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# Effect of Financial Literacy on Financial Decision and Consumer Behavior

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**ABSTRACT**

This study's main goal was to investigate how financial literacy affects consumer behaviour and financial decisions. An online questionnaire was used to gather the data for this investigation from the workers of financial institutions in Lahore, Pakistan. 325 employees, whose ages ranged from 18 and up to 60, made up the sample of survey questions. The researcher examined the association between financial literacy, consumer behaviour, and financial decisions by utilizing respondents' demographics, measurement model assessment, and structural model evaluation. This was done using SPSS and partial least square (PLS-SEM) software. As a result, the findings indicated that financial literacy has a favourable impact on financial decisions. Also, the research reveals that consumer behaviour in using financial services is affected by financial literacy. Additionally, the results showed how consumer behaviour greatly impacts people's goals to make wise financial decisions that will lead to wealth creation.



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## 1. Introduction

In Pakistan's Lahore, financial institutions are crucial to the city's economic development. They offer crucial services including banking, investing, and lending, promoting company growth and job development (Zhao et al., 2022). By facilitating the movement of capital, these institutions help people and businesses achieve their financial objectives and advance the region. They improve financial literacy and support a healthy economic environment in Lahore through their services. Many people believe that having financial literacy is a life skill that everyone should have to make wise financial decisions. Consequently, persons lacking these skills could have a hard time accessing the market's sophisticated financial products and services(Sheth & Parvatiyar, 2021). The goal of Pakistan's Securities and Exchange Commission (SECP) is to bring financial education to all national educational institutes to instill financial knowledge and skills in young people so they can make solid and sound financial decisions (Mata, 2021). This new reality in Lahore, Pakistan, creates the requirement of attaining financial qualifications for the diversification of the economy (Rahman, Isa, Masud, Sarker, & Chowdhury, 2021). Employees of financial institutions in Lahore, Pakistan, practice responsible money management and make good use of their knowledge. Savings, investments, and careful borrowing are frequently given priority, establishing a good example for the surrounding. Their knowledge of financial products enables them to make wise decisions, which improves financial stability and promotes the creation of long-term wealth.

Financial literacy is becoming a necessary survival skill due to the evolution of the financial markets and the underdeveloped economic knowledge of customers over the past ten years. Even though there were numerous contributing factors to the recent financial crisis, it is apparent that a significant one was the large number of people who were ignorant of how money works. Financial decisions are heavily influenced by financial literacy since those who understand financial concepts better are more likely to choose wisely and responsibly in terms of borrowing, investing, and saving. People having better literacy of finances are better able to prepare for the future and traverse complicated financial landscapes with confidence (Chapelle, 2022). Consumers of financial institutions must be able to communicate with suppliers of complex financial goods and services and assess, reduce, or absorb the risks connected to their financial choices. Consumer behavior and financial literacy are interdependent, with an informed grasp of financial concepts guiding prudent spending and saving practices. This in turn has a direct impact on later financial choices like loans, investments, and retirement planning. Increasing financial literacy enables people to make more informed consumer decisions, which eventually leads to a cycle of better financial behavior and more careful financial decision-making.

Despite the many studies on financial literacy that have been published, there are still gaps in understanding of financial literacy to personal financial decision-making and financial behavior by individuals. This study investigates how financial literacy and other pertinent factors in Lahore, Pakistan affects consumer behavior and financial decisions. The following are the three contributions that this study made: First, improved financial literacy allows people to distinguish between necessities and wants, encouraging responsible spending habits. A culture of comparative shopping and refraining from impulsive purchases is fostered by informed consumer behavior, which protects financial resources. Finally, this combination promotes long-term stability and asset creation by enabling well-informed financial decisions like budgeting, investing, and debt management.

## 2. Literature Review

### 2.1. The Heuristic theory and Prospect theory

Shelly Chaiken developed the heuristic theory, detailing how persuasion is received and processed by people. Along with various biased ideas that affect how people think and form opinions, it also discusses how people make financial decisions in uncertain times. Daniel Kahneman and Amos Tversky's prospect theory explains how humans make decisions when presented with risk. Loss aversion and regret aversion are two behavioral characteristics of dealing with risks. The study of the relationship between human behavior and the financial system in an organized society is known as behavioral finance. Behavioral finance is the study of how people behave and how the financial system functions in a structured society. An individual’s behavior determines whether they will be effective or not in managing finances (Iramani & Lutfi, 2021). Individual financial behavior refers to how people handle their financial resources, including how they decide how much money to set aside for working capital and when to retire s(Farida, Soesatyo, & Aji, 2021). A person's financial behavior can be judged by how well they manage their savings and other relevant expenses (Riyazahmed, 2021). He suggests that having a regular savings account or an emergency fund will demonstrate financial management ability. Healthy financial behavior is demonstrated by effective financial planning, managing, and controlling activities. People's ability and grasp of financial literacy concepts are closely related to wisdom in personal financial management. Because of this, financial literacy affects every aspect of financial planning and spending, as well as personal financial behavior. The issue we observe here is people's financial understanding and numeracy, which is required to make computations linked to the above.

### 2.2. Financial Literacy

Knowing the worth of money and how to maximize its benefits are essential components of financial literacy (Kadoya & Khan, 2020). To avoid money-related issues, everyone needs to be financially literate (Johan, Rowlingson, & Appleyard, 2021). Financially literate employees in financial institutions are better able to develop sound financial habits and deal with any situations that may arise (Setyawati, 2022). It is crucial to have the capacity to manage regular money transactions and appreciate basic financial concepts. Therefore, to be able to make wise financial decisions, a person should be equipped with superior financial understanding and attitude. Financial awareness has a big impact on financial literacy (Ayaa & Peprah, 2021). Those who lack sufficient financial understanding will struggle to manage their finances (Khawar & Sarwar, 2021). Financial literacy was operationalized using simple financial knowledge questions like inflation, interest calculations, risk and return, diversification, and market operation. (Lejap, 2022). People with highly developed cognitive abilities demonstrate a high level of financial literacy (Drugă, 2021).

Financial literacies are crucial yet it is a weak motivator for responsible financial behavior. It takes more than just financial awareness and knowledge to manage one's finances. Additionally, a person needed self-efficacy. The individual's financial behavior was highly correlated with self-efficacy (Gosal, Astuti, & Evelyn, 2021). Consumer financial capacities may be directly and indirectly impacted by high school financial education, according to data from

(Kortesalmi, Autio, & Ranta, 2021) analysis. Financial education may affect financial happiness, a personal measure of financial well-being, through financial literacy, financial behavior, and financial aptitude variables (Khan, Çera, & Pinto Alves, 2022). Thus, the following hypothesis has been put forth:

$H_1$: There is a significant association between financial literacy and financial decisions.

### 2.3. Consumer Behavior

The conduct that is connected to financial implementations is known as consumer financial behavior (Arianti, 2018). Consumer behavior in the banking sector is significantly improved by financial literacy. It was significantly influenced by financial literacy factors (Herawati, Candiasa, Yadnyana, & Suharsono, 2018; Khawar & Sarwar, 2021). People with developed academic skills and those who can perform mathematical calculations with ease demonstrate an exceptionally high level of financial education (Haryono, Handayani, Satrio, Munir, & Narmaditya, 2022). They examined many texts that argued that intellectual abilities have a strong relationship with mathematical ability as well as with careful financial management. It is a well-known fact, according to (Drever & Else-Quest, 2021), that people's financial decisions as adults are a direct result of the financial lessons they learned as youngsters. The paper claims that consumers regularly make bad financial decisions because they are ill-informed on how to do so, may not understand the need for long-term planning, and may not be aware of any potential problems they might create for themselves (Kaur, Singh, & Gupta, 2022).

Everyone's ability to manage their finances depends on having financial literacy. Previous research focused on how students interacted with social agents such parents, siblings, other family members, classmates, and schools (Kim & Torquati, 2021) but the current research is focusing that financial literacy has a major influence on consumers' healthy financial behavior. Everyone must engage in healthy financial conduct to prevent unfavorable financial behavior. As a result, it is possible to say that financial literacy influences sound money management. This issue is unquestionably crucial, and necessary, and can improve consumers' perceptions overall, particularly among old people. As a result of the debate above, the following hypothesis is put forth:

$H_2$: There is a significant association between financial literacy and consumer behavior.

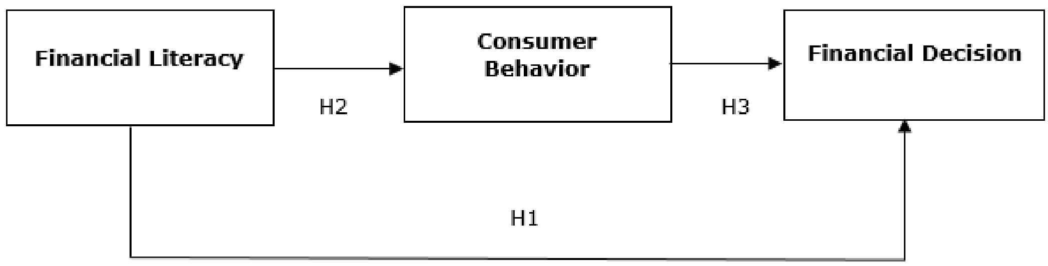
### 2.4. Financial Decision

According to earlier definitions of financial literacy, to make important financial decisions, a person must not only have the requisite knowledge but also the aptitude and confidence to put that knowledge to use (Suyanto, Setiawan, Rahmawati, & Winarna, 2021). Financing decisions are those that consumers must make about the ratio of equity to debt in their capital structure (Badheka & Pandya, 2022). Financial choices are the decisions that individuals take about the finances available (Prete, 2022). The indicators of consumer financial behavior include budgeting, investing, saving, and financial planning. The act of investing is the placement of many funds to eventually earn a profit or margin. The consumer's financial behavior is one of the key elements that influence investment decisions (Bebasari & Istikomah, 2020; Usman, Rahman, Shafique, Sadiq, & Idrees, 2023). Therefore, it can be claimed that wise financial choices can improve investments. If the person has positive attitudes and perspectives, financial literacy will have a beneficial impact. Financial literacy can play a mediating role in how consumer behavior affects a person's financial behavior.

The ability of the people making the financial decisions to manage their finances is shrewdly linked to their ability to make better financial decisions. Good and better financial decisions would result from having accurate financial knowledge (Muñoz-Céspedes, Ibar-Alonso, & de Lorenzo Ros, 2021). Moreover, results of the previous study revealed about those who completed the financial management course assessed themselves as more savings-oriented and did not exhibit bad financial behavior compared to those who had not (Khawar & Sarwar, 2021) but this study focused on the impact of consumer behavior for financial decisions. In light of the aforementioned justifications, the following hypothesis was put up in a recent study.

$H_3$: There is a significant association between consumer behavior and financial decisions.

**Figure 1: Research Model**




## 3. Methodology

The relationship among financial literacy and the financial decision made by delegates of financial institutions was the focus of this investigation, which also looked at customer behavior in this relationship.

### 3.1. Research Design

Everyone needs financial literacy as a fundamental skill to avoid financial difficulties, so this study used a cross-sectional analysis to simultaneously collect data from several employees in financial institutions. Additionally, a self-administered survey with closed-ended questions was employed to gather quantitative data. The quantitative approach comprises "the process of gathering, analyzing, interpreting, and writing the study's results" (Rydqvist & Liljeqvist, 2022).

### 3.2. Target Population

The choice of financial institution personnel as the study's target group was made with the presumption that most of them would have a business background, be more knowledgeable about finance than employees in other sectors, and have previous work experience in the field. So, analyzing their financial behavior will be very interesting. This issue has not been addressed in prior research, which has mostly concentrated on student financial behavior.

### 3.3. Data Collection and Sampling Technique

Based on gender, age, education level, work experience, and monthly income, the participants were chosen at random using a convenience sampling technique. In convenience sampling, only target population members who meet certain practical criteria, such as ease of access and closeness to the sample location, are taken into consideration (Beutler & Dickson, 2008; Zhipeng, 2022). The easy sampling technique uses a population subset that is conveniently accessible to collect data. An e-questionnaire was shared with the respondents of each institution. I explained the purpose of the evaluation, which is linked to financial decision-making, consumer behavior, and financial literacy. I asked the candidates to complete the survey when they feel free and comfortable. There was no payment or compensation for taking part in the study; it was completely voluntary. The workers in the city of Lahore were the source of the research's data and in the literature, there was no consensus about the exact sample size for structural equation modeling (Hoyle, 1999; Rehman et al., 2021). Thus, a sample size of 350 is thought to be enough for valid results. Lahore is Pakistan's second-largest metropolis in terms of both population and economic importance. The city is home to offices for all different kinds of financial institutions.

The findings as shown in Table 1 depicted that there were more males 204 (62.8%) participants than female 121(37.2%) participants due to the lack of women's empowerment in Lahore, Pakistan's labor market (Ahmed, Mahmud, Said, & Tirmazee, 2022). The age distribution was as follows: 61 respondents (18.8%) were between the ages of 18 and 22; 85 respondents (26.2%) were between the ages of 23 and 29; 63 respondents (19.4%) were between the ages of 30 and 39; 56 respondents (17.2%) were between the ages of 40 and 59, and 60 respondents (18.5%) were 60 years of age or older. For the study mode, 187 employees (57.5%) had bachelor's degrees, 36 employees (11.1%) had master's degrees, 32 employees (9.8%) had M.Phil. degrees, 56 employees (17.2%) and 14 employees (4.3%), respectively, had Ph.D. and other types of degrees. This is relevant to the study's main objective, which is to assess the financial literacy of Lahore, Pakistan’s financial institution's workers. The biggest percentage of respondents, 176 (56.2%), claimed to have 2 to 4 years of job experience, while 137 respondents (42.2%) said they had an experience of more than 2 years. Eight (2%) of the sample had 5 to 10 years of job experience, while 4 (1.2%) had more than ten years of work experience. This is in line with the study represented that the young generation of financial institutions has more financial knowledge (Lippi & Rossi, 2022). The results are in line with the study that depicted that those employees who have more financial knowledge can invest in a good manner even with an average income (Noor, Batool, & Rehman, 2022).

**Table 1: Profile of Respondents**

| Demographic Variables | Categories | Frequency | Percentage |
|---|---|---|---|
| Gender | Male | 204 | 62.8 |
| | Female | 121 | 37.2 |
| Age Group | 18 – 22 | 61 | 18.8 |
| | 23 – 29 | 85 | 26.2 |
| | 30 - 39 | 63 | 19.4 |
| | 40 - 59 | 56 | 17.2 |
| | 60 or older | 60 | 18.5 |
| Education | BS | 187 | 57.5 |
| | Master | 36 | 11.1 |
| | M.Phil. | 32 | 9.8 |
| | PhD | 14 | 4.3 |
| | Other | 56 | 17.2 |
| Experience | <2 | 137 | 42.2 |
| | 2 to 5 | 176 | 54.2 |
| | 5 to 10 | 8 | 2.5 |
| | < 10 | 4 | 1.2 |
| Income | > 50,000 | 54 | 16.6 |
| | 51,000 - 100,000 | 261 | 80.3 |
| | 110,000 - 200, 000 | 8 | 2.5 |
| | 210,000 - 400, 000 | 2 | 0.6 |

### 3.4. Research Instrument

Employees of financial institutions were given a comprehensive questionnaire to fill out to obtain primary data for this study. The produced survey inquires about employees' knowledge of money matters, consumer behavior, and financial choices made in Lahore's financial institutions. The questionnaire also had a few questions about the demographic data i.e., gender, age, education level, work experience, and monthly income of the employees. All the variables were measured by using items of previous scales which were evaluated by using a five-point Likert scale anchored by "strongly disagree" (1) and "strongly agree" (5). The financial literacy scale was adopted with eight items by (Novieningtyas, 2018; Yushita, 2017). e.g., the item was "Financial literacy helps an individual in fund preparation for emergencies so that finances remain stable in difficult times". This research assessed consumer behavior based on the nine items scale (Damian, Negru-Subtirica, Domocus, & Friedlmeier, 2020; Khwabe, 2019), e.g.: the item "Before I buy something I carefully consider whether I can afford it". The study evaluated decision-making using (Gambetti, Fabbri, Bensi, & Tonetti, 2008; Iqbal et al., 2022; Khwabe, 2019) eleven items scale, e.g.: the item "You are responsible for daily decisions about money in your home".

### 3.5. Pilot Testing

The questionnaire was pretested by emailing it to five specialists, including two financial managers of financial institutions and three assistant professors with special knowledge in financial management before it was officially distributed. In response to their comments, minor changes were made in the items based on sentence structure, wording, and question formulation.

### 3.6. Common Method Bias

It was more possible that common method bias (CMB) may accompany our findings because of the nature of the research design of this study, where data were acquired from a single source, i.e., entirely from the employees of financial institutions. According to earlier research, the full collinearity test can be used to identify whether the data was impacted by the issue of common method bias when using the structural equation modeling (SEM) in partial least squares (PLS-SEM) technique (Kock, 2015). To assess common technique bias, earlier studies examined variance inflation factors (VIF) computed via a thorough collinearity test. The test model may be judged free of CMB if its scores are lower than the threshold of 3.3. Conversely, when the scores are higher than 3.3, the estimated model may be associated with the problem of CMB. The findings demonstrated that the CMB error did not taint the data in the existing research because all of the VIF scores for all of the analyzed latent variables are lower than the indicated cutoff value. CMV was not a problem in this study, so an additional empirical investigation can move forward.

## 4. Data Analysis and Results

Although PLS-SEM is commonly employed and regarded as a contemporary assessment tool in all financial institutions (Rasoolimanesh, Ali, & Jaafar, 2018), the present research used it to evaluate the provided hypothesis using Smart PLS 3. With the use of contemporary theory, this empirical investigation tried to predict and explain the researched latent variables. To execute structural modeling for construct elucidation and estimate, PLS-SEM has been revolutionized as a powerful technique (Hair Jr, Hair Jr, Hult, Ringle, & Sarstedt, 2021). It is also considered a versatile model evaluation technique (Sarstedt & Moisescu, 2023; Younas, Idrees, & Rahman, 2021). PLS-SEM has fewer strict specifications for sample size and data normality than Amos, which is the second rationale for employing it (Hair Jr et al., 2021). To circumvent issues with sample size and data normality, this study used PLS-SEM. Additionally, the factor loadings and path coefficients are determined together with the associated significant level to test the hypotheses and determine the construct validity and internal consistency reliability (Rasoolimanesh et al., 2018). The structural model was evaluated to find estimate after the measurement model had been calculated.

### 4.1. Assessment of Measurement Model

Convergent validity as shown in Table 2 and Fig. 2, of the measurement model was measured by using factor loadings, average variance extract (AVE), and competitive reliability (CR). In PLS, the item loadings on each latent construct are used to measure the reliability of each item or construct (Porter et al., 2022; Shahid et al., 2022). The recommended cutoff value of 0.5 was surpassed by every item loading. Any item with a factor loading value less than 0.50 was deleted. Composite reliability (CR) was determined to evaluate the construct's internal consistency reliability. The latent reflective models had CR values that were above the recommended threshold of 0.7 (Alex et al., 2022). The average variance extracted (AVE) was calculated to test convergent validity (Sabo, Kueh, Musa, Lu, & Kuan, 2022) and values were higher than the threshold of 0.5.

**Table 2: Convergent Validity**

| Constructs | Items | Loadings | Alpha | CR | AVE |
|---|---|---|---|---|---|
| Consumer Behavior | CB1 | 0.803 | 0.905 | 0.927 | 0.679 |
| | CB2 | 0.824 | | | |
| | CB3 | 0.857 | | | |
| | CB4 | 0.839 | | | |
| | CB5 | 0.806 | | | |
| | CB6 | 0.812 | | | |
| Financial Decision | FD1 | 0.762 | 0.931 | 0.943 | 0.673 |
| | FD2 | 0.871 | | | |
| | FD3 | 0.853 | | | |
| | FD4 | 0.814 | | | |
| | FD5 | 0.846 | | | |
| | FD6 | 0.829 | | | |
| | FD7 | 0.729 | | | |
| | FD8 | 0.849 | | | |
| Financial Literacy | FL1 | 0.821 | 0.893 | 0.921 | 0.699 |
| | FL3 | 0.856 | | | |
| | FL4 | 0.854 | | | |
| | FL5 | 0.797 | | | |
| | FL6 | 0.851 | | | |

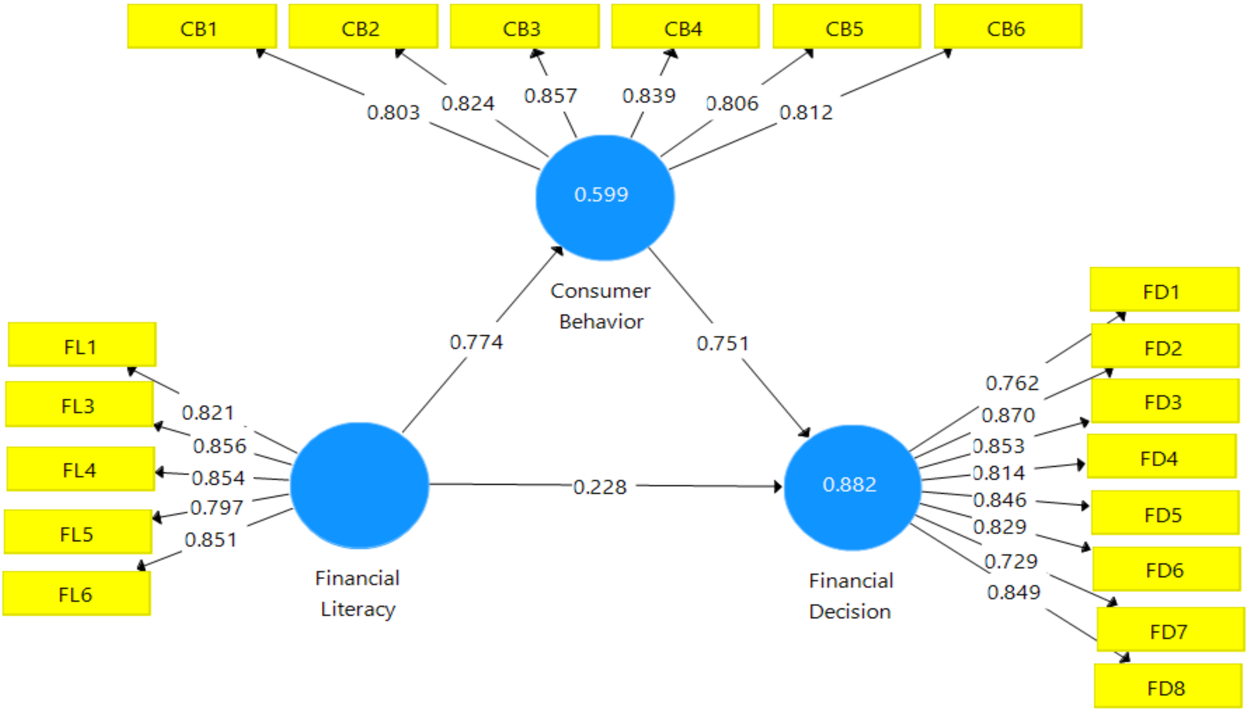
**Note:** Composite Reliability (CR), Average Variance Extract (AVE). 1 item was deleted from a variable named financial literacy (FL2) respectively.

To evaluate the discriminant validity, an alternative method called "the Heterotrait-Monotrait ratio of correlations," was used which is based on the "multitrait-multimethod matrix." (Rasoolimanesh, 2022). The HTMT ratio must be less than 0.85 or less than 0.90 to be considered acceptable. When the HTMT ratio exceeds the criteria, discriminant validity is compromised or absent (Rönkkö & Cho, 2022). All the HTMT ratio values for the build are shown in Table 3 which demonstrates that all HTMT ratio values for all variables were less than 0.90 and met the HTMT, (0.90) requirement (Hair et al., 2021a). These results showed that all the constructs have demonstrated discriminant validity.

**Table 3: Discriminant Validity (HTMT Ratio)**

| | CB | FD | FL |
|---|---|---|---|
| **CB** | | | |
| **FD** | 0.806 | | |
| **FL** | 0.852 | 0.875 | |

**Figure 2: Measurement Assessment Model**




## 4.2. Assessment of Structural Model (SEM)

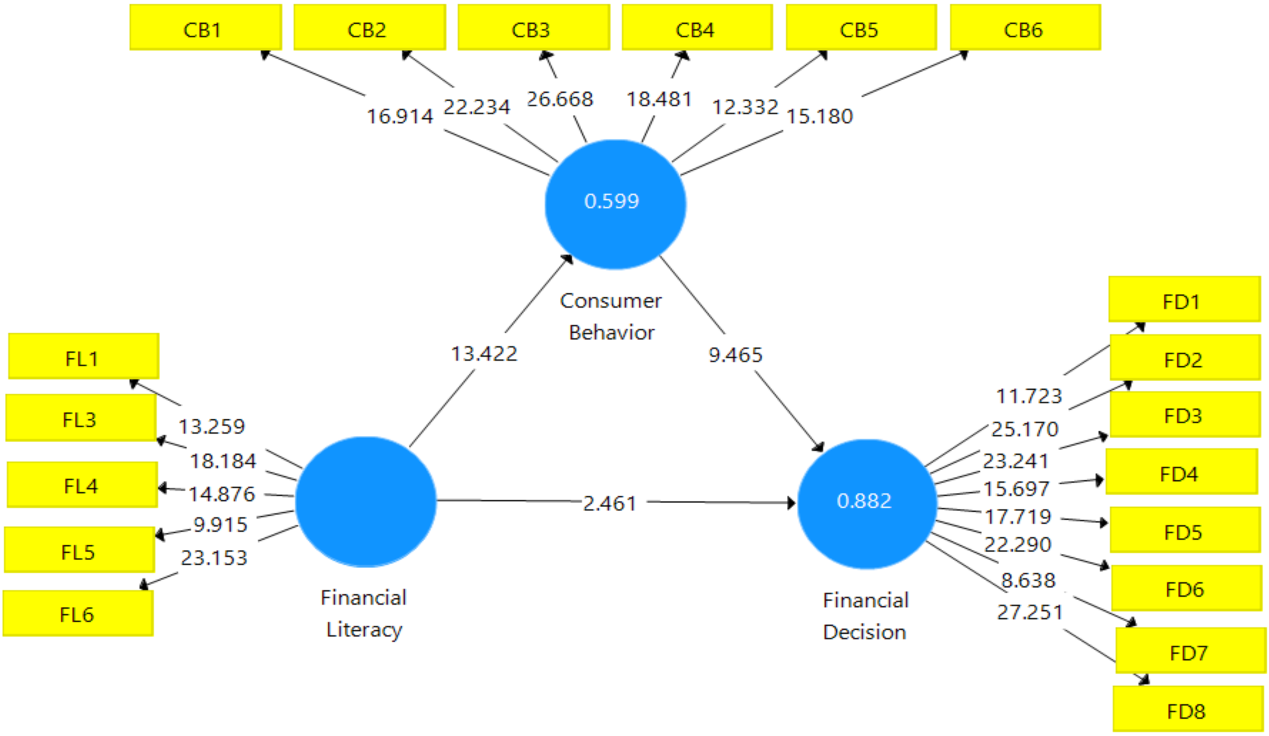
The hypotheses were tested after the measurement model's accuracy had been confirmed. The structural model was evaluated using bootstrapping and the PLS-SEM method (Purwanto & Sudargini, 2021). The amount and significance of the path coefficient of the construct were used to assess the structural model's predictive ability (Hair et al., 2021b). Significant paths empirically corroborate the postulated causal relationship, whereas non-significant paths or those showing signals in the opposite direction do not support prior hypotheses (Alamer & Alrabai, 2022). Bootstrapping was used to obtain the t-value and determine the significance of the direct correlations using a resample of 500. The path coefficients were generated as depicted in Fig. 3, and Table 4 displays the bootstrapping findings.

**Table 4: Path Analysis**

| Hypothesis | Relationships | Beta | SD | T-Value | P Value | LL | UL | Decision |
|---|---|---|---|---|---|---|---|---|
| H1 | FL->FD | 0.228 | 0.093 | 2.461 | 0.014 | 0.043 | 0.404 | Supported |
| H2 | FL->CB | 0.774 | 0.058 | 13.422 | 0 | 0.661 | 0.876 | Supported |
| H3 | CB->FD | 0.751 | 0.079 | 9.465 | 0 | 0.599 | 0.9 | Supported |

Financial literacy and financial decisions have a positive and significant correlation, according to algorithm output and bootstrapping PLS-SEM results (β = 0.228, t = 2.461, LL = 0.043, UL = 0.404, P = 0.14). Thus, Hypothesis 1 is supported. Also, a favorable correlation exists between financial literacy and consumer behavior which shows that the second hypothesis is supported (β = 0.774, t = 13.422, LL = 0.661, UL = 0.876, P = 0.00). The findings showed a positive association between consumer behavior and financial decisions. The values were found supported (β = 0.751, t = 9.465, LL = 0.599, UL = 0.9, P = 0.00). Therefore, hypothesis 3 proved to be accepted.

**Figure 3: Structural Assessment Model**




## 5. Discussion

The key findings and relevant literature are described in this section. The study's main goal is to find out how financial literacy impacts consumer behaviour and financial decisions made by financial institution employees. For this research, the theories named as Prospect and Heuristic, were provided as a frame of reference. The first hypothesis (H1), found that financial literacy was a potent financial decision-analyst. Financial institution employees' capacity to make well-informed judgements is substantially shaped by their level of financial literacy (Asiamah, 2022). My research also supports the significant association between these two ideas and implies that more financially literate people are likely to make more responsible decisions.

The results show that financial literacy affects consumer behaviour, which suggests that it may either directly or indirectly affect how workers of financial institutions behave (H2). In the financial institutions, more knowledgeable and responsible consumer behaviours are more likely to occur (Rita & Ramos, 2022). As a result of having better financial literacy, these employees are better able to manage their personal finances and their positions within the organisation. Moreover, consumer behavior according to the findings have a significant association with financial decisions of the workers of the financial institutions in Lahore, Pakistan (H3) which reflects their preferences and spending patterns. Understanding their purchasing habits can help us gain understanding of how they make financial decisions. Furthermore, consumers' fundamental financial literacy was significantly correlated with their trust in financial organizations, their admission of the need to save money, and their need for greater and more detailed information about financial services (Ghaffar, Khattak, Shah, & Jehangir, 2022).

The research on financial decision-making factors and financial literacy in Lahore, Pakistan, has various implications for personal money management and financial practitioners, which can be organized in terms of theory and practice. The degree of financial literacy was discovered to be crucial to consumer behavior for wealth development and influenced many consumers' investing decisions (Rai, Dua, & Yadav, 2019). The present understanding of financial literacy is expanded by this discovery. Academic ramifications and practical contributions are two primary areas where this work has substantial impacts.

## 6. Conclusion

This article aims to establish a connection between consumers' (workers') financial literacy and their capacity for managing financial decisions. This research model makes a strong and conclusive connection between financial literacy and people's financial decision-making, highlighting information's crucial role in forming wise economic decisions. The research also shows that consumer behaviour is a mediation mechanism, increasing the relationship between financial literacy and financial decisions. This intermediary impact highlights the complex interactions between educated decision-making and consumer preferences. The empirical findings underscore the significance of supporting financial literacy initiatives and their domino effect on encouraging wise financial decisions. Also supporting the tremendous impact of financial literacy on overall financial well-being is the strong and statistically significant association between consumer behaviour and financial decisions. This study highlights the need for regulatory changes and educational initiatives that aim to increase financial literacy in order to foster a culture of better financial decision-making and virtuous consumer behaviour.

The study's principal academic impact is the addition of significant and beneficial information about perceived worth, which supports the study's primary objective of examining how financial decisions are made in Lahore, Pakistan. The study adds to the body of knowledge on consumer behavior, particularly in emerging economies, and financial literacy. Most of the earlier research has focused on how financial decision-making is impacted by financial literacy in industrialized nations (Zahra & Anoraga, 2021). There is a dearth of research on the influence of financial literacy on financial decisions in developing countries, especially in Islamic regions like Lahore, Pakistan. Some analyses have looked at the impact of consumer behavior in developing economies (Sima, Gheorghe, Subić, & Nancu, 2020), but there is little information available on the subject. This study opens the door for more investigation into how Islamic ideology affects individual financial literacy and wealth building. Researchers are encouraged to examine how social norms in Islamic nations affect the financial literacy of various groups of individuals, including women, the elderly, and those with low incomes. Despite some variances emerging, the study's findings were generally consistent with those published elsewhere. The study's findings imply a positive association between financial literacy financial decisions and consumer behavior in the banking sector. Therefore, future studies must examine the consumer behavior displayed by educated people in other sectors in Lahore, Pakistan.

Important practical implications are the expansion of knowledge on financial literacy and financial decisions for wealth development. Based on the study's findings addressed a knowledge gap in financial decisions and financial literacy in the Lahore region (Majeed, Khan, Ghaffar, & Asghar, 2022), this study examined the relationship between financial literacy and consumer behavior. There is still a gap in knowledge regarding how consumer behavior in the financial institutions influences financial decisions. However, by leveraging their financial literacy, consumers may increase the importance of making sensible financial decisions (Lučić, Barbić, & Uzelac, 2023), which is something that this study recommends other researchers consider. People in Lahore, Pakistan, should be at least somewhat financially literate because legislation serves as the primary cultural reference for money decisions, at the level of financial instittutions (Hussain, Sadiq, Rasheed, & Amin, 2022). This study also supports the idea that theories about financial decision-making and financial literacy may apply to potentially useful in the Lahore region. For instance, the traditional economic method takes values into account, whereas more research into the life cycle hypothesis of saving is not necessary. According to the theory, financial literacy increases throughout a person's life, peaks between the ages of 45 and 54, then drops as people age and become unable of working.

The results of this study and those of (Bialowolski, Cwynar, Xiao, & Weziak-Bialowolska, 2022) for the Lahore region show that financial decisions were positively influenced despite younger age. The results contribute to a better understanding of the factors influencing Lahore, Pakistan's citizens' level of financial literacy. This study also advances knowledge of how consumer behavior toward wealth development may be facilitated by financial literacy (Madinga, Maziriri, Chuchu, & Magoda, 2022). The information from this study demonstrates how individuals in Lahore, Pakistan, manage their finances concerning various financial products, assets, and savings.

According to the study's findings, more work is required to close the knowledge gaps in financial literacy for financial institutions consumers who want to build wealth by making prudent financial decisions in the future. Instead of a cross-sectional perspective of the subject matter, future investigations may ensure better coverage and a longer study to boost its generalization. Future research may compare various social groups to better understand the key distinctions between them and the variables that influence their consumer spending patterns and financial literacy. The quantitative technique has also been employed; however, it is not the best way to develop a complete understanding of financial literacy for making prudent financial decisions by the banking sector consumer. future studies may use a qualitative approach or a mixed-methods study. This will provide a better understanding of factors other than demographics that may affect consumer wealth perception and financial knowledge. These include, for instance, the financial crisis, financial regulations, societal norms, and religion. Lastly, this research data was gathered by considering BS, Master, Ph.D., and other types of study. In this way, consumer behavior of one type of category cannot be evaluated in the right way. A future study should have collected data for analysis by focusing on each section of education separately.

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