Financial vulnerability interlinkages with financial knowledge and behaviour

Summary

Financial vulnerability can refer to the difficulties people face in everyday life to pay bills (Loke, 2017) , cover unexpected expenses (Lusardi et al., 2011) or to maintain their lifestyle (O'Connor et al., 2019) . Irrespective of the precise definition, financial vulnerability can have adverse impact on the financial well-being of individuals.

Research field:	Economics and finance
Supervisors:	Prof. Dr. Tõnn Talpsepp Laivi Laidroo
Availability:	This position is available.
Offered by:	School of Business and Governance Department of Economics and Finance
Application deadline:	Applications are accepted between June 01, 2025 00:00 and June 30, 2025 23:59 (Europe/Zurich)

Description

Main supervisor: Laivi Laidroo

Co-supervisor: Tõnn Talpsepp

Financial vulnerability has been shown to be driven by different factors with financial knowledge and behaviour being one of these (Salignac et al., 2019). This highlights the role of properly designed educational interventions in improving the financial knowledge of more financially vulnerable groups. Although previous research has shown that the effectiveness of financial education programs is often disappointing (Holzmann et al., 2013) or may be less efficient in low-income groups (Kaiser & Menkhoff, 2017), the recent emergence of digital financial tools is changing the situation. Some studies also indicate that both financial literacy and digital literacy are needed to bridge the financial knowledge gaps (Kass-Hanna et al., 2022).

Previous research by Goyal et al. (2022) also emphasizes the role of behavioural and psychological factors, like impulsiveness and financial anxiety, in intermediating the relationship between financial literacy and financial vulnerability. Indicating that further research on the behavioural financial vulnerability determinants is needed.

The context of the study would be Estonia as these interlinkages remain especially topical in the Estonian context. According to Statistics Estonia in 2023 20.2% of Estonian were at-risk-of poverty. The OECD INFE 2023 survey results also show that while there appeared to be no significant association between financial vulnerability and financial knowledge, superior financial behaviour appeared to be related with lower financial vulnerability. Therefore, addressing the financial behaviour of financially vulnerable groups may enable to reduce their financial vulnerability.

References

Goyal, K., Kumar, S., Xiao, J. J., & Colombage, S. (2022). The psychological antecedents of personal financial management behavior: a meta-analysis. *International Journal of Bank Marketing*, *40*(7), 1413-1451. https://doi.org/10.1108/IJBM-02-2022-0088

Holzmann, R., Mulaj, F., & Perotti, V. (2013). Financial capability in low-and middle-income countries: measurement and evaluation. http://documents1.worldbank.org/curated/en/347991468331161428/pdf/798050W-P010Fin0Box0379791B00PUBLIC0.pdf

Kaiser, T., & Menkhoff, L. (2017). Does Financial Education Impact Financial Literacy and Financial Behavior, and If So, When? *The World Bank Economic Review*, *31*(3), 611-630. https://www.jstor.org/stable/48557255

Kass-Hanna, J., Lyons, A. C., & Liu, F. (2022). Building financial resilience through financial and digital literacy in South Asia and Sub-Saharan Africa. *Emerging Markets Review*, *51*, 100846. https://doi.org/https://doi.org/10.1016/j.ememar.2021.100846

Loke, Y. J. (2017). Financial vulnerability of working adults in Malaysia. *Contemporary Economics*, *11*(2), 205-218.

Lusardi, A., Schneider, D. J., & Tufano, P. (2011). *Financially fragile households: Evidence and implications*.

O'Connor, G. E., Newmeyer, C. E., Wong, N. Y. C., Bayuk, J. B., Cook, L. A., Komarova, Y., Loibl, C., Lin Ong, L., & Warmath, D. (2019). Conceptualizing the multiple dimensions of consumer financial vulnerability. *Journal of Business Research*, *100*, 421-430. https://doi.org/https://doi.org/10.1016/j.jbusres.2018.12.033

Salignac, F., Marjolin, A., Reeve, R., & Muir, K. (2019). Conceptualizing and Measuring Financial Resilience: A Multidimensional Framework. *Social Indicators Research*, *145*(1), 17-38. https://doi.org/10.1007/s11205-019-02100-4

To get more information or to apply online, visit https://taltech.glowbase.com/positions/972 or scan the the code on the left with your smartphone.