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Do Financial Literacy and Financial Information Influence Financial Decisions? Mediated by Financial Behavior

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Abstract

This research focused on important factors such as financial literacy and behaviour. We discussed how these factors impact financial decisions in the presence of financial behaviour as a mediator. After using financial behaviour as a mediator, the decision maker can make better financial decisions as he or she thinks fit. Financial literacy has become a modern issue in academics or policy circles, both in developed & and developing countries. Therefore, this study population was chosen from private and government college Lecturers of Pakistan, having Masters, MPhil and PhD degree holders. A non-probability convenience-based sampling technique for collecting the data was used in this study, and the sample size was 270 respondents from Multan, Pakistan. Results are analysed by using the software Smart-PLS and SPSS and found that financial literacy could play a significant role in raising the power of the financial decisions in private and government Lecturers of Multan (Pakistan), Financial information is the source to strengthen the financial decisions, financial behaviour increases the relationship in between financial literacy and financial decisions, Financial Behavior also significantly contribute the financial decisions of lecturers. Financial literacy is also positively related to financial information. Our research will prove to be very valuable in finding those for government & and policy-makers to play their significant role in the finance ministry, enterprises, industrialization and the State Bank of Pakistan on the requirement of spreading financial education at the school level to empower the economy of this nation.

Keywords: Financial literacy, financial behaviour, financial decisions, financial information, private and government Lecturers

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1 Introduction

Financial literacy is obtaining financial information, acknowledging the financial structure of the financial market, or using that information for complete financial decision-making (Tuffor et al., 2022). Financial literacy has become a modern issue in academics or policy circles, both in developed & and developing countries. That's why the level of financial literacy worldwide caused optimal financial decisions to have opposite consequences on the people, the financial sector & and the entire economy. Boisclair et al. (2017) stated that the Organization for Economic Cooperation and Development (OECD) defined financial literacy as the "Combination of awareness, information, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being." The importance of Financial literacy (FL) is manifold and can be discussed from the viewpoint of individuals and the economy as a whole. Financial decision-making is a complex procedure that depends on many features that may vary between individuals (Purwidianti et al., 2021). For this, the management should take steps to collect different types of financial information from different sources. Managers can only make good decisions if they get correct financial information from other sources. The essence of using financial information is to enable managers to make wise decisions (Kumar et al., 2023).

Moreover, there is the perceived significance of financial information to deliver consistent information about the true and accurate financial position, performance (profitability), and fluctuations in the financial situation of a business investment chances of the valuable widespread of prospective investors, executives, directors, financial institutions, financial experts, government, in making a knowledgeable and rational investment decision. It was also observed that there must be too much attention on investment decisions; meanwhile, rare, enormous and problematic resources are included, which no stockholder would need to tackle if undesirable outcomes happened (Khan et al., 2020). In this manner, every investor needs to know the cash flow statement, financial statement, price value added explanation, earnings, dividend per share, and other appropriate financial statements to ensure consistency in the decision-making process. The public must understand the importance of economic conduct, financial behaviour, and financial information in monitoring budgets (Andrew et al., 2021).

Additionally, this study will prove to be essential for managers of financial institutions and consultants as they can find areas for putting more emphasis on when they show their quality guidelines. This study also gives knowledge to government and policy-makers to play their significant role in the finance ministry, enterprises, industrialization and the State Bank of Pakistan on the requirement of spreading financial education should organize school base programs to empower this nation's economy (Larabi et al., 2019).

1.1 Problem statement

The relationship among financial literacy, financial information and financial decisions are vital, though economic behaviour is derived from surrounding features. One explanation for poor financial decisions is the low financial literacy rank, which guides incorrect financial decisions. To attain sound financial decisions, the financial decision-maker challenges an uphill mission in trying to fashion out a financial literacy and investment knowledge that is motivated to make sound financial decisions.

The significance of financial information to financial decision-making cannot be collected. Informed investment decision-making is significant for minimization of the possibilities linked with loss of value for money consumed. Every investor has had tasks relating to investment decision-making at one approximation or another. Confident investors may have created a neck dip into investment growths before obtaining to discriminate other financial recommendations of such investment possibilities. On the other hand, Isnurhadi et al. (2021) explained that Financial literacy is a simple need for every person to occupy financial difficulties. A better financial literacy knowledge will progress in financial planning, financial administration, and financial regulation. Similarly, (Castro et al., 2020) suggest that financial literacy has been important to persons and enterprises for temporary fiscal growth and development. It originates with the know-how of financial arrangements and features that can directly influence their day-to-day movements. For individuals, stuff on budgeting typically forms during the era when they can already produce revenue and accomplish their expenditures, specifically when they become young experts, whereas, as we know, decision-making is essential for the success of every education. So Sumithra (2020) said that the process of decision-making is pervasive because it is inevitable for every success of the organisation. For this, the management should take steps to collect different types of financial information from different sources. Managers can only come up with a good decision if they can get correct financial information from different sources. The essence of using financial information is to enable managers to make wise decisions.

Therefore, this knowledge's main concern is understanding the consequence of Financial Literacy, Financial Information on Financial Decisions in the presence of Financial Behavior as a mediator. So far, empirical evidence on measuring such effect of financial decision-making is limited in literature, which on behalf of the research gap. The simple study question is: To what extent does Financial Literacy and financial Information influenced Financial Decision? The study hypothesized that Financial Literacy, Financial Information has important impact on Financial Decision in the presence of financial behavior as a mediator.

1.2 Research gap

It is a very sensitive procedure to make a financial decision because it is not only the process of investing money, but there is also a time value. Arifin (2017) determined that financial knowledge had influenced positively an individual's financial behavior. Kumar (2023) revealed that skills affected directly by financial decision-making and also apparent financial well-being, whereas digital financial literacy appears as the significant mediating interpreter of financial decision-making. Farida argued that financial literacy had not been influenced by financial behavior, but the utilization of financial innovation has an impact on financial literacy, financial behavior & the financial innovation has an impact on funds. It was moreover, found that financial literacy & the employment of financial innovation were intervened by financial behavior. Furthermore, in Pakistani context (Khan et al., 2020) studied the influence of financial literacy and the financial behavior of savers and proved the significant relationship between them. Also, (Hussain et al., 2022) investigated different factors which enhanced financial literacy and exerted that when financial literacy increases investment also increases. Hence, by studying all previous literature it can said that up till now no one studied the consequence of financial literacy, financial information on financial decision through financial behavior of government and private lecturer in Pakistan. In this research, we commence with important factors such as financial literacy, and financial behavior and then it discusses that how these factors impact on financial behavior and financial decisions. After using financial behavior as a mediator, the decision maker can make better financial decisions as they think fit. Our research will prove to be very valuable to find those impacts.

1.3 Implication of the study

This study is significant for the investors & borrowers within the banks. From now they learnt that the scope of financial information, behavior and literacy will significantly influence the financial investment decisions so that it enhances one's knowledge wisely and at that point will presents more suitable manners for making financial decisions now, then and in future. Additionally, study also

gives knowledge to government & policy-makers to play their significant role in finance ministry, enterprises, industrialization and the state bank of Pakistan on the requirement of spreading financial education should organize school base programs to empower economy of this nation.

1.4 Objective of study

The basic goal of this study is to search out the Impact of Financial Literacy or Financial Information on Financial Decision in the presence of financial behavior as a mediator. Before, such recommendations between these variables had not been studying in Pakistan. Considering this research gap, the purposes of the existing study are as follows:

- To explore the impact of Financial Literacy and Financial Information on Financial decisions.
- To identify the impact of financial behaviour on Financial decisions.
- To find out the mediating impact of financial behavior on financial literacy, financial information, and financial decisions.

Moreover, the rest of the paper organized into following sections. Section 2 defines literature review, Section 3 Research Methodology, Section 4 Analysis & Results, and Section 5 Conclusion.

2 Literature Review

2.1 Financial Literacy and Financial Decision

Mendari and Soejono (2019) conducted a study and the importance of pension plan in sight of lecturers was observed and found that average lecturer doesn't have any planning for retirement. From the findings the relationship between both variables was found. (Amagir et al., 2020) indicated that within the lowest to the highest level of classes within the high school, the knowledge of financial literacy varied and highest-level students had more information about financial literacy as compared to lowest-level high school students. Findings help to create better awareness of the educational system and its flaws in covering a significant aspect of student learning. The researchers (Tuffour et al., 2020) identified awareness, attitude and knowledge as the three components of financial literacy that have massive influence over financial and non-financial matters of an individual life. In another study by Garg and Singh (2018), the level of knowledge about finance was measured by the youngsters in whom economic factors were within the limelight of the research to identify the demography, age, gender, marital status and income of respondents. The researcher linked all of these with the financial attitude and financial knowledge and tried to figure out the differences in response based on social indicators. The results automatically found people with good financial knowledge. (Zulaihati, et al., 2020) noticed the basic financial concept within the secondary school teachers and found that how influential is financial literacy in improving the living standards of the secondary school teachers.

Similarly, Yew, Nation, and Initiative worked on financial literacy as well and found that the lack of financial knowledge could lead to a disastrous life as major financial decision making are insignificant that have huge influence on living standards and understanding for proper planned future. (Farida et al., 2021) found that financial behaviour is responsible for carrying massive influence over financial literacy. That's why if the respondents have sufficient financial technology, they get to manage their financial behaviour, indicating the benefits of financial technology in improving financial behaviour. (Andrews et al., 2021) portrayed the thought of financial education of people's comprehension of financial things, which guides them to settled taught selections for a secure financial back. (Amagir et al., 2018) proposed that the word 'financial literacy' has generally been remunerated towards the data on financial thoughts and strategies and that financial literacy is a vital component but not comparable to financial information.

2.2 Financial Information and Financial Decision

The work of (Santos et al., 2018) showed the prominence of the financial statements regarding decision-making procedure, specifically related to the usage of the balance-sheet & income-statement. By studied that it was concluded that the financial information is mainly employed to evaluate the fiscal influence which guide the existing administration about the decisions related to investments & how to obey its tax commitments. (Mirza, et al., 2020) uncovered the fact that essential bookkeeping information profit is losing its worth significance because of the administrative control practices by Malaysian listed firms. Financial backers are presently depending more on other bookkeeping information, for example, book value of equity, and profits for settling on economic decisions. Kawugana and Faruna (2019) assumed that financial statement as an essential part in decisions of investing and suggested that no financial decision ought to be taken beyond the considered the organization's financial reports and each organization ought to guarantee that all of the material realities shown clearly in the financial reports. Shadiqiawan and Mulyani (2020) indicated that there are no critical contrasts in the utilization of financial statement data for government taking decisions because they have to get inadequate & intelligent advice for their financial reports. This investigation likewise tracked down that the financial statements regularly in order to take decisions wisely. On the other hand, Susdiani (2017) thought that it was in an unexpected way, that financial information doesn't affect planning of investment. In the interim, this examination expects to find the manner in which lecturers in the Palembang deal with their financial arranging in order to break down the connection in between financial literacy's index list & financial planning of teachers.

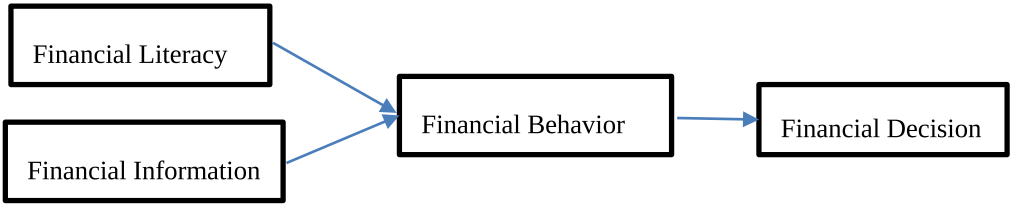
2.3 Financial Behavior and Financial Decision

Rozi et al. (2022) exerted that financial behavior could be implies by which a person treats, oversees, and uses available financial assets. This inquiries about aims to decide the impact of financial literacy & the utilization of financial innovation on financial fulfillment through financial behavior as a mediating figure. Fitriarianti (2018) inquired that financial behavior altogether influence investment choices, which leads to effective & beneficial investment openings for the investor. Cortes et al. (2019) reflected those financial behaviors are related with financial choice and had a quick impact on financial thriving. Volz and Hertwig (2016) explained that other than financial behavior enthusiastic factors were moreover considered as they play a persuasive portion to encourage & it takes together biasness into the strategy of decision-making. Zuraidah and Nasution (2021) depicted that the person's particular investment state of mind had the positive impact on financial behavior, financial information, financial attitude, and socio statistic components. These reserves are the essential factors for investing objective which can demonstrate to be important later on. The results of Wiharno et al. (2021) showed that level of education and salary had a critical impact on financial information & financial behavior. Widayat, et al. (2020) depicted that the connection among financial literacy or financial institution altogether influences financial behavior. Financial literacy is to have the capacity and information of concept & hazard, and expertise to create much more effective choices in finance exclusively, in family, or in society. Wiharno et al. (2021) concluded that based on age gather, education level, & salary level, teaching staff with age of >45 years, teaching level of S-2, and salary level of 3million or more features a higher level of financial information & financial behavior compared to other teaching staff. Literature Recommend that for the credit commitment all the other behavioral components like financial security, investments and savings, credit indiscipline, & financial awareness have a critical effect on the financial choice of a person within the Indian situation.

2.4 Theoretical Support

For determined the impacts of financial literacy on financial decisions, there are many theories used in order to focus on traditional finance like risk and return, CAPM and Miller-Modigliani (MM) theory. All these theories are presented based upon rationality of the investor (Janor et al., 2017). Financial information can play a significant role for making financial decisions. Financial education program can improve financial knowledge. It is necessary that an individual should be financially literate before the engagement in the financial contract and before commencing to make the financial decisions. Financial education consists for the young adults to a personal finance issue which they face, for instance managing debt responsibly.

2.5 Conceptual Framework



2.6 Hypothesis Development

H1: *Financial Literacy has the significant impact on financial decision.*
H2: *Financial Information has the significant impact on financial decision.*
H3: *Financial behavior acts as the significant mediator in the relationship between Financial Literacy and Financial decision.*
H4: *Financial behavior acts as the significant mediator in the relationship between Financial Information and Financial decision.*

3 Research Methodology

In order to study the impact of financial literacy and financial information on financial decision making in the presence of financial behavior as a mediator, sample of population chosen from private and government college Lecturers of Pakistan, having Masters, Mphil and Phd degree holders by using non- probability convenience-based sampling technique for collecting the data. Moreover, for choosing the sample size we have taken the formula of Hair et al. (2014) i.e. sample size derived by multiplying the number of (items) questions with the minimum respondent's number like 5 or 10. Hence, by using these guidelines of Hair et al. (2014) sample size of this study chosen to be 270 respondents of Multan, Pakistan. A very appropriate care has been taken during the gatherings of data so that it can be generalized on the complete region of Multan.

Data collection was done through primary sources by using Questionnaire of 7-point Likert scale i.e. (1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree & 5=Strongly Agree 6=Slightly Agree 7=Slightly Disagree) in English is distributed amongst the private and college lecturers directly in order to determine the outcomes. First portion of questionnaire consists of demographic characteristics i.e. age, marital status, Gender, Educational degree, total work experience and Designation. Whereas, second portion consists of items that necessary to measure variables financial literacy, financial information, financial behavior and financial decisions. Items of Financial decision, Financial information, Financial Behavior and Financial Literacy were taken from the study of (Priyadharshini, 2017; Sawatzki & Sullivan, 2017) and modified accordingly.

4 Analysis& Results

In this section the consequences and their analysis of data together through survey questionnaire is obtainable. Here, PLS-SEM was used to analyze the data gathered through the review method because the data was used to examine the Influence of Financial Literacy and also Financial Information on Financial Decisions in the presence of financial behavior as the mediator. So, the results are presented here:

4.1 Demographic Details

On the basis of study by Guarte and Barrios (2006) here respondents also been determined by using convenient sampling. In order to quantify the demographic material respondents were required to deliver demographic knowledge on Gender, marital status, age and educational degree, designation and total work experience. Table 1 arrange for the relevant Demographic information of survey respondents.

Table 1: Demographics of Respondents

Demographic Variables	Category	**Count(N)**	**Percentage (%)**
Gender	Male	179	66.29
	Female	91	33.7
Marital Status	Single	155	57.40
	Married	115	42.5
Age	Below 25 years	80	29.6
	26 to 30 years old	82	30.3
	31 to 35 years old	63	23.4
	Above 35 years	45	16.6
Educational Degree	Matric		
	FA BA	2	0.74
	Masters	3	1.11
	M Phill	120	44.44
	PhD	86	31.85
	No Response	49	18.14
		10	3.70
Designation	Lecturer	82	30.3
	Associate professor	56	20.7
	Assistant professor	43	15.9
	Administration	78	28.8
		11	4.07
Total work Experience	0-3years 3.1-	37	13.7
	6years 6.1-	87	32.2
	9years 9.1-	56	20.7
	12years	56	20.7
	Above 12 years	34	12.5

4.2 Measurement Model Assessment

The connection among constructs known by theory is measured by the structural model. The results of structural model are established by the details below.

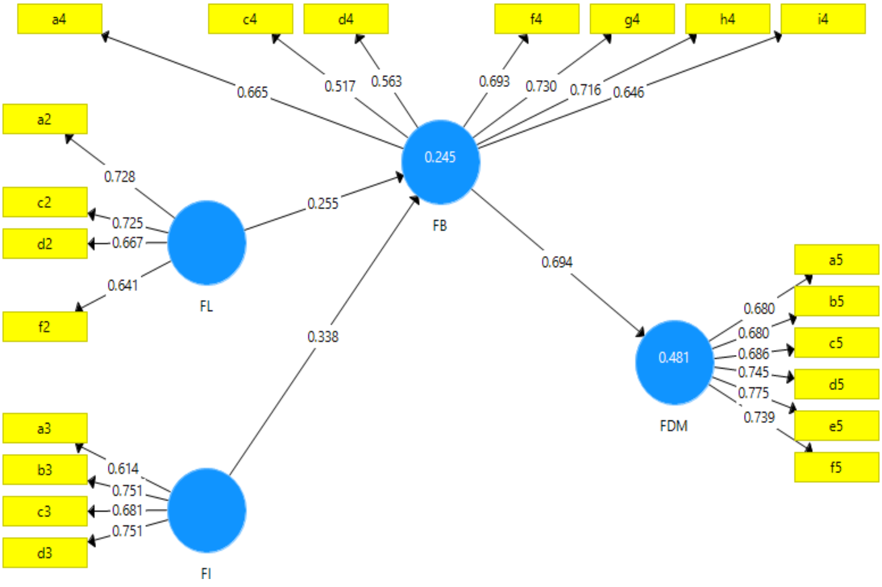


Figure 4.1 PLS-SEM Model 1 (β on the path arrows & R^2 in blue circles)

4.3 Multicollinearity

As per the Hair et al. (2009), Multicollinearity arises when the independent variables are incredibly correlated between each other. Also, Hair et al. (2014) also proved that Variance inflation factor (VIF) is sufficient to evaluate the multicollinearity problems. That's why researcher of this study used smart PLS for the estimation of multicollinearity and Amini et al. (2014) explained that the thumb rule to detect multicollinearity to occur when the VIF is greater than 10, then there is a difficulty of multicollinearity. Therefore, outcomes of table 2 indicated that there lies no excessive stage of correlation among all of the variables which means that multicollinearity is not the great issue in this study.

Table 2: Multicollinearity Assessment

First Set		Second Set	
Construct	**VIF**	**Construct**	**VIF**
Financial literacy	1.169	Financial behaviour	1.000
Financial information	1.169		

4.4 Reflective Measurement Model

As per, Joseph (2012) this study also assessed its model for reliability & validity. So, for the evaluation of reliability Cronbach's alpha used which was previously introduced as the traditional device of inner consistency. Hair et al. (2011) supposed that Cronbach's alpha should be greater than equal to 0.6. The researcher studied the convergent validity by perceiving AVE values. The thumb rule for AVE values of every construct should be above 0.4; see the table below, consequences of this learning are satisfactory. As, Cronbach 'alpha for all indicators are superior than 0.70. Because according to Kline (2005) the facts will be reliable if it's worth equal than or greater than 0.70. Average variance extracted must be higher than 0.50. The above table indicated that the AVE values are more than 0.50 which exposed that all the variables have convergent rationality. On the other hand, Nunally and Bernstein (1994) discussed criteria for composite reliability that it should be more than 0.70. For that the table 3 disclosed that the value of composite reliability for all variables are more than 0.70, which indicates that all the variables are consistent.

Table 3: Reliability and Validity Results

	AVE	Composite Reli	Cronbach's
Financial Behavior	0.424	0.836	0.771
Fina Decisi Making	0.516	0.865	0.812
Financial information	0.492	0.794	0.758
Financial Literacy	0.478	0.785	0.780

4.5 Factor Loading (λ)

The reliability of each scale items through factor loadings of one item on its related constructs, which was generated by Smart PLS software. For that Hair et al. (2014) argued that every factor-loading should be appraised besides the criteria (i.e. ≥ 0.6) for the significant results. Based on this, Table 4 showed significant results of this study.

Table 4: Indicators Factor Loading (λ)

	Financial literacy	Financial information	Financial Behavior
A2	0.728		
C2	0.725		
D2	0.667		
E2			
F2	0.641		
A3		0.614	
B3		0.751	
C3		0.681	
D3		0.751	
A4			0.665
C4			0.517
D4			0.563
F4			0.693
G4			0.730
H4			0.716
I4			0.646
A5			
B5			
C5			
D5			
E5			

4.6 Coefficient of Determination

Hair et al. (2014) Specified that R2 is a prefixed of displaying precision, though its size addresses a common outcome of exogenous factors on each endogenous factor. In PLS-SEM, R2 value is the most regularly referenced basis to exhibit the scientific accuracy of the model. R2 values ranges i.e. 0-1 and enhanced value showcases greater prescient accurateness.

Table 7: prediction-accuracy

Constructs	R Square

Financial Behavior	0.245
Financial decision making	0.481

4.7 Path Coefficient (β)

Path coefficient signifies the answerable of the dependent variable to a unit variation in an explanatory variable when other variables in the model are detained constant. Similarly, expressed that the path coefficients of a structural equation model are comparable to correlation or regression coefficients. Which means that the path coefficient indicates the direct result of a variable expected to be a cause on another indicator assumed to be an outcome. Hence, here shows P-value fewer than 0.05 then it can say that our model is fit.

Table 8 Path Coefficient (β)

	O Sample	Sample M	(STDEV)	T Statistics	P
FB ->FDM	0.694	0.699	0.040	17.387	0.000
FI -> FB	0.338	0.344	0.066	5.159	0.000
FL -> FB	0.255	0.262	0.058	4.379	0.000

Mediation Test (Smart PLS)

Mediation happens when a third mediator variable mediates among two other linked hypotheses. More accurately, a variation in the exogenous hypothesis sources alteration in the mediator indicators, which, in turn, consequences in the endogenous concept in the PLS path model. In that way, a mediator variable manages the nature (i.e., the primary mechanism or process) of the association among two constructs. Larabi et al. (2019) in the mediation analysis, the encouragement of independent variable is investigated on the dependent variable through the mediation of another variable. Thus, in our study financial behavior is a mediating variable that provides the basis of mediation between financial information (FI), financial literacy (FL) and financial decision making (FDM). The positively significant impact of FI (β=0.235, p0.000) and FL (β=0.177, p0.000) was found on FDM through FB (see Table 10). Hence, we can say that financial behavior acts significantly as the mediator in between financial information (FI), financial literacy (FL) and financial decision making (FDM).

Table 9: Mediation test

	Origin S	**Sample M**	**STDEV**	**T Statistics**	**P**
FI -> FB -> FDM	0.235	0.241	0.053	4.414	**0.000**
FL -> FB -> FDM	0.177	0.184	0.043	4.095	**0.000**

5 Discussion and Conclusion

The significance of financial information to financial decision making cannot be under estimated. Well-informed investment decision making is imperative for minimization of the risks connected with loss of worth for money invested. For that suggested that Financial literacy has been fundamentally imperative to individuals and enterprises to foster economic growth and development. It originates with the how know of financial features & features that can directly affect their routine wise activities. Sumithra (2020) said that the process of decision making is all pervasive in nature because it is inevitable for each and every success of the organization. For this, the management should take the steps to collect different types of financial information from different sources. Managements can only come up with a good decision if they are able to get correct financial information from different sources. The essence of using financial information is to enable managers make wise decision. Therefore, the basic object of this research is to find out the Outcome of Financial Literacy and Financial Information on Financial Decision in the presence of financial behavior as a mediator in order to find out and exploit the opportunities to improve the financial wellbeing of teachers in Pakistan. Before that, such relationship among these variables had not been study in Pakistan.

5.1 Precisely, this study found that:

Financial literacy could play the significant role to raise the power of the financial decisions in private and government college teachers of Multan (Pakistan). Financial information is the source to strengthen the financial decisions. Also, the financial behavior increases the relationship in between financial literacy and financial decisions. Financial Behavior also significantly contribute the financial decisions of lecturers. Financial literacy is also positively related with financial information. As, more the financial literacy and financial information and with financial behavior will enable the lecturers to make better financial decisions.

5.2 Limitations and Future Research Direction

Limitations of this research beside the excellence criteria are fulfilled as stated above, the study has also some restrictions as the following:

The sample size is the primarily limitation of this study. On the basis of the limited sample size, we cannot generalize the study to whole industry. In this study sample size was 270 which satisfy the requirements of statistical methods. For that the sample were taken from only Education sector i.e. Private and Govt. Lecturers of Pakistan by applying non-probability convenience-based sampling technique. From this technique data was gathered as per the convenience.

Moreover, here variables like Financial Literacy, Financial Information and Financial behavior used to find out how these variables effects financial decision-making college teachers. Behavioral finance or its dimensions are very new in Pakistan. There are actual limited measurements to determine financial decision making based on the perceptions of the govt. and private lecturers.

Also, data gathering from Govt. and private colleges was little bit time consuming as they were not always available for questionnaire filling so I have to take appointment. Specifically, from female data gathering will be quite easier as compare to the males because males' lecturers were too much busy and gave short time in order to fill my questionnaire.

This study is only analyzing the effect of financial literacy, financial information and financial behavior but in fact there are also some other variables that affect financial decision making. The future researcher can increase the scope of study in more than one country. They can also extend the time period to collect more data or sample size. variables in order to determine financial decision making of teachers. As respondents are chosen, from private and govt. colleges by applying non -probability convenience - based sampling technique. So, for better generalization of the whole population random sampling should be applied in future. Also, we cannot confirm causal relationships between variables because this study was based on cross-sectional data, not longitudinal data. Cross-sectional data refer to observations of many different individuals (subjects, objects) at a given time, each observation belonging to a different individual.

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