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DOES TIME MATTER? IMPACT OF FINANCIAL DECISION-MAKING ABILITIES ON FINANCIAL CHOICES MEDIATED BY TIME PERSPECTIVE

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Abstract

The aim of this paper is to examine the relationship between financial decision-making ability and financial choices, and also to check the mediating role of time perspective in this relationship. Financial decision-making ability is composed of two factors: financial behavior (FB) and financial literacy (FL). Whereas, three financial choices are used, which are: investment, savings, and consumption. Using structural equation modeling (SEM), the sample of 380 participants was used to analyze the results. The findings indicate that both financial literacy and financial behavior significantly increase the investment and choices of individuals, while financial behavior also increase consumption. In addition, study found that different factors of time perspective also mediate the relationship between financial decision-making ability and financial choices. The paper concludes with significant policy implications.

Keywords: financial literacy, financial behavior, time perspective, investment, savings and consumption

1. INTRODUCTION

The ability to make effective financial decisions is vital for individuals to attain long-term financial objectives and uphold financial stability. However, this process is multifaceted, requiring a blend of knowledge, skills, and behavioral factors. Financial decision-making predominantly comprises two crucial components: financial literacy and financial behavior.

Research has consistently demonstrated the positive correlation between financial literacy and investment decision-making (Clark et al., 2021, among others). Financial literacy also exerts a positive influence on

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saving behavior and debt management (Van Rooij et al., 2011). In contrast, limited exploration has delved into the role of financial behavior in shaping financial choices. Notably, one study found a positive association between individuals' confidence in financial decisions and their engagement in favorable financial behavior (Fisher & Yao, 2017).

Despite the acknowledged significance of financial decision-making abilities and financial choices, the literature often overlooks the mediating role of time perspective - a crucial factor reflecting an individual's temporal orientation. Recent studies underscore the relevance of time perspective in financial decision-making, revealing that future-oriented individuals are more inclined toward saving and investment behaviors (Gathergood & Weber, 2014; Kim et al., 2021).

However, the mediation of time perspective in the relationship between financial decision-making abilities and financial choices remains underexplored in existing literature. To address this gap, our study investigates the extent to which time perspective mediates the relationship between financial decision-making abilities (financial literacy and financial behavior) and financial choices (investment, savings, and consumption). This exploration aims to contribute to a more comprehensive understanding of the intricate interplay between these factors.

In essence, our research seeks to unveil the impact of financial decision-making abilities on financial choices, while concurrently examining the mediating role of time perspective. By identifying psychological and behavioral factors influencing financial decision-making, this study aspires to inform targeted interventions and educational programs, fostering improved financial literacy, financial behavior, and overall financial well-being among individuals.

2. THEORETICAL BACKGROUND AND EMPIRICAL EVIDENCES

Financial decision-making is a complex phenomenon that depends upon several traditional as well as behavioral factors. Since investors are humans, their decisions cannot only be relied on the computational (traditional) factors, but some psychological factors are also involved in it.

In order to understand the concept of financial literacy and financial behavior, we use bounded rationality (Simon, 1990) and self-control (Thaler & Shefrin, 1981) theories. Bounded rationality theory assumes that individual has some limitations in their cognition and rationality. Simon (1990) contended that human decisions are not completely rational because it is based on the limited knowledge. While making financial decisions, people are unable to obtain all the relevant information due to these constraints. Similarly, self-control theory defines an individual ability to control its current self in order to get optimal in its future self. Researchers argued that human can modify their behavior if they have self-control ability. More precisely, in the decision-making process, self-control ability enables individual to behave accordingly to gain optimal benefit.

From the investor’s standpoint, financial literacy can be understood by the bounded rationality theory. The notion of bounded rationality describes that investor knowledge (literacy) has some boundaries. It is their ability to use bounded financial literacy in

their decision-making process and get optimal outcomes. At the time of designing financial portfolios, investor has limited literacy and it is their capability to use those available information and make financial decisions. On the other side, financial behavior can be measured through self-control theory. It presumes that self-control ability shapes the behavior of investor and help them to behave appropriately while making decisions. Strömbäck et al. (2017) confirmed that self-control ability is greatly influenced by the financial behavior of investor. It regulates investor behavior into different dimensions in order to gain maximum benefits. Therefore, the present study emphasis on financial literacy and financial behavior as main decision-making abilities that predict the financial choices of investors.

2.1. Financial Decision Ability and Financial Choices

Decision making ability is a critical process that depends on several factors and it may vary individual to individual. While making decisions in life, some individual prefers past experiences, some uses literacy and some makes decision based on the judgment. In the past literature, researchers mainly focused on two financial decision making abilities, such as, financial literacy and financial behavior (Grohmann, 2018).

The concept of financial literacy first introduced by Jump and Tart in 1997, it defines ‘as an ability to use financial knowledge and skills in order to effectively manage the financial resources’. Several past studies have been found that examined the link of financial literacy with retirement planning (Van Rooij et al., 2011), risk perception and investment choice (Aren & Zengin, 2016), investment experience and judgment (Krische, 2019), among others. Beside this, financial literate individual is more likely to invest in stocks and they have more diverse financial portfolios than others (Abreu & Mendes, 2010). Further, most of the studies identified that financially literate individual is more vigilant especially at the time of taking borrowing decision. They tend to be aware of their optimal debt level (Stango & Zinman, 2009) and usually have lower cost of debt (Disney & Gathergood, 2013). Another dimension of financial decision ability is financial behavior, it illustrates how different individuals comprehend and react to the information available in the market (Jahanzeb, 2012). Past studies have endorsed the relationship between financial behavior and investment decision (Bora & Deb, 2017).

Although the role of TPT in the financial decision process is understudied. However, there are few studies that revealed the linkages between financial behavior and time perspectives. The study of Clements (2014) worked on time personality and financial health, indicated that individual financial health relates with the different temporal frames. Moreover, there are some studies that explained the important role of time in individual investment and saving preferences (Sekścińska et al., 2021). Based on the aforementioned discussion, following are the hypotheses:

H1a: Financial Literacy has a significant impact on investment

H1b: Financial Literacy has a significant impact on consumption

H1c: Financial Literacy has a significant impact on savings

H2a: Financial behavior has a significant impact on investment

H2b: Financial behavior has a significant impact on consumption

H2c: Financial behavior has a significant impact on savings

2.2. Time Perspective between Financial Decision Ability and Financial Choices

Time perspective is a psychological construct that explains the relationship of an individual with time. It is primarily a human cognitive process that are linked with different temporal frames, such as, present, past and future (Zimbardo & Boyd, 1999). In this area, one of the most popular theories is Time Perspective theory (TPT) proposed by (Zimbardo & Boyd, 1999, 2000). In this theory, the TPT is further categorized into five dimensions such as, past positive, past negative, present fatalistic, and present hedonistic and future. Numerous studies have been conducted in this area highlighting the importance of time perspective in explaining the role of financial behaviors, attitudes and decisions. However, there are still some areas in this domain that needs to be investigated. Firstly, most of the studies do not focused on all the dimensions of financial decision abilities such as, financial literacy and financial behavior. Moreover, the dimension of financial choices, such as, investment, consumption and savings are also understudied. As literature evident that financial literate ability assists financial choices of an individual, therefore, in this study, we contribute to study the separate link of financial literacy and behavior with the three dimensions of financial choices (investment, savings and consumption).

In addition, the past literature also highlighted the significance of the time perspective in the financial decision making. Although the role of TPs is prominent in financial decisions, studies revealed significant effects of TPs on financial choices. However, a scarce literature found that explains the relationship of financial decision ability (literacy & behavior) with financial choices (investment, spending & consumption) in the presence of time perspectives. Therefore, in our research, we tried to find out the effects of financial decision ability on financial choices with the mediation of time perspectives. The following are the hypotheses statements:

H3a: Past negative mediates between financial literacy and investment, consumption, savings

H3b: Past negative mediates between financial behavior and investment, consumption, savings

H4a: Past positive mediates between financial literacy and investment, consumption, savings

H4b: Past positive mediates between financial behavior and investment, consumption, savings

H5a: Present fatalistic mediates between financial literacy and investment, consumption, savings

H5b: Present fatalistic mediates between financial behavior and investment, consumption, savings

H6a: Present hedonistic mediates

between financial literacy and investment, consumption, savings

H6b: Present hedonistic mediates between financial behavior and investment, consumption, savings

H7a: Future oriented mediates between financial literacy and investment, consumption, savings

H7b: Future oriented mediates between financial behavior and investment, consumption, savings

Based on the above discussion, the given research framework is developed that illustrates the expected relationship of financial decision making abilities and financial choices with the mediating effects of time perspective dimensions (Figure 1).

3. RESEARCH METHODOLOGY

This research focuses on individuals who take financial decisions that involve investments, savings, and consumption. Here the population is wider as majority people take financial decisions in their day-today life. To analyze their financial behavior and financial decisions, we selected 380 sample from the entire population. Among the respondents, 83% were male and only 17% respondents were female. 68% respondents have age between 25-40, 25% have age less than 25, whereas only 5% respondents were aged above 41. Majority of the respondents (i.e. 58%) have monthly income less than 100,000 PKR, 20% respondents have income between 100,000-200,000 PKR, 8% respondents have income between 200,000 to 400,000 PKR and more 600,000 PKR and only 4% respondents have income between 400,000-600,000 PKR. The profile of the respondents is presented in Table 1.

In this study, financial decision ability is the interest variable that further comprised of two subscales, such as financial literacy and financial behavior. The instrument of financial decision ability consists of 10 items, in which each scale is measured by five questions. The items are adopted from Fünfgeld and Wang (2009), and Wood and

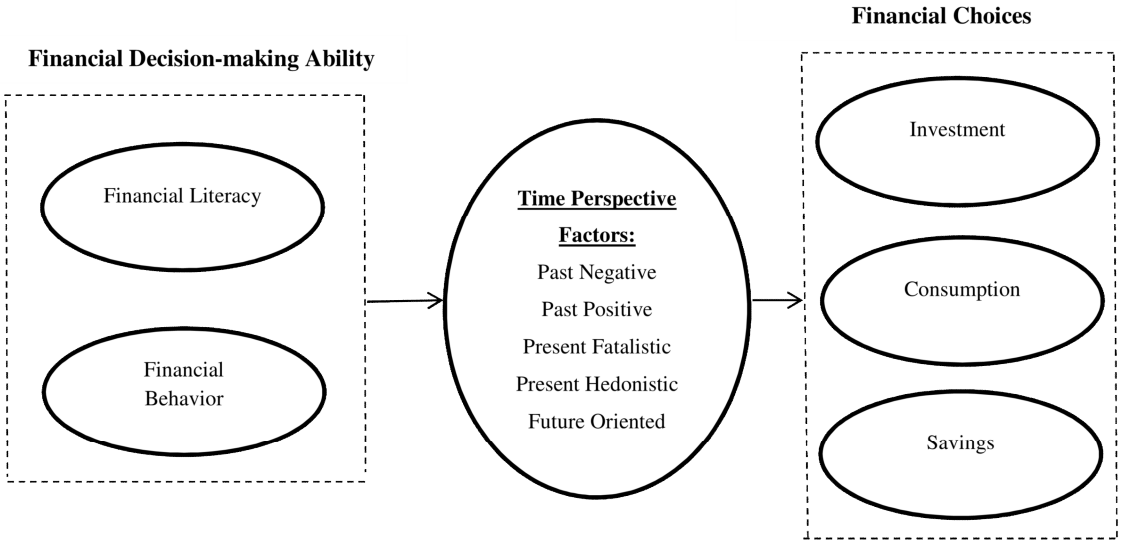

Figure 1.Conceptual framework

Table 1. Profile of Respondents (n = 380)

Characteristics	Frequency	Percentage (%)
Gender		
Male	315	82.9
Female	65	17.1
Age		
Less than 25	103	27.1
25-40	251	66.1
41-60	22	5.8
More than 60	4	1.1
Investment Experience		
Less than 2 years	194	51.1
2-5 years	89	23.4
6-8 years	44	11.6
9-12 years	21	5.5
Above 12 years	32	8.4
Income Level		
Less than 100,000	231	60.8
100,000-200,000	81	21.3
200,001-400,000	32	8.4
400,001-600,000	17	4.5
Above 600,000	19	5.0

Source: Author's estimation

Zaichkowsky (2010). Another interest variable is financial choices, which has three dimensions, namely investment, consumption, and savings. Each of the subscales consist of five items that are obtained from Mayfield et al. (2008), and Furnham (1999). In addition, time perspective has five time dimensions, which are, past negative, past positive, present fatalistic, present hedonistic, and future. All the type contains five items which are adopted from Zimbardo and Boyd (1999), and Zhang et al., (2013).

The present study collected the data from the individuals and followed all the ethical consideration. Participants were provided with detailed information regarding the study's objectives, procedures, and potential risks, and informed consent was obtained from each participant before data collection. Additionally, participant confidentiality was maintained throughout the study.

4. RESULTS AND DISCUSSION

Initially, the data cleaning process is performed using SPSS software that eliminated the impurities in the data (proposed by Hair et al, 2010). After that, SEM (structural equation modeling) is employed using SmartPLS to validate the constructs and assesses the internal consistency of the instrument. Primarily, the data was first analyzed through measurement model and then hypotheses were tested.

4.1. Measurement Model

In the measurement model testing, the construct validity and reliability were assessed. The former validates the convergent and discriminant validity of the variables, whereas, latter assesses the internal consistency of the research instrument.

The convergent validity refers as the

degree of correlation between the measures of a construct (Neuman, 2007). It can be measured by average variance extracted (AVE) and the criterion for the given measure is greater than 0.5 (Hair et al., 2010, 2014). However, Fornell and Larcker (1981) contend that 0.4 AVE can also be accepted when the composite reliability is greater than 0.6. Other than AVE, convergent validity can also be measured by factor loadings of the constructs and it should be greater than 0.7 (Hair et al., 2014). However, some past studies also suggested that 0.5 factor loading is also sufficient to obtain better results (Truong & McColl, 2011). Table 2 reported the results of factor loadings, composite reliability and AVE. It shows that all the construct fulfills the mentioned criteria and hence conclude that convergent validity and reliability has been established among the constructs.

It refers to the extent to which a construct

Table 2. Construct Reliability and Validity

Construct	Items	Loadings	CR	AVE
FB	FB1	0.719	0.744	0.492
	FB3	0.666		
	FB4	0.718		
FL	FL2	0.743	0.790	0.557
	FL3	0.761		
	FL4	0.734		
C	C1	0.771	0.789	0.559
	C3	0.855		
	C4	0.600		
I	I2	0.737	0.786	0.550
	I3	0.744		
	I4	0.744		
S	S1	0.690	0.796	0.567
	S3	0.762		
	S4	0.803		
PF	PF1	0.673	0.833	0.500
	PF2	0.692		
	PF3	0.700		
	PF4	0.746		
	PF5	0.722		
PH	PH2	0.741	0.786	0.551
	PH3	0.740		
	PH4	0.746		
PN	PN1	0.741	0.855	0.542
	PN2	0.749		
	PN3	0.756		
	PN4	0.731		
	PN5	0.701		
PP	PP1	0.757	0.844	0.575
	PP2	0.752		
	PP3	0.831		
	PP4	0.686		
FO	FO2	0.768	0.801	0.573
	FO3	0.729		
	FO4	0.774		

Source: Author's estimation

is different from another construct (Hair et al., 2014). It is important to establish discriminant validity between the constructs (Henseler et al., 2015) in order to avoid any discrepancies in the results. Three methods can be used to determine the discriminant validity (Hair et al., 2014; Henseler et al., 2015), such as, Fornell and Larcker (1981) criterion, cross loadings, and Heterotrait-Monotrait (HTMT) method. In Fornell & Larcker (1981) criterion, the variance of a same variable should be greater than the variance of other variable. The suggested criteria of Fornell and Larcker (1981) is that the diagonal values, that is the square root of AVE should be greater than their off-diagonal values (Hair et al., 2011). Table 3 shows the correlation matrix of Fornell and Larcker (1981) that satisfy the mentioned criteria, thus establishing the discriminant validity.

Furthermore, some past studies contend that Fornell and Larcker (1981) criterion is an ineffective method to measure discriminant validity. Therefore, Henseler et al., (2015) introduced a new method of discriminant validity, generally referred as Heterotrait-Monotrait (HTMT) ratio. In this method, if the HTMT ratios are lesser than 0.9, it establishes the discriminant validity in the construct. The results are illustrated in Table 4, thus confirming the discriminant validity.

4.2. Hypothesis Testing

After assessing the outer measurement model, the data is analyzed for the inner measurement model (Henseler et al., 2009; Hair et al., 2010). The PLS-SEM technique

Table 3. Discriminant Validity: Fornell-Larcker Criterion

	C	FB	FL	FO	I	PF	PH	PN	PP	S
C	**0.748**									
FB	0.225	**0.701**								
FL	0.204	0.447	**0.746**							
FO	0.259	0.298	0.335	**0.757**						
I	0.377	0.304	0.318	0.303	**0.742**					
PF	0.360	0.276	0.228	0.348	0.341	**0.707**				
PH	0.375	0.300	0.326	0.471	0.324	0.356	**0.742**			
PN	0.225	0.255	0.289	0.310	0.193	0.401	0.369	**0.736**		
PP	0.197	0.311	0.290	0.417	0.197	0.360	0.451	0.447	**0.758**	
S	0.188	0.302	0.302	0.291	0.314	0.197	0.273	0.309	0.337	**0.753**

Source: Author's estimation

Table 4. Heterotrait-Monotrait Ratio (HTMT)

	C	FB	FL	FO	I	PF	PH	PN	PP	S
C										
FB	0.446									
FL	0.330	0.837								
FO	0.417	0.536	0.542							
I	0.632	0.549	0.523	0.498						
PF	0.528	0.436	0.331	0.501	0.515					
PH	0.604	0.558	0.541	0.759	0.545	0.542				
PN	0.326	0.409	0.418	0.432	0.272	0.526	0.537			
PP	0.270	0.513	0.430	0.600	0.288	0.486	0.672	0.579		
S	0.301	0.553	0.496	0.468	0.515	0.288	0.445	0.435	0.493	

Source: Author's estimation

is used to test the hypothesis through SmartPLS.

The fitness of inner measurement model can be examined by checking the accuracy and relevancy of the proposed model. In order to assess the inner model fitness, we used cross-validated redundancy (Q^2) and coefficient of determination (R^2). The value of Q^2 checks the accuracy of the model, it should be greater than zero, whereas, R^2 values shows how accurately independent variables are explaining the dependent variable (Henseler et al., 2009; Hair et al., 2010, 2014). Table 5 reports the values of both Q^2 and R^2 and thus confirms the inner model fitness.

The proposed hypotheses were tested by using structural equation modeling. In the current study, we tested both the direct and indirect effects of the variables. Table 6 shows the direct effects estimation between financial decision ability (financial literacy & financial behavior) and financial choices (Investment, consumption & savings).

The results of Table 7 shows that financial behavior has a significant and direct effect on all the three financial choices, such as, investment, savings & consumption (β=0.103, 0.125, 0.133 P<0.10). In addition, financial literacy has a direct and significant effect on investment and saving choices (β=0.157, 0.121 P<0.10), whereas, financial literacy has an insignificant impact on the consumption choices (β=0.022 P>0.10).

Table 7 reports the direct effects of time perspective dimensions, such as, past positive, past negative, present fatalistic, present hedonistic, and future oriented with financial choices. It is suggested that past negative time has a significant positive effect on savings (β=0.140 P<0.10), negative and insignificant effects on investment (β=-0.027 P>0.10) and positive and insignificant effects on consumption (β=0.016 P>0.10). Furthermore, past positive time has a negative and insignificant relation with consumption and investment (β=-0.067, -0.061 P>0.10), however, positive and significant relation found with saving (β=0.150 P<0.10). Present fatalistic has

Table 5. Predictive Power of Construct

	R Square	R Square Adjusted	Q^2 (=1-SSE/SSO)
C	0.213	0.198	0.102
I	0.222	0.208	0.102
S	0.203	0.188	0.099

Source: Author's estimation

Table 6. Direct Effects of Financial Decision Ability & Financial Choices

	Estimates	T Stats	P Values
Consumption			
FB -> C	0.103	1.875	0.061
FL -> C	0.022	0.357	0.721
Investment			
FB -> I	0.125	1.883	0.060
FL -> I	0.157	2.819	0.005
Savings			
FB -> S	0.133	2.470	0.014
FL -> S	0.121	2.005	0.045

Source: Author's estimation

significant impact on consumption and investment choices (β=0.238, 0.213 P<0.10, whereas, an insignificant and negative with savings (β=-0.023 P>0.10). On the other hand, present hedonistic is significantly related to the investment and consumption choices (β=0.258, 0.148 P<0.10, an insignificantly related to savings (β=0.036 P>0.10). Future oriented has a positive but insignificant impact on all of the financial choices (β=0.040, 0.103, 0.093 P>0.10).

The indirect effects result of financial literacy, time perspectives and financial choices are illustrated in Table 8. It is noted that present hedonistic and present fatalistic time positively and significantly increases the effect of financial literacy on consumption (β=0.062, 0.031, P<0.10). Whereas, past positive, past negative and future oriented time do not play a significant role between financial literacy and consumption (β=-0.013, 0.004, 0.010, P>0.10). In addition, it is also shown that financial literacy significantly increases investment (β=0.035, 0.028, P<0.10), notably when the investor has present hedonistic and fatalistic perspectives. Past positive and past negative time reduces the effects of financial literacy on investment (β=-0.006, -0.012, P>0.10), but in our context they are insignificant. Future oriented time does play any role in between financial literacy and investment (β=0.026, P>0.10). With respect to saving choices, past positive and past negative time play a significant and direct role (β=0.031, 0.028, P<0.10). There is no role of present hedonistic and future oriented perspectives in relation between financial literacy and savings (β=0.009, 0.024, P>0.10), however, financial literacy reduces the impact on savings when the investor prefers present fatalistic time (β=-0.003, P>0.10).

Table 9 reports the indirect effects of financial behavior, time perspectives and financial choices. With respect to the financial choice of consumption, present fatalistic and present hedonistic are significant (β=0.052, 0.050, P<0.10). Whereas, past positive, past negative and

Table 7. Direct Effects of Time Perspectives and Financial Choices

	Estimates	T Values	P-Values
Consumption			
PN --> C	0.016	0.297	0.766
PP --> C	-0.067	1.138	0.256
PF --> C	0.238	4.511	0.000
PH --> C	0.258	3.971	0.000
FO --> C	0.040	0.667	0.505
Investment			
PN --> I	-0.027	0.431	0.667
PP --> I	-0.061	1.008	0.314
PF --> I	0.213	3.572	0.000
PH --> I	0.148	2.287	0.023
FO --> I	0.103	1.480	0.140
Savings			
PN --> S	0.140	2.630	0.009
PP --> S	0.150	2.542	0.011
PF --> S	-0.023	0.411	0.681
PH --> S	0.036	0.585	0.559
FO --> S	0.093	1.348	0.178

Source: Author's estimation

future oriented time do not mediate the relationship between financial behavior and consumption (β=0.003, -0,015, 0.007, P>0.10). Additionally, it is noticed that present fatalistic and present hedonistic significantly mediate the relationship of financial behavior and investment (β= 0.046, 0.029, P<0.10). However, past negative, past positive and future oriented have no role in between financial behavior and investment (β=-0.004, -0.014, 0.019, P>0.10). On the other hand, it is found that investor will only choose savings when it has past positive and past negative time perceptions (β=0.022,

Table 8. Indirect Effects of Financial Literacy & Financial Choices

	Estimates	T Values	P-Values
Consumption			
FL --> PN --> C	0.004	0.283	0.778
FL --> PP --> C	-0.013	0.989	0.323
FL --> PF --> C	0.031	2.041	0.042
FL --> PH --> C	0.062	2.865	0.004
FL --> FO --> C	0.010	0.643	0.520
Investment			
FL --> PN --> I	-0.006	0.400	0.689
FL --> PP --> I	-0.012	0.890	0.374
FL --> PF --> I	0.028	1.819	0.070
FL --> PH --> I	0.035	1.839	0.067
FL --> FO --> I	0.026	1.288	0.198
Savings			
FL --> PN --> S	0.031	2.065	0.039
FL --> PP --> S	0.028	1.879	0.061
FL --> PF --> S	-0.003	0.367	0.714
FL --> PH --> S	0.009	0.561	0.575
FL --> FO --> S	0.024	1.235	0.217

Source: Author's estimation

Table 9. Indirect Effects of Financial Behavior & Financial Choices

	Estimates	T Values	P-Values
Consumption			
FB --> PN --> C	0.003	0.277	0.782
FB --> PP --> C	-0.015	1.019	0.309
FB --> PF --> C	0.052	2.798	0.005
FB --> PH --> C	0.050	2.683	0.008
FB --> FO --> C	0.007	0.599	0.549
Investment			
FB --> PN --> I	-0.004	0.393	0.694
FB --> PP --> I	-0.014	0.925	0.356
FB --> PF --> I	0.046	2.367	0.018
FB --> PH --> I	0.029	1.966	0.050
FB --> FO --> I	0.019	1.270	0.205
Savings			
FB --> PN --> S	0.022	1.755	0.080
FB --> PP --> S	0.034	1.959	0.051
FB --> PF --> S	-0.005	0.387	0.699
FB --> PH --> S	0.007	0.524	0.601
FB --> FO --> S	0.017	1.184	0.237

Source: Author's estimation

0.034, $P<0.10$). In contrast, present fatalistic, present hedonistic and future oriented time do not have any role in between financial behavior and savings (β=-0.005, 0.007, 0.017, $P>0.10$).

4.3. Discussions

The results of our study reveal a significant positive impact of both financial literacy and financial behavior on individuals' investment choices. This aligns with existing research, emphasizing the pivotal role of these financial competencies in shaping individuals' decisions to invest. Higher levels of financial literacy and appropriate financial behaviors contribute to a greater likelihood of opting for investment opportunities. This finding underscores the importance of enhancing both financial knowledge and behavioral aspects for fostering a culture of informed investment among individuals.

Additionally, our investigation extends beyond this direct relationship to explore the mediating role of time perspective dimensions in the complex dynamics between financial abilities and financial choices. Our results illuminate the nuanced influence of time perspective on individuals' financial decisions. Specifically, the way individuals perceive and engage with past, present, and future temporal orientations significantly mediates the impact of financial abilities on investment decisions.

For instance, individuals with a future-oriented perspective exhibit a heightened likelihood of making investment choices, aligning with existing research indicating a positive correlation between forward-looking temporal orientations and prudent financial behaviors. Conversely, those with present-oriented perspectives may display a diverse array of financial choices, shaped by immediate concerns or desires.

This nuanced comprehension of time perspective's mediating role enriches the existing literature, emphasizing the importance of accounting for individuals' temporal orientations in financial interventions and educational initiatives. Tailoring strategies to accommodate diverse time perspectives can enhance the efficacy of programs aimed at improving financial literacy and behavior, thus positively influencing financial choices.

In conclusion, this study not only reinforces the positive impact of financial literacy and behavior on investment choices but also contributes insights into the intricate interplay involving time perspective dimensions. These findings offer practical implications for policymakers, educators, and financial institutions, providing a foundation for designing targeted interventions that foster a more informed and diversified range of financial choices among individuals.

5. CONCLUSION AND RECOMMENDATIONS

The aim of this study was to explore the intricate relationship between financial decision-making abilities, encompassed by financial literacy and financial behavior, and the subsequent impact on specific financial choices. The mediating role of time perspective (TP) was investigated to gain a deeper understanding of how individuals' perceptions of the past, present, and future influence their financial decision-making processes.

Our findings underscore the significance of both financial literacy and financial

behavior in shaping sound financial decisions. Individuals with higher financial literacy levels demonstrated a greater propensity for investing and saving, while those exhibiting appropriate financial behaviors were more likely to make informed choices across various financial domains, including investment, savings, and consumption. A parallel study by Montalto et al. (2019) corroborates these findings, establishing a positive association between financial literacy and savings behavior.

Moreover, the study shed light on the pivotal role of time perspective dimensions-past positive, past negative, present fatalistic, present hedonistic, and future-oriented-in influencing financial choices. Notably, individuals with strong present hedonistic or present fatalistic orientations, despite financial literacy, were more inclined towards consumption and investment, while those with past positive and negative perspectives were predisposed to choosing savings options. This aligns with the insights from Zhang and Howell's (2011) research, revealing that present-oriented individuals tend to engage in impulsive spending, whereas future-oriented individuals are more inclined to prioritize saving.

The implications of these findings extend to both individual financial decision-makers and policymakers, particularly in the context of Pakistan's pursuit of inclusive economic growth through financial inclusion. Our recommendations include the promotion of financial literacy through targeted awareness campaigns, workshops, and seminars. Additionally, government support for financial inclusion, particularly among marginalized communities, is crucial. Initiatives like microfinance programs, mobile banking, and community-based savings groups can play a vital role in achieving this goal.

For future research endeavors, we propose a deeper exploration of how time perspective continues to affect the intricate interplay between financial decision-making skills and specific financial choices. Additionally, researchers may delve into other aspects of financial decision-making, such as financial confidence, to broaden our understanding of the factors shaping individuals' financial behaviors.

In conclusion, our study contributes valuable insights into the complex dynamics of financial decision-making, emphasizing the need for comprehensive strategies to enhance financial literacy and support inclusive financial practices for sustained economic development.

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ДА ЛИ ЈЕ ВРЕМЕ ВАЖНО? УТИЦАЈ СПОСОБНОСТИ ФИНАНСИЈСКОГ ОДЛУЧИВАЊА НА ФИНАНСИЈСКЕ ИЗБОРЕ ПОСРЕДОВАНЕ ВРЕМЕНСКИМ ПЕРСПЕКТИВОМ

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Извод

Циљ овог рада је да се испита однос између способности финансијског одлучивања и финансијских избора, као и да се провери посредничка улога временске перспективе у овом односу. Способност финансијског доношења одлука се састоји од два фактора: финансијског понашања (ФПо) и финансијске писмености (ФПи). Док се користе три финансијска избора, а то су: инвестиција, штедња и потрошња. Користећи моделовање структурних једначина (енг. Structural Equation Modeling- SEM), узорак од 380 учесника је коришћен за анализу резултата. Налази указују да и финансијска писменост и финансијско понашање значајно повећавају улагања и изборе појединаца, док финансијско понашање такође повећава потрошњу. Поред тога, студија је открила да различити фактори временске перспективе такође посредују у односу између способности финансијског доношења одлука и финансијских избора. Рад се завршава значајним импликацијама на прописе.

Кључне речи: финансијска писменост, финансијско понашање, временска перспектива, улагања, штедња и потрошња

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