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Financial Literacy, Financial Education and Financial Experience

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Abstract:

Research has shown that both financial education and financial experience can help boost levels of financial literacy. Despite this, there remains no conceptual framework that shows how financial education and financial experience can be used to boost levels of financial literacy. The purpose of this study is to propose a conceptual framework that links financial literacy, financial education, and financial experience. This paper is based on a literature review of journals on financial literacy, financial education, and financial experience that were published on both Google Scholar, Semantic Scholar, and Scopus from 2018 to 2023. Variables that emerged from the literature review were used to construct a conceptual framework. The findings of this study reveal that financial education and financial experience can be used to enhance financial literacy levels. Thus, it can be concluded that both financial education and financial experience can help to improve levels of financial literacy among individuals and various groups. This article describes the importance and role of financial literacy and financial services in the national economy. Moreover, several proposals have been made for further improvements in this sphere.

Keywords: financial literacy, service, bank, innovation, credit card, finance, Financial Behavior, Financial Knowledge, Financial Plans, Inflation, Investments.

Introduction: Clearly understanding the role of **Financial literacy** and financial services in the national economy of the Republic of Uzbekistan several facilities have been made for reforming these sectors. Exactly, the decree "On the Central Bank of Uzbekistan" was adopted to provide more easiness in the financial sector of the Republic. Several studies have found that financial literacy can be beneficial to individuals, businesses, and the economy. Through financial literacy individuals can learn budgeting skills which will help to apportion a certain percentage of individual earned income towards savings consequently leading to increased savings which can be used to purchase cars, houses, land or meet some emergencies in the future. Through financial literacy individuals can learn how to prepare financial plans that may include planning for purchases and investments, consequently reducing borrowing and curbing impulsive buying behavior. Financial literacy can help to equip the youth with key financial skills that they can use to make sound financial decisions that can motivate them to be active participants of the stock market. Through financial literacy people who are interested in running a business can learn where to get financial support and other forms of business support thus business activity may be boosted which in turn will lead to job creation and a bustling economy. Moreover, through financial literacy those who are already running businesses can learn about the readily available financial support, which they can use in expanding and improving their businesses. Through financial literacy businessmen and businesswomen will get to learn of various pension plans that suit business owners which their uptake may provide a safety net in case of business collapse. As the population of a certain country becomes more financially literate, they will participate more in stock markets, pension plans and make more savings therefore resulting in economic sustainability. People who are financially literate are generally less vulnerable to financial fraud. A strong foundation of financial literacy can help support various life goals, such as saving for education or retirement, using debt responsibly, and running a business.

Morever, **Financial education** as "the process by which financial consumers and investors improve their understanding of financial products, concepts, and risks and, through information, instruction, and objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being." Several scholars suggest that one way in which financial literacy can be enhanced is through offering financial education to populaces around the world, that for financial education to effectively enhance financial literacy it ought to include topics that cover financial attitudes, behavior and knowledge that are key in enriching levels of financial literacy. Further several scholars suggest that financial education can be used to improve financial literacy of demographic groups that have the lowest levels of financial literacy. Urban, Schmeiser, Collins and Brown emphasized that financial education helps in shaping financial behaviours of young adults. In order to enhance financial literacy levels of the masses as well as enhance levels of financial literacy of various demographic groups, several scholars argue that financial education can be disseminated through various modes that are suitable and can easily be accessed such as financial platforms, personalized tutorials and investment analysts consultations, public lectures and financial campaigns, financial literacy fairs, videos and games, in-house trainings, virtual conferences, discussions, on the job trainings, social media outlets and all school levels.

Financial experience is defined as "The real-life practice that an individual acquires on managing and making use of money". Several scholars suggest that the increased use of banking products such as loans, current accounts and savings accounts has led to an increase in financial experience in turn leading to acquirement of some financial literacy skills. Studies investigating the effects of financial experience on financial literacy remains scant, however, empirical studies conducted in both developing and developed countries to test whether financial experience can augment financial literacy found that financial experience does augment financial literacy. However, these studies employed different methodologies, were focused on different groups, used different variables to measure both financial literacy and financial experience and did not reveal how financial experience can be used to help boost financial literacy. Financial experience refers to a person's knowledge and familiarity with financial concepts and practices. It encompasses the understanding of fundamental financial principles and the ability to apply them in real-world situations. Research has shown that financial experience plays a significant role in shaping investment-related judgments and decision-making processes. It has been found that individuals with greater investment experience are more likely to consider financial accounting disclosures when making investment decisions . Additionally, financial experience has been shown to strengthen the influence of financial accounting disclosures on investors' judgments. However, it should be noted that financial experience alone may not have a significant effect on financial management behavior. Overall, financial experience is an important factor in financial decision-making and can contribute to more informed and effective financial management

Literature analysis: According to researches, financial literacy is the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing. The lack of these skills is called financial illiteracy, that financial decision is a process which is responsible for all the decisions related with liabilities and stockholder's equity of the company as well as the issuance of bonds. To make a good Financial Planning Process managers have to follow these six steps:

1. Determining current financial situation: To join all the information about the financial situation of the company, such as bank accounts, loans, taxes, utility bills, investments, insurance… Finally, with all this information analyzed, managers can evaluate how the financial situation is.

2. Establishing financial goals: Setting the goals companies want to achieve and the risk that they would be able to suffer.

3. Identifying different courses of action: Once managers have established the objectives, they must fix the actions to be carried out.

4. Evaluating alternatives: There is not a unique action to carry out the project. Managers should know that there are different ways to reach the same goals.

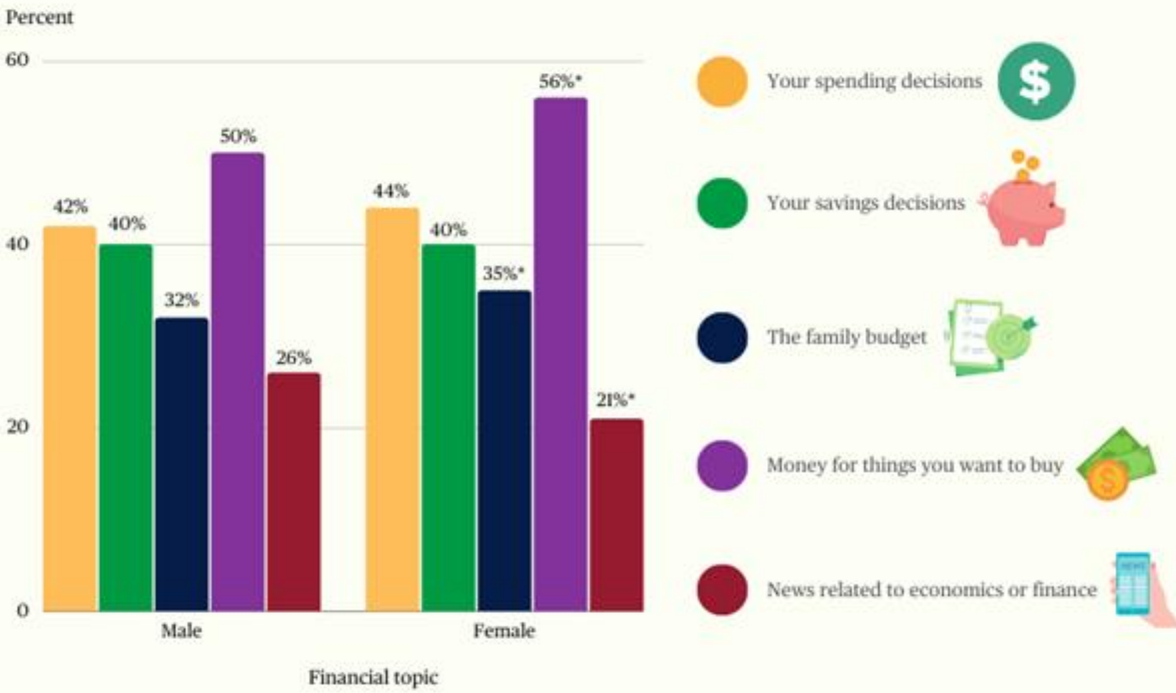
5. Elaborating and implementing the actions of the financial plan: When managers have already fixed their objectives and they know the actions to carry out, they only need to launch the project. They should keep in mind that not always makes more money in less time is synonymous of a better financial plan. They must prioritize the objectives.

6. Reviewing and revising the financial plan: Evaluating how the project is operating relative to a forecast which was made previously. If managers are not performing according to expectations, they should propose a strategy to correct the mistakes.

Methodology of the research: The methodology includes historical analyzes, systematic analyzes, and graphic methods. Statistics have been made by the help of official statistics of Uzbekistan and the world. Those articles that were found in Google scholar but were not found in Scopus were eliminated. Further only those articles that showed measures of financial literacy, impact of financial education on financial literacy and impact of financial experience on financial experience were selected. The journals that showed ways in which financial literacy can be measured were selected because knowing how to measure financial literacy is key towards the development of an effective conceptual framework. It is important to know which skills are essential towards assessing a person's financial literacy levels. Those journals that tested the impact of financial education on financial literacy were selected because there was a need to know whether financial education can help to boost levels of financial literacy. Few journals on financial experience were found in Google Scholar. A further search of journals on financial experience was conducted on Semantic Scholar.

Results: According to the results of conducted researches the rate of financial literacy was considerable low in the Republic of Uzbekistan a half decade ago. Clearly, Standard and Poor's 2014 Global Financial Literacy Survey showed that Uzbekistan has a much lower financial literacy rate than other transition economies.

Figure 2. Percentage of U.S. 15-year-old students who frequently discuss financial topics with their parents, by topic and gender: 2018



* Female percentage is significantly different from male percentage at .05 level of statistical significance.
NOTE: Students who "frequently" discussed financial topics with their parents (or guardians or relatives) are those who reported doing so "a few times a month" or "once a week or more." Although rounded numbers are displayed, the figure is based on unrounded data. Estimates based on samples are subject to sampling variability, and apparent differences may not be statistically significant.
SOURCE: Organization for Economic Cooperation and Development (OECD), Program for International Student Assessment (PISA), 2018.

Studies revealed that there were several factors which caused to financial illiteracy in Uzbekistan. Firstly, Uzbekistan had not national strategy for promoting financial literacy. However, based on an analysis of general financial literacy in Uzbekistan, a gender-specific national strategy was developed to raise the level of basic financial education of the Uzbek population. This 5-year strategy details the objectives, structures, methods and target groups of financial education in Uzbekistan. Furthermore, a two-year action plan was devised, listing specific activities, responsibilities, a timeframe and budget for the strategy's implementation. In all, some 13 Uzbek ministries and institutions helped co-design the action roadmap and the financial and cost plans as well as the monitoring concept. Project activities for the year under review also included several further training inputs for different actors. Courses for local trainers featuring simulations for financial budget planning and the promotion of small-scale enterprises had proven particularly successful in this context. Despite the delay in the adoption of a gender-specific strategy due to the elections of December 2016, the project was continued to meet the high demand for its further training measures certificates, options, dividends, foreign exchange earnings, the yield of securities, bond interest charges. Conducted studies showed that the Central Bank of Uzbekistan entered into agreements with the International Finance Corporation (IFC) to implement two projects aimed at improving the regulatory environment for the development of electronic and digital financial services and realizing programs to improve financial literacy, the press service of the regulator reported. The main goal of these projects is to expand the availability of financial services for the population. IFC experts will assist in the development of regulatory documents in the field of electronic and digital financial services, which includes remote servicing, implementation of the principles of remote customer identification, a regulatory sandbox for payment systems, and the attraction of bank payment agents by credit institutions. In the field of increasing the financial literacy of the population, the IFC will assist the Central Bank in training personnel in commercial banks of the republic for their subsequent consultation (training) of their clients on topics related to budget planning and the principles of money management, responsible borrowing and formation of savings, as well as with digital financial literacy. Realizing the importance of financial inclusion and its impact on the development of the financial sector and economy as a whole, the central bank identified these issues as important priorities in 2017. In 2019, with the adoption of the revised Law of the Republic of Uzbekistan “On the Central Bank of Uzbekistan”, they were reflected in the article on regulatory roles that provides for “measures to ensure the protection of the rights and legitimate interests of credit organization service consumers, ensuring a higher level of financial inclusion and a higher level of financial literacy among the population and business entities.” The financial sector and financial services in Uzbekistan are predominantly represented by banks. Therefore, when speaking about financial inclusion, I will be referring to activities in this sector. In order to ensure greater accessibility of banking services to a population of more than 33 million people, we decided to approach the issue from an efficiency point of view. As such, we abandoned the practice of opening large uneconomical bank branches in favor of replacing them with smaller banking service offices with reduced managerial staff and operating costs to ensure wider coverage in remote regions. Four hundred and fifty-seven newly-opened banking service offices had replaced 60 closed bank branches with an additional 200 such offices have been opened in 2020. As of the beginning of 2019, there were 30 head offices of commercial banks, 850 bank branches, 595 mini-branches, 457 banking service offices and 902 self-service points available 24/7.

Conclusion: Summing up it can be said that financial literacy programs can play an important role in reducing economic inequalities as well as empowering citizens and decreasing information asymmetries between financial intermediaries and their customers. Public authorities have a responsibility to develop financial education policies and set up robust financial consumer protection frameworks to ensure that consumers are informed and understand the financial products available to them. Innovations such as electronic payments are tipping the economic scales in favor of those who have, for too long, been excluded from the system. But unless consumers are equipped to make sound decisions when using financial services, no amount of innovation will bridge the gap. • Providing free financial podcasts via public radio to educate citizens; • Creating educational centers which educates financially and provides individuals with real practice; • Making debates and seminars with financial professionals in both centers of the cities and rural areas in the Republic; • Using IT technologies to improve financial services in the Republic.

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