

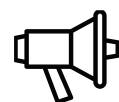
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CONTENTS

Socio-economic mechanisms for assessing the impact of green economy development on production resources.....	6
Fattoyev Dilshod	
Enhancing customer loyalty through eco-marketing strategies.....	10
Rahmatov Dilshod Shermat o'g'li	
Model and methods for enhancing the efficiency of mechatronic system modules used in the moistening process within wheat processing systems	15
Qamariddinov Shohruh Akmal o'g'li	
Factors affecting the strength of the resource base of commercial banks.....	26
Rakhmanov Ilkhom Khurramovich	
A comparative study on the convergence and accuracy of numerical integration methods.....	31
Jumaboyev Asadbek Shokirjon ugli	
Institutional foundations for the development of equity circulation in Uzbekistan	34
Quvondiqov Muhammad	
Development of the metal market in the Tashkent region and the role of small businesses in it	38
Usmonova Dिल्фуза Ilkhomovna	
Application of a linear programming problem to analyze the state of a company's commodity and raw material resources.....	43
Musayeva Shoirazimovna	
Improving the financing mechanisms of innovation activity in the construction materials manufacturing sector.....	48
Ilhom Akramovich Gulamov	
Financial literacy and the interaction with financial Policy: An analysis of Uzbekistan and international experience.....	53
Irgashev Anvar Farxodovich	

FINANCIAL LITERACY AND THE INTERACTION WITH FINANCIAL POLICY: AN ANALYSIS OF UZBEKISTAN AND INTERNATIONAL EXPERIENCE

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Abstract: This article provides a theoretical and practical analysis of the interrelation between financial literacy and public financial policy. The reforms implemented in Uzbekistan in recent years are examined, including the concept of developing the financial services market, the practice of the “Participatory Budget,” and measures aimed at enhancing the financial inclusion of the population, in comparison with international experience. Based on OECD, IMF, and World Bank data, a statistical analysis of financial literacy levels across countries and their impact on the effectiveness of economic policy is presented.

Key words: financial literacy; financial policy; financial inclusion; tax policy; participatory budget; financial education; capital market; inflation expectations; financial stability; economic growth; financial transparency.

INTRODUCTION

In today's context of globalization and the digital economy, the issue of financial literacy is becoming an integral part of state financial policy. The extent to which members of society understand financial processes, make informed financial decisions, and are able to assess risks affects not only personal well-being but also the overall economic stability of the state.

In recent years, the financial services market in Uzbekistan has been expanding. The Central Bank and the Ministry of Finance have implemented a number of state programs aimed at ensuring financial inclusion, teaching the population to use financial resources effectively, and raising financial literacy. In particular, the “Participatory Budget” initiative, which allows citizens to directly engage in the allocation of budget funds, is fostering the development of practical financial knowledge among the population.

International experience also shows that in countries with higher levels of financial literacy, the effectiveness of state financial policy is significantly greater. For instance, according to OECD reports from 2020, in countries where national strategies for financial education have been introduced, the population's use of financial services is 20–25% higher.

Therefore, improving financial literacy and aligning it with state financial policy has become a highly relevant issue today. This article analyzes this matter through the example of Uzbekistan and foreign countries.

Review of literature on the subject

A. Atkinson and F. Messy, in their work “Measuring Financial Literacy: Results of the OECD”, present an analysis of research conducted under the guidance of the Organisation for Economic Co-operation and Development (OECD) through the International Network on Financial Education (INFE), which assessed the level of financial literacy across 14 countries. The analysis was based on financial knowledge, financial attitudes, and financial behavior indicators, with comparisons made both internationally and within individual countries, taking into account socio-demographic characteristics.¹

In the article by Ye.N. Alifanova and Yu.S. Yevlakhova entitled “Analyzing Methodological Approaches in Developing Indicators of Financial Literacy of the Population”, the authors provide a systematic summary and in-depth analysis of methodological approaches developed by both domestic and foreign scholars for assessing financial literacy. The article examines various conceptual models, evaluation indicators, and measurement criteria for determining financial literacy levels. Moreover, the authors conduct a comparative analysis of

¹ Atkinson A. and F. Messy. Measuring Financial Literacy: Results of the OECD // International Network on Financial Education (INFE) Pilot Study, OECD Working Papers on Finance, Insurance and Private Pensions. 2012. № 15. OECD Publishing. URL: <http://dx.doi.org/10.1787/5k9csfs90fr4-en>

research results on financial literacy assessments carried out in foreign countries, identifying the advantages and shortcomings of international practices. They scientifically substantiate proposals and recommendations for the development of comprehensive assessment models that evaluate the financial knowledge of the population, taking into account financial behavior and personal attitudes².

The article by Lusardi, Mitchell, and Curto emphasizes the importance of financial education and highlights the need to develop special financial education programs for the older population. The authors conducted an extensive analysis of financial literacy and experience among the elderly in the United States and administered a specialized survey among respondents over the age of 50 to measure financial knowledge. The findings revealed that a significant portion of older Americans lack sufficient knowledge of basic financial concepts such as interest rates, inflation, risk assessment, compound interest, diversification, and the impact of inflation. Consequently, their overall level of financial literacy was found to be low³.

The study stresses that low financial literacy can lead to poor financial decisions, such as mismanaging debt and making mistakes in retirement planning, which may threaten long-term financial stability. Furthermore, demographic differences in financial literacy were taken into account: women, people with lower education, and low-income groups lag significantly behind men and those with higher education levels.

In our view, the conclusions drawn by Lusardi, Mitchell, and Curto are relevant not only for the United States but also for many countries worldwide, including Uzbekistan. Financial literacy is a key factor that ensures not only individual financial stability but also the effective functioning of the broader economic system. According to the authors, identifying and evaluating financial knowledge, as well as developing practical skills based on this knowledge, can help individuals make informed decisions on crucial life matters such as pensions, investments, debt, and savings. Particularly, the development of financial education programs for the elderly population is considered a strategic task for maintaining demographic balance, social stability, and the sustainability of the pension system.

Applying the authors' experience to the context of Uzbekistan, it is essential to expand financial literacy among the population—especially pensioners, women, and youth—through targeted training courses, practical workshops in cooperation with banks, and awareness campaigns conducted via mass media.

RESEARCH METHODOLOGY

The article employs comparative analysis, statistical analysis, and economic modeling methods. Sources include data from the State Committee of the Republic of Uzbekistan on Statistics, the Central Bank, as well as reports from the OECD, IMF, and the World Bank. Statistical indicators for the period 2020–2024 were analyzed using tables and diagrams.

ANALYSIS AND RESULTS

In Uzbekistan, the level of financial literacy has been rising in recent years in line with state financial policy. In particular, the “Participatory Budget” initiative introduced in 2021 strengthened transparency and accountability in the allocation of budget funds by ensuring public participation. During 2023–2024, approximately 6 trillion soums were directed toward projects chosen by citizens, which contributed to reinforcing practical financial knowledge among the population.

Based on the “Concept for the Development of the Financial Services Market and the Increase of Financial Inclusion of the Population,” adopted in 2022, the task of developing a national financial literacy strategy was set. Through the Central Bank’s Finlit.uz portal, the population is provided with online courses, advisory services, and educational materials. As a result, the use of financial services has expanded, and financial literacy levels have steadily improved.

Looking at the experience of foreign countries, New York City established the Office of Financial Empowerment (OFE) in 2001, one of the largest city-level programs aimed at improving financial literacy. OFE opened Financial Empowerment Centers that provide free services to residents, particularly low-income groups, including financial counseling, debt management plans, budgeting assistance, and improving credit scores. Studies show that over 100,000 individuals in New York have improved their financial knowledge through these programs.

In London, financial literacy programs are primarily carried out by the Money and Pensions Service (MaPS) and the London Money Advice Service. These organizations introduce financial education in schools, organize

2 Alifanova Ye.N., Yevlaxova Yu.S. Analiz metodicheskix podxodov k razrabotke indikatorov finansovoy gramotnosti naseleniya // Finansy i kredit, 2018, № 43 (775), s. 2542–2560

3 Lusardi, Mitchell & Curto Financial Literacy and Financial Sophistication among Older Americans // Journal of Pension Economics and Finance. 2010. 9(3), 313–328.

money management courses for young people, and conduct training on pension planning for the elderly. In 2018, a pilot project in the Kensington district reached 15,000 schoolchildren with a financial literacy program.

In Tokyo, the Japanese Financial Services Agency (FSA) and the Bank of Japan have jointly developed special programs to raise financial literacy. City schools host “Money Week” events, during which students learn practical skills such as personal budgeting and the concepts of credit and deposits. Additionally, the University of Tokyo houses the “Financial Literacy Research Center,” which organizes courses for young people and entrepreneurs.

In Berlin, financial literacy initiatives are supported by the Deutsche Bundesbank and the Stiftung Warentest organization. Since 2016, the “Schulbank” (“School Bank”) initiative has been implemented, providing students with practical financial skills such as opening bank accounts, saving, and understanding taxes. According to a study conducted in the Mitte district, 78% of students who participated in the program developed the ability to make conscious financial decisions.

In Singapore, financial literacy policy is highly institutionalized both nationwide and in the capital. The MoneySense National Financial Education Programme has been in operation since 2003. In Singapore City, free online courses, financial calculators, and personal financial planning tools have been made available to the population. Regular seminars are also conducted for small and medium-sized business owners, focusing on tax planning and investment.

A comparative analysis with international experience shows that the level of financial literacy in Uzbekistan is steadily approaching global benchmarks. According to OECD data, while the global financial literacy rate grew by an average of 4 percent between 2020 and 2024, Uzbekistan recorded an increase of 11 percent over the same period.

Table 1. Financial Literacy Levels in 2020–2024 (%)

YEAR	UZBEKISTAN (%)	GLOBAL AVERAGE (%)	EUROPE (%)	ASIA (%)
2020	21	36	52	27
2022	26	38	54	29
2024	32	40	56	33

The data in the table show that during 2020–2024, the level of financial literacy in Uzbekistan demonstrated a significant upward trend. While in 2020 the proportion of the population possessing financial knowledge was 21 percent, by 2022 this figure had reached 26 percent, and by 2024 it had risen to 32 percent. Thus, within four years, the overall increase amounted to 11 percentage points. This outcome reflects the effectiveness of state reforms aimed at developing the financial services market, expanding financial inclusion, and strengthening financial education in the country.

Compared with global averages, Uzbekistan’s growth rate has been considerably higher. While worldwide financial literacy rose from 36 percent in 2020 to 40 percent in 2024—an increase of 4 percentage points—Uzbekistan achieved an 11-point increase. This indicates that the policies implemented in Uzbekistan in the area of financial literacy have been nearly three times more effective than the global average.

In European countries, financial literacy levels rose from 52 percent in 2020 to 56 percent in 2024, maintaining their traditionally high position. In Asian countries, the figure increased from 27 percent to 33 percent. Uzbekistan is steadily approaching Asia’s performance: while in 2020 its level was 6 points lower than the Asian average, by 2024 the gap had narrowed to just 1 percentage point.

Conclusions and suggestions

The data also illustrate that the growth in financial literacy is enhancing the effectiveness of public financial policy, shaping positive dynamics in the country, and significantly exceeding global growth rates. The main directions of Uzbekistan’s state financial policy directly or indirectly influence the improvement of financial literacy. For instance, tax policy encourages entrepreneurs and small business entities to develop skills in financial reporting, planning, and compliance with financial legislation. In order to make effective use of various tax benefits and exemptions, entrepreneurs are compelled to expand their financial knowledge.

Similarly, state programs providing loans or subsidies for housing, agriculture, and education highlight the need for citizens to strengthen their financial and legal awareness. For example, to take advantage of housing subsidies, people must clearly understand credit conditions and payment mechanisms, which contributes to improving their financial literacy.

In addition, open budget portals provide citizens with transparent access to information about government revenues and expenditures. By participating in these processes, the public gains opportunities to evaluate

budget allocation, procurement procedures, and spending efficiency. This ensures greater transparency in financial policy and enhances public engagement with financial processes.

Looking at international practice, global organizations also consistently emphasize the interdependence between financial literacy and state financial policy. For example, IMF research notes that in countries with low levels of financial literacy, inflation expectations tend to be higher, forcing central banks to adopt stricter monetary policies. By contrast, when the population possesses sufficient knowledge to correctly interpret financial information and assess economic processes, inflation expectations decline more rapidly, increasing policy effectiveness.

Similarly, the OECD identifies financial literacy as one of the key priorities of long-term economic policy. In particular, in countries where national financial education strategies have been implemented, the level of financial inclusion is higher, and citizens demonstrate stronger financial decision-making abilities.

The analysis above shows that between 2020 and 2024, financial literacy in Uzbekistan rose from 21 percent to 32 percent. The reforms introduced within the framework of state financial policy have directly contributed to raising public financial knowledge. International experience confirms that financial literacy and financial policy form a mutually reinforcing cycle: a financially literate society → effective financial policy → an even more literate society.

In conclusion, it can be stated that the rise in financial literacy enhances the effectiveness of financial policy, while state financial policy, in turn, serves as a crucial factor in elevating the population's financial knowledge.

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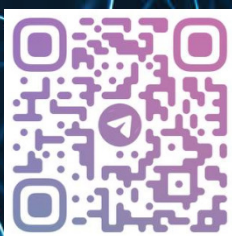
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