DIGITAL FINANCIAL LITERACY AND FINANCIAL BEHAVIOR: THE MEDIATING ROLE OF SOCIAL MEDIA

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Abstract

This thesis examines the relationship between digital financial literacy and financial behavior, with a particular focus on the mediating role of social media. In the context of rapid digitalization, financial decision-making processes are increasingly shaped by online information environments, especially social media platforms. While social media provides broad access to financial knowledge, it also exposes individuals to unverified, biased, and sometimes misleading content. This study argues that social media does not influence financial behavior directly; rather, its impact is mediated through the level of digital financial literacy. Using a theoretical framework grounded in human capital theory and behavioral economics, the thesis highlights the institutional and educational mechanisms required to transform social media into an effective tool for improving financial behavior and economic stability.

Keywords: digital financial literacy, financial behavior, social media, mediating role, human capital, digital economy.

Introduction

In recent years, digital transformation has fundamentally reshaped financial systems, financial services, and individual financial decision-making processes. The rapid expansion of online banking, mobile payments, digital investment platforms, and fintech applications has shifted financial interactions from traditional institutional settings to digital environments. As a result, digital financial literacy has emerged as a critical determinant of individual financial well-being and economic stability.

Global evidence suggests that individuals with low levels of financial literacy are more vulnerable to excessive debt, poor saving behavior, investment mistakes, and financial fraud. According to OECD (2020), insufficient financial literacy remains one of the main barriers to inclusive and sustainable economic development, particularly in developing and transition economies. In digital contexts, these risks are further amplified, as individuals must not only understand financial concepts but also navigate complex digital information systems.

At the same time, social media has become one of the most influential sources of financial information. Platforms such as Telegram, Instagram, YouTube, and TikTok increasingly shape how individuals learn about budgeting, credit, investment, and personal finance. For many users, especially young people, social media has replaced formal financial education and professional financial advice. While this shift creates new opportunities for learning and engagement, it also introduces significant risks related to misinformation, herd behavior, and emotional decision-making.

In Uzbekistan, the expansion of digital financial services has outpaced the development of digital financial literacy. Although access to online financial tools has improved, many individuals lack the skills needed to critically evaluate financial information obtained through social media. Consequently, financial behavior is often influenced by informal content creators rather than reliable institutional sources. This situation highlights the need to examine the role of social media not merely as an information channel, but as a mediating mechanism between digital financial literacy and financial behavior.

Main Section

Digital financial literacy refers to an individual's ability to access, understand, evaluate, and use financial information in digital environments. From the perspective of human capital theory (Becker, 1964), digital financial literacy constitutes a form of intangible capital that enhances individuals' capacity to make rational economic decisions. Without adequate digital financial literacy, increased access to financial information does not necessarily lead to improved financial outcomes.

Financial behavior encompasses a wide range of actions, including saving, budgeting, borrowing, investing, and risk management. Behavioral economics emphasizes that financial decisions are not always rational and are often influenced by psychological factors, social norms, and information framing. In digital environments, these influences are intensified, as individuals are continuously exposed to persuasive content, social comparisons, and emotionally charged narratives.

Social media plays a central role in this process. On the one hand, it enables rapid dissemination of financial knowledge, peer learning, and awareness of financial opportunities. On the other hand, it facilitates the spread of speculative advice, unrealistic success stories, and simplified representations of complex financial products. Behavioral studies show that exposure to such content increases the likelihood of herd behavior and overconfidence, particularly among individuals with limited financial literacy (Banerjee, 1992; Kahneman, 2011).

This thesis argues that social media acts as a mediating variable between digital financial literacy and financial behavior. Individuals with higher levels of digital financial literacy are more capable of critically assessing social media content, distinguishing reliable information from misleading narratives, and integrating financial knowledge into long-term planning. Conversely, individuals with lower digital financial literacy are more likely to rely on social media cues, emotional signals, and social validation when making financial decisions.

Empirical insights from international studies support this mediating framework. Lyons and Kass-Hanna (2021) demonstrate that digital financial literacy significantly improves individuals' ability to use online financial information effectively. World Bank (2022) findings indicate that youth with higher digital financial literacy show greater financial resilience, even when exposed to high volumes of social media content.

In the context of Uzbekistan, institutional gaps further strengthen the mediating role of social media. Formal financial education remains limited, and official financial institutions have a relatively weak presence on social media platforms. As a result, informal content creators dominate the digital financial information space. Without institutional mechanisms to guide and regulate this environment, social media amplifies both opportunities and risks associated with digital finance.

Addressing this challenge requires an institutional approach. Digital financial literacy should be integrated into educational curricula, public awareness campaigns, and national financial inclusion strategies. At the same time, financial institutions and regulators must actively engage with social media, providing verified, accessible, and user-oriented financial content. Only through such coordinated efforts can social media become a constructive mediator rather than a destabilizing force.

Conclusion

In conclusion, digital financial literacy plays a decisive role in shaping financial behavior in the digital economy. Social media does not influence financial behavior directly; instead, it mediates the relationship between digital financial literacy and financial decision-making. When digital financial literacy is low, social media amplifies behavioral biases and financial risks. When digital financial literacy is high, social media becomes a powerful tool for learning, empowerment, and economic stability.

Therefore, policies aimed at improving financial behavior must prioritize the development of digital financial literacy and recognize the mediating role of social media. Strengthening institutional involvement in digital financial education and regulating the quality of financial content on social media are essential steps toward sustainable financial inclusion and long-term economic resilience.

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