THE RELATIONSHIP BETWEEN FINANCIAL LITERACY AND PERSONAL FINANCIAL DECISION-MAKING AMONG YOUNG ADULTS IN UZBEKISTAN

Sevara Umarjonova
Lecturer, Sharda University Uzbekistan
https://doi.org/10.5281/zenodo.24185383

Abstract: Financial literacy is increasingly relevant to young adults navigating digital payments, consumer credit, savings products, and changing economic conditions. This article examines the relationship between financial knowledge, financial attitudes, and personal financial decision-making among young adults in Uzbekistan. Using a narrative and conceptual review of international scholarship and Uzbekistan-specific institutional context, the paper identifies pathways through which financial literacy may influence budgeting, saving, borrowing, and financial resilience. The review distinguishes knowledge from behavior and highlights the influence of income constraints, family norms, trust in financial institutions, and access to digital financial services. It finds that stronger financial literacy is plausibly associated with more deliberate financial choices, but knowledge alone does not ensure sound decisions. The article proposes an empirically testable framework and policy implications for universities, financial institutions, and public education programs. As no original survey or experiment was undertaken, the conclusions are interpretive rather than estimates of causal effects in Uzbekistan.

Keywords: financial literacy; young adults; Uzbekistan; financial decision-making; budgeting; savings; borrowing; financial behavior; digital finance.

Introduction

Financial decisions made during early adulthood can have consequences for later economic security. The transition from education to employment often coincides with first experiences of independent budgeting, formal banking, installment purchases, credit, and long-term saving. Individuals must evaluate complex financial information while facing limited resources and uncertain future earnings. Financial literacy is therefore relevant not only to individual welfare but also to the wider development of inclusive and responsible financial markets.

Financial literacy is commonly understood as a combination of financial awareness, knowledge, skills, attitudes, and behaviors needed to make sound financial decisions and ultimately achieve individual financial well-being. It should not be reduced to the ability to answer questions about interest rates or inflation. Effective financial decision-making also requires planning, self-control, comparison of alternatives, and recognition of risk. Research by Lusardi and Mitchell (2014) demonstrates the economic significance of financial literacy, while the OECD/INFE framework emphasizes the combined roles of knowledge, attitudes, and behavior.

Uzbekistan provides a relevant setting for studying these relationships. Expanding access to banking and digital financial services creates new opportunities for payments, savings, and credit, while also increasing the need to understand fees, contractual obligations, fraud risks, and the real cost of borrowing. The experiences of young adults may vary across urban and rural areas, employment situations, education levels, and family circumstances. It would therefore be inappropriate to assume that results from other countries apply unchanged to Uzbekistan.

The objective of this article is to synthesize theoretical and empirical insights on financial literacy and decision-making, consider their relevance to young adults in Uzbekistan, and develop a practical

© Ushbu material Creative Commons Attribution 4.0 International (CC BY 4.0) litsenziyasi asosida tarqatiladi.

framework for future local research. The central question is how financial knowledge and related competencies may shape budgeting, saving, borrowing, and financial risk management in the presence of economic and social constraints.

Materials and Methods

This paper uses a narrative literature-review and conceptual-analysis design. It draws on foundational peer-reviewed research on financial literacy, financial behavior, and financial education, together with the OECD/INFE conceptual approach and relevant public institutional materials on financial inclusion. Sources were selected for their relevance to financial knowledge, financial choices, young adulthood, and mechanisms that can be examined in the Uzbek context. The review is not a systematic review or meta-analysis and does not claim exhaustive coverage of the literature.

The analysis organizes financial decision-making into four domains: budgeting and expense control; saving and emergency preparedness; credit and debt management; and use of digital financial services. It then considers financial knowledge, attitudes, confidence, access, and socioeconomic conditions as potentially interacting determinants. Theoretical propositions are compared with the published empirical literature, and contextual implications are identified without presenting unobserved Uzbekistan-specific survey results.

No primary data were collected, no respondents were recruited, and no statistical hypothesis tests were performed. Accordingly, the Results section reports conceptual findings and evidence-based propositions rather than measured associations or causal estimates among Uzbek young adults.

Results

Financial literacy as a multidimensional capability

Existing literature suggests that financial literacy comprises more than factual understanding. Knowledge of compound interest, inflation, and risk diversification helps individuals interpret financial products, but decision-making also depends on the ability to translate that knowledge into action. For example, a young adult may understand the cost of debt yet still borrow excessively because of immediate consumption pressures or unstable income. Conversely, regular budgeting habits may emerge from family socialization even when formal financial knowledge is limited.

The OECD/INFE framework offers a useful distinction among knowledge, behavior, and attitudes. This distinction matters for research design: a single knowledge score cannot fully represent a person's financial capability. Studies should separately measure what respondents know, what they believe, and what they actually do.

Budgeting and expenditure decisions

Financially literate individuals may be better equipped to compare prices, anticipate recurring obligations, distinguish needs from discretionary spending, and align expenditures with available income. Budgeting can reduce the likelihood of liquidity shortages, especially when earnings are irregular. However, budgeting outcomes also depend on income adequacy and unexpected household responsibilities. For Uzbek young adults, a useful empirical distinction would be between independent earners, students supported by family, and individuals combining study with employment.

Saving and financial resilience

Knowledge of inflation and interest compounding can influence the perceived value of saving and the choice between holding cash and using formal savings instruments. Emergency savings can protect against income shocks and unplanned expenses. Nevertheless, savings behavior is constrained by disposable income, access to appropriate products, and confidence in financial institutions. Thus, an

© Ushbu material Creative Commons Attribution 4.0 International (CC BY 4.0) litsenziyasi asosida tarqatiladi.

observed association between literacy and savings should be interpreted alongside socioeconomic characteristics rather than as proof that education alone increases savings.

Borrowing and debt decisions

Understanding annualized borrowing costs, late-payment penalties, and repayment schedules is central to evaluating consumer credit. Young adults may encounter installment arrangements and digital lending offers that emphasize small periodic payments rather than total cost. Financial literacy can support comparison of alternatives and awareness of debt-service burdens, but behavioral biases and short-term pressures may still influence borrowing. Responsible financial education should therefore include practical contract-reading and repayment-scenario exercises.

Digital financial decision-making

Digital payments and mobile financial interfaces can make transactions convenient while creating additional decision demands. Users must assess transaction fees, data privacy, authentication practices, scams, and the credibility of online offers. Digital financial literacy overlaps with traditional financial literacy but also requires technology-specific competencies. Educational programs in Uzbekistan may benefit from combining budgeting and credit lessons with practical digital-safety scenarios.

Conceptual pathways and moderating factors

The reviewed literature supports a conceptual pathway in which financial knowledge shapes perceived options, financial attitudes affect intentions, and self-regulation influences behavior. Access to financial products and the broader socioeconomic environment can strengthen or weaken these links. The framework is not a validated causal model for Uzbekistan; rather, it identifies relationships that future studies could test.

Table 1. Proposed analytical framework for future research

Construct	Illustrative measure	Expected relevance
Financial knowledge	Interest, inflation, risk diversification questions	Understanding of financial trade-offs
Financial attitudes	Future orientation and spending preferences	Willingness to plan and defer consumption
Budgeting behavior	Expense tracking and planned spending	Day-to-day cash-flow management
Saving behavior	Saving frequency and emergency reserve	Financial resilience
Borrowing behavior	Comparison of total credit cost and repayment burden	Debt sustainability
Contextual factors	Income, employment, family support, digital access	Potential confounding or moderation

Discussion

The literature generally identifies financial literacy as a meaningful correlate of financial outcomes, but the direction and magnitude of the relationship depend on measurement, context, and research design. Individuals with stronger financial knowledge may also differ in education, family background, earnings, or motivation. These factors can produce associations even when the direct effect of literacy is uncertain. Fernandes, Lynch, and Netemeyer (2014) caution that measured effects of financial education on downstream behavior can diminish over time, while Kaiser and colleagues (2022) report evidence that well-designed financial education can improve knowledge and behavior. Taken together, these findings

© Ushbu material Creative Commons Attribution 4.0 International (CC BY 4.0) litsenziyasi asosida tarqatiladi.

support careful program design and evaluation rather than a simplistic assumption that information automatically changes behavior.

For Uzbekistan, university-based financial education could emphasize realistic financial tasks: comparing installment contracts, calculating the purchasing-power effects of inflation, developing monthly spending plans, and recognizing fraudulent digital offers. Programs should be sensitive to differing income levels and to the fact that some students do not independently control household financial resources. Practical exercises, repeated reinforcement, and accessible language may be more useful than isolated lectures.

Future empirical research could use a cross-sectional survey of young adults, for example ages 18–30, with clearly defined sampling across institutions and regions. A financial-knowledge index should be analyzed separately from attitudes and reported behaviors. Regression models could adjust for age, gender, education, employment, income, urban or rural residence, and family financial background. Longitudinal or randomized educational designs would provide stronger evidence about whether improvements in literacy actually change behavior. Survey instruments should be translated and piloted carefully, and participation should be voluntary with appropriate privacy safeguards.

This article has several limitations. It does not estimate the prevalence of financial literacy among Uzbek young adults, quantify its association with particular decisions, or establish causality. Its narrative synthesis may omit relevant studies, and general international findings may not transfer directly to local financial institutions and social norms. These limitations make locally collected data an important next step.

Conclusion

Financial literacy is a potentially important resource for personal financial decision-making among young adults in Uzbekistan. Knowledge of interest, inflation, financial risk, and contractual obligations can support more informed budgeting, saving, borrowing, and digital financial choices. However, financial behavior is shaped jointly by knowledge, attitudes, income constraints, family influences, access to services, and behavioral tendencies. The reviewed evidence therefore supports multidimensional financial education and careful empirical evaluation rather than claims of an already demonstrated causal effect in Uzbekistan. Universities, financial institutions, and policymakers can use the proposed framework to develop context-sensitive educational initiatives and assess their outcomes through transparent, well-designed research.

References

1. Atkinson, A., & Messy, F.-A. (2012). Measuring financial literacy: Results of the OECD / International Network on Financial Education (INFE) pilot study. OECD Working Papers on Finance, Insurance and Private Pensions, No. 15. OECD Publishing. https://doi.org/10.1787/5k9csfs90fr4-en
2. Fernandes, D., Lynch, J. G., Jr., & Netemeyer, R. G. (2014). The effect of financial literacy and financial education on downstream financial behaviors. Management Science, 60(8), 1861–1883. https://doi.org/10.1287/mnsc.2013.1849
3. Kaiser, T., Lusardi, A., Menkhoff, L., & Urban, C. (2022). Financial education affects financial knowledge and downstream behaviors. Journal of Financial Economics, 145(2), 255–272. https://doi.org/10.1016/j.jfineco.2021.09.022
4. Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. Journal of Economic Literature, 52(1), 5–44. https://doi.org/10.1257/jel.52.1.5

© Ushbu material Creative Commons Attribution 4.0 International (CC BY 4.0) litsenziyasi asosida tarqatiladi.

5. OECD. (2020). OECD/INFE 2020 international survey of adult financial literacy. OECD.
6. OECD. (2022). OECD/INFE toolkit for measuring financial literacy and financial inclusion 2022. OECD.
7. World Bank. (2022). The Global Findex Database 2021: Financial inclusion, digital payments, and resilience in the age of COVID-19. World Bank. https://doi.org/10.1596/978-1-4648-1897-4
8. Xiao, J. J., & O’Neill, B. (2016). Consumer financial education and financial capability. International Journal of Consumer Studies, 40(6), 712–721. https://doi.org/10.1111/ijcs.12285

© Ushbu material Creative Commons Attribution 4.0 International (CC BY 4.0) litsenziyasi asosida tarqatiladi.