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## Financial Literacy of the Youth and the Ways of Providing Its Growth

**Key words:** *Financial literacy of the youth, financial education, economic education.*

**Annotation:** *This article is about financial literacy which is an important element in education of the young generation. Economic and social development of our society requires a constant attention to the education of people. In connection with the development of market relations the financial literacy is considered as a significant component of economic education. This is a knowledge that is necessary to make financially responsible decisions that are integral to our everyday lives.*

*This article gives a short review of a concept of financial literacy and analyses why and how the learning methods of financial literacy should be implemented in all levels of educational institutions of Uzbekistan.*

*«... the most decisive factor of our progression ahead and ensuring realization of our most cherished dreams is a human capital, the forthcoming generation of young people with contemporary knowledge and in-demand professions capable to take on a responsibility for the future of the country».*

***Islam Karimov, President of the Republic of Uzbekistan***

XXI century is the century of the global development of new technologies, based on highly-educated population – a vector of new ideas and solutions on urgent economic issues. Today the competition winner is the one who has highly developed human capital.

The President of Uzbekistan Islam Karimov stressed that "In these conditions the state can declare about itself, if it always has among the main priorities the growth of investments and investments in human capital, training of educated and intellectually developed generation which is the most important value and decisive force to achieve democratic development objectives, modernization and renewals in today's world" (2).

In today's world investment in human capital is an investment in education: as it was stated in UN documents, education "is one of the key parameters that reflects on the essence of human beings and human development" (1). High level of education ensures greater productivity and product quality, provides competitiveness and sustainable economic development. Education - is a factor of social renewal, characterized by the development of the middle class, which is the mainstay of the market economy and balancer of social development in society.

Currently, the share of the middle class is approximately 28-30% in our country. By 2030 it is planned to increase about twice (3), until 60-65% of the population of Uzbekistan. The middle class is the well-educated people, who are responsible for the future; they are the main engine of a progress.

Economic and social development of our society requires a constant attention to the education of people, especially to young people. In connection with the development of market relations and the strengthening of market forces of the economy regulation increases the importance of economic education, the leading element of which is financial literacy.

Financial literacy is defined as the knowledge of basic economic and financial concepts, as well as the ability to use that knowledge and other financial skills to manage financial resources effectively for a lifetime of financial well-being. Financial literacy as a concept is divided into three interrelated parts: guidelines, knowledge and skills, on the basis of which the index of financial literacy is calculated.

The value of financial literacy is defined by absence of alternatives in the market economy as the dominant of social development and the inevitable participation all segments of the population in it.

Financial literacy is defined as the ability to understand and execute matters of personal finance, including basic numeracy, interest compounding, inflation, and risk diversification. Someone who is financially literate understands compound savings rates, changes in value of money over time, mechanics of credit and debt, and how these various economic tools affect their choices. Those who are not financially literate are unable to make informed choices about personal finances. It should be recalled that, market based on the monetary relations, because money is the main financial tool of the relationship of all economic subjects, real vector of economic interests, and the main form of wealth. As it is known, finance - is the ratio of cash income and expenses. Thus, financial literacy is the ability to manage income and expenses, the ability to understand how money works: how someone makes, manages and invests it, and also expends it to help others. Common financial literacy principles are financial goals, budgeting, investments, superannuation, contracts and employment models. This literacy is achieved in two ways: first, by observation of financial transactions and accumulation of experience in this field, and secondly, the organized development of financial knowledge and their usage in practice.

In short, financial literacy is the ability to budget, so it is required by all, irrespective of financial conditions. Financial literacy is necessary not only the outreach people but also some middle-class people and financially needy people. It is necessary, first of all at the lowest level of finance – particularly, for personal and family finance, which are the main parts of micro and mini levels of the financial system. As far as all social groups of population are involved in finance, to the extent that the representatives of all social groups should have financial literacy, whether he or she is school children, students, workers, employees, farmers, entrepreneurs or pensioners. Everyone should understand how to make money, how to multiply and manage it. Family dependents need to understand that money is earned by labor of those people who are busy with work (they are usually capable of working family members), that money should be spent not haphazardly, but with taking into account the family budget, with the benefit for all members of the family. For people of middle age financial literacy helps to develop the right strategy for their retirement savings, gives a chance effectively manage available financial resources. As for youth, it provides a clear idea of finances, basic skills of budget and savings planning, allows to solve financing problems of their own education and homes housing. In other words, financially literate people have a greater capacity to earn better and disposing resources, reaching a greater effect as compared with financially illiterate people.

Financial literacy is a factor to increase the economic culture in general as earnings culture, expenditure and consumption, savings and private augmented wealth. There is no doubt that the economically cultural identity is widely adopted finds in that area where there are more reasonable opportunities for personal development and people's actions in order to meet the vital needs of the material and spiritual blessing by the rational use of limited resources (4), and it creates confidence in the future. The absolute evidence of economic culture is the ability to correlate useful efforts in the process of labor activity. High economic culture creates the desire for high productivity and higher wages, whereas the media of low economic culture prefers marginal forms of employment, involvement in various hidden schemes of work, which composing the shadow economy.

Without considerable culture it is impossible the functioning of modern economy, which means a complex, multi-factor system, the field of unlimited possibilities. In connection with this economic culture should contain the attributes of strategic planning as an approach to the development of long-life projects.

In the strategic plan increasing of financial literacy will be of large return of the younger generation, so that there are a number of reasons.

First, these people are more receptive to learning beyond of their ages.

They systematically engaged in training activities in educational institutions (school, college, high school, university), to which is added by self-education. Mastering the basics of financial literacy may enter into educational programs as the one of worthwhile component.

Secondly, in the frame work of educational institutions it is possible to achieve maximum coverage of different strata of the people, as far as the representatives of all segments of people are taught.

Since young people is the most promising sector of financial services users, first of all financial literacy is necessary to them. Knowing the nuts and bolts of literacy, student will be easy to orientate in the issues, which are connected with money. Therefore the issue of increasing of financial literacy of youth is crucial, because economic well-being of a country depends in particular on them in future.

Financial knowledge is multifaceted. It covers knowledge of the stock and money markets mechanisms, including the foreign exchange market. Stock market - means of capital and democratization of capital. Here, small value of money, turning into securities constitute a large capital sufficient for effective investment. Consequently on this market the diffusion of capital among numerous owners takes place with the result that it becomes democratic. It is a fact that in developed stock market not only the stock pros acted as players, but also ordinary citizens too, who have money savings. There are 25 to 40% of the population have securities in developed countries. According to available data in Uzbekistan more than 1.3 million of individuals are the owners of the shares and receive dividend income. In the future due to the large increase of income money savings will be formed which will be owned by the current youth and join in the stock market. But now young people need to know what are stocks, bonds, derivatives, certificates, options, dividends, foreign exchange earnings, the yield of securities, bond interest charges. Here we are talking about forming a culture of financial behavior.

Young people at least must be able to analyze financial transactions. It is important to consider not only its advantages but also disadvantages. Financial operations are a risky business, therefore it is necessary to identify risk factors, ways to avoid or reduce them, so as

not to become a financial bankrupt. It is important to teach young people to be cautious when concluding financial contracts, which will allow avoiding suspicious transactions with the threat of big losses, as it happened during the peak period of the financial crisis in 2008. Boys and girls of our country can become members of money market, if they are not become yet. They should be aware of choosing how to invest their savings, how to make selection of banks and para banking institutions for deposits. It is important to understand that the alternative choice is made between yield of deposits and their riskiness and decrease of risk requires the diversification of investments among various banks, between banks and the stock market. It is necessary to attach all efforts to inform the younger generation: financial risks always exist, but we can avoid or reduce them if we think about our money investing.

Modern analytical tools can define the level of financial literacy exactly but for this it is necessary to determine the system of metrics meeting the requirements of its content. An effective way to determine the level of literacy is a survey of youth. Meanwhile it is crucial wording of survey items, because they on the one hand, should reflect the essence of financial literacy, and on the other - to be clear and understandable to the respondent to correctly answer them. In this case the processing of the results will allow quantitative methods to identify adequately the level of literacy and identify specific areas of financial education. With all this going on, studying of the survey questions has a defined value, because they, on the one hand, must reflect the essence of financial literacy, and on the other hand, must be clear and understandable for a respondent to answer correctly. In this case the analysis of results by appropriate methods permits to reveal the level of financial literacy quantitatively and determine the concrete directions of financial education development.

This sequence of development is achieved in the process of young people economic education. Education is one of the system-creating backbones of institutional provision of economic culture, and cultural capital characterizes human capital qualitatively. Its decisive tool is teaching of economic subjects in the educational institution, which, as is well known, is conducted in schools, high schools, colleges and universities of Uzbekistan. The course of economic theory is included in curricula of all higher education institutions of a country and gives a wide field of possibilities on raising the level of financial literacy. Teaching of this course forms the basis of literacy, which will be appreciated in future by young people self-education.

Speaking about the methods of training, it is necessary to emphasize effective methods among them. The interactive forms of teaching have efficiency, such as the problem-solving lectures, dialogue- lectures, seminars, discussions. Very effective forms are the tasks on the analysis of video situations, an analysis of mistaken financial decisions, tasks solution on income and expenses, modeling of role plays on the stock and money market, an analysis of existent family income and expenses. The educational process is effective in attracting young people interest, in this case, allowing them to begin their self-education in the field of finance. This interest should be supported by the creation self-help books on the subject of finance in the form of brochures, collections of problems.

All of the above are related to culture earnings forming, consumers expenditure, cash resources, pension savings and realization of own investment projects.

Reviewing of the financial literacy in the contest of economic culture allows to understand that it cannot emerge spontaneously, outside the rational approach to education. True literacy provides getting financial knowledge for students, finding information about

financial services, have a knack for using financial services in the future, the accumulation of their personal financial experience, opportunities for self-education in this area. All this requires the inclusion of courses on the forming of financial literacy in the general education program, implementing the learning process with the use of modern, interactive, high-tech forms of learning.

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