



## FINANCIAL LITERACY AND ITS IMPACT ON THE POPULATION

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<b>ABSTRACT</b>	<b>KEYWORDS</b>
<p>This article examines financial literacy as a socioeconomic category and a factor in the well-being of the population of the United States. It summarizes theoretical approaches to its definition, reveals its structural components, and describes its place in the human capital system. The influence of financial knowledge on household savings, investment, and debt behavior, as well as retirement planning, is analyzed. The macroeconomic significance of financial literacy is determined, including its role in the development of financial markets and the investment potential of the economy. Socio-demographic differences in the level of financial competence of the population are identified.</p>	<p>Financial literacy, population, well-being, financial behavior, financial education, economic development.</p>

### **Introduction**

The scientific novelty of the study lies in the generalization of theoretical approaches to financial literacy and a comprehensive assessment of its impact on the well-being of households in the United States. The relationship between the level of financial knowledge and the savings, investment, and debt behavior of the population was revealed, and its role in ensuring macroeconomic stability and expanding financial inclusion was clarified.

Financial literacy among the population of the United States is particularly important given the country's developed financial system. The highly developed financial market, the widespread availability of credit products, investment instruments, and pension programs necessitate citizens possessing well-developed financial competencies. With significant responsibility for pension provision, health insurance, and investment decisions placed on individuals themselves, financial literacy becomes a fundamental element of individual economic security.

In the scientific literature, financial literacy is defined as a set of knowledge, skills, and behavioral attitudes that enable individuals to make effective financial decisions. One of the fundamental studies in this area is the work of A. Lusardi and O. Mitchell, "Financial Literacy: A Guide to Financial Decision Making." Literacy and Retirement Planning in the United States", which proved that the level of financial knowledge directly influences retirement planning: financially literate citizens are significantly more likely to participate in pension savings programs and form long-term savings [1].

The development of this issue is presented in the study "Financial Literacy and Financial Sophistication in the Older Population", where the authors analyze the level of financial knowledge among the US

elderly population. The results showed that insufficient financial preparation increases the likelihood of poor asset management, financial losses, and vulnerability to fraud [2].

FINRA conducts a systematic assessment of the financial literacy of Americans. Investor Education Foundation as part of the study “National Financial Capability Study”. Its findings indicate that a significant portion of the US adult population has difficulty understanding basic financial concepts, including compound interest, inflation, and risk diversification, which negatively impacts investment behavior and debt sustainability [3]. The government’s approach to developing financial education is reflected in the strategic document “US National Strategy for Financial Literacy”, developed by the US Commission on Financial Literacy and Education. It emphasizes that improving financial literacy is seen as a tool for strengthening the financial stability of households and reducing systemic economic risks [4]. An international comparative analysis is presented in the World Bank’s “Global” database Findex Database”, which notes that, despite the high level of access of the US population to financial services, significant differences in the level of financial understanding and the ability to carry out long-term financial planning remain [5]. Special attention in American studies is paid to debt behavior. In the work of Lusardi and Tufano “Debt Literacy, Financial Experiences, and Overindebtedness” found that low debt literacy correlates with higher credit burden, use of expensive borrowing instruments and household financial stress [6].

Thus, the results of scientific research conducted in the United States confirm that financial literacy has a complex impact on the economic behavior of the population, including retirement savings, investment activity, debt burden, and financial sustainability. This necessitates the development of national financial education programs and the enhancement of citizens' financial awareness.

The theoretical understanding of financial literacy in the scientific literature has evolved at the intersection of economics, sociology, behavioral finance, and pedagogy. With the increasing complexity of financial markets, financial literacy has come to be viewed not only as a practical skill for managing personal funds but also as an important element of human capital, impacting the well-being of the population and macroeconomic stability.

One of the most cited definitions comes from the Organization for Economic Cooperation and Development (OECD), where financial literacy is defined as a set of knowledge, skills, attitudes, and behaviors necessary for making effective financial decisions and achieving financial well-being [7]. American researchers A. Lusardi and O. Mitchell in their work “The Economic Importance of Financial Literacy: Theory and Evidence” emphasizes that financial literacy is a form of economic competence that allows individuals to navigate financial instruments, assess risks, and plan long-term financial goals [8]. In the study “Financial Literacy and Wealth Accumulation” found that the level of financial knowledge is directly related to the ability of households to accumulate savings and manage assets [9]. In the scientific literature, financial literacy is viewed as a multi-component system. The most common model includes three key elements:

1. Financial knowledge - understanding of basic economic categories (interest, inflation, risk).
2. Financial behavior – practical application of knowledge (savings, budgeting).
3. Financial attitudes - attitude towards money, tendency to plan.

Research “Measuring Financial Literacy” complements the model by highlighting the ability to process financial information and make informed decisions as an independent component [10].

From the perspective of human capital theory, financial literacy is viewed as an investment in knowledge that increases an individual's economic return. In the work “Financial Literacy, Financial

Education, and Economic Outcomes” showed that increasing the level of financial education is associated with an increase in income, savings and investment activity [11]. In addition, the study “Financial Literacy and Stock Market Participation” has proven that financially literate citizens are significantly more likely to participate in the stock market, which contributes to capital accumulation and asset diversification [12].

In modern scientific literature, several approaches are distinguished:

1. Cognitive - focus on knowledge and understanding of financial concepts.
2. Behavioral - studies real financial decisions (savings, loans).
3. Institutional - considers the influence of the state and financial institutions.
4. Educational - focuses on financial education.

The behavioral approach was developed in the work “Behavioral Economics and Financial Literacy”, which shows that even with knowledge, people can make irrational financial decisions under the influence of cognitive biases [13].

Therefore, in theoretical terms, financial literacy is a complex socioeconomic category encompassing knowledge, behavioral skills, and attitudes. Its level determines the quality of financial decisions, investment activity, and household sustainability. Modern research confirms that financial literacy is an important element of human capital and a factor in economic development.

Financial literacy is one of the key factors determining household well-being in the United States. Having basic financial knowledge and skills facilitates more effective income management, savings, and informed investment decisions. Scientific literature has shown that financially literate individuals demonstrate a more stable financial position compared to less prepared groups.

Research by A. Lusardi and O. Mitchell “The Economic Importance of Financial Literacy: Theory and Evidence” shows that high levels of financial literacy are positively associated with wealth accumulation, retirement savings, and long-term financial planning [8]. The authors emphasize that even basic knowledge of compound interest and inflation significantly increases the likelihood of savings.

In Berman, Mitchell, Su, and Bravo’s “Financial Literacy and Wealth Accumulation” found that financially literate households have a more diversified asset portfolio and are more likely to invest in the stock market, which contributes to the growth of their net worth [9].

In addition, Lusardi and Tufano’s study “Debt Literacy, Financial Experiences, and Overindebtedness” demonstrates an inverse relationship between financial literacy and debt burden: citizens with a low level of knowledge are more likely to use expensive credit products and face the problem of excess debt [6].

The analysis of US household participation in financial markets presented in Van Rooy, Lusardi and Alessi’s “Financial Literacy and Stock Market Participation”, confirms that financial literacy increases investment activity and promotes long-term capital accumulation [12].

Thus, financial literacy influences household well-being through mechanisms of savings, investments, debt behavior and financial planning.

Table 1 - The impact of financial literacy on key indicators of household well-being

Welfare indicator	Manifestation with a high level of financial literacy
Saving	Regular accumulation of savings, availability of a reserve fund
Pension savings	Active participation in retirement plans (401(k), IRA)
Investments	Asset diversification, participation in the stock market
Net worth	Higher level of accumulated wealth
Debt burden	Lower rates of delinquency and expensive loans

Financial literacy is of significant macroeconomic importance, as it impacts not only the well-being of individual households but also the stability of the national economy as a whole. Citizens' level of financial knowledge determines their financial behavior, which impacts the functioning of financial markets, the banking system, and the country's investment activity.

A financially literate population promotes the growth of domestic savings, which are an important source of investment resources for the economy. Increasing deposits and investments in securities expands funding opportunities for businesses and infrastructure projects. This, in turn, stimulates economic growth and job creation.

The impact of financial literacy on debt sustainability is also significant. Rational credit behavior among the population reduces the level of overdue debt, strengthens the stability of the banking sector, and reduces systemic financial risks. Conversely, widespread financial illiteracy can exacerbate credit bubbles and trigger crises.

Financial literacy is also linked to stock market development. Informed investors are more active in securities trading, increasing the liquidity of capital markets and improving the redistribution of financial resources within the economy.

Furthermore, a high level of financial literacy promotes financial inclusion - involving the population in using banking, insurance, and investment services. This increases the transparency of financial flows, tax revenues, and the effectiveness of government monetary policy.

Table 2 - Macroeconomic effects of financial literacy of the population

Economic sphere	Demonstrate a high level of financial literacy	Macroeconomic effect
Saving	Growth of deposits and private savings	Increasing investment resources
Banking sector	Reduction of overdue debt	Financial stability of banks
Stock market	Growing participation of private investors	Increasing market liquidity
Lending	Rational use of loans	Reducing systemic risks
Financial inclusion	Expanding access to financial services	Increasing the tax base and transparency
Economic growth	Increased investment and consumption	Acceleration of economic development

The level of financial literacy among the population is heterogeneous and varies significantly depending on socio-demographic characteristics. Key factors influencing financial knowledge and behavior include education, income, age, employment, gender, and ethnic and cultural background. Education is one of the most significant determinants. Individuals with higher education and economics degrees tend to be more knowledgeable about financial products, investments, and retirement planning.

A higher level of education is associated with greater skills in financial analysis and long-term planning.

Income also has a direct impact. Households with higher incomes are more likely to save, invest, and use diversified financial instruments. Meanwhile, lower-income groups are more likely to limit themselves to basic banking services and are more vulnerable to debt burden.

Age is reflected in differences in financial behavior at different stages of the life cycle. Young people are more likely to demonstrate basic digital financial skills but have limited experience with long-term planning. Middle-aged people are most active in investing, mortgage, and retirement planning. Older adults have practical financial experience but may struggle with modern digital financial tools.

Gender differences are also observed in financial literacy. Women, on average, exhibit more cautious financial behavior and a propensity to save, while men are more likely to make investment and risky financial decisions.

Employment and professional status influence access to financial knowledge. Employees in the financial sector and corporate environment tend to have higher levels of financial literacy than those in low-skilled occupations.

Ethnocultural and migration characteristics can determine differences in access to financial services, levels of trust in financial institutions, and patterns of financial behavior.

Consequently, socio-demographic characteristics create heterogeneity in the level of financial literacy across the population. The most vulnerable groups tend to be those with low incomes, limited education, and the elderly. Taking these differences into account is key when developing government and educational programs to improve financial literacy.

Financial literacy in the United States is considered a priority area of government socioeconomic policy. This is due to the high level of public engagement in credit, investment, and pension financial mechanisms, where a significant portion of responsibility for financial well-being rests with the citizens themselves. The country has a well-developed system of institutional support for financial education. The Financial Literacy and Education Commission plays a coordinating role. Literacy and Education Commission, which implements national strategies and educational programs. Non-profit organizations, financial regulators, and educational institutions also make significant contributions.

Financial education is being integrated into school and university curricula and is also being implemented through online courses, public campaigns, and corporate initiatives. Particular attention is paid to retirement planning, debt management, credit history, and investment literacy. Despite a well-developed financial education infrastructure, the level of financial literacy in the US remains uneven. Some people struggle with basic financial concepts, which affects their debt, savings, and investment activity.

Overall, financial literacy in the United States is an important factor in: the financial stability of households; investment market development; the effectiveness of the pension system; and the reduction of debt risks for the population.

State policy is aimed at further expanding access to financial education and reducing socio-demographic gaps in the level of financial knowledge.

Thus, financial literacy is a key factor determining the financial stability of the population and the effectiveness of the economy. The analysis showed that the level of financial knowledge determines the quality of household financial decisions. At the macroeconomic level, financial literacy contributes to the development of financial markets, the strengthening of the banking system, and the growth of a

country's investment potential. In the United States, its importance is particularly significant due to the high level of citizen engagement in credit and pension mechanisms. Despite the implementation of educational programs, socio-demographic differences in financial competence persist, requiring further improvement of public policy and the expansion of financial education. Improving financial literacy is essential for increasing well-being and ensuring long-term economic stability.

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