources when starting entrepreneurial activity, and make informed decisions in their dealings with banks. This, in turn, contributes to a lower share of problem loans, growth in household savings and deepening of the financial market.

It should be emphasized that there is not always a direct link between financial literacy and financial behavior. Even when a person has the right knowledge, psychological factors — the desire for immediate gratification, imitation of those around them and overconfidence — may influence their actions. Therefore, rather than

limiting itself to providing information, it is also recommended to use behavior-shaping methods, such as automatic saving, setting spending limits and reminder systems.

The practical significance of the proposed approach is that higher education institutions can use it in improving curricula, banks and microfinance organizations in developing youth programs, and government bodies in planning national financial literacy programs. Large-scale surveys among young people, regional comparisons and experimental evaluation of the effectiveness of educational programs are relevant directions for future research.

CONCLUSION

The research showed that improving the financial literacy of the younger generation is an important task of the modern economy. Financial literacy is the sum of knowledge, skills, attitudes and behavior, and it directly affects an individual's financial well-being and the stability of the financial system.

The main problems in young people's financial literacy are as follows:

- insufficient systematic and practice-oriented financial education in the education system;
- increased risk of impulsive spending and indebtedness with the expansion of digital services;
- the influence of online fraud and unreliable sources of information;
- a weak culture of financial communication and savings habits in the family;
- regional disparities and an insufficient monitoring system.

To solve these problems, coordinated cooperation among the education system, financial institutions, the family, the mass media and government bodies is necessary. Step-by-step financial education beginning at school, digital tools and gamification, a transparent and responsible policy of financial institutions, anti-fraud awareness-raising and a system of regular measurement of results are proposed as the most effective directions. A financially literate younger generation will ensure not only its own well-being but also the country's economic stability and long-term growth.

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