

THE URGENTIFICANCE OF DIRECTING INVESTMENTS TO INCREASING THE FINANCIAL LITERACY OF THE POPULATION

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Abstract. Financial literacy has received significant attention among academics, policymakers, and other stakeholders due to its role in supporting investment decisions, improving personal financial management, and enhancing financial well-being. This study examines the impact of financial literacy on investment decisions and the moderating effect of overconfidence behavior. The article also describes the characteristics of financial literacy, shows the main problems, the need to increase the level of financial literacy, ways and methods of increasing it.

Key words: Financial literacy, financial education, investments, financial services, financial literacy, financial digital platforms, human capital, financial market.

Introduction. In today's world, personal finance has become a necessity. Despite technological advancements and increasing opportunities for earning money, the gap between the rich and the poor persists. The irony of the situation is that many people lack financial literacy and the skills to manage their money. As a result, they may face financial difficulties and be unable to meet their financial obligations or achieve their long-term goals. The importance of personal finance cannot be overstated. It is the foundation of financial security and helps individuals achieve their financial goals. Personal finance involves creating a budget, tracking expenses, and setting financial goals. It also includes managing debt, saving for emergencies and retirement, and investing wisely. By developing a sound financial plan, people can take control of their financial lives and secure their future.

One of the biggest challenges that individuals face is the gap between their income and expenses. Many people have high expenses and low income, which can make it difficult to manage their finances. However, by creating a budget and tracking their expenses, individuals can better understand their financial situation and identify areas where they can reduce their expenses. This can help them live within their means and avoid debt. The irony is that despite the abundance of resources available to individuals today, many people lack basic financial literacy and skills. This can make it difficult to manage their finances effectively and achieve their financial goals. Financial education is essential to helping individuals understand the basics of personal finance, including budgeting, saving, investing, and debt management. By investing in financial education, people can gain the knowledge and skills they need to make informed financial decisions and achieve their financial goals.

Literature review. Financial literacy or awareness is essential for choosing the right project in today's economy, especially in developing countries. Individuals need to acquire financial skills and knowledge to improve their ability to make sound investment decisions. Due to its importance, financial literacy has attracted the attention of various groups in recent years, including financial markets, employers, bankers, and governments. The importance of increasing financial literacy has been emphasized due to many factors, such as changing economic and demographic conditions, complex financial markets, and the development of new financial markets [1]. To fulfill the tasks set, the authors proposed a separate understanding of the main concepts. Economic culture can be considered a system of thoughts, knowledge, skills of an individual or group of people in economic activity and the history of the development of economic relations. Financial literacy can be defined as the ability of a person to make decisions in the financial sphere. When making decisions in this

area, people often act without taking into account certain nuances, which often leads to a deterioration in the financial situation in the country, and therefore the level of well-being of the population decreases, which negatively affects the construction of market relations[2].

According to the OECD, it can be interpreted as a combination of the ability and skills of investors to understand financial concepts and products, as well as to analyze financial opportunities and risks in order to make the best financial decisions and take appropriate measures to increase their financial well-being [3].

M.M. Abdeldayem states that financial literacy is the ability of an individual to use skills and knowledge to effectively evaluate and manage financial resources in the long term for the purpose of financial well-being [4].

Financial literacy also refers to the ability to understand the function of money, its management and investment. It is the accumulation of skills and knowledge that allow people to make rational, effective and correct decisions with available financial resources. Financial inclusion and financial literacy are twin phenomena. Financial literacy is related to demand and consumer knowledge of demand. Financial inclusion refers to the availability and provision of financial services that meet the needs of individuals [5].

According to O.S. Mitchell and A. Lusard, financial literacy is a set of knowledge that allows people to make effective decisions about their investments in order to improve their finances [6].

In the scientific work of P. Arya, financial literacy is recognized as an effort to increase the sensitivity of the population to the field of financial services, which is to know, then trust, and be competent to actively participate, in other words, to achieve a well-educated community in the field of financial services; namely, the banking sector, insurance, financial institutions, pension funds, capital markets and pawnshops [7].

Poterba et al. [8] also define financial literacy as the ability to use knowledge and experience to manage financial resources to achieve well-being. Potrich et al. [9] state that literacy is defined as the ability to understand, therefore financial literacy is the ability to manage the funds one has to live and develop more comfortably in the future.

Financial literacy helps people understand techniques and strategies to reduce risk during crises and difficult times. It can also lead to actions such as avoiding debt and ensuring that bills are paid early, which can help consumers maintain access to credit in tight credit markets. Financially literate people understand the basic concepts of assets and money; they are educated, knowledgeable, and informed about issues related to assets, taxes, insurance, banking, investments, and money management. They understand and plan financial decisions using their skills and knowledge.

Research methodology. In the process of scientific research, scientific methods of studying economic reality processes were used - experimental research, generalization, grouping, logical and comparative methods of analysis, abstract-logical thinking, comparative analysis, and other methods.

Analysis and Results. Investment decision-making is the art of resolving difficult situations during investment. In this cognitive process, individuals select the most suitable options from all alternative scenarios. People cannot make investment decisions based on their available resources. Thus, the difficult part of making investment decisions is carefully choosing which type of investment is most suitable. Appropriate investment decisions must be carefully analyzed. Investment decisions must be made taking into account the level of profitability, risk tolerance, and different market conditions. Behavioral finance explains investors' responses to different types of market information. Not all investors make rational decisions, and sometimes they make unbiased financial decisions. Behavioral finance shows the importance of investor behavior, which leads to various market anomalies. Various factors can affect the investment decisions of both

individuals and corporations, including financial literacy. Investment decisions are also affected by behavioral biases such as overconfidence.

Financial literacy is more than just financial education and development programs. It also emphasizes some forms of social support. There can be a number of biases in investment decisions; thus, having such knowledge is important to prevent financial losses. When a survey was conducted to determine which behaviors primarily influenced financial decisions, the results showed that these factors included propensity to be present, representative perspective, anchoring and adjustment bias, and overconfidence. In this study, overconfidence was considered as a moderating variable that could enhance investment decisions. There has been research on the relationship between financial literacy and investment decisions, but few studies have examined the association in developing countries. Another reason for the novelty of this study is that few studies have examined the biases of behaviors such as overconfidence in the relationship between financial literacy and investment decisions. Thus, this study fills this theoretical gap by responding to the call to examine the moderating effects of overconfidence on other aspects of financial behavior. Finally, the main objective of this study is to examine the effects of financial literacy on investment decisions through the moderating role of self-confidence. This study provides a number of practical implications for policymakers concerned with improving financial literacy, including suggestions for modifying financial programs and introducing financial management courses.

Economists Lusardi and Olivia studied financial literacy in 12 countries, including Australia, Japan, the European Union, the United States, and the United Kingdom, and found that respondents generally had low financial literacy [10]. Financial literacy has a significant and broad impact on investment behavior and savings. The general rule is that households without basic financial knowledge have a higher saving rate. Those with financial knowledge save more than those without. People with low financial literacy are less likely to have retirement plans and do not save enough.

Financial literacy skills are essential for people who use payment, savings, credit, and risk management products. For many, having an account at a bank or other financial institution or with a mobile money service provider is an important first step in participating in the financial system. But accessing financial services is not an end in itself. Instead, it is a means to an end. For example, when people have financial accounts and use digital payments, they can provide for their families, save for the future, and weather economic shocks. Digital payments can also reduce corruption by increasing transparency, and they can help empower women by giving them more control over their finances. But people who lack the knowledge to use such services effectively can end up in financial disaster, such as deep debt or bankruptcy. Therefore, it is worth studying the relationship between financial services and financial literacy. Financial literacy can be defined as the ability to make effective decisions about money or financial resources, and it affects how people use their money wisely. Financial education programs can improve people's financial decision-making and savings.

The findings showed that financially literate investors make sound investment decisions, and this association is strengthened when they are overconfident. Thus, financial literacy is important to enable people to make rational investment decisions in order to manage their money effectively. Individuals or investors who lack financial literacy make irrational investment decisions, which leads to financial losses. This study also shows how investors' overconfidence in their abilities and capabilities affects their investment decisions. People who lack self-confidence make irrational investment decisions and are reluctant to take risks. Thus, moderate levels of overconfidence lead to good investment decisions. The Saudi government should take radical steps to include financial management information in educational courses so that students are familiar with the concept of financial literacy and can apply it in their practical lives in the future. It is also necessary to work

with other organizations to introduce seminars, practical training, and other methods to spread financial literacy in the country.

Although wealthier countries, measured by GDP per capita, have higher levels of financial literacy, this relationship holds only for the richest 50% of economies. About 38% of the variation in financial literacy in these economies can be explained by differences in income across countries. For the poorest half of economies, with GDP per capita of \$12,000 or less, there is no evidence that income is related to financial literacy. This suggests that national-level policies related to education and consumer protection shape financial literacy more than any other factor in these economies.

According to the Global Financial Literacy Survey by the University of Illinois System's Student Money Management Center and The Standard & Poor's Ratings Services, the highest financial literacy rates in the world are in Norway, Denmark, Sweden, and Canada, at 71% or more. In Uzbekistan, this figure is 21–30%. In neighboring countries Kazakhstan and Turkmenistan, the financial literacy rate is 40–41%¹.

Conclusion. In conclusion, personal finance is the need of the hour. The gap between the rich and the poor continues to widen, and ironically, many people lack basic financial literacy and skills. By developing a sound financial plan and investing in financial education, people can take control of their financial lives and achieve their long-term goals. It is never too late to start taking control of your finances, and the benefits can last a lifetime. Financial product investment opportunities have increased both domestically and internationally, allowing investors to diversify their portfolios across a variety of financial products [11]. Conclusion. In conclusion, personal finance is the need of the hour. The gap between the rich and the poor continues to widen, and ironically, many people lack basic financial literacy and skills. By developing a sound financial plan and investing in financial education, people can take control of their financial lives and achieve their long-term goals. It is never too late to start taking control of your finances, and the benefits can last a lifetime. Financial product investment opportunities have increased both domestically and internationally, allowing investors to diversify their portfolios across a variety of financial products.

The need for financial literacy can be viewed from different angles. Everyone, without exception, wants to live well, have a stable income, a certain level of material wealth, good conditions for their family, and much more. One thing is certain: economic literacy determines the rules and content of the household budget. The more people are aware of various economic conditions, the better their financial situation. That is, the mission of developing financial literacy is to ensure economic security for themselves and their families in order to improve their quality of life (comfortable housing, education, medical services, a decent pension).

Developing financial literacy requires some effort, but it is worth it, because development in this area makes a person independent. This will help you increase your own wealth, and also teach your children about the importance of financial literacy.

The current government is concerned about the low level of financial literacy of the population due to the increase in financial fraud. The general knowledge of financial planning tools and techniques among management students is low even in the twenty-first century. The two biggest social problems in the country are poverty and unemployment, so it is necessary to increase the financial literacy of the population to combat these problems.

¹ <https://sweatyourassets.biz/financial-literacy-ranking-by-country/#:~:text=The%20S%26P%20Global%20FinLit,%20Survey,understanding%20of%20basic%20financial%20concepts.>

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