



Investigating the Effect of Financial Literacy on Financial Decision-Making of Prospective Teachers in Universities of South Punjab

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ABSTRACT

Numerous studies have reported the importance of financial literacy and financial decision making for students of business administration field and its impact on their professional success. However, little is known about the role of financial literacy upon the financial decision-making of prospective teachers in the field of teacher education. This study aimed to ascertain the effect of financial literacy on financial decision-making skills of prospective teachers. Data were collected from 219 out of 847 prospective teachers (students enrolled in B.Ed. (Hons) and BS programs three public sector universities of Multan. Two scales (Financial Literacy Scale=32 items) and (Financial Decision-making Skills Scale =6 items) were used for data collection. The scales were pilot tested before using in the study context for data collection. The Cronbach's alpha values for both the scales were above.70 which was at acceptable level. Linear regression was used to analyze the collected data. The regression analysis showed that there was a positive effect of financial literacy and its two components: financial behaviour and financial attitude on financial decision-making of prospective teachers. Based on these findings it is argued that financial literacy improves students' attitude and behaviour towards financial decision-making skills. It is suggested that these results may be tested in other context for further understanding of the correlation between these variables.

Introduction

Financial literacy is increasingly becoming an important skill due to the fast evolution of new financial markets worldwide (Fong et al.,2021) as the increasing knowledge about developing financial skills and competencies allows the user to make sound financial decisions for maximizing

the economic merits and outputs. Recent years have seen financial crunch all over the world in the wake of the pandemic (Balasubramnian & Sargent, 2020). This exposed the weaknesses and poor financial decision making skills of people who failed to grapple with the evolving situation (Kumar et al., 2023). As a result, there were collective and individual financial losses to organizations and different companies globally. Although, there were varying factors behind this grim situation, however, one of the strongest factor was poor financial management and decision-making skill on the part of professionals associated with various organizations (Li et al.,2020).

Financial literacy has influence on the financial decisions of those people who have understanding about the financial concepts such as investment, borrowing and saving etc. Those people who have better financial literacy can manage their financial matters more wisely and that has very positive impact upon their lives (Putra et al.,2021). Having better financial literacy improves the confidence of people and they become strong decision-makers and thus they make good choices and also know the risks involved in the financial activities as compared to the other people (Dewi et al., 2020).

Financial behavior, financial attitude and financial literacy are interconnected concepts. Having positive knowledge of financial matters enables people to show positive attitude towards financial transactions and helps in overcoming the challenges of financial woes (Raut, 2020). Such individuals know and do better planning for saving, investment and getting loans and using it in a more beneficial manner (Alaaraj & Bakri, 2020).

The study of correlation between human behaviour and financial system is called behavioral finance. Financial literacy helps to shape and reshape the attitude and behaviour of people toward collection and consumption of financial resources in human society (Hala et al., 2020). The behaviour of an individual is a key factor that determines the management of financial resources in any context. Hence, the attitude and behaviour of an individual can be judged by keeping in view his or her financial knowledge and skills while dealing with financial matters. It is believed that better financial knowledge enables people to show successful financial management abilities under different circumstances (Respati et al., 2023; Afaq et al., 2022). Healthy financial behaviour helps in demonstrating better planning, management and controlling of the financial dealings. It is the ability and skill of people that helps them to take better financial decisions regarding successful financial planning and spending. Thus increased financial literacy helps people in making informed consumer decisions and at last they get the larger merits out of the financial dealings (Nugraha et al., 2023). As the literature shows that various studies have underscored the importance of financial literacy for personal and collective good of people and groups. This study aims to investigate the effect of financial literacy on financial decision-making of prospective teachers who graduates from teacher training institutes of public sector universities of South Punjab.

Problem Statement

Numerous studies have highlighted the importance of financial literacy for people to make them independent decision-makers and successful entrepreneurs (Abbas et al, 2023; Raut, 2020; Mishra et al, 2024). Despite this, there are numerous challenges in the way of university education students especially those who have less exposure to typical economic related training or financial orientation through subject teaching and learning (Respati et al., 2023). This gap needs to be filled by exploring the perceptions of such students about their competency to make sound financial decisions. Studies have highlighted that financial literacy enables them to get proper knowledge

and skills to understand financial management assessment of financial matters effectively (Hala et al.,2020; Adil et al.,2022). However, prospective teachers do not have such orientation which hampers their abilities to make important financial decisions. Furthermore, less attention has been paid by researchers towards the financial literacy of prospective teachers (students enrolled in departments of education of universities) and their financial decision-making. This study aims to find out the relationship between financial literacy of university prospective teachers and their financial decision-making. The results of the study will potentially contribute towards understanding the key links between students' financial knowledge and its correlation with their abilities to use this knowledge to the financial dealings effectively.

Literature Review

Financial literacy means getting the ability to understand the principles and practices of financial matters like currency, income generation and utilization of money and its effective spending in successful manner. This consists of some techniques for managing income and its expenditure efficiently (Nugraha et al.,2023). The financial decision-making skills of teachers is highly dependent on their abilities to understand the concept of financial dealings in real life situation. Actually, financial literacy is a collection of behaviour, skill and information needed to opt for financial choice and attaining financial knowledge about managing financial independence. This ability helps individuals to know and apply the related knowledge and skills in managing financial resources in educational institutions (Mishra et al.,2024).Contemporary literature on financial literacy and financial decision-making has indicated that teachers need to have financial literacy for successful management of professional and personal duty in different capacities as academic leader and administrators (Raut, 2020).

Financial literacy empowers them to prepare better for their proper management of financial responsibilities needed at the workplace. They may also transfer this to their students through instruction. As a result, students may take better decisions in dealing with their financial matters (Moreira Costa et al.,2021). In the last decades, financial literacy has received increased attention not among the financial field of studies but also among the policy makers and educational institutions. There is an increased research on financial literacy that reveals that financial literacy enhances students' abilities to manage their financial tasks easily (Ingale & Paluri, 2022).Keeping in view this, the researchers have explored the perspectives of educational management on their financial challenges and issues. This helped to uncover a range of issues related to financial management of educators and educational managers.

In the current times financial literacy has been declared to be an important element of education for equipping the students to manage their income effectively and to use it purposefully (Khaldun et al.,2024).Through financial literacy students get the knowledge about the financial resources, product, and the effective utilization of these resources. Studies have shown that financial literacy empowers students to have ready information of financial management, its principles, resources, saving concept, account and facilitation for proper management of their financial resources (Iqbal & Saeed, 2023). As they are moving towards the fast evolving economic challenges of the current times, the financial literacy helps them to overcome these challenges and issues successfully. In the lack of financial information, students will not be able to effectively manage their income and savings. This will put them in a vulnerable situation (Rosyada et al.,2024).

Financial literacy has always occupied a special place in the literature due to its basic role in enabling people to become effective in managing their financial resources (Didenko et al., 2023). According to studies, financial literacy has important role as it shapes and reshapes the behaviour

and attitude of people to analyze and critically reflect on financial activities which are crucial for understanding the concept of financial independence and decision-making (Adil et al.,2022). Studies have revealed that the knowledge of financial matters provides broader perspective to people to prioritize their financial activities. Among these financial decision-making is an important ability and skill (Sohiluaw et al.,2020).

Financial attitude is the ability to effectively use and manage by rendering interest in the acquisition of financial knowledge and behaviour. This enables the people to be able to save and consume resources efficiently and effectively (Mishra et al.,2024). Financial literacy and attitude also influence peoples' mind to take decision which are necessary for financial management. Financial attitude is built through interaction in financial matters in the course of life (Hidayati et al., 2021).

This affects the financial behaviour of people towards financial dealings. Studies have found that financial attitude of individuals affect their financial matters such as saving concept, income generation, and financial plans. Research has shown that people have different attitudes towards their financial activities in their professional life. The functions of money and its related matters have profoundly affected peoples' priorities in life giving further impetus to their decision-making choices (Djou & Lukiastuti, 2021). Even social pressures, demographic factors and economic situations also have deeper effects on their financial status. People have been categorized on the basis of their financial attitude such as anxious saver, anxious spender, and disinterested follower. These positions directly and indirectly affect the financial decision-making of people in one way or another (Niazi & Malik, 2019).

Financial behaviour is built on the basis of financial knowledge. Proper financial knowledge enables people to show financial behaviour. This reflects their financial tendencies towards the economic activities, money spending and money specifications (Cera et al.,2021).The financial behaviour propels the people to utilize their financial priorities which directs their positions to adopt financial behaviour such as money collection, income generation, spending of money and distribution of financial resources. It is observed that financial behaviour can be properly shaped and reshaped through financial literacy and behaviour modification (Ingale & Paluri, 2022).

Financial Decision-Making

Financial decision-making means the steps that individuals take for identification, evaluation and selection of various financial alternative and option. In the course of financial decision-making, people use their ability to pinpoint the various financial matters (Balasubramnian & Sargent, 2020). Financial decisions are highly important for proper utilization of financial resources. These decisions are made at various levels in an organization, hence, it is essential to give financial training and orientation to the workers of the organization to enable them to take effective financial decisions (Yue et al.,2021).

Financial decision-making involves taking decisions at various levels related to doing account related activities, finance and budget, borrowing and how to handle risk management through financial dealings (Raut,2020).Financial decision making is important for understanding the financial condition of an organization, utilization of financial resources, policy implementation regarding financial matters, making informed choice and letting information flow from bottom to top and top to bottom (Kumar et al.,2023).

This activity is essential for all individuals and organizational professionals for better financial management of the resources and overcoming of the issues and challenges. Studies have revealed

that like other professions, educational leaders and educators need to have proper knowledge and competencies to deal with financial matters and activities (Lim et al, 2022).For teachers, it is essential to have the ability and competency to make proper judgement of the financial resources of the organization and judiciously use these resources for the development of the organization (Abbas et al., 2023).

Researchers have consistently reported about the closer interplay of financial literacy and financial decision-making. This link has also been highlighted by recent studies that gaining knowledge about financial resources helps individuals to proper plan and implement policies regarding financial matters and activities. In the last economic crisis of 2008, the concept of financial literacy gained further attention (Kuranchie et al.,2022).Various factors are important to be considered as these affect the financial decision-making abilities of people such as knowledge, skills and attitude of people towards their financial dealings (Compen et al.,2023).Financial knowledge and decision-making give greater empowerment to people to have the competencies for making proper decisions at the right time (Raut,2020; Lim et al.,2022).In this way, they become able to evaluate the prices of things and different financial situations like saving conditions, money collection and consumption priorities. People also come to know about the proper ways of doing investment as per their choices and keeping in view the best conditions for investment (Kumar et al, 2023).

Schools play a key role in making people empowered through transfer of knowledge, skills and attitudes of students to be prepared for the financial activities. They develop and promote the capabilities of people and their choices to undertake any financial activity on collective or individual capacity (Denosta et al.,2024).They become capable of doing business, conducting evaluations of financial programs, dissemination of financial knowledge and right behaviour. This will ensure financial growth of the organization, ensure economic independence especially for students to make competent enough to explore financial opportunities and to use them for their welfare as well as the development of society (Fong et al.,2021).

Research Objectives

The present study was aimed to meet the following objectives:

1. To find out the effect of financial literacy and financial decision making among prospective teachers.
2. To find out the effect of financial behaviour on financial decision making among prospective teachers.
3. To find out the effect of financial attitude on financial decision making among prospective teachers.

Research Hypotheses

H_0^1 There is no significant effect of financial literacy on financial decision making of prospective teachers.

H_0^2 There is no significant effect of financial attitude on financial decision making of prospective teachers.

H_0^3 There is no significant effect of financial behaviour on financial decision making of prospective teachers.

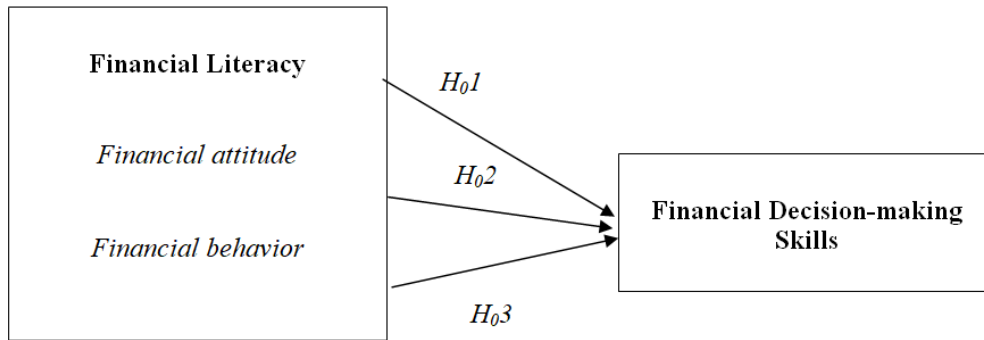


Figure 1. Conceptual Framework

Methodology

This study used a quantitative correlational approach to investigate the perceptions of prospective teachers about the effect of financial literacy on their financial decision-making. The study was delimited to the Department of Education of three public sector universities in Multan a major city in South Punjab such as Bahauddin Zakariya University, Woman University Multan and Emerson University Multan.

Population and Sample

All the students enrolled in B.Ed.(Hons) and BS programs in the Department of Education of three general public sector universities Bahauddin Zakariya University, Woman University Multan and Emerson University Multan were the population of the study. Out of the total 847 students, 219 students willingly participated in the study based on convenient sampling approach.

Instrumentation

The study used two scales such as financial literacy scale and financial decision-making scale for data collection from the respondents as mentioned below.

Financial Literacy Scale

To measure financial literacy, financial literacy scale published by Organization for Economic Cooperation and Development (OECD,2018) consisting of 32 items was used. The items of the scale represent the specific attitude and behaviour of respondents regarding their financial literacy. The scale has two subscales such as *financial behaviour* and *financial attitude*. Financial behaviour has 10 items whereas, financial attitude has 22 items.

Financial Decision-Making Scale

To measure financial decision-making of the prospective teachers, the researchers used a 6 items scale. The scale was adopted from Kumar and Senthil (2023). The scale was based on 5-point Likert scale format ranging from strongly agree (5) to strongly disagree (1). The scale was piloted before using for data collection.

For the validity of the scales in terms of content validity experts' opinion who have specialization in the field of scale designing and validation was obtained to remove any difficult or culturally contradicted items. The scales were further set after their feedback.

Reliability and Validity

Table 1

Reliability of the Scales

Sub-Scale	Total items	Reliability
Financial literacy scale	32	.82
Financial decision-making scale	06	.68
Overall reliability	38	.85

Data Collection

The questionnaire consisting of the two scales were distributed among the respondents personally by the researchers. Before data collection consent of the respondents were obtained through consent form. Since the data collection was based on convenient sampling approach, hence, the respondents were asked to show their availability and willingness to fill out the questionnaire. They were assured that the data collected from them will be treated as confidential and will be used for research purpose only. The collected data will not be shared with other sources without their prior consent.

Data Analysis

The collected data were analyzed by using Statistical Package for Social Sciences (SPSS). Before, application of data, the researchers conducted data screening and cleaning. For this purpose, all the outliers were removed and the data were cleansed properly. Then by using descriptive and inferential techniques such as Mean score, Standard Deviation, Linear regression analysis, the results were generated and interpreted for reporting and presentation.

Results

Table 2

Demographic Distribution of Respondents

Variable	Frequency	Percentage	
Gender	Male	49	22.4
	Female	170	77.6
University	Woman University	69	31.5
	Bahauddin Zakariya University (BZU)	148	67.6
	Emerson University	2	.9
Program of Study	BS	164	74.9
	B.Ed. (Hons)	55	25.1
Living Status	Hostelide	68	31.1
	Day scholar	149	68.0

Table 2 shows that out of the total sample 22.4 % were male and 77.6 % were female prospective teachers. In terms of university, 31.5 % were from BZU, 67.6 % were from university Multan and only 0.9 % were from Emerson University. In terms of program of study, 74.9 % were from BS

program and 25.1 % were from B.Ed. (Hons) program. In terms of living status, 31.1 % were hostelide and 68.0 % were day scholars.

Table 3

Mean, SD and Item-Loading of Financial Literacy Scale

Item No.	Mean	Standard deviation	Cronbach's Alpha if item Deleted	Items Loadings
FB	4.00	1.088	.824	.528
FB	4.67	1.196	.828	.514
FB	3.11	1.227	.825	.661
FB	3.29	1.093	.824	.628
FB	3.78	1.020	.822	.537
FB	3.45	1.067	.823	.559
FB	3.85	1.021	.825	.571
FB	3.65	1.048	.821	.521
FB	3.31	1.170	.825	.630
FB	3.61	1.040	.824	.567
FA	2.96	1.269	.819	.601
FA	3.52	1.169	.821	.483
FA	3.46	1.295	.816	.547
FA	3.13	1.392	.815	.496
FA	3.22	1.361	.815	.574
FA	3.67	1.243	.817	.705
FA	3.55	1.180	.817	.557
FA	3.42	1.340	.823	.533
FA	3.92	1.166	.824	.672
FA	3.21	1.385	.818	.583
FA	3.00	1.421	.823	.604
FA	3.49	1.476	.825	.658
FA	3.40	1.318	.817	.694
FA	3.08	1.350	.819	.525
FA	3.37	1.272	.818	.565
FA	3.15	1.322	.822	.702
FA	2.96	1.349	.815	.578
FA	3.32	1.265	.814	.628
FA	3.57	.991	.821	.560
FA	3.00	1.356	.821	.539
FA	3.06	1.279	.819	.670
FA	3.60	1.269	.818	.563

FB= financial behaviour, FA= financial attitude

Table 3 shows that the item loadings of majority of the statements in the financial literacy scale ranging from (R=.514 to .705) indicated a strong correlation among the items of the scale. The mean scores ranging from (M=3.00 to 4.00) showed that the mean values were above and around the midpoint 3.00 and standard deviation ranging from (SD=.991 to 1.392) showing strong agreement of the respondents with the statements of the financial literacy scale.

Table 4

Mean, SD and Item-Loading of Financial Decision-Making Scale

Item No.	Mean	Standard deviation	Cronbach's Alpha if Item Deleted	Items Loadings
FDM	3.24	1.069	.511	.521
FDM	4.24	.987	.631	.505
FDM	3.34	1.019	.500	.645
FDM	4.51	1.032	.605	.639
FDM	3.29	1.084	.711	.501
FDM	3.59	.957	.504	.527

Table 4 shows that the item loadings of majority of the statements in the financial decision-making scale ranging from (a=.501 to .645) indicated a strong correlation among the items of the scale. The mean scores ranging from (M=3.24 to 4.51) showed that the mean values were above and around the midpoint 3.00 and standard deviation ranging from (SD=.957 to 1.084) showing strong agreement of the respondents with the statements of the financial decision-making scale.

Table 5

Effect of Financial Literacy on Financial Decision-Making of Prospective Teachers

Model		Sum of Squares	df	Mean Square	F	R	Adjusted R Square	Sig.
1	Regression	1024.599	1	1024.599	115.945	.610	.368	.000
	Residual	1732.048	196	8.837				
	Total	2756.646	197					

- a. Dependent Variable: Financial Decision-Making
- b. Predictor: (Constant), Financial literacy

Table 5 indicated the independent variable ‘*Financial Literacy*’ is shown as strong predictor (R=.610) and (P<.000) of the dependent variable ‘*Financial Decision-Making*’ of the prospective teachers. The analysis showed that there was a .610 % of variance in the perceptions of the prospective teachers. Thus, the hypothesis of this study “*There is no significant effect of financial literacy on financial decision making of prospective teachers*” was rejected. Thus it provided an empirical evidence that the prospective teachers strongly agreed that financial literacy has an effect on their financial decision-making.

Table 6

Effect of financial attitude on financial decision making among prospective teachers

Model		Sum of Squares	df	Mean Square	F	R	Adjusted R Square	Sig.
1	Regression	3636.051	1	3636.051	162.083	.678	.458	.000
	Residual	4262.319	190	22.433				
	Total	7898.370	191					

- a. Independent Variable: Financial Attitude
- b. Predictor: (Constant), Financial Decision-making

Table 6 indicated the independent variable ‘*Financial Attitude*’ is shown as strong predictor (R=.678) and (P<.000) of the dependent variable ‘*Financial Decision-Making*’ of the prospective teachers. The analysis showed that there was a .678 % of variance in the perceptions of the prospective teachers. Thus, the hypothesis of this study “*There is no significant effect of financial attitude on financial decision making of prospective teachers*” was rejected. Thus it provided an empirical evidence that the prospective teachers strongly agreed that financial attitude has an effect on their financial decision-making.

Table 7

Effect of financial behaviour on financial decision making among prospective teachers

Model	Sum of Squares	Df	Mean Square	F	R	Adjusted R Square	Sig.	
1	Regression	.680	1	.680	4.101	.542	.415	.044 ^b
	Residual	33.166	200	.166				
	Total	33.847	201					

a. Independent Variable: Financial Behaviour

b. Predictor: (Constant), Financial Decision-Making

Table 7 indicated the independent variable ‘*Financial Behaviour*’ is shown as strong predictor (R=.542) and (P<.044) of the dependent variable ‘*Financial Decision-Making*’ of the prospective teachers. The analysis showed that there was a .542 % of variance in the perceptions of the prospective teachers. Thus, the hypothesis of this study “*There is no significant effect of financial behaviour on financial decision making of prospective teachers*” was rejected. Thus it provided an empirical evidence that the prospective teachers strongly agreed that financial behaviour has an effect on their financial decision-making.

Discussion

This research study aimed to find out the effect of financial literacy on financial decision-making of prospective teachers in public sectors universities of South Punjab. The researchers used quantitative regression analysis to test three hypotheses formulated. The study found that there was a significantly positive effect of financial literacy on financial decision-making of prospective teachers. This finding was in line with the results of previous studies that financial literacy improves peoples’ skills to take productive and useful financial decisions. Knowledge of financial dealings such as investment, income generation and its judicious utilization has deeper effects upon the abilities of individuals to take proper decisions regarding their financial matters (Didenko et al.,2023; Hala et al.,2020). Studies have further revealed that financial literacy empowers people to take bold steps for their development and to undertake financial activities based on proper planning and preparation. Through financial literacy people get firsthand knowledge and skills to embark on financial activities and to take critical financial decisions which leads to their success (Hidayati et al.,2021). It is further stated that those individuals who have financial literacy, they can participate more actively in financial resource generation with more confidence. Their ration of success is greater than those people who lack the ability to take strong financial decisions (Adil et al.,2022).

This study revealed that financial attitude had a positive impact on financial decision-making of prospective teachers. This finding of the current research study also supported the results of numerous previous research studies which have indicated that those individuals who have the proper know how of financial dealings can take strong and timely decisions about their financial matters which enables them to increase their income and promote their self-interest (Dewi et al.,2020). Hence, financial dealings are strongly correlated with positive financial decision-making. In the same way, many other studies have also reported that people who have poor knowledge and skills to manage their financial matters cannot promote their financial position. They would not be able to create wider opportunities for their financial freedom (Denosta et al.,2024). Those people who have poor attitude towards financial activities cannot participate actively in such matters and remain far behind others in the race of financial stability and prosperity. Researchers have pinpointed that individuals with poor financial attitude shirk to take part in financial movements and activities and hence remain financially dependent on others (Cera et al., 2021).

This study showed that financial behaviour had a positive effect on financial decision-making of prospective teachers. This result of the current study also coincides with the findings of many other research works. Previous studies have revealed that financial literacy and positive behaviour towards participating in financial activities may provide the individuals more room for development and economic growth. Such individuals show positive behaviour and actively manage their expenditures (Compen et al., 2023). Studies have already found a positive correlation between financial literacy and its ultimate effects on the positive behaviour and tendencies on the part of people. It also improves their financial skills to take timely and prudent decisions in financial matters (Abbas et al, 2023). Researchers have stated that strong financial knowledge can enhance the abilities of people for properly analyzing their financial options about financial decision-making. They feel more empowered and show positive behaviour towards financial endeavors (Djou & Lukiastuti, 2021).

Conclusion

This study concluded that financial literacy positively predicts financial decision-making among prospective teachers of public sector universities. Based on the findings of this study, it can be concluded that people can make better financial decisions if they have proper knowledge and skills about financial matters and activities. They feel empower when they get the relevant information about financial dealings. It is further concluded based on the findings of the current study that financial attitude positively predicts financial decision-making among prospective teachers. Proper and positive attitude is the outcome of financial training and literacy. People who have critical knowledge of the financial activities and opportunities may take a timely and important step towards materializing their targets. This study provided an evidence that financial behaviour is a positive predictor of financial decision-making among prospective teachers of universities. It can be argued that positive behaviour is correlated with positive attitude and collectively it leads to take of good decisions towards any activity in life be it financial or academic or social for that matter. Mostly, such people who demonstrate positive behaviour can capitalize their financial resources more judiciously and actively.

Recommendations

Based on the results of this study the following recommendations are made.

1. Proper financial training may be provided to the prospective teachers to enable them to take effective, prudent and timely financial decisions. This may be achieved by including necessary courses in the teacher education curriculum and financial management and planning.
2. The prospective teacher may be provided opportunities to participate in financial seminars, conferences and symposiums. This will motivate them towards getting firsthand knowledge about financial matters. This will also have positive impact on their attitude towards financial dealing and matters.
3. The prospective teachers may be encouraged to take part in meetings related to financial matters and planning. This will increase their motivation and knowledge about financial activities and they will be able to make proper and active financial decisions which will have positive impact upon their professional and personal life.

Limitations and Future Direction

This study has several limitations which can be remedied by future researchers by further testing the results of this study in other context and field of studies. This study used a small sample for data collection which might have affected the reliability of the data. Future studies may use more robust sample for making the results of their studies stronger in terms of reliability and validity. This study was conducted in three public sector universities which bars the generalization of the results to other universities. Future studies may cover more universities to make generalization more flexible. The findings of this study may be used for bringing about positive changes in the courses and curriculum of financial management and planning of teacher education in Pakistan to improve the financial management knowledge and skills of the prospective teachers.

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