

Effect of Financial Literacy on Financial Decision: Mediating Role of Financial Behavior

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ABSTRACT

This study aims to examine the effect of financial literacy on the financial decision-making of university graduates and undergraduates. The research employed descriptive, correlational, and explanatory research designs. Structured questionnaires comprising five-point Likert-scale items were used to collect data from 384 respondents from the Kathmandu district. Structural Equation Modeling (SEM) path analysis and mediation analysis were conducted using SmartPLS, while descriptive statistics were analyzed using SPSS. Tables and figures were prepared and formatted with the assistance of Microsoft Excel. The findings reveal that financial literacy has a significant positive influence on both financial behavior and financial decisions. However, financial behavior does not have a significant positive influence on financial decisions and does not mediate the relationship between financial literacy and financial decisions. These results suggest that financial literacy plays a crucial role in improving financial decision-making among university students. Future studies may extend the investigation to different geographic areas and demographic groups to enhance the generalizability of the findings. Additional variables, such as financial attitude, financial self-efficacy, and socioeconomic characteristics, may also be incorporated to provide a more comprehensive understanding of financial decision-making behavior.

Keywords: Financial behavior, financial decision, financial literacy

JEL Classification: F65, G11, O16

Introduction

Financial literacy refers to the ability of the individual to make significant decisions in

the area of effective and perfection in the utilization of money. In today's world, it is necessary in order to create financial literacy

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awareness in order to decrease the chance of being misled while making investment decisions (Rai et al., 2019). A lack of financial literacy leads to serious issues. This study aims to assess the relationship between personal financial literacy and financial behavior among college students. In recent years, there arises many highlights on people's competency in order to manage their finances, which can be resulting why financial literacy has grabbed more attention. The way people choose to invest their money is important as it significantly affects how much they are financially secured in the long run (Agnew & Harrison, 2015).

Similarly, maximum of the population lacks financial literacy, and is informed in order to make informed investment decisions (Acharya & Hamal, 2022). The emerging market requires efficient and complete financial literacy so that there results proper investment plans and efficient utilization of the money so that the individual makes a good financial decision. Educational institutions should implement a variety of programs and training initiatives aimed at improving the financial literacy of university students (Kumar et al., 2017).

This study aims to investigate whether financial behavior mediates the relationship between financial literacy and financial decision or not. In addition, financial literacy gets correlated to financial behavior and financial decision (Andarsari & Ningtyas, 2019). There is not efficient financial management workshop and seminars in order to develop students financial approach, knowledge and uplift

their performance. As a result, more research is required on aspect related to financial literacy sector since only a few studies gets covered specific areas. If there is research covering financial literacy, then there rises opportunities for the university where the value of financial literacy among university students can be grasped so that valuable steps and programs gets organized in order to develop financial literacy among the students. Also, that impacts financial behavior and financial decision-making among university students. This study aims to show the influence of financial literacy on financial behavior and its implications for financial decision-making. This study explains financial literacy, financial behavior, and financial decision by explaining the entire dimension of financial literacy, financial behavior and financial decision. The main aim of this research is to examine the relationship between financial conduct and financial literacy, viewing financial behavior as a mediating factor between the two. Along with it, the objectives are:

- To analyze the impact of financial literacy on financial decision.
- To examine the influence of financial literacy on financial behavior.
- To analyze the influence of financial behavior on financial decision.
- To explore how financial literacy and financial behavior interacts to influence financial decision.

The remainder section of this study includes literature review, methods, results and discussion and conclusion.

Literature Review

This study employed the theory of planned behavior (TPB) developed by [Ajzen \(2011\)](#) to analyze the roles of attitude, subjective norms, and behavioral control in shaping individual behavior. It posits that a connection exists between financial behavior and financial decision-making. This study examines how the TPB influences financial decision-making through attitudes, subjective norms, and perceived behavioral control. Additionally, it utilizes Prospect Theory, developed by [Daniel Kahneman \(1979\)](#), to highlight the role of financial literacy. When individuals possess financial literacy, they are better equipped to make informed choices among various alternatives, which impacts their financial behavior. Furthermore, Herbert Simon's decision-making theory (1947) supports the process individuals use to choose between different courses of action.

Financial literacy on money management defined to the knowledge of inventing intelligent money decisions. It is composed of making financial choices, planning towards the future, spending properly, and managing for the obstacles connected with life activities such as job loss, retirement savings, or paying for a child's education ([Cohen & Nelson, 2011](#)). Financial literacy on money management is measured by using the items developed by [Mpaata et al., \(2020\)](#).

Financial literacy on credit had explained the way in order to make perfect choices associated with money. It composes of budget preparation, how to save, choosing suitable loan terms, understanding effect

of credit, and differentiating vehicles used for retirement. [Huston \(2010\)](#) explains that financial literacy on credit describes how well an individual understands and adopts personal finance-related data. In this study, financial literacy on credit means how the individual uses the credit from the well-managed sources at the time of emergency requirement. Financial literacy on credit is measured using the items developed by [Mpaata et al., \(2020\)](#).

Financial literacy on investment gives one the capacity to precisely assess how money is invested and managed. Employee savings and investment decisions are influenced by their financial literacy ([Agnew & Harrison, 2015](#)). Financial literacy on investment is measured using the items developed by [Widyakto et al., \(2022\)](#).

Financial literacy on savings describes the way that person understand related to their finances. Financial literacy on savings is makes the ability in order to make informed judgments and effective decisions regarding the proper utilization and proper management of money ([Fan & Zhang, 2021](#)). In this study, financial literacy on savings means how the individual knows in what way the savings is done. That becomes very beneficial in meeting the future requirement during an emergency. Financial literacy on savings is measured using the items.

The ability to comprehend and be aware of the various insurance products that provide people with satisfaction is referred to as financial literacy in the insurance industry. [Mahdzan and Victorian \(2013\)](#) analyzed that the desire for insurance is correlated with an

individual's readiness to save money for their dependents and to meet unforeseen expenses when they arise. Insurance-related financial literacy is assessed using the items created by [Kiwanka and Sibindi \(2023\)](#).

Financial behavior was defined by [Shefrin \(2001\)](#) in terms of how psychological phenomena influence financial behavior. It is described as the individual management of a financial scenario involving investments, money, credit, and savings. Long-term financial security and stability can be attained by adopting financial habits including investing, debt management, budgeting, saving, and refraining from impulsive purchases.

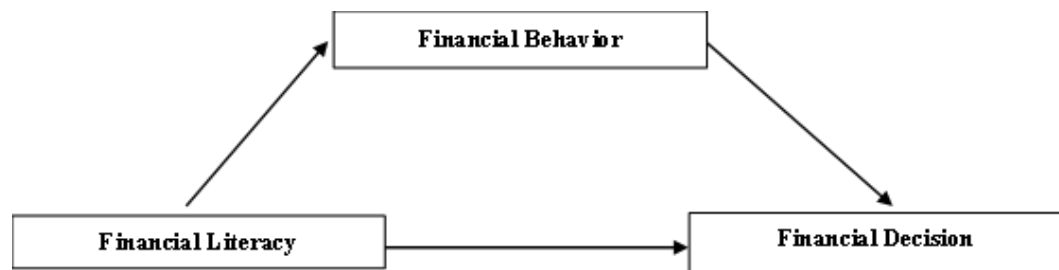
Saving behavior is necessary for people in order to take and practice good financial skills in their lives, enabling them to solve possible spending decisions as per their capability. Saving behavior connects perceptions of future needs, a saving decision, and saving actions ([Tharanika & Andrew, 2017](#)). In this study, saving behavior means the individual makes various efforts to save money. Saving behavior is measured using the items.

Buying behavior, also referred to as consumer behavior, describes how

consumers respond to marketing efforts and make decisions about acquiring, using, and disposing of goods and services ([Kotler & Keller, 2016](#)). Financial management refers to the responsible handling of financial resources in ways that support stability and independence. In this study, consuming behavior refers to an individual's consumption pattern in which unnecessary waste of goods or services is avoided ([Blackwell et al., 2006](#)).

In the short term, financial decisions are significant, even small ones like whether to make big choices. Employees' decisions on investments and savings are influenced by their financial literacy ([Agnew & Harrison, 2015](#)). It also refers to a decision that has been taken after consideration of several options. Individuals must possess both the necessary knowledge and the capacity to use it in order to make effective and efficient financial decisions ([Kumar et al, 2017](#)). In this study, a financial decision is defined as one that is made with one's own best interests in mind. Financial behavior and financial literacy play a role in this decision-making process. The [Mwathi \(2017\)](#) designed items are used to measure the financial choice.

The research framework of the study



This framework explains the influence of financial literacy on financial behavior and the implication of financial literacy on financial decision-making. In this study, financial literacy is the independent variable, and financial decision is the dependent variable, where financial behavior acts as the mediating role between financial literacy and financial behavior.

Tharanga and Gamage (2021) assessed that financial literacy related to saving, credit and budgeting possesses significant impact on the financial behavior of individuals. Widyastuti et al. (2016) assessed that financial literacy has a substantial influence on saving behavior, and that saving behavior is significantly affected by financial literacy and saving habits. Based on the aforementioned literature review, the study propose the following first hypothesis:

H₁: Financial literacy have positive influence on financial behavior.

Kumar et al., (2017) concluded that there exists significant relationship between financial literacy and financial decision and it is determined by financial behavior as a medium to impact financial decision of individuals. Lang'at and Abdullah (2019) also concluded that financial knowledge significantly correlates with the savings and investment decisions of employees. Based on the aforementioned literature review, the study propose the following second hypothesis:

H₂: Financial literacy have positive influence on financial decision.

Arianti (2018) found that financial behavior and income correlate with

investment decisions, positively impacting and determining individual investment intentions in the stock market. Henager and Cude (2016) found that there is a strong connection between financial knowledge and financial behavior, which significantly impacts financial decision-making and choices in individuals' lives. Mahdzan and Tabiani (2013) examined that financial literacy has a significant and positive impact on savings, which determines an individual's way of living. Based on the aforementioned literature review, the study propose the following third hypothesis:

H₃: Financial behavior have positive influence on financial decision.

Rai et al. (2019) found that financial attitude and behavior have a stronger connection with financial literacy in working women than financial knowledge. Finally, based on the aforementioned literature review, the study proposes the following last hypothesis:

H₄: Financial behavior mediates the relationship between financial literacy and financial decision.

Methods

This research has adopted descriptive, relational, and causal research designs. The targeted population of the study is undergraduate and graduate students who are currently studying management at Tribhuvan University. According to University Grant Commission EMIS report 2020/21, there is an enrollment of 1,72,170 students in the management faculty of Tribhuvan University. According to TU

official website there are 163 management colleges which are running bachelor and master programs in Kathmandu district and since there are numerous colleges in Kathmandu district due to which it becomes difficult to cover them, 5 sample colleges gets selected based upon convenience sampling method. The overall study had used convenience sampling method in order to determine a sample size of 384 respondents from the total population of 9906 students of sample colleges. Sample sizes are selected based on a 95% confidence level with ± 5 percent margin error. In order to determine sample size Yamane formula has been used cited by (Adam, 2020).

$$n = \frac{N}{(1 + N(e)^2)}$$

Where, n = Sample Size N = Population Size
e = the acceptable sampling error (0.05)

Therefore, N = 9906 e = 0.05

$$n = \frac{9906}{(1 + 9906(0.05)^2)}$$

= 384 respondents

Table 1

Sources of variables

Variable	Sources
Financial Literacy	Tharanga and Gamage (2021) ; Thapa and Nepal (2021) ; Khawar and Sarwar (2021)
Financial Behavior	Tharanga and Gamage (2021) ; Thapa and Nepal (2021) ; Khawar and Sarwar (2021) ; Mpaata et al., (2020)
Financial decision	Kumar et al., (2017) ; Lang'at and Abdullah (2019)

Results and Discussion

The summary of the respondents gets presented below. Table 2 shows the responses of the respondents categorized by gender. Of

The sample undergraduate and graduate students gets selected based on the logic that management students grasp more knowledge and understanding related to financial literacy and financial decision (Deventer & Klerk, 2017). Data collection was done 25th August 2023 to 7th September 2023. Pilot study was conducted before distributing questionnaire, the questionnaire was distributed to 50 students' for the purpose of checking reliability and effectiveness of the questionnaire where the Cronbach's Alpha value came 0.825 which is greater than 0.7 means that questionnaire developed was effective for the purpose of data collection. In order to have data analysis Statistical Package for Social Science (SPSS) version 27 and smart PLS 4 has been used in order to obtain accurate result of the study and ensuring the reliability and validity of the collected data. Table 1 shows the definition of variables and their sources.

the total number of respondents, 384, the majority of respondents (218) were female, accounting for 56.8% of the responses. The remaining 166 respondents recorded 43.2% of the total number of responses.

Table 2*Demographic profile of the respondent*

		Frequency	Percentage
Gender	Male	166	43.2
	Female	218	56.8
Age group	Below 20	71	18.5
	20-25	251	65.4
	Above 25	62	16.1
Educational level	Bachelor	244	63.5
	Master	140	36.5
Marital Status	Married	16	4.2
	Unmarried	368	95.8
Family Income	Up to 5 lakh per year	157	40.9
	5-10 lakh per year	162	42.2
	10 lakh and above	65	16.9

According to the respondents' age groups, the majority of them were between the ages of 20 and 25, with a maximum percentage of 65.4 and a total of 251. It makes it very evident that most university students are in the 20–25 age range. With 71 students, or 18.5% of the total, the second-highest group of students belonged to the under-20 age group. With 62 students and 16.1% of replies coming from students, the age group of adults over 25 accounted for the smallest proportion of respondents.

The respondents' educational levels were divided into two categories: bachelor and master. Of these, 244 responses were obtained from bachelor students, the most of whom were chosen from a variety of management faculties specifically to participate in the response-gathering process.

During data collection, the proportion of married individuals was the lowest, including 16 students or 4.2% of the whole sample. Conversely, the unmarried student group accounted for 368 respondents, or

95.8% of the total sample size

According to the overall analysis results, the greatest percentage of respondents' families made between 5 and 10 lakh per year, which includes 162 respondents with the highest income group of 42.2%, and the lowest income group of 65 respondents with the lowest income group of 16.9%, which is related to incomes of 10 lakh and above.

Reliability and validity of measurement model

Cronbach alpha and AVE value are used to analyze the validity and reliability of the data. If the AVE value is 0.5 and the composite reliability (ρ_c) and composite reliability (ρ_a) are both above 0.7, then the data collected satisfies the validity and reliability requirements, but only after specific items are removed from the measurement model. While AVE value is below standard in the first phase, ρ_a and ρ_c are over 0.7, indicating that certain items must be removed to raise AVE value above 0.5.

Because there was less outer loading in the first phase of the model for SB1, FD8, FD9, FD6, FD7, CB4, FLSAV1, FLINS4, SB6, SB5, SB8, SB7, FD5, and FD4, the AVE decreased below 0.5. As a result, these items were removed from the measurement model, which increased the AVE and gradually raised the Cronbach alpha above 0.7, demonstrating the validity and reliability of the data collected.

Table 3 shows the validity and reliability of the data. Three criteria ρ_a , ρ_c , AVE, and outer loadings of the items were used to assess the data's convergent validity. According to Das et al., (2008), where the computed results value exceeds 0.5, the loading value must be higher than 0.5 to be considered significant. According to (Hair et al., 1944), the minimal threshold requirements for ρ_a and ρ_c , Cronbach needs to be >0.7 , and AVE needs to be >0.5 . According to Table 3, the value is higher than the criterion. To meet the basic requirements of AVE, the value must be higher than the 0.5 recommended by Risher et al., (2019).

Table 3

Construct reliability, validity and VIF

Items	Loadings	CA	CR (ρ_a)	CR (ρ_c)	AVE	VIF
FD1	0.85					1.577
FD2	0.722	0.746	0.772	0.854	0.662	1.352
FD3	0.86					1.663
FLCDT1	0.876	0.716	0.739	0.808	0.595	1.374
FLI1	0.887	0.794	0.826	0.887	0.724	1.934
FLINS1	0.889	0.736	0.871	0.874	0.699	1.609
FLMM1	0.841	0.851	0.75	0.849	0.653	1.53
FLSAV2	0.898	0.779	0.857	0.91	0.770	2.367
SB2	0.85	0.834	0.813	0.869	0.689	1.493
CB1	0.91	0.865	0.869	0.917	0.787	2.624

Note: CA = Cronbach's alpha, CR = Composite reliability, AVE = Average variance extracted, VIF = Variance inflation factor

According to the updated table below, the data satisfies the required criteria, which are: AVE value above 0.5; outer loading value above 0.7; Cronbach alpha value above 0.7; and composite reliability value above 0.7. As a result, it can be demonstrated that convergent validity is well-established based on the results of ρ_a , ρ_c , AVE, and factor loading, all of which meet the established standard.

According to Hair et al., (1944), the VIF criterion should be less than five. However, the multicollinearity values in the table all meet the standards, means that there is no problem with the multicollinearity criteria being fulfilled. When the collinearity score is less than 5, it indicates that there is no critical threshold of collinearity. Given that every number in the preceding table is less than 5, it can be concluded that there are no issues or crucial points pertaining to multicollinearity. As a result, the predetermined requirement is met.

Discriminant validity

To satisfy the discriminant validity, the HTMT ratio, Fornell-Larcker criterion and cross loadings have been presented below:

The HTMT ratio is shown in Table 4 in order to assess the result's discriminant validity. The HTMT ratio is recognized as the method developed by [Henseler et al.,](#)

(2015). In order to determine whether there are differences between the constructs or not, the HTMT ratio is utilized. [Voorhees et al., \(2016\)](#) state that an HTMT ratio of less than 0.85 is required. The whole data observation is shown in the above table. The results indicate that the overall measurement model satisfies the discriminant validity criterion, with an outcome of less than 0.85.

Table 4

Heterotrait-Monotrait ratio (HTMT)

Constructs	CB	FD	FLCDT	FLI	FLINS	FLMM	FLSAV	SB
CB								
FD	0.319							
FLCDT	0.277	0.412						
FLI	0.193	0.735	0.642					
FLINS	0.171	0.109	0.433	0.027				
FLMM	0.117	0.317	0.208	0.31	0.194			
FLSAV	0.806	0.423	0.359	0.648	0.06	0.201		
SB	0.52	0.464	0.318	0.489	0.137	0.229	0.612	

Table 5

Fornell-Larcker criterion

Constructs	CB	FD	FLCDT	FLI	FLINS	FLMM	FLSAV	SB
CB	0.887							
FD	0.256	0.813						
FLCDT	0.208	0.371	0.772					
FLI	0.169	0.587	0.569	0.851				
FLINS	0.149	0.044	0.232	0.011	0.836			
FLMM	0.095	0.248	0.189	0.244	0.137	0.808		
FLSAV	0.694	0.348	0.333	0.546	0.042	0.163	0.878	
SB	0.427	0.363	0.304	0.411	0.122	0.181	0.515	0.830

To assess if the gathered data has a discriminant validity, Table 5 provides the Fornell-Larcker criterion. The square root of the AVE must be bigger than its strongest correlation with other constructs in order to meet the first criterion for discriminant validity. According to [Fornell and Larcker](#)

(1981), the square root of AVE must have a higher correlation to another concept than its highest correlation in order to have discriminant validity. Table 4 shows that the square root of AVE has a higher correlation than the other components. Thus, it may be said that the model and its constructs satisfy the requirements for discriminant validity.

Table 6

Cross loadings

Items	CB	FD	FLCDT	FLI	FLINS	FLMM	FLSAV	SB
CB1	0.910	0.259	0.19	0.169	0.134	0.117	0.635	0.397
FD1	0.197	0.850	0.336	0.539	-0.049	0.262	0.321	0.316
FD2	0.202	0.722	0.224	0.336	0.078	0.091	0.189	0.284
FD3	0.229	0.860	0.33	0.526	0.094	0.224	0.318	0.291
FLCDT1	0.206	0.337	0.876	0.483	0.194	0.137	0.3	0.278
FLI1	0.209	0.537	0.511	0.887	0.012	0.227	0.552	0.405
FLINS1	0.164	0.061	0.243	0.009	0.889	0.074	0.077	0.12
FLMM1	0.102	0.203	0.136	0.179	0.044	0.841	0.151	0.167
FLSAV2	0.605	0.321	0.339	0.52	0.004	0.189	0.898	0.49
SB2	0.335	0.35	0.355	0.44	0.119	0.209	0.49	0.850

The cross-loadings of all the objects with outer loadings shown in the diagonal section are shown in Table 6. The outer loading of each item must be higher than the outer loading when compared to other constructs for discriminant validity under cross loading. The calculated results show that each construct's outer loading is bigger

than its corresponding construct, which means that the discriminant validity criteria are not affected in any way. All of the items in the model meet the requirements for discriminant validity since there is a minimum difference of 0.10 between each item's primary and secondary loading.

Figure 2

Structural model for analysis

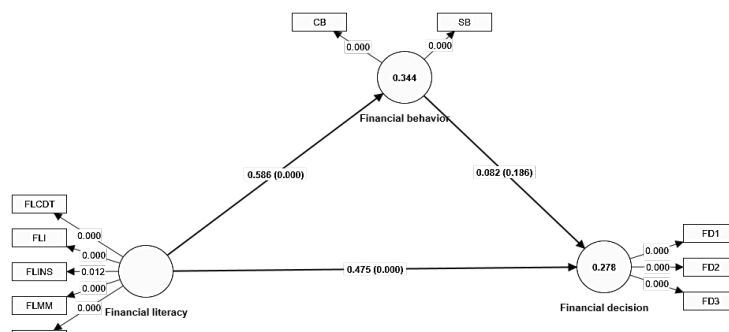


Table 7*SRMR index*

Model	SRMR
Saturated model	0.074
Estimated model	0.075

The analysis of goodness of fit, which is based on the SRMR index, was completed in Table 7. According to [Henseler et al., \(2016\)](#), the minimal threshold for goodness of fit should be set at less than 0.085. A number with an SRMR of less than 0.08 is regarded

as the desired fit ([Hu & Bentler, 1999](#)). Values range from 0 to 1. The saturated model and estimated model for Table 7 above consist of 0.074 and 0.075. Nonetheless, one may argue that the model fits the study well.

Table 8*SEM path analysis*

Path	Beta	Standard Deviation	T statistics	P values	CI 2.5%	CI 97.5%
FB -> FD	0.082	0.062	1.324	0.186	-0.039	0.204
FL -> FB	0.586	0.042	13.935	0.000	0.493	0.660
FL -> FD	0.475	0.058	8.227	0.000	0.347	0.576

Note: FB = Financial behavior, FD = Financial decision, FL = Financial literacy

Table 8 provides the SEM-Path analysis of the dependent, independent, and mediating variables. According to the above table, the beta value of financial behavior on financial choice is 0.148, indicating a significant and positive relationship. The beta value of financial behavior on financial decision is 0.082, falls between the confidence interval. Financial behavior, then, does not significantly and positively influence financial decisions, as shown by a p-value >0.05 and a beta value that falls between the 2.5% and 97.5% confidence levels, between the confidence intervals, 0 is present. Therefore, it may be said that hypothesis H3, which states that financial behavior has no beneficial effects on financial decision.

The beta value of financial literacy and behavior is 0.586, indicating that there is a

significant and positive association between financial literacy and behavior. Additionally, the beta value of 0.586 falls between the confidence interval. As a result, financial literacy has a significant and positive impact on financial behavior, as shown by a p-value of less than 0.05 and a beta value that falls between the 2.5% and 97.5% confidence levels. There isn't a single zero in the confidence interval. Therefore, it can be said that hypothesis H1, which states that financial behavior is positively influenced by financial literacy, is accepted.

The beta value of financial literacy on financial decision-making is 0.475, indicating that there is a significant and positive association between financial literacy and financial decision. Additionally, the beta value of 0.475 falls between the

confidence interval. Financial literacy has been found to have a positive and significant impact on financial decision-making, as evidenced by a p-value of less than 0.05 and a beta value that falls between the 2.5% and

97.5% confidence levels. There isn't a single zero in between the confidence interval. Therefore, it can be said that hypothesis H2, which finds that financial literacy influences financial decisions positively, is accepted.

Table 9

Mediation Analysis

Effect	Path	Beta	Bias	2.50%	97.50%	P value
Indirect effect	FL-> FB-> FD	0.048	-0.001	-0.023	0.125	0.200
Total effect	FL-> FD	0.523	0.002	0.409	0.612	0.000

According to table 9, financial literacy has a 0.523 overall impact on financial decisions, with a bias of 0.409, suggesting that there is a considerable overall effect. According to direct effect, full mediation is required if the independent variable's impact on the dependent variable is determined to be negligible (Zhao et al., 2010). Ramayah et al., (2017) state that when there is a condition where the total effect is smaller than the indirect effect, the VAF may be more than 1. Full mediation occurs in the scenario when the direct effect was shown to be insignificant.

The value of the VAF, or ratio of IE to TE, is 0.0917, indicating that there is no mediation of financial behavior between financial decision-making and financial literacy. Additionally, the result and insignificant indirect effect also suggests that there is no mediation between the variables. Zhao et al., (2010) state that there is no mediation if the VAF value is less than 0.20. As a result, H4 is rejected, indicating that there is no mediation of the relationship between financial decision-making and financial literacy by financial behavior.

Coefficient of determination

Table 10

Coefficient of determination of structural model

Constructs	R-square	R-square adjusted
Financial Behavior	0.344	0.342
Financial Decision	0.278	0.274

The coefficient of determination (R²) value, which indicates the extent to which an exogenous variable estimates an endogenous variable, is displayed in Table 10. According to Falk and Miller (1992), a minimum threshold of R² > 0.10 is required to explain variation for a particular

endogenous construct. Financial conduct's R² value is 0.344, meaning that financial literacy accounts for 34.4% of the variation in financial behavior. Financial literacy accounts for 27.8% of the diversity in financial decision-making, according to the R² value of 0.278 for financial decisions.

Table 11

Summary of Hypothesis for the effect of financial literacy, financial behavior and financial decision

Hypothesis	Result
<i>H1: Financial literacy has positive influence on financial behavior.</i>	<i>Accepted</i>
<i>H2: Financial literacy has positive influence on financial decision.</i>	<i>Accepted</i>
<i>H3: Financial behavior has positive influence on financial decision.</i>	<i>Rejected</i>
<i>H4: Financial behavior mediates the relationship between financial literacy and financial decision.</i>	<i>Rejected</i>

Table 11 shows the summary of hypothesis for the effect of financial literacy, financial behavior and financial decision. Next, the major aim of the study was to analyze the effect of financial literacy on financial decision. As per the result from SEM path analysis, it found that financial behavior positively influences financial decision, financial literacy positively influences financial behavior, and there is an influence of financial literacy on financial decision. Hence, H1, H2, and H3 are accepted. Next, as per mediation analysis, it concluded that financial behavior does not mediate the relationship between financial literacy and financial decision where $p < 0.05$ but VAF is < 0.20 , so H4 hypothesis is rejected. Furthermore, the value of R^2 on estimating financial behavior is 0.278, which means 27.8% variation in financial behavior is explained by financial literacy. The R^2 value of financial decision is 0.248, which results in 24.8% variation in financial decision explained by financial literacy.

The study has shown that financial literacy has a positive influence on financial behavior, which was similar to Andarsari and Ningtyas (2019). All the dimensions related to financial literacy positively influence financial behavior dimension

which is also supported from the study. Financial behavior doesn't have a positive influence on financial decision. The overall research findings concluded that there is an association between financial literacy and financial behavior. However, this literature has evidenced that there exists a strong connection between financial literacy and financial behavior. The overall findings have concluded that financial literacy and financial behavior positively influence each other.

The results of the entire study indicate that financial behavior has no beneficial effect on financial decisions. The results of Mwathi (2017), Lang'at and Abdullah (2019), Arianti (2018), which show a beneficial influence of financial behavior on financial decision-making, are in conflict with this one. The results of the paper correlate the conclusions of the overall research, which examined the influence of financial behavior on financial decisions. Thus, it was concluded that financial behavior has no effect on financial decisions.

Similar to the reviews in Mwathi et al., (2017), Kumar et al., (2017), that indicated the existence of a financial literacy impact on financial decision, the results have

also demonstrated that financial literacy positively influences financial decision. The overall results showed that financial decision-making is positively impacted by financial literacy.

The study also concludes that a person's financial behavior is significantly shaped by their level of financial literacy. Increased financial literacy fosters self-confidence in people, enabling them to make wise financial decisions on their own.

Similar to the previous results, the overall result indicates that financial behavior does not mediate the relationship between financial literacy and financial decision-making. This is in contrast to the findings of [Arianti \(2018\)](#), [Tharanga and Gamage \(2021\)](#), which showed that financial behavior does not mediate the relationship between financial literacy and financial decision-making.

Conclusion

The study encompasses the reviewed literature and is grounded in the theories of planned behavior, Herbert-Simon decision making, and prospect theory. The theory of planned behavior aids in behavior selection, prospect theory aids in avoiding the selection of criteria that could be detrimental to an individual, and Herbert-Simon decision making theory aids in making decisions that are advantageous to the individual. The theory shows that financial decisions are supported by Herbert-Simon decision making, financial conduct is supported by the theory of planned behavior, and financial literacy is supported by prospect theory through decision-making. Numerous hypotheses are investigated and reported together with research findings.

It is possible to draw the conclusion that the financial literacy dimensions that is, the financial literacy regarding credit, investments, money management, savings, and insurance have a positive influence on both financial decision-making and financial behavior, including saving and spending. Likewise, financial decision-making is positively impacted by financial literacy. Financial behavior does not mediate the relationship between financial literacy and financial decision; instead, financial behavior positively influences financial decision; these findings come from the analysis of the SEM path result. Financial literacy also positively influences financial behavior.

Financial literacy, financial behavior, and financial decision-making are all positively correlated with one another. It implies that increased financial literacy leads to improved financial behavior, which in turn influences people's financial decisions. The overall finding indicates that financial knowledge across all domains is first and foremost necessary. Based on it, there is an influence on financial behavior, which influences students' financial decisions. The whole study determines which elements are relevant to the students and gains significant insights into the study of financial literacy, financial behavior, and financial decision-making. Future researchers are advised to increase the number of variables and dimensions in their studies in order to make them more realistic and exploratory. By including more and more dimensions in the model and adding more variables, this research study can be further extended. Universities that appreciate the value of financial literacy for students would benefit

from this study. It has been noted that making wise financial decisions requires a high level of financial literacy. It has been noted that financial literacy influences students' appropriate financial behavior. The findings of this study have implications for financial literacy among college students and provide new financial literacy knowledge.

A few of the topics linked to financial behavior, financial decision-making, and financial literacy have been covered in this study. In order to do additional research and add new dimensions that make the research more intriguing, this study offers deeper insights. The framework for future financial literacy research spanning additional domains is provided by this study. Additionally, this study offers directions for future research on students' attitudes about other faculty members. To make the study more realistic, additional dimensions and mediating variables of two or more should be included by future researchers. Financial literacy can be enhanced by adding dimensions like earning, borrowing, and debt repayment knowledge. Additionally, spending, earning, and credit management behaviors can be added to financial behavior, as can budgeting decisions, insurance decisions, and retirement plan decisions. Subsequent studies suggest that universities want to enhance their financial literacy initiatives for their student body.

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