HOUSEHOLD FINANCIAL SUSTAINABILITY: ITS NATURE, STRUCTURAL COMPONENTS, AND DETERMINANTS IN THE CONTEXT OF DIGITALISATION

PhD, Senior Lecturer

Dilshodakhon Mansurkhoja kizi Maksudkhojaeva

+998 88 068 68 68

dilshodakhon.mks@mail.ru

Abstract. This article examines the concept of household financial sustainability and proposes a description of its structural components that accounts for the digitalisation of financial services. By comparing a scholarly approach to household finance with materials published by international organisations, the study distinguishes between meeting current obligations, covering unexpected expenses, and preserving opportunities for long-term development. It proposes an analytical framework encompassing balanced cash flows, reserve adequacy, manageable obligations, the preservation of income sources, and access to financial resources. Digital financial literacy is considered a factor influencing the use of these resources and protection against financial losses. The article outlines approaches to assessing financial sustainability and the limitations of applying uniform benchmarks. The study is theoretical, and the proposed framework requires subsequent empirical validation.

Keywords: households, financial sustainability, cash flows, savings, debt burden, digitalisation, digital financial literacy.

Introduction

Assessing the financial position of a household goes beyond comparing its income and expenditure for a single month. A positive cash balance may coexist with a lack of reserves, dependence on a single source of earnings, or substantial forthcoming payments. An analysis of sustainability must therefore establish the extent to which existing

arrangements for generating and using resources enable the household to meet its obligations when life circumstances change.

Digitalisation adds the question of whether funds are actually accessible and whether decisions made in the electronic environment are sound. Remote services change how households interact with financial institutions but do not, in themselves, increase their capacity to bear expenses. Having an application, using a financial service, and improving one's financial position are not equivalent.

The aim of this article is to explain the nature of household financial sustainability, propose a framework of its structural components, and identify the channels through which digitalisation influences their formation. The methods used are comparative conceptual analysis and theoretical systematisation. The discussion is primarily based on the work of A. A. Zemtsov and T. Yu. Osipova; the digital dimension is examined using materials from the OECD and the World Bank. The article does not present original calculations based on a sample of households.

The Nature of Household Financial Sustainability

A. A. Zemtsov and T. Yu. Osipova relate household analysis to household composition and its physical and financial structures. They examine possibilities for indirectly assessing sustainability through income and expenditure items and the organisation of financial management, noting the inadequacy of a standardised information base.[1] The issue they raise is important for this study: indicators describing a household's position at a particular date do not provide a complete picture of its future viability.

This article proposes understanding household financial sustainability as the ability to continue financing essential needs and meeting obligations, cover temporary shortfalls in receipts, and restore financial equilibrium after adverse events while preserving the conditions for the reproduction of human capital. This working definition combines current and forward-looking dimensions of analysis; it does not claim to replace all interpretations used in the literature.

Meeting payments as they fall due indicates solvency but does not explain how it is maintained. If obligations are repaid through a continual increase in new borrowing, the

absence of arrears may conceal a deteriorating position. Similarly, the value of property does not indicate which resources can be used immediately. Selling a household's only home formally generates cash but also affects basic living conditions. An assessment of sustainability should therefore consider the economic and social consequences of mobilising assets.

The ability to cope with an unexpected expense is a distinct characteristic. In the Global Findex 2021 study, it was assessed through the ability to obtain additional funds and the expected source of those funds.[2] This approach is useful for analysing responses to a financial shock. Under the interpretation proposed here, however, sustainability also includes the subsequent recovery of the household budget: obtaining money at a time of difficulty may entail obligations that make the future position more challenging.

The household is the unit of analysis, although decisions are often made by individual household members. Aggregate income must therefore be considered alongside the distribution of obligations and access to shared resources. Funds held in an individual account cannot automatically be regarded as an accessible reserve for the entire household if their use has not been agreed upon.

Structural Components of Sustainability

For the purposes of this article, five interrelated components are proposed. They are distinguished according to the function each performs in sustaining household activities. This framework results from theoretical systematisation rather than reproducing a classification from the original publication.

The first component is balanced cash flows. It describes the correspondence between receipts, necessary expenses, and payment dates. Not only aggregate amounts but also their distribution over time are important. Even with sufficient annual income, seasonal earnings can create periods of shortfall. Assessment should therefore cover the schedule of receipts, mandatory payments, and the possibility of postponing non-essential expenditure.

The second component is reserve adequacy. A reserve makes it possible to cover a gap between receipts and payments without immediately taking on new obligations. In assessing reserves, funds set aside for unforeseen circumstances must be distinguished

from savings already earmarked for known expenses. The same cash balance cannot simultaneously be counted as a source of funding for planned education and as a completely unrestricted reserve.

The third component is the manageability of obligations. This is determined by the ability to service existing obligations, taking into account their maturity, cost, and possible changes in income. The overall repayment schedule, rather than the affordability of each individual payment, matters to a household. Several small obligations may fall due at the same time and reduce the funds remaining for everyday needs.

The fourth component is the preservation of income sources and the capacity to restore them. Accumulated reserves are finite, so a prolonged disruption in receipts requires adaptation. In this context, expenditure on maintaining health and professional skills should be considered in light of its importance for future employment. Cutting such expenditure may improve the current balance while simultaneously weakening the capacity to earn income later.

The fifth component is the security and accessibility of financial resources. A household must be able to use the funds it owns when needed. In the digital environment, this component includes controlling access to accounts, the ability to restore services, and understanding the procedures to follow in the event of a disputed transaction. It should be distinguished from reserve adequacy: savings indicate the volume of resources, whereas accessibility indicates whether those resources can actually be used.

The identified components are interconnected but not interchangeable. Substantial income does not eliminate the risk of losing access to funds, and high digital competence does not compensate for a chronic shortage of receipts. Reducing sustainability to a single indicator may therefore conceal the particular source of vulnerability.

Determinants of Sustainability in the Digital Environment

Components describe the condition of a household, whereas determinants explain the circumstances in which that condition develops. In the proposed framework, internal determinants include household composition, the allocation of financial responsibilities, the nature of employment, planning skills, and decision-making practices. External

determinants include changes in prices and employment conditions, the availability of financial services, and the quality of infrastructure and consumer protection mechanisms. Distinguishing between them helps avoid attributing all financial difficulties to insufficient financial literacy.

Digitalisation should be examined through distinct channels of influence. The information channel relates to the ability to obtain information about transactions and service conditions more quickly. The management channel is reflected in the organisation of payments and record-keeping. Access to information, however, does not guarantee its proper use. For example, the automatic classification of expenditure does not replace a decision about which expenses are essential for a particular household.

The credit channel requires analysis of aggregate obligations. Simplifying borrowing procedures may shorten the time between the emergence of a need and the receipt of funds. This does not, however, establish an improvement in sustainability: the outcome depends on the purpose of borrowing and the source of repayment. The proposed analytical criterion is the change in the future uncommitted balance after the new payment has been incorporated into the overall budget.

Behavioural and protective aspects of digital payments are discussed in OECD materials. The organisation identifies risks of impulsive purchases, fraud, phishing, and data loss, as well as the need to combine financial education with consumer protection.[3] These points suggest two different mechanisms through which financial circumstances may deteriorate: a gradual increase in expenditure and a one-off loss of funds. Different indicators are needed to study them; purchase frequency cannot substitute for information on losses incurred.

The OECD defines digital financial literacy through a combination of knowledge, skills, attitudes, and behaviours needed for the informed and safe use of digital financial services and technologies.[4] Within the proposed framework, it is treated as a cross-cutting determinant. Its importance is evident when assessing service costs, aligning payments with the budget, and protecting access to resources. It would be incorrect to classify literacy

as a monetary resource: it influences decisions about the use of funds but does not itself constitute those funds.

The influence of the digital factor also depends on how services are organised. Even a well-informed user cannot control all the technical processes of a financial institution. Responsibility for sustainability therefore cannot be placed entirely on the household. The analytical model must include access to support, clarity of information, and opportunities to resolve disputes. These are conditions of service use, distinct from the customer's individual knowledge.

Approaches to Assessment and Limitations of the Proposed Framework

Practical application of the framework entails combining quantitative indicators with characteristics of financial management. To analyse cash flows, disposable income and necessary payments can be compared over the same period. Borrowed funds should be recorded as a source of financing rather than income; otherwise, rising debt would mistakenly be interpreted as improved financial provision.

Reserve adequacy can be described by the ratio of accessible, uncommitted savings to average monthly necessary payments. For this calculation, the latter should include both essential consumption expenditure and payments on existing obligations. The indicator expresses the notional duration for which payments could be covered in the absence of receipts. It is not a forecast: the composition of expenditure and the accessibility of savings may change.

To assess obligations, it is useful to calculate debt-service payments as a share of disposable income while also analysing the balance remaining after necessary expenses. The same debt-service share may have different implications for households with different compositions and income levels. Accordingly, this article does not establish universal thresholds or propose automatically classifying households as sustainable or unsustainable.

The digital dimension should be assessed separately in terms of access, competencies, and the consequences of using services. Possession of a device and an account indicates the technical possibility of participation. The ability to check transaction terms indicates

competence. Arrears or loss of funds reflects an outcome whose causes require further investigation. Conflating these levels makes the data difficult to interpret.

Testing the proposed relationships requires observations of changes in household circumstances over time. A one-off survey may identify the coexistence of digital skills and reserves but cannot, on its own, demonstrate that those skills caused savings to accumulate. Income, education, age, household composition, and access to services should be taken into account. In Uzbekistan, the proposed framework could provide a basis for developing a questionnaire and research programme; conclusions about the prevalence of particular risks require national data.

Conclusion

Household financial sustainability should be assessed by how a household maintains essential payments, copes with temporary shortfalls, and restores its sources of financing. The proposed distinction between five components makes it possible to identify precisely where vulnerability arises: in cash flows, reserves, obligations, income generation, or access to resources.

Digitalisation changes the conditions for managing each of these components. Its effects depend on the nature of the service used, the decisions of household members, and the quality of financial infrastructure. The development of digital financial literacy should therefore be considered alongside the population’s material resources and consumer protection. The next stage of research is to test the proposed relationships using household data and refine indicators for different employment conditions and household compositions.

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