



## THE RELATIONSHIP BETWEEN INFLATION AND FINANCIAL SECURITY

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**ABSTRACT:** *This study examines the relationship between inflation and selected dimensions of financial security in Kazakhstan, the Kyrgyz Republic, and Uzbekistan during 2014–2023. Financial security is treated as a multidimensional concept and is represented by two indicators: household consumption expenditure growth and domestic credit to the private sector. Inflation is used as the main explanatory variable, while GDP growth, unemployment, and personal remittances are included as control variables. World Bank data are analyzed using panel-data regression methods. The results show that inflation has a weak positive association with household consumption growth and is statistically significant at the 10% level, while no statistically significant relationship is found between inflation and private-sector credit. GDP growth has a strong positive relationship with consumption growth, and remittances are positively associated with private-sector credit. These findings suggest that inflation does not have a uniform effect on the selected dimensions of financial security and that broader macroeconomic and household conditions also play an important role. The study concludes that assessing financial security requires a multidimensional approach rather than relying on inflation or a single financial indicator.*

**Keywords:** *inflation, financial security, household consumption, private-sector credit, remittances, Central Asia, panel data.*

**АННОТАЦИЯ:** *В данном исследовании рассматривается взаимосвязь между инфляцией и отдельными аспектами финансовой безопасности в Казахстане, Кыргызской Республике и Узбекистане за период 2014–2023 гг. Финансовая безопасность рассматривается как многомерное понятие и представлена двумя показателями: темпами роста расходов домашних хозяйств на конечное потребление и внутренним кредитованием частного сектора. Инфляция используется в качестве основной объясняющей переменной, тогда как темпы роста ВВП, уровень безработицы и личные денежные переводы включены*



*в качестве контрольных переменных. Для анализа используются данные Всемирного банка и методы регрессионного анализа панельных данных. Результаты показывают, что инфляция имеет слабую положительную связь с ростом потребительских расходов домашних хозяйств и является статистически значимой на уровне 10%, тогда как статистически значимой взаимосвязи между инфляцией и кредитованием частного сектора не выявлено. Темпы роста ВВП демонстрируют сильную положительную связь с ростом потребления, а денежные переводы положительно связаны с кредитованием частного сектора. Полученные результаты показывают, что инфляция не оказывает однородного воздействия на рассматриваемые аспекты финансовой безопасности и что более широкие макроэкономические условия и характеристики домохозяйств также играют важную роль. В исследовании делается вывод о том, что оценка финансовой безопасности требует многомерного подхода и не должна основываться только на уровне инфляции или одном финансовом показателе.*

**Ключевые слова:** инфляция, финансовая безопасность, потребление домашних хозяйств, кредитование частного сектора, денежные переводы, Центральная Азия, панельные данные.

## INTRODUCTION

Inflation remains an important factor affecting household financial conditions because changes in prices influence purchasing power, consumption decisions, saving behaviour, borrowing, and the ability of households to meet financial obligations [1–3]. However, the financial consequences of inflation are not determined by the inflation rate alone. They may also depend on economic growth, labour-market conditions, access to credit, household income, and other sources of financial support.

The relevance of this issue has continued after the end of the empirical period considered in this study. In Uzbekistan, inflationary pressures remained an important policy concern after 2023. According to the International Monetary Fund, annual average consumer price inflation declined from 10.0% in 2023 to 9.6% in 2024, although increases in administered energy prices contributed to renewed inflationary pressure during 2024. Inflation expectations also increased during part of 2024 and early 2025, demonstrating that changes in prices continued to influence household and business expectations after the period covered by this study [4].

At the same time, financial conditions in Uzbekistan continued to change. The Central Bank of Uzbekistan reported improvements in overall financial conditions during 2024, while household lending remained an important part of financial-sector development. However, household debt-service burdens also remained a financial-stability concern. In its 2025 Financial



Stability Report, the Central Bank reported a household debt-service-to-income ratio of approximately 37%, while the average debt-service burden of microcredit borrowers was around 40%. These developments illustrate why increasing access to credit should not automatically be interpreted as an improvement in financial security [5].

Recent research also suggests that the effects of inflation on households are more heterogeneous than aggregate inflation statistics imply. Households differ in their consumption baskets, savings, debt positions, and exposure to price changes. Recent studies show that household responses to inflation may involve changes in consumption, saving, borrowing, and expectations rather than a simple reduction in spending [3, 6, 7]. Therefore, examining financial security through more than one indicator is particularly important.

This issue is relevant for Central Asian economies, including Kazakhstan, the Kyrgyz Republic, and Uzbekistan. The three countries differ in inflation dynamics, economic growth, financial-sector development, labour-market conditions, and dependence on remittances. These differences provide an opportunity to examine whether inflation is associated with financial conditions in a similar way across countries with related but distinct economic structures.

Despite the importance of inflation for household financial conditions, financial security is often represented through individual indicators rather than treated as a multidimensional concept. Inflation may influence household consumption through purchasing power and income effects, while its relationship with credit may operate through interest rates, monetary policy, lending conditions, and changes in the real value of debt. Examining these dimensions separately can therefore provide a more complete picture of the relationship between inflation and financial security.

Against this background, this study examines the relationship between inflation and selected dimensions of financial security in Kazakhstan, the Kyrgyz Republic, and Uzbekistan during 2014–2023. Household consumption expenditure growth and domestic credit to the private sector are used as two indicators representing different dimensions of financial conditions. GDP growth, unemployment, and personal remittances received are included as control variables. Panel-data regression is used to examine whether inflation is associated with changes in these indicators after accounting for broader economic conditions.

The study addresses the following research questions:

1. What is the relationship between inflation and household consumption growth in Kazakhstan, the Kyrgyz Republic, and Uzbekistan?
2. What is the relationship between inflation and domestic credit to the private sector in these countries?



3. To what extent do GDP growth, unemployment, and remittances help explain differences in the selected financial-security indicators?

The contribution of the study is primarily empirical. Rather than treating financial security as a single observable variable, the analysis considers two related but distinct dimensions: household consumption and private-sector credit. It also compares three Central Asian economies using a common set of indicators and panel-data methods. The results are interpreted as conditional statistical relationships rather than causal effects.

The remainder of the paper is organized as follows. Section 2 reviews the recent and established literature and develops the theoretical framework. Section 3 describes the data, variables, methodology, and diagnostic tests. Section 4 presents the main empirical results and discusses their implications. Section 5 concludes the study and provides policy recommendations.

## LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Financial security is a multidimensional concept that includes the ability of households to maintain purchasing power, meet financial obligations, manage savings and debt, and withstand economic shocks. Inflation can affect these dimensions through changes in real income, consumption, savings, borrowing, and the real value of financial assets and liabilities [1–3, 6].

Easterly and Fischer [1], using data from 31,869 households in 38 countries, find that poorer households are more likely to identify inflation as a major concern and report negative relationships between inflation and several measures of well-being. Doepke and Schneider [2] further show that unexpected inflation changes the real value of nominal assets and liabilities, potentially redistributing wealth between lenders and borrowers. More recent evidence from Schnorpfeil, Weber, and Hackethal [3] indicates that households recognize the erosion of nominal assets caused by inflation more readily than the corresponding erosion of debt, and that information about these effects can influence consumption and debt decisions.

These studies indicate that inflation does not have a uniform effect on financial security. Its consequences depend on household income, assets, debt, savings, and expectations. Household consumption is one important dimension through which the financial effects of inflation can be observed. When prices rise faster than income, households may reduce consumption, use savings, or increase borrowing. However, recent evidence shows that the relationship is not necessarily negative.

Kukk, Toczynski, and Basten [6], using bank-account-level data, find that households with higher personal inflation exposure increased consumption, partly financing additional spending through savings or borrowing. The effect was weaker among liquidity-constrained and highly



indebted households. This suggests that positive consumption growth during inflation does not necessarily indicate improved financial security.

Inflation expectations can also influence household behaviour. Fischer, Herler, and Schnattinger [7] find that reducing inflation uncertainty increases planned spending and reduces precautionary saving. Thus, households respond not only to current inflation but also to expectations about future price developments. Credit represents another dimension of financial conditions. Inflation can influence borrowing costs through monetary policy, while simultaneously reducing the real value of existing nominal debt. Therefore, the relationship between inflation and aggregate credit can operate through several opposing channels. In this study, domestic credit to the private sector is used as a second indicator of financial conditions. It does not represent financial security by itself but captures an aspect of broader formal financial conditions and credit activity.

The effects of inflation may differ across households and countries. Albanesi [8] finds a positive cross-country relationship between inflation and income inequality, while Kukk et al. [6] show that households experience different inflation rates because their consumption baskets differ. These findings suggest that aggregate inflation indicators should be interpreted with caution. This issue is particularly relevant to Kazakhstan, the Kyrgyz Republic, and Uzbekistan because the three economies differ in economic growth, financial-sector development, and dependence on remittances. Remittances can provide households with additional financial resources and may therefore influence their ability to maintain consumption during periods of economic pressure.

Recent Uzbek research provides additional national evidence. Zakhidov [9] emphasizes the effects of inflation on purchasing power, consumer behaviour, spending, and saving decisions in Uzbekistan. Ganieva [10] finds that exchange-rate movements and changes in administered prices significantly influence inflation expectations in Uzbekistan, highlighting the importance of broader macroeconomic conditions in shaping household responses to inflation.

Recent developments also reinforce the relevance of this issue. Inflation remained an important policy concern in Uzbekistan after 2023, while household lending and financial-sector activity continued to expand. At the same time, the Central Bank of Uzbekistan identified household debt-service burdens as a financial-stability concern. These developments suggest that credit expansion should not automatically be interpreted as an improvement in financial security [5].

The existing literature shows that inflation can affect financial conditions through several channels, including purchasing power, wealth, consumption, savings, debt, credit, and expectations. However, these effects may operate in different directions.



This study addresses this complexity by examining two separate dimensions of financial conditions: household consumption growth and domestic credit to the private sector. Inflation is the main explanatory variable, while GDP growth, unemployment, and remittances are included as control variables. The study does not assume that inflation necessarily worsens financial security; instead, it empirically examines whether inflation is associated with changes in the selected indicators across Kazakhstan, the Kyrgyz Republic, and Uzbekistan during 2014–2023.

## METHODOLOGY

This study examines the relationship between inflation and selected dimensions of financial security in Kazakhstan, the Kyrgyz Republic, and Uzbekistan using annual data for 2014–2023. The countries were selected based on the availability of comparable data for the variables included in the analysis. The empirical analysis uses secondary data from the World Bank’s World Development Indicators (WDI) database. The dataset includes indicators of inflation, household consumption, domestic credit, GDP growth, unemployment, and remittances. Data processing and statistical analysis were conducted using RStudio.

Initially, four Central Asian countries were considered, including Tajikistan. Tajikistan was excluded because the inflation series contained substantial missing observations during the study period. The final sample therefore consists of three countries and ten years, providing 30 potential country-year observations. One observation for domestic credit in Kazakhstan in 2014 was unavailable, resulting in 29 observations in the regression dataset.

Financial security is multidimensional and cannot be fully represented by a single macroeconomic indicator. This study therefore examines two related dimensions: household consumption growth and domestic credit to the private sector.

Household final consumption expenditure growth measures the annual percentage change in household and NPISHs final consumption expenditure and represents the consumption dimension of household financial conditions. Domestic credit to the private sector, measured as a percentage of GDP, captures broader formal financial conditions and the scale of credit provided to the private sector. Inflation, measured as the annual percentage change in consumer prices, is the main explanatory variable. GDP growth, unemployment, and personal remittances received as a percentage of GDP are included as control variables. GDP growth captures overall economic activity, unemployment reflects labour-market conditions, and remittances represent an additional source of financial resources that is particularly relevant in Central Asian economies.

| Variable  | Measurement                        | Role in the model         |
|-----------|------------------------------------|---------------------------|
| Inflation | Consumer price inflation, annual % | Main explanatory variable |



| Variable     | Measurement                                              | Role in the model  |
|--------------|----------------------------------------------------------|--------------------|
| Consumption  | Household final consumption expenditure growth, annual % | Dependent variable |
| Credit       | Domestic credit to private sector, % of GDP              | Dependent variable |
| GDP growth   | Annual GDP growth, %                                     | Control variable   |
| Unemployment | Total unemployment, % of labor force                     | Control variable   |
| Remittances  | Personal remittances received, % of GDP                  | Control variable   |

These variables allow the study to examine whether inflation is associated with changes in household consumption growth and private-sector credit while accounting for broader economic conditions.

The World Bank data were transformed from wide to long format and organised as a country-year panel [11]. Missing observations were coded as missing values and excluded from the relevant regression analysis.

Descriptive statistics were calculated using the mean, standard deviation, minimum, median, and maximum. Country-level averages were also calculated to compare the three economies. Correlation coefficients were used to examine linear associations between variables, while Variance Inflation Factors (VIF) were calculated to assess multicollinearity. All VIF values were below 2, indicating no major multicollinearity problem among the explanatory variables.

Panel-data regression was used to examine the relationship between inflation and the two selected dimensions of financial conditions. Separate models were estimated for consumption growth and private-sector credit because they represent different aspects of financial security.

The consumption model is specified as:

$$\text{Consumption}_{it} = \alpha + \beta_1 \text{Inflation}_{it} + \beta_2 \text{Credit}_{it} + \beta_3 \text{GDPGrowth}_{it} + \beta_4 \text{Unemployment}_{it} + \beta_5 \text{Remittances}_{it} + \mu_i + \varepsilon_{it}$$

where  $i$  denotes the country and  $t$  the year,  $\mu_i$  represents country-specific effects, and  $\varepsilon_{it}$  is the error term.

The private-sector credit model is specified as:

$$\text{Credit}_{it} = \alpha + \beta_1 \text{Inflation}_{it} + \beta_2 \text{GDPGrowth}_{it} + \beta_3 \text{Unemployment}_{it} + \beta_4 \text{Remittances}_{it} + \alpha_i + \varepsilon_{it}$$

where  $\alpha_i$  represents country-specific fixed effects.

Both fixed-effects (FE) and random-effects (RE) specifications were initially considered. The Hausman test was used to select the preferred specification for each model. For the consumption model, the Hausman test produced a p-value of 0.979, so the random-effects



specification was selected. For the credit model, the p-value was 0.002, leading to rejection of the null hypothesis and selection of the fixed-effects specification.

Thus, the final analysis uses random effects for the consumption model and fixed effects for the credit model. Several diagnostic tests were conducted to assess the estimated models. The Breusch–Pagan test did not provide statistically significant evidence of heteroskedasticity in either model.

Serial correlation was examined using the panel Breusch–Godfrey test. The p-values were approximately 0.071 for the consumption model and 0.072 for the credit model. These results are not statistically significant at the 5% level, although their proximity to the 10% threshold suggests that serial correlation should be interpreted cautiously. Cross-sectional dependence tests also found no statistically significant evidence of dependence between countries.

Overall, the diagnostic tests did not provide strong statistical evidence of major violations in the assumptions examined. However, the small number of countries and observations limits the statistical power of these tests.

### **Scope and Limitations of the Methodology**

The study has several limitations. First, the sample includes only three countries over a ten-year period, resulting in 29 observations for the regression analysis. Therefore, the findings should be interpreted as exploratory rather than definitive.

Second, financial security is broader than the two indicators used in this study. Consumption growth and private-sector credit capture selected dimensions of financial conditions but do not measure income stability, savings, debt-service capacity, financial inclusion, asset ownership, or households' ability to withstand financial shocks.

Finally, the panel regressions identify statistical associations rather than causal effects. Inflation and household financial behaviour may influence each other and may also be affected by other macroeconomic factors. The estimated coefficients are therefore interpreted as conditional relationships within the observed sample rather than definitive causal effects.

### **EMPIRICAL RESULTS AND DISCUSSION**

The descriptive statistics provide an initial picture of inflation and the selected financial-condition indicators in Kazakhstan, the Kyrgyz Republic, and Uzbekistan during 2014–2023. The analysis is based on 29 country-year observations used in the regression models.

Average inflation was 9.13%, ranging from 0.39% to 17.52%. Household consumption growth averaged 5.78%, with values ranging from –6.19% to 18.82%, while private-sector credit averaged 23.70% of GDP. GDP growth averaged 4.43%, although the minimum of –7.15% indicates a period of substantial economic contraction. Unemployment was relatively stable, with



a mean of 4.89%. Remittances showed considerable variation, averaging 13.60% of GDP and reaching 32.56% at their maximum.

**Table 2. Descriptive Statistics**

| Variable                      | Mean  | SD    | Min   | Max   |
|-------------------------------|-------|-------|-------|-------|
| Inflation (%)                 | 9.13  | 4.47  | 0.39  | 17.52 |
| Consumption growth (%)        | 5.78  | 6.21  | -6.19 | 18.82 |
| Private-sector credit (% GDP) | 23.70 | 6.97  | 8.88  | 37.73 |
| GDP growth (%)                | 4.43  | 3.35  | -7.15 | 9.01  |
| Unemployment (%)              | 4.89  | 0.54  | 3.50  | 5.94  |
| Remittances (% GDP)           | 13.60 | 12.40 | 0.12  | 32.56 |

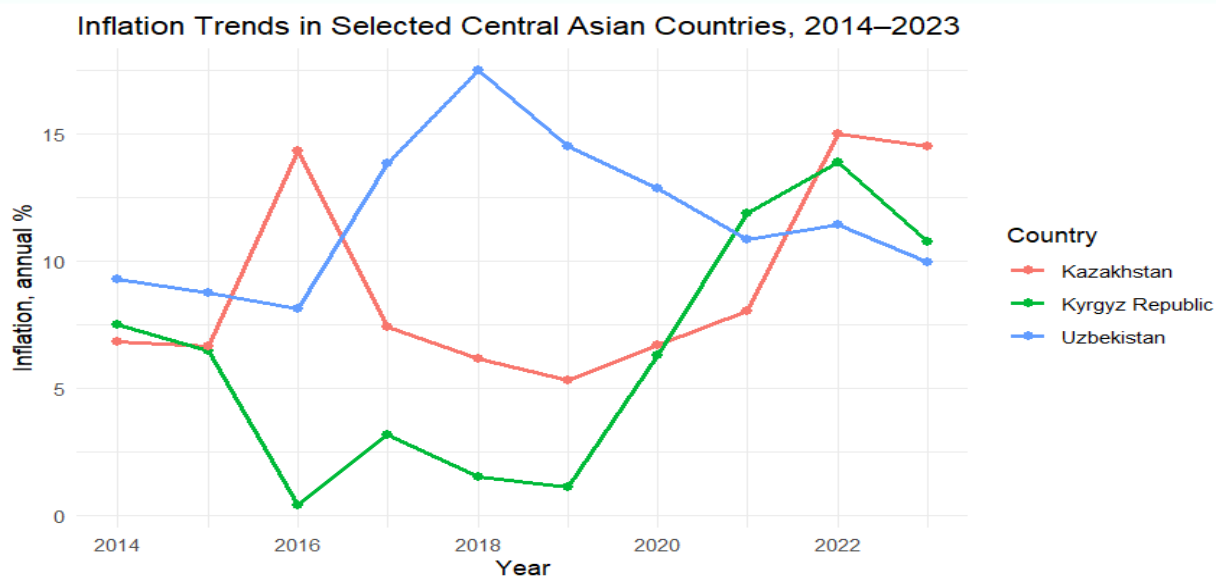
*Note: Statistics are calculated for the 29 country-year observations used in the regression analysis.*

These figures indicate substantial variation in the macroeconomic and financial conditions of the countries included in the sample.

The three countries differed considerably in their macroeconomic conditions during the study period. Uzbekistan recorded the highest average inflation at 11.70%, followed by Kazakhstan at 9.37% and the Kyrgyz Republic at 6.32%. Uzbekistan also recorded the highest average GDP growth and consumption growth, while Kazakhstan had the highest average level of private-sector credit. The Kyrgyz Republic had substantially higher remittance inflows relative to GDP.

Figure 1 shows that inflation also varied considerably across countries and years. Uzbekistan generally recorded higher inflation, while the Kyrgyz Republic had a lower average level but noticeable year-to-year variation. Kazakhstan occupied an intermediate position.

**Figure 1.**



These differences provide important context for the regression analysis but do not establish a direct relationship between inflation and financial security. For example, the relatively high consumption growth observed in Uzbekistan alongside higher inflation suggests that inflation alone cannot explain differences in household consumption. Broader economic growth, remittances, financial-sector conditions, and country-specific factors may also influence these outcomes.

The panel regression results provide the main empirical evidence. Based on the Hausman tests, the consumption model uses random effects, while the private-sector credit model uses fixed effects.

**Table 4. Panel Regression Results**

| Variable                | Consumption Growth (RE) | Private-Sector Credit (FE) |
|-------------------------|-------------------------|----------------------------|
| Inflation               | 0.349* (0.186)          | 0.255 (0.274)              |
| Credit                  | −0.007 (0.119)          | —                          |
| GDP growth              | 1.524*** (0.279)        | −0.529 (0.410)             |
| Unemployment            | 0.724 (1.609)           | −4.073 (2.402)             |
| Remittances             | 0.078 (0.106)           | 1.070*** (0.356)           |
| Constant                | −8.585 (9.783)          | —                          |
| Observations            | 29                      | 29                         |
| R <sup>2</sup>          | 0.689                   | 0.397                      |
| Adjusted R <sup>2</sup> | 0.621                   | 0.233                      |

Note: Standard errors are reported in parentheses. \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.10$ .

RE = random effects; FE = fixed effects.

In the consumption model, the coefficient on inflation is 0.349 and is statistically significant at the 10% level ( $p = 0.060$ ), but not at the conventional 5% level. Holding the other included variables constant, a one-percentage-point increase in inflation is associated with an estimated 0.349 percentage-point increase in consumption growth. This result should not be interpreted as evidence that inflation improves financial security, since consumption growth represents only one dimension of financial conditions and households may maintain consumption through savings, transfers, or borrowing.

**FIGURE 2.**

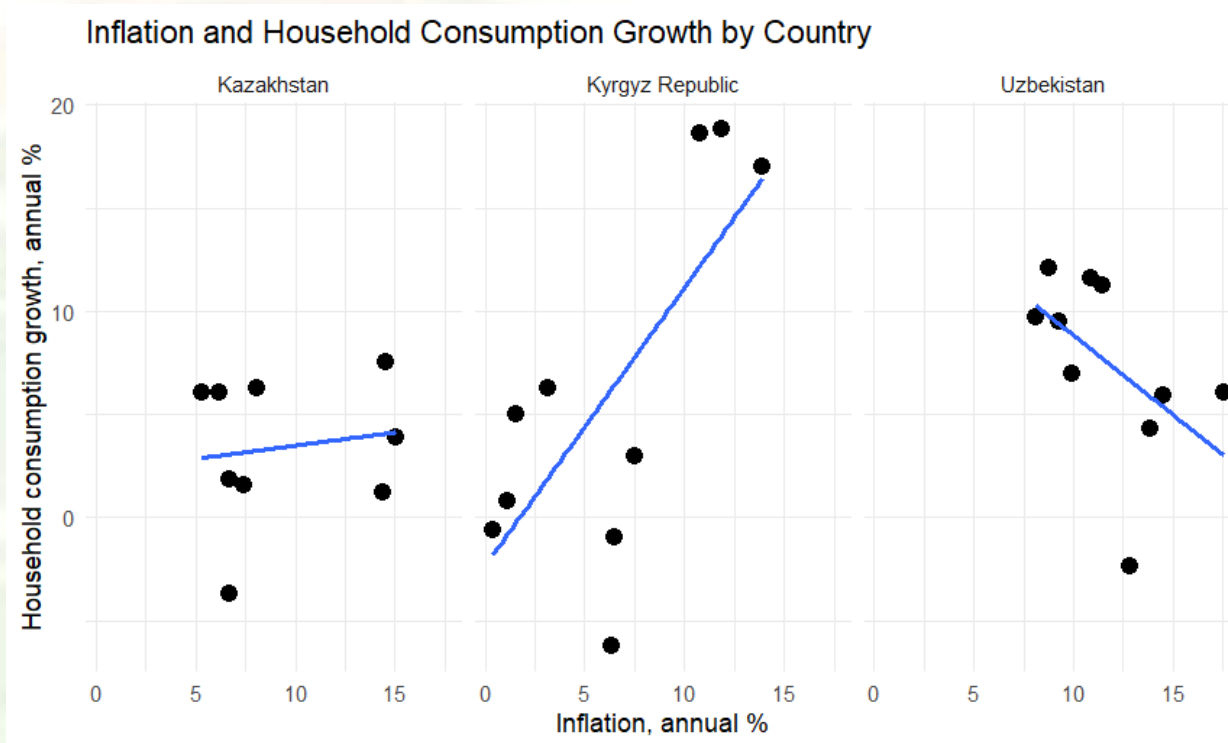


Figure 2 provides a visual representation of the relationship between inflation and household consumption growth. The positive direction of the fitted relationship is consistent with the regression coefficient, although the dispersion of observations indicates that inflation alone does not explain differences in consumption growth across the sample.

GDP growth has the strongest relationship with consumption growth. Its coefficient is 1.524 and is statistically significant at the 1% level ( $p < 0.001$ ). This indicates that broader economic performance is strongly associated with household consumption growth.

In the private-sector credit model, inflation has a coefficient of 0.255 with a p-value of 0.361. Therefore, no statistically significant relationship is found between inflation and private-sector credit in the sample. In contrast, remittances have a positive and statistically significant



coefficient of 1.070 ( $p < 0.01$ ), indicating that higher remittance inflows are associated with higher private-sector credit. However, the mechanism underlying this relationship is not directly tested.

Overall, the regression results do not indicate a uniform relationship between inflation and the two selected dimensions of financial conditions.

The empirical results do not support a simple conclusion that inflation systematically worsens all observed dimensions of financial security. Inflation shows a weak positive association with consumption growth, although the relationship is statistically significant only at the 10% level, while no statistically significant relationship is found between inflation and private-sector credit.

One possible explanation is that households respond to inflation through several channels rather than simply reducing consumption. They may use savings, receive transfers, borrow, or change the composition of expenditure. Recent research similarly suggests that household responses to inflation depend on differences in liquidity, debt, savings, and inflation exposure [3, 6, 7]. Therefore, positive consumption growth during periods of inflation should not automatically be interpreted as an improvement in household financial security.

The strong relationship between GDP growth and consumption indicates that broader economic performance may be more important for consumption growth than inflation alone. The positive association between remittances and private-sector credit also highlights the importance of country-specific sources of financial support in the Central Asian context.

The absence of a statistically significant relationship between inflation and private-sector credit does not imply that inflation has no effect on financial conditions. Credit may respond indirectly through monetary policy, interest rates, exchange-rate movements, lending standards, and expectations. These mechanisms are not fully captured by the variables and relatively short time period examined in this study.

Overall, the findings support a multidimensional approach to financial security. Inflation is associated with household consumption growth in the sample, but the relationship is weak, while no statistically significant relationship is observed for private-sector credit. The results therefore suggest that the financial consequences of inflation depend on broader macroeconomic and household conditions rather than on the inflation rate alone.

## CONCLUSION AND RECOMMENDATIONS

This study examined the relationship between inflation and selected dimensions of financial security in Kazakhstan, the Kyrgyz Republic, and Uzbekistan during 2014–2023. Because financial security is multidimensional, household consumption growth and domestic credit to the private sector were used to represent different aspects of financial conditions. Inflation was the



main explanatory variable, while GDP growth, unemployment, and remittances were included as control variables.

The descriptive results showed substantial differences among the three countries. Uzbekistan recorded the highest average inflation and GDP growth, Kazakhstan had the highest average level of private-sector credit, and the Kyrgyz Republic recorded the highest remittance inflows relative to GDP. These differences provide important context for interpreting the empirical results.

The regression results do not support the assumption that inflation has a uniform negative relationship with the selected dimensions of financial security. In the consumption model, inflation had a positive coefficient and was statistically significant at the 10% level, but not at the conventional 5% level. This represents a weak conditional association rather than evidence that inflation improves financial security. Households may maintain consumption through savings, borrowing, transfers, or changes in expenditure patterns even when inflation reduces purchasing power.

GDP growth showed a stronger and statistically significant relationship with consumption growth, indicating that broader economic performance is an important factor in household spending dynamics. In contrast, inflation was not statistically significant in the private-sector credit model. Therefore, the results do not provide sufficient evidence that inflation systematically explains changes in private-sector credit in the selected countries and period.

The credit model also showed a statistically significant positive association between remittances and private-sector credit. This finding highlights the potential importance of remittance income for financial activity in Central Asian economies. However, the observational design and small sample do not allow this relationship to be interpreted as causal.

Overall, the findings demonstrate that the relationship between inflation and financial security is complex and multidimensional. Inflation showed a weak association with consumption growth but no statistically significant relationship with private-sector credit. The results therefore suggest that financial security depends not only on price stability but also on broader economic conditions, household resources, and country-specific financial conditions.

The study has several limitations. The regression analysis is based on only three countries and 29 country-year observations. In addition, consumption growth and private-sector credit capture only selected dimensions of financial security rather than directly measuring household financial well-being. The findings should therefore be considered exploratory rather than definitive evidence of causal relationships. Future research could extend the analysis to more countries and



longer periods and include indicators such as real wages, household savings, debt-service ratios, financial inclusion, non-performing loans, and household-level inflation exposure.

In conclusion, inflation is an important factor in understanding financial conditions in Central Asia, but its effects are neither simple nor uniform. Strengthening financial security therefore requires not only maintaining price stability but also improving household resilience and the stability and accessibility of the financial system.

Based on the empirical findings, the following policy recommendations can be proposed:

1. Maintaining price stability should remain an important policy priority. Although the regression results do not show a statistically significant negative relationship between inflation and the selected indicators, persistent inflation can reduce real purchasing power and affect savings and financial planning. Stable and predictable inflation can therefore improve the ability of households and businesses to make financial decisions.

2. Household financial resilience should be strengthened. Improving financial literacy, encouraging precautionary savings, and expanding access to appropriate financial products can help households manage temporary inflationary pressures without significantly weakening their longer-term financial position.

3. Credit expansion should be accompanied by financial-stability measures. Regulators and financial institutions should monitor household indebtedness, repayment capacity, lending standards, and debt-service burdens, particularly during periods of changing inflation and interest rates.

4. The financial role of remittances should receive greater attention. Since remittances were positively associated with private-sector credit in the model, improving formal remittance channels, access to savings products, and financial inclusion could strengthen their contribution to household financial resilience.

5. Financial-security policy should move beyond headline inflation and aggregate indicators. Household exposure to inflation differs according to income, consumption structure, savings, debt, and access to financial services. Combining macroeconomic stability policies with household-level financial protection would therefore provide a more comprehensive approach to strengthening financial security in Central Asian economies.

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