THE RATIONALITY OF ECONOMIC DECISION-MAKING AND THE ROLE OF FINANCIAL COMPETENCE IN REDUCING BIASES

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Abstract
This paper analyzes the relationship between economic decision-making rationality, behavioral biases, and the role of financial literacy in mitigating decision-making distortions. The research is grounded in the premise that a higher level of financial literacy contributes to improving the quality of economic decisions, although it does not eliminate the influence of automatic cognitive mechanisms. The study applies a mixed-methods approach, combining a critical review of the specialized literature with the analysis of secondary data from OECD/INFE reports on financial literacy and PISA findings on young people's financial behavior. The methods used include comparative analysis, interpretation of financial literacy indicators and conceptual correlation between the level of financial competence and the manifestation of cognitive biases.
The results show that individuals with higher levels of financial literacy tend to display more prudent economic behaviors, such as saving, price comparison and long-term financial planning. However, the analysis confirms that biases such as loss aversion, overconfidence, anchoring and herd behavior persist even when financial knowledge is relatively high. The original contribution of the article lies in developing an integrated analytical framework that explains financial education not as a definitive solution, but as a mechanism for reducing behavioral vulnerabilities in economic decision-making.

Keywords
economic rationality, economic decision-making, behavioral biases, financial literacy, bounded rationality, behavioral finance

JEL Classification
G40, G41, G53

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