

**THE ROLE OF FINANCIAL LITERACY IN FAMILY INCOME
GENERATION**

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Abstract

Today, improving financial literacy is a global challenge. Expert economists from a number of international financial institutions are conducting research on different lines of different methodological approaches to assessing the level of financial literacy of the population. These studies focus on assessing the ability of households, families and individuals to manage their financial resources and their effective solutions by assessing the level of financial literacy of the population. In addition, the impact of the level of financial literacy of the population on the standard of living of the population is also assessed. In this case, the monetary characteristics of households, families or individuals are formed through monetary indicators.

Keywords: Financial literacy, financial literacy criteria and evaluation indicators, government programmes, credit, types of credit, financial education, planning, financial knowledge.

INTRODUCTION

In the Decree № PQ-4400 of the President of the Republic of Uzbekistan "On measures to increase popularity of microfinance services", adopted on July 23, 2019, the Central Bank of the Republic of Uzbekistan decided to develop a "National strategy to improve the financial literacy of the population.

Also, on 27 February 2020, at a video conference on "Measures to reduce poverty through entrepreneurship development", chaired by President Mirziyoyev, "Reducing poverty does not mean increasing the amount of monthly payments or benefits by giving loans in bulk. "For this purpose, first of all, it is necessary to train the population in professions, improve their financial literacy, inculcate in people the sense of entrepreneurship, improve infrastructure, educate children, provide quality medical treatment and introduce a system of targeted allowances," they said.

LITERATURE REVIEW

Theoretical and practical aspects of mechanisms to improve financial literacy of the population were discussed by foreigners A.K. You, S.S. Artemyeva, V.V. Mitrokhin, E.N. Alifanov, A. He was analyzed in the scientific papers of economists such as Chaplinskaya [2,3,4].

Also Uzbek economists Vakhobov A.V., Tashmatov Sh.A., Haidarov N.H., Vakhobov A.V. The textbook "Basics of financial literacy" is written on important aspects of financial direction.[5]

Our article on "Financial Literacy of the Population: Content, Value and Key Aspects", by analyzing a number of economic indicators, reveals the economic content of financial literacy of the population, its role and importance in socio-economic development.

In addition, Susan L. Rutledge, one of the scholars of foreign countries, published the trend of countries with a high proportion of financial literacy published by the World Bank. In Consumer Protection and Financial Literacy, seven middle-income countries - Azerbaijan, Bulgaria, Croatia, the Czech Republic,

Latvia, Lithuania, Romania, the Russian Federation and Slovakia - conducted research based on a number of best practices in improving financial literacy and protection of the rights of people[7].

RESEARCH METHODOLOGY

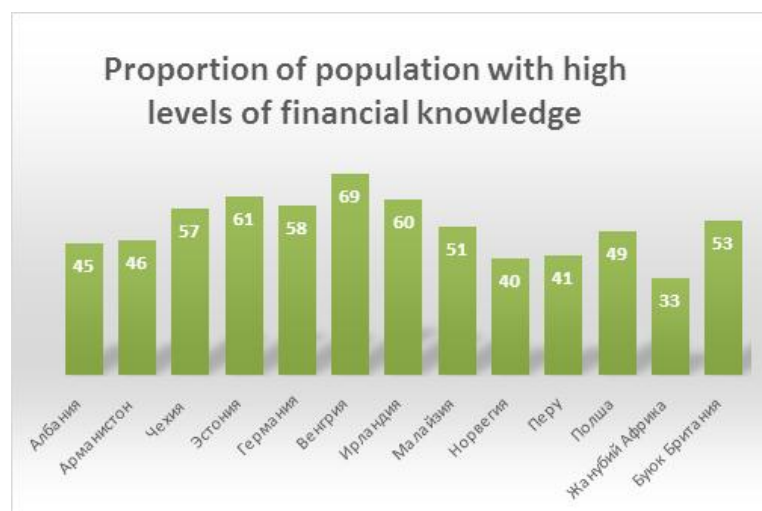
In this scientific article, based on the approaches of different countries and international financial organizations in assessing the level of financial literacy of the population, the study of statistical data and comparison and analysis of the economic aspects of the implementation of financial literacy mechanisms, logical thinking, methods of scientific abstraction, grouping of information, analysis and synthesis were widely used.

RESULTS AND DISCUSSION

World practice shows that it is important to develop various indicators to assess the level of financial literacy before developing public programs to improve financial literacy in countries.

The studies conducted by experts of the Organization for Economic Cooperation and Development pay special attention to the economic category of "financial education".

Table 1. Comparative analysis of the financial literacy rates of the population in countries in an IHTT study [3]



At the international level, the World Bank Group, together with IHTT, plays an important role in research aimed at assessing and monitoring the level of financial literacy in countries. According to the World Bank Group methodology, there are two approaches to measuring financial literacy: "Financial Literacy" and "Financial Competence". [8]. the respondents mainly include the financial market and its segments, characteristics of financial goods and services, functions and tasks of the financial market, understanding of the mechanism of its implementation, situations related to economic behavior and the ability to assess and understand the high profitability of the decisions made by the respondent, credit, tax, compound interest

The essence of contracts concluded in the process of settling and using financial goods and services depends on the proper understanding of the obligations stated in them.

Ways of repaying your loan

If you take out a loan with a bank, you will definitely need to make monthly payments on it.[11,12] Monthly loan payments can be made in two ways: making payments in the same amount each month or broken down on a per amount basis. These are called annuity or differentiated payment methods. Let's look at each one in detail.

What is the annuity payment method?

The annuity repayment method is a loan repayment method in which you have to transfer the same amount of money to the bank each month according to the loan repayment schedule. If you take out a

long-term loan, the interest payments will make up most of the payments in the first few months. The principal will gradually decrease.

Let's look at an example on the Finlit.uz loan calculator:

Let's say you want a loan of 10,000,000 soms for 6 months at 23% per annum.

№	Payment	Principal	percentage	Balance owed
1	1780240.71	1588574.05	191666.67	8411425.95
2	1780240.71	1619021.72	161219	6792404.24
3	1780240.71	1650052.97	130187.75	5142351.27
4	1780240.71	1681678.98	98561.73	3460672.29
5	1780240.71	1713911.16	66329.55	1746761.13
6	1780240.71	1746761.13	33479.59	0
	10681444.29	10000000	681444.29	

The amount of monthly loan repayments is 1,780,240.71 soms.

The loan repayment amount and interest payment ratio changes every month. In the first month, you pay the principal amount of 191,666.67 soms. In the last month, the principal payment will be 1,746,761.13 soms and the interest payment will be only 33,479.59 soms.

Total amount of loan you will pay to the bank will be 10,681,444.29 soms.

If the loan term is longer, the ratio of principal to interest payments will vary as you repay the loan.

Consider the same example with a slight change in terms:

Suppose you want a loan of 10,000,000 soms. But not for 6 months, but for 2 years (24 months), at a rate of 23%. Under these conditions:[13.14.15]

The amount of monthly payments is 523,733.06 soms.

In the first month, you will make principal payments of 332,066.39 soms and interest payments of 191,666.67 soms. In the first month, interest payments will make almost half of your total payments and in the last month the interest payment will be only 9,849.44 soms.

The total amount of the loan you will repay to the bank will be 12,569,593.45 soms.

What is the differential method of repayment?

The differential amortisation method is a method of amortisation where each month you pay the same amount of principal and the interest payments gradually decrease as the loan balance decreases.

In the first months, the payments will be the highest and will decrease each month. The last month's payment will be much lower than the first.

Let's look at an example using the Finlit.uz loan calculator with the same conditions as above

A loan of 10,000,000 soms for 6 months at 23%. With the differentiated repayment method, the amount of monthly payments would be as follows:

№	Payment	Principal	percentage	Balance owed
1	1858333.33	1666666.67	191666.67	8333333.33
2	1826388.89	1666666.67	159722.22	6666666.67
3	1794444.44	1666666.67	127777.78	5000000
4	1762500	1666666.67	95833.33	3333333.33
5	1730555.56	1666666.67	63888.89	1666666.67
6	1698611.11	1666666.67	31944.44	0
	10670833.33	10000000	670833.33	

The monthly payment amounts differ from each other. Thus, the payment in the first month is 1858333.33 soums, of which 191666.67 soums are interest payments. The amount of payment for the last (6) months is equal to 1698611.11 soums, of which only 31944.44 soums are interest payments.

The total amount you need to pay to the bank is 10670833.33 soums.

In case of extension of the term, for example, for 24 months, the amount of the first payment is 605,707.76 soums, of which 189,041.10 soums are interest payments. In the last month (24), the amount of payment is equal to 424,805.94 soums, of which 8,139.27 soums are interest payments.

When the loan period is two years, the amount to be paid to the bank is 12,398,721.46 soums.

What is the difference between the two payment methods?[16.17.18]

As a result of comparing two methods of making payments on a loan of 10,000,000 soums, we can conclude that the differential payment method is more profitable for 6 months and 2 years by 9,297.82 soums and 170,871.99 soums, respectively.

So, if we compare the annuity and differential repayment of the loan, if the conditions are the same, the amount of payments in the first case will be slightly higher.

Advantages and disadvantages of these payment methods

Annuity method of loan repayment:

+ you know exactly how much you will pay each month. By knowing your costs for the loan obligation, you can plan your budget more accurately.

- interest payments make up a large part of the first payments.

Differential loan repayment method:

+ in the last months of the term, the loan repayment amount will decrease because the principal and interest payment will decrease accordingly.

- Large financial pressure at the beginning of the loan repayments.

With this

✓ the interest rate and the questionnaire form for calculating it;

✓ we can find answers to the inflation questionnaire.

This, in turn, leads to a relatively imperfect and error-prone result. In practice, people's monthly income does not always fully cover their monthly expenses. In some cases, people take out loans (loans from banks, pawnshops, loans from relatives, etc.) or use their savings. In such a situation, the standard of living indicator will decrease relatively in the following months. As a result of the need to repay debt or use savings, the population withdraws a certain percentage of their income entirely.

Due to the impossibility to use them, this leads to certain restrictions on their consumption [19,20].

CONCLUSION

In order to improve the level of financial literacy in our country, it is advisable to develop state target programs, taking into account the practice of assessing the level of financial literacy of the population by international financial organizations. We believe that it is necessary to pay attention to the following:

- In practice, the monthly income of the population cannot fully cover its expenses for a month. In some cases, residents can take a loan (bank loan, pawnshop, borrow from relatives, etc.) or use their own savings, so the above has provided detailed information on how much to borrow and how to repay the loan, and to avoid various difficulties in the financing period.
- to develop and implement universal methods for regularly imparting knowledge and skills to households, families and individuals on budgeting and planning;

- Development of various information and education programmes to improve financial literacy and its building blocks for different social groups, and their regular dissemination to the relevant population groups, etc.

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