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DEVELOPMENT OF ECONOMY AS A FACTOR OF FINANCIAL LITERACY OF POPULATION

Abstract: Financial literacy is a set of knowledge, skills, abilities and actions of citizens in the financial sphere that they need to make reasonable and logical financial decisions, raise the level of financial well-being and material condition. The state of the financial system of the state and its economic development directly depends on the financial literacy of the population. A high level of financial literacy will indicate a high welfare of citizens, their solvency, a decrease in the amount of debt owed by the population and the state.

Key words: development, economy, society, financial literacy, education system

Economic development is one of the main factors influencing the strengthening and formation of both the state and society, since it is the economic and financial aspects that provide a field for the development of other equally important areas affecting the policy of the state and the development of society. For balanced and sustainable economic development, the state needs financial support, which is the basis for the development of a large and sustainable industrial complex. In the age of post-industrial society, there is a tendency to increase the capital in the hands of citizens, rationally using which, it is possible to significantly influence the development of many spheres of society, including social and financial. Therefore, recently, the issue of mobilization and effective use of these resources has been increasingly put on the agenda.[1] This goal can be achieved, including by increasing the level of financial literacy of the population.

There are a lot of approaches to understanding and comprehending this concept. According to A. Bogashevsky, this is due to the lack of a comprehensive approach to the study of this issue, the presence of many disagreements in its content, the lack of interpretation of the results of the study.[2]

Analyzing the research conducted to find out the relationship between financial markets and financial literacy of the population, we put forward the following theses:

The first: A high level of financial literacy contributes to raising the level of financial condition of households and their favorable impact on the banking system of the state.

The second: Citizens with a high level of financial literacy invest part of their expenses in investments, which has a positive effect on the efficiency of the distribution of economic resources.

The third: Improving financial literacy leads to a reduction in risks for banks and credit institutions, an increase in demand in the securities market, and an increase in the flexibility and efficiency of the financial system of the state.

The most popular goals for the development of financial literacy:

- Provide financial security for yourself and your family. If you master the ability to keep records of income and expenses, avoid loans, plan your budget and create savings, make financial decisions consciously, then a salary delay, a major purchase or a change of occupation will not unsettle you.
- Provide yourself and your family with a high-quality standard of living: comfortable housing, education, medical care, timely rest, decent provision in old age. Expanding horizons in the field of finance.
- The development of the skill to distinguish assets from liabilities, as well as options for reasonable investments from disguised fraud.
- The development of various financial instruments that not only save accumulated funds, but also multiply, thus creating passive income.[3]

It is beneficial for banks and other financial organizations that consumers of their products and services have an understanding of financial issues and are involved in the financial sphere, and are not outside observers, often treating financial products and services with suspicion. Citizens who are confident in their ability to manage personal finances are more likely to apply to financial organizations for the purchase of products or services. In this regard, financial organizations, as well as their professional associations and unions, should play an important role in the development and implementation of financial training programs. Therefore, many banks are already developing corporate programs in the field of improving the financial literacy of their clients, which can be included in the activities for the implementation of this joint action plan. To coordinate the activities of banks in this direction, the Banks of the countries should create a committee on financial literacy.[4]

In the long term, the following measures should be taken to solve this problem:

Making changes to the education system. At the moment, the teaching of financial literacy to the population mainly takes place in higher educational institutions, while in schools, as in the initial levels of education, this issue is by passed. The younger generation learns innovations much faster, so it is very important from an early age to give children basic knowledge about the financial system in an accessible and understandable language, explain how to properly allocate their funds, increase their income and form their first savings. These measures will help them better navigate finances in adulthood and significantly reduce the level of financial crimes. The main effect of these measures should be aimed at ensuring that children from an early age are aware of the importance of their attitude to money, since their future well-being will depend on their proper handling of them. Confidence in their knowledge in the field of finance, in actions, will give the child confidence and an incentive to improve and develop in the labor, financial, educational, cultural and other spheres. Development and improvement of new information technologies and their introduction into the financial system. Now, many citizens consider payment systems, transfers, contactless services carried out through the information network to be very convenient. Therefore, the vector of development of this direction should be the improvement of reliability, security and convenience of this systems.[5] Generally, the importance of financial education is given weight by citing what can happen in its absence. For example, some researchers and educators cite mounting levels of consumer debt – be it credit card debt or the growth in home equity lending – and bankruptcy as what tends to happen without financial education. Others cite low participation and contribution rates for retirement savings as demonstrating a lack of financial education. The Workplace Financial Education Program encourages employers to offer financial education classes to employees. The program is a series of seminars that include budgeting for current and future needs, reducing debt, increasing savings, understanding how credit works, improving credit ratings, building a relationship with financial institutions, and maximizing retirement funds.[6]

The implementation of projects to improve financial literacy of citizens will contribute to raising public awareness of financial products; increasing the level of knowledge of the population in the field of personal finance; changing the attitude of the population, changing their financial behavior; increasing public confidence in making financial decisions.[7]

Conclusion: The measures taken will ensure the improvement of financial literacy of citizens, the predictability of the behavior of the population and the reaction to economic events, the expansion of the use of financial instruments, including savings, insurance, and non-cash payments. In addition, this, in turn, will contribute to the development of the financial market of Country, increase the stability of the financial system and, ultimately, increase the welfare of citizens. To solve this problem, it is proposed to create a powerful legal framework covering all groups and strata of the population, taking into account the peculiarities of each region for more detailed development, and raising the level of financial literacy in the state.

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