Herd investment decision and savings pattern among lecturers in Nigerian tertiary institutions: The mediating role of financial literacy

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ABSTRACT

Despite relatively high education and income stability, many lecturers in Nigerian tertiary institutions exhibit weak savings outcomes, largely influenced by herd-driven investment decisions and exposure to high-risk informal schemes such as Ponzi operations. Peer influence increasingly shapes their financial choices, raising concerns about the implications for savings behaviour and the role of financial literacy. This study examined the effect of herd investment decisions on savings patterns among lecturers in Nigerian tertiary institutions, with financial literacy serving as a mediating variable. The study adopted a descriptive survey research design and collected primary data from 122 lecturers across tertiary institutions in South-West Nigeria using a structured questionnaire. Herd investment decision, savings pattern, and financial literacy were measured using a four-point Likert-type scale and analysed using Partial Least Squares Structural Equation Modelling (PLS-SEM). The findings revealed that financial literacy had a positive and statistically significant effect on savings patterns, while herd investment decision also exerted a significant direct effect on savings behaviour. However, herd investment decision did not significantly influence financial literacy, and financial literacy did not mediate the relationship between herd investment decisions and savings patterns. The study concluded that herd investment behaviour influences savings patterns primarily through direct social influence rather than through changes in financial knowledge. While financial literacy independently enhances savings behaviour, it does not mediate the effect of herd behaviour. Therefore, policies aimed at improving savings outcomes should combine financial literacy initiatives with behavioural finance–oriented interventions that address peer influence, social norms, and herd-driven decision-making to promote informed and sustainable saving behaviour among lecturers.

Keywords: *Investment Herding; Financial Literacy; Savings Pattern; Lecturers; Tertiary Institutions in Nigeria*

INTRODUCTION

Investment decisions and saving behaviour are central to individuals' long-term financial security and, collectively, to economic stability. While classical financial theories assume that individuals make rational decisions based on complete information and objective risk assessment, real-world evidence increasingly suggests otherwise (Barberis & Thaler, 2003). In practice, financial decisions are often shaped by social influence, cognitive limitations, and psychological biases, leading individuals to deviate from optimal saving and investment choices (Ahmad, 2020). Among these behavioural tendencies is herd investment behaviour. Herding is the inclination to imitate the financial actions of others without sufficient independent financial and legal due diligence (Bintang, 2024).

Within this behavioural finance context, lecturers in Nigerian tertiary institutions represent a particularly interesting population (Regine et al, 2026). As educated professionals with relatively stable incomes, job security, and access to information, lecturers are typically expected to exhibit prudent financial behaviour. However, this assumption may overlook the powerful role of peer influence and workplace social networks. Observing colleagues' apparent financial success can shape perceptions of profitable investment opportunities and subtly influence how lecturers allocate income between consumption, saving, and investment (Ajemunigbohun, & Azeez 2023). Consequently, herd-driven investment decisions may expose lecturers to high-risk schemes, with adverse implications for their savings patterns.

A key mechanism through which herd investment behaviour may affect savings outcomes is financial literacy (Aleno, 2025). Financial literacy enhances individuals' ability to understand fundamental financial concepts such as interest compounding, diversification, inflation, and risk management, thereby supporting informed saving and investment decisions (Annamaria & Flore-Anne, 2023). Empirical studies suggest that financially literate individuals are better equipped to evaluate investment opportunities and maintain sustainable saving behaviour (Katnic et al., 2024; Moko et al., 2022; Nogueira, 2025). Nevertheless, financial literacy does not entirely eliminate susceptibility to behavioural biases, particularly in environments characterised by persuasive narratives and social reinforcement.

This vulnerability is especially evident in the context of Ponzi schemes, which often serve as conduits for herd investment behaviour. Such schemes promise abnormally high and consistent returns while obscuring or fabricating information about underlying investment activities. Early participants are paid with funds from later entrants, creating an illusion of legitimacy and success (Kasim et al., 2020; Carey & Webb, 2017). Through social media, word-of-mouth communication, and workplace interactions, early success stories spread rapidly, triggering collective participation (Darunday et al, 2024). When these schemes inevitably collapse, investors, particularly later entrants suffer substantial financial losses, often at the expense of their accumulated savings (Carey & Webb, 2017).

From a psychological perspective, the persistence of Ponzi schemes reflects the psychology of money, where emotions such as greed, fear of missing out, and overconfidence override rational judgement (Seema, 2022). The visibility of peers benefiting from similar investments reinforces herd instincts and suppresses critical scrutiny, even among educated individuals. This social contagion effect highlights that financial decision-making is not purely economic but also deeply psychological and social in nature (Ferdian, 2024).

Globally, Ponzi schemes have demonstrated remarkable adaptability. In China, the Ezubao peer-to-peer lending platform collapsed in 2016 after defrauding approximately

900,000 investors of an estimated $7.6 billion (China Banking Regulatory Commission, 2017). Similar cases have been reported in the United States, South Africa, Ghana, and Nigeria, underscoring the widespread nature of such schemes. In Nigeria, the Economic and Financial Crimes Commission (EFCC, 2025) reported at least 58 active Ponzi schemes nationwide, with an estimated ₦1.3 trillion allegedly siphoned from the economy in April 2025 through the now-defunct Crypto-Bridge Exchange (CBEX) platform.

Against this backdrop, this study examines the effect of herd investment decision on the savings pattern of lecturers in Nigerian tertiary institutions, with particular emphasis on the mediating role of financial literacy. By focusing on this professional group, the study contributes to the behavioural finance literature by demonstrating how socially influenced investment behaviour manifests even among educated individuals. It further provides empirical evidence on how financial literacy interacts with herd behaviour to shape savings outcomes in an emerging economy context.

LITERATURE REVIEW

Theoretical Framework

This study draws on Behavioural Finance Theory (Kahneman & Tversky, 1979) and Social Learning Theory (Bandura, 1977) to explain the relationship between herd investment behaviour and the savings pattern of lecturers in the Nigerian tertiary institutions, as well as the mediating role of financial literacy. Behavioural Finance Theory emerged as a critique of the Efficient Market Hypothesis and Rational Choice Theory, both of which assume that investors act rationally and that markets efficiently process information (Fama, 1970). Foundational works by Kahneman and Tversky (1979) on Prospect Theory, and later by Shiller (2000) and Barberis and Thaler (2003), established that investors' decisions are systematically influenced by emotions, heuristics, and social pressures. The theory assumes that psychological biases such as overconfidence, loss aversion, and herding distort rational analysis and cause predictable deviations from optimal investment behavior (Fama,1970). In this sense, herding behaviour arises when individuals imitate others' financial actions rather than relying on their independent judgment, particularly under conditions of uncertainty or complex financial information.

In the context of this study, Behavioural Finance Theory provides a psychological foundation for understanding why even informed groups such as university lecturers may follow herd investment patterns (Ferdian, 2024; Kalabeke & Phuong-Nguyen, 2024). In situations where financial information is ambiguous or market volatility is high, lecturers might rely on social cues from colleagues or professional networks rather than conducting personal analysis. This tendency helps explain why some lecturers participate in risky or unregulated investment activities, including Ponzi schemes, despite their academic exposure.

Complementing the psychological view of Behavioural Finance Theory is Social Learning Theory by Bandura (1977). The theory posits that individuals acquire behaviours through observation, imitation, and modeling within social environments. The theory assumes that people do not always learn through direct experience but often by observing others and the outcomes of their actions (Alshebami & Aldhyani, 2022; Aleño et al., 2022). Behaviour, therefore, is influenced not only by individual cognition but also by social interaction and environmental reinforcement. In professional settings such as universities, lecturers often exchange financial experiences and discuss investment opportunities through formal and informal networks. These interactions can create informational cascades where individuals replicate their colleagues' financial choices, leading to group-oriented financial behaviour. Herd investment among lecturers

may thus stem not only from cognitive biases but from socially reinforced learning processes within their peer environment.

Taken together, Behavioural Finance Theory and Social Learning Theory provide a comprehensive framework for this study. Behavioural Finance Theory captures the cognitive and emotional biases that lead lecturers to imitate the investment decisions of their peers, while Social Learning Theory explains how such behaviours spread and are reinforced through social and professional interactions. Financial literacy is conceptualized as a mediating factor that can either weaken or strengthen this relationship, depending on the individual's ability to critically evaluate financial information and resist socially driven pressures. By integrating both theoretical perspectives, this study provides a multidimensional understanding of how herd investment behaviour develops among university lecturers and how it shapes their savings and investment patterns within a socially interactive environment.

Empirical Review

Over the past decade, an expanding literature has empirically investigated how behavioural biases, social influences, and financial literacy interact to shape saving and investment behaviour. These studies provide insight into the mechanisms through which herding and knowledge affect financial outcomes and identify key variables relevant for this study.

Recent research confirms that behavioural biases such as herding, overconfidence, and FOMO (fear of missing out) significantly influence investment decisions. Ahmad (2020) found that underconfidence and overconfidence biases shape both short-term and long-term investment among market participants. Similarly, Ferdian (2024) showed that herding tendencies in Indonesia lead to correlated trading behaviour that departs from fundamentals. Gupta and Shrivastava (2021) documented that FOMO mediates between herding cues and risky investment participation, indicating that psychological factors amplify the effect of social influence.

Financial literacy emerges as a strong predictor of better financial behavior in multiple settings. Katnic et al. (2024) demonstrated in Montenegro that individuals with higher financial literacy scores show greater saving capacity and more prudent investment choices. Nogueira et al. (2025) analyzed OECD-country data and found that financial knowledge is positively associated with behaviours like saving regularly and avoiding speculative investments. Moko et al. (2022) showed that financial attitude, knowledge, and personality together significantly influence financial management behavior, including saving and investment practices.

However, even literate individuals are not fully immune to herding and speculative traps. Ahmad & Shah (2020) noted that despite high knowledge levels, some investors still show imitation behaviour under peer pressure. Anifa (2023) examined contexts where social influence and strong narratives about wealth diminish the protective effect of financial literacy. Almansour et al. (2023) found that in Gulf countries, digital speculative investments draw investors even with medium to high literacy because of persuasive marketing and peer recommendations.

Social learning and peer influence are repeatedly shown to play crucial roles. Study by Darunday et al. (2024) shows that social media marketing significantly shapes investment decisions. Alshebami and Aldhyani (2022) found that among Saudi youth, peer influence and parental modeling have strong effects on saving behaviour, and these effects are moderated by self-control. Nomlala (2021) demonstrated that among students in South Africa, accounting students' financial socialisation via peers and family predicts

saving behaviour. These findings underline that observation of others' financial actions is a major determinant of individuals' saving/investment habits.

Evidence concerning Ponzi or fraudulent scheme participation also appears in recent studies. Gryazeva et al. (2021) examined how social networks and psychological appeal are used to recruit participants into fraudulent investment schemes. In Nigeria, empirical work of Onyima (2019) shows rural households borrowing from informal sources to join schemes, leading to high indebtedness and disruption of saving behaviour.

Overall, empirical evidence consistently supports the notion that herding and social influence are pervasive across financial contexts, and that financial literacy has limited efficacy in isolation. However, existing research has not adequately explored these dynamics within professional and academic communities, where individuals possess higher education yet remain vulnerable to socially reinforced financial decisions.

Moreover, limited attention has been paid to the mediating role of financial literacy in the relationship between herd investment behaviour and saving/investment patterns. This study, therefore, seeks to bridge these gaps by examining how herd investment behavior proxied through Ponzi scheme participation affects the savings and investment patterns of university lecturers, and how financial literacy mediates this relationship. By focusing on an informed yet socially interconnected professional group, the study contributes fresh insights to behavioral finance literature in the context of emerging economies.

METHOD

The study adopted a descriptive survey research design to examine the relationship between herd investment decisions and savings patterns among lecturers in Nigerian tertiary institutions, with financial literacy serving as a mediating variable. The population comprised lecturers employed in tertiary institutions across South-West Nigeria, including Lagos, Ogun, Oyo, Osun, Ondo, and Ekiti States. The region was selected due to its high concentration of public and private institutions and active participation in investment activities. A simple random sampling technique was employed, which gives all the lecturers in the selected South-West Nigeria tertiary institutions that chance to be selected in the entire population which could be attained as at the time of this empirical work (Hair et al, 1999; 2020) and a total of 120 lecturers constituted the sample size. Primary data were collected using a structured questionnaire administered electronically via Google Forms and distributed through academic and professional platforms.

The questionnaire captured demographic information and measured herd investment decision (proxied by participation in Ponzi schemes), savings patterns, and financial literacy using close-ended items on a four-point Likert-type scale ranging from Strongly Agree to Strongly Disagree. To examine the mediating relationship, the study specified the following econometric model:

$$\boldsymbol{SP_i = \beta_0 + \beta_1 HID_i + \beta_2 FL_i + \mu_i}$$
$$\boldsymbol{FL_i = \alpha_0 + \alpha_1 HID_i + \varepsilon_i}$$

where SP_i represents the savings pattern of respondent i, HID_i denotes herd investment decision proxied by Ponzi scheme participation, FL_i represents financial literacy, α_0 and β_0 are intercept terms, α_1, β_1, and β_2 are the estimated path coefficients, while ε_i and μ_i are stochastic error terms. The indirect (mediating) effect of herd investment decision on savings patterns was captured through the product $\alpha_1 X \beta_2$, while the total effect was obtained as the sum of the direct and indirect effects.

The study employed the Partial Least Squares Structural Equation Modelling (PLS-SEM) technique for data analysis. This estimation approach was considered suitable due to its robustness with relatively small sample sizes, minimal distributional assumptions, and effectiveness in estimating complex mediation models (Hair et al, 2021)

The measurement model was first evaluated to establish indicator reliability, internal consistency reliability, convergent validity, and discriminant validity of the constructs. Subsequently, the structural model was assessed to estimate path coefficients, coefficients of determination (R^2), t-statistics obtained through bootstrapping, effect sizes, and overall model fit using the Standardized Root Mean Square Residual (SRMR) (Fornell & Larcker, 1981). This analytical procedure enabled a comprehensive assessment of both the direct and mediating effects and provided empirical evidence on the theoretical and conceptual relationships among herd investment decisions, financial literacy, and savings patterns among lecturers in South-West Nigeria.

RESULTS AND DISCUSSION

This section captures the tables for profile of the respondents, descriptive statistics, Reliability and Validity of the Measurement model, Structural Equation Modelling. These tables illustrate that relationship between the outcome variable and explanatory variables.

Table 1
Profile of Respondent

Demographic	Frequency	Percentage %
Gender		
Male	102	83.6
Female	20	16.4
Total	**122**	**100**
Age		
20-34 years	14	11.5
35-44 years	58	47.5
45-54 years	31	25.4
55 years and above	19	15.6
Total	**122**	**100**
Academic Ranking		
Graduate	17	13.9
Assistant Lecturer	12	9.8
Lecturer II	38	31.1
Lecturer I	32	26.2
Senior Lecturer	15	12.3
Associate Lecturer	4	3.3
Professor	4	3.3
Total	**122**	**100**
Years of teaching		
1-5years	48	39.3
6-10 years	33	27.0
11-15years	19	15.6
16 years	22	18.0
Total	**122**	**100**
Monthly Income		
Below 200,000	53	43.4
200,000 – 400,000	60	49.2
400,000- 600,000	6	4.9
Above 600,000	3	2.5
Total	122	100

Author's Compilation, 2025

The gender distribution indicates that male respondents constituted the majority (83.6%), while female respondents accounted for 16.4%, suggesting a strong male dominance among the academic staff surveyed. Regarding age distribution, the largest proportion of respondents fell within the 35–44 years age group (47.5%), followed by those aged 45–54 years (25.4%). Respondents aged 55 years and above represented 15.6%, while the 20–34 years category accounted for the smallest proportion at 11.5%. This implies that most respondents were within their prime and mature working ages. In terms of academic ranking, Lecturer II formed the largest group (31.1%), followed by Lecturer I (26.2%) and Senior Lecturer (12.3%). Graduate staff and Assistant Lecturers constituted 13.9% and 9.8%, respectively, while Associate Lecturers and Professors each represented 3.3% of the respondents.

This distribution reflects a balanced mix of early-career and mid-career academics. Concerning years of teaching experience, respondents with 1–5 years of experience accounted for the highest proportion (39.3%), followed by those with 6–10 years (27.0%). Academics with 11–15 years and 16 years and above represented 15.6% and 18.0%, respectively, indicating adequate professional experience among participants. With respect to monthly income, nearly half of the respondents earned between ₦200,000 and ₦400,000 (49.2%), while 43.4% earned below ₦200,000. Only a small proportion earned ₦400,000–₦600,000 (4.9%) or above ₦600,000 (2.5%), suggesting moderate income levels among the respondents.

The distribution and attributes of the data are captured in Table 2, including attributes of the data such as mean, standard deviation, kurtosis and skewness.

Table 2
Descriptive Statistics

Name	Mean	Median	min	max	Standard deviation	Excess kurtosis	Skewness
Sex	1.164	1.000	1.000	2.000	0.370	1.402	1.838
AGE	2.451	2.000	1.000	4.000	0.888	-0.649	0.328
Academic Rank	3.361	3.000	1.000	7.000	1.449	-0.015	0.232
Years in Teaching Experience	2.123	2.000	1.000	4.000	1.120	-1.121	0.533
Monthly Income Level	1.664	2.000	1.000	4.000	0.685	1.566	1.016
HIDQ1	2.983	3.000	1.000	4.000	0.957	-0.017	-0.890
HIDQ2	3.197	3.000	1.000	4.000	0.929	0.942	-1.274
HIDQ3	3.049	3.000	1.000	4.000	1.078	-0.335	-0.974
HIDQ4	2.090	2.000	1.000	4.000	1.008	-1.212	0.303
HIDQ5	1.975	1.000	1.000	4.000	1.112	-1.458	0.447
HIDQ6	2.607	3.000	1.000	4.000	0.946	-0.684	-0.547
HIDQ7	2.303	3.000	1.000	4.000	1.055	-1.443	-0.127
FLQ1	1.500	1.000	1.000	3.000	0.604	-0.339	0.791
FLQ2	1.541	1.000	1.000	3.000	0.679	-0.404	0.882
FLQ3	1.426	1.000	1.000	3.000	0.652	0.398	1.267
FLQ4	1.475	1.000	1.000	3.000	0.630	-0.073	0.990
FLQ5	1.615	2.000	1.000	3.000	0.579	-0.715	0.310
FLQ6	1.582	2.000	1.000	3.000	0.585	-0.690	0.423
FLQ7	1.672	1.000	1.000	4.000	0.814	0.372	1.043
SPQ1	1.656	2.000	1.000	4.000	0.624	0.489	0.617

SPQ2	1.713	2.000	1.000	3.000	0.535	-0.519	-0.110
SPQ3	1.738	2.000	1.000	4.000	0.733	2.753	1.343
SPQ4	1.795	2.000	1.000	3.000	0.511	0.076	-0.271
SPQ5	1.811	2.000	1.000	3.000	0.591	-0.336	0.078
SPQ6	1.656	2.000	1.000	3.000	0.540	-0.803	-0.017
SPQ7	1.607	2.000	1.000	3.000	0.552	-0.888	0.160

Author's Compilation, 2025

The table 3 and Figure 1 present the measurement model assessment for Financial Literacy, Herd Investment Decision, and Savings Pattern using PLS-SEM. Reliability is evaluated through Cronbach's alpha (≥0.70) and composite reliability (0.70–0.95), indicating internal consistency. Convergent validity is assessed using outer loadings (≥0.70) and AVE (≥0.50). VIF values (<3.3 or <5.0) confirm absence of multicollinearity. Indicators with low loadings (<0.70) and constructs with AVE below 0.50 suggest weak convergent validity and may require item refinement or removal.

Table 3
Reliability and Validity of the Measurement model

Construct	Indicators	Outer Loadings	Cronbach's alpha	Composite reliability (rho_c)	Average variance extracted (AVE)	VIF
Financial Literacy	FLQ1	0.870	0.754	0.818	0.415	2.179
	FLQ2	0.583				1.404
	FLQ3	0.789				2.179
	FLQ4	0.661				1.538
	FLQ5	1.219				5.057
	FLQ6	1.188				4.811
	FLQ7	0.927				1.328
Herd Investment Decision	HIDQ1	0.911	0.805	0.863	0.626	2.213
	HIDQ2	0.956				2.333
	HIDQ3	1.151				2.605
	HIDQ6	0.475				1.314
Savings Pattern	SPQ1	1.120	0.727	0.804	0.386	1.67
	SPQ2	0.898				1.612
	SPQ3	1.093				1.951
	SPQ4	0.875				1.454
	SPQ5	0.389				2.09
	SPQ6	1.144				2.161
	SPQ7	1.052				1.85

Author's Compilation, 2025

The table 3 and figure 1 presents the measurement model assessment for the constructs Financial Literacy, Herd Investment Decision, and Savings Pattern, using indicator outer loadings, internal consistency reliability (Cronbach's alpha and Composite Reliability), convergent validity (AVE), and multicollinearity diagnostics (VIF).

The Herd Investment Decision construct, indicator loadings range from 0.475 to 1.151. Indicators HIDQ1 and HIDQ2 show strong loadings above 0.90, while HIDQ3 (1.151) again exceeds the acceptable upper limit, raising concerns similar to those observed in Financial Literacy. In contrast, HIDQ6 (0.475) falls well below the minimum threshold, indicating a weak indicator that may not adequately represent the construct (Fornell & Larcker, 1981; Rönkkö, & Evermann, 2013). The construct demonstrates good

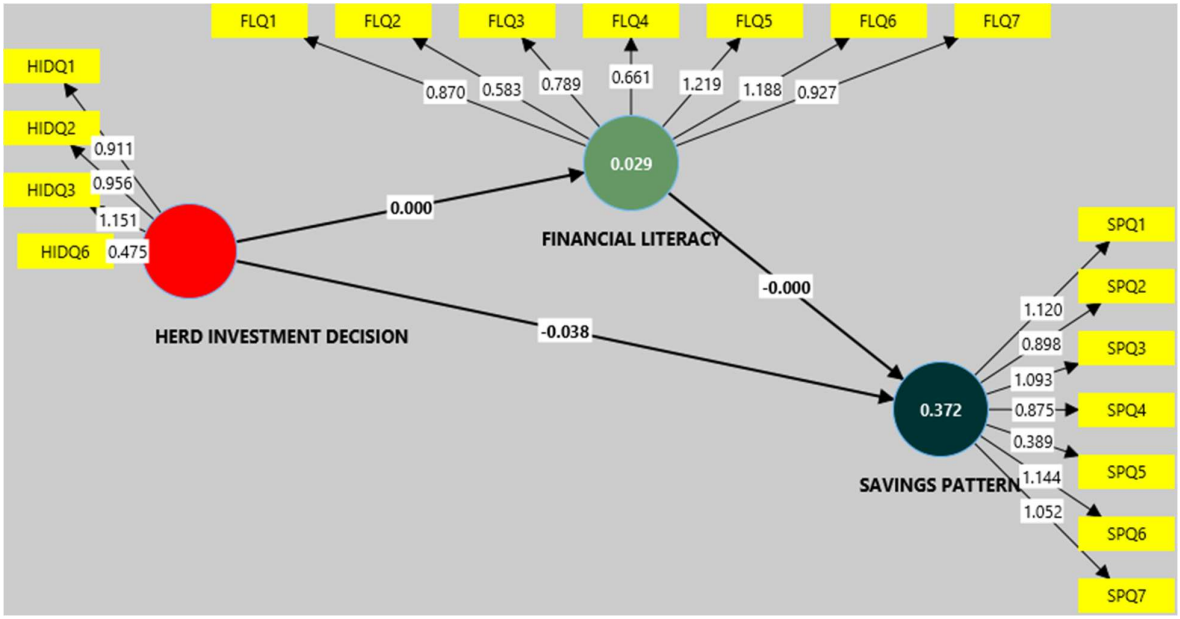
internal consistency, with a Cronbach's alpha of 0.805 and composite reliability of 0.863, both exceeding recommended levels. The AVE of 0.626 is above the 0.50 threshold, confirming adequate convergent validity despite the presence of a weak indicator (Hair, et al, 2014, Shmueli, et al, 2019; Henseler, et al, 2015). VIF values range from 1.314 to 2.605, all within acceptable limits, suggesting that multicollinearity is not a major concern for this construct.

The outer loadings for the Financial Literacy indicators range from 0.583 to 1.219. Most indicators (FLQ1, FLQ3, FLQ4, FLQ7) exhibit acceptable loadings above the recommended threshold of 0.60, indicating that they meaningfully contribute to the construct. However, FLQ2 (0.583) falls slightly below the ideal 0.70 benchmark, suggesting a relatively weaker contribution. Additionally, FLQ5 (1.219) and FLQ6 (1.188) exceed the conventional upper bound of 1.0, which may indicate model estimation issues, item redundancy, or multicollinearity among indicators (Fornell & Larcker, 1981; Rönkkö, & Evermann, 2013).

The construct records a Cronbach's alpha of 0.754 and a composite reliability of 0.818, both exceeding the minimum acceptable threshold of 0.70, thus confirming satisfactory internal consistency reliability. However, the AVE value of 0.415 is below the recommended cut-off of 0.50, implying that the construct explains less than 50% of the variance in its indicators. This suggests weak convergent validity, and further refinement or item elimination may be required (Hair, et al, 2014, Shmueli, et al, 2019; Henseler, et al, 2015). VIF values range from 1.328 to 5.057. While most indicators fall within acceptable limits (< 3.3 or < 5), FLQ5 and FLQ6 exhibit relatively high VIF values (above 4.8), indicating potential multicollinearity concerns that may distort parameter estimates.

The Savings Pattern construct shows mixed indicator performance, with outer loadings ranging from 0.389 to 1.144. While several indicators (SPQ1, SPQ2, SPQ3, SPQ4, SPQ6, SPQ7) exhibit strong loadings, SPQ5 (0.389) falls far below acceptable standards, indicating a poor contribution to the construct. Additionally, multiple indicators exceed the value of 1.0, suggesting potential item overlap or estimation anomalies (Fornell & Larcker, 1981; Rönkkö, & Evermann, 2013). The construct records a Cronbach's alpha of 0.727 and a composite reliability of 0.804, indicating acceptable internal consistency. However, the AVE of 0.386 is substantially below the recommended 0.50 threshold, implying weak convergent validity. This suggests that the construct does not adequately capture variance in its indicators and may require re-specification (Hair, et al, 2014, Shmueli, et al, 2019; Henseler, et al, 2015). VIF values range from 1.454 to 2.161, which are within acceptable limits, indicating the absence of serious multicollinearity issues among the indicators.

Holistically, the measurement model demonstrates adequate internal consistency reliability across all constructs. However, convergent validity is problematic for Financial Literacy and Savings Pattern, as evidenced by AVE values below 0.50. The presence of outer loadings greater than 1.0 and relatively high VIF values for some indicators further suggests possible multicollinearity, redundancy, or model misspecification. These issues indicate the need for item purification, such as removing weak indicators (e.g., FLQ2, HIDQ6, SPQ5) or re-estimating the model to improve validity and robustness.



Source: SMART-PLS 4, 2025

Figure 1
Measurement Model

The Table 4 and Figure 2 present the structural equation modelling (PLS-SEM) results showing direct and indirect relationships among Financial Literacy, Herd Investment Decision, and Savings Pattern. Path coefficients (O), t-statistics, and p-values are used to test hypotheses at the 5% significance level ($p < 0.05$).

Table 4
Structural Equation Modelling

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Financial Literacy -> Savings Pattern	0.530	0.528	0.087	6.099	0.000
Herd Investment Decision -> Financial Literacy	-0.185	-0.140	0.186	0.993	0.321
Herd Investment Decision -> Savings Pattern	0.516	0.461	0.228	2.262	0.024
Indirect Effect					
Herd Investment Decision -> Financial Literacy -> Savings Pattern	-0.098	-0.078	0.099	0.989	0.322

Author's Compilation, 2025

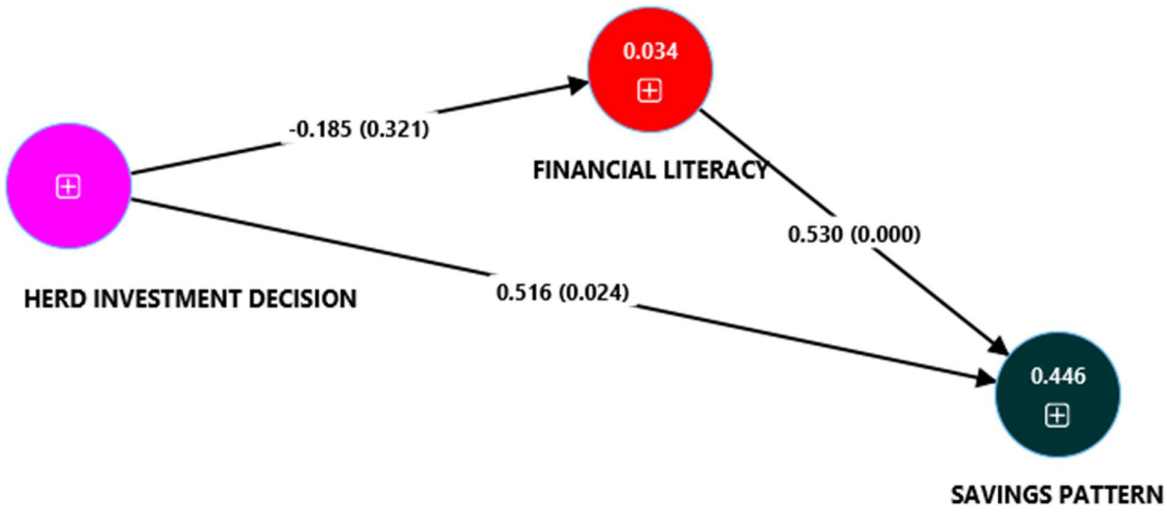
Direct Effect

The relationship between Financial Literacy and Savings Pattern shows a positive and statistically significant effect ($\beta = 0.530$, $t = 6.099$, $p < 0.001$). This implies that higher levels of financial literacy significantly enhance individuals' savings patterns. The result suggests that respondents with better understanding of financial concepts, instruments, and decision-making processes are more likely to exhibit disciplined and effective saving behaviour. In contrast, the effect of Herd Investment Decision on Financial Literacy is negative but statistically insignificant ($\beta = -0.185$, $t = 0.993$, $p = 0.321$). This indicates that herd investment behaviour does not significantly influence the level of financial literacy

among lecturers in higher institutions. The direct relationship between Herd Investment Decision and Savings Pattern is positive and statistically significant (β = 0.516, t = 2.262, p = 0.024). This finding indicates that herd behaviour significantly affects saving patterns, suggesting that lecturers in higher institutions tend to align their saving decisions with prevailing social or peer investment behaviours.

Indirect Effect

The indirect effect of Herd Investment Decision on Savings Pattern through Financial Literacy is negative and statistically insignificant (β = −0.098, t = 0.989, p = 0.322). This result implies that financial literacy does not mediate the relationship between herd investment decision and savings pattern. In other words, the influence of herd behaviour on savings operates directly rather than through changes in financial literacy.



Source: SMART-PLS 4, 2025

Figure 2
Structural Equation Model

Financial Literacy and Savings Pattern

The results reveal a positive and statistically significant relationship between financial literacy and savings pattern (β = 0.530, p < 0.001), indicating that lecturers with higher financial knowledge demonstrate more structured and disciplined saving behaviour. This finding strongly aligns with prior empirical studies that emphasize financial literacy as a key determinant of sound financial outcomes. For instance, Katnic et al. (2024) showed that financially literate individuals in Montenegro save more consistently and make prudent investment choices, while Nogueira et al. (2025) reported similar evidence across OECD countries, where financial knowledge promotes regular saving and discourages speculative behaviour. Likewise, Moko et al. (2022) found that financial knowledge, alongside attitude and personality traits, significantly improves financial management practices, including saving.

The strong magnitude of the coefficient in this study suggests that even within an educated group such as university lecturers, variations in financial literacy remain consequential for savings behaviour. This supports the argument that formal education alone does not guarantee financial capability; rather, specific financial knowledge and skills are critical in shaping personal financial discipline.

Herd Investment Decision and Financial Literacy

The relationship between herd investment decision and financial literacy is negative but statistically insignificant (β = −0.185, p = 0.321). This indicates that engagement in herd-driven investment behaviour does not significantly erode or enhance financial literacy among lecturers. This finding is consistent with earlier observations by Ahmad and Shah (2020), who noted that even knowledgeable investors may still imitate others under peer pressure without a corresponding decline in their financial understanding. Similarly, Anifa (2023) highlighted that social influence can override rational judgment without necessarily diminishing an individual's financial knowledge base.

This result suggests that financial literacy is relatively stable and not easily altered by short-term behavioural biases such as herding. In other words, lecturers may possess adequate financial knowledge yet still choose to follow collective investment behaviour, reinforcing the notion that knowledge and behaviour are not always perfectly aligned.

Herd Investment Decision and Savings Pattern

The study finds a positive and statistically significant relationship between herd investment decision and savings pattern (β = 0.516, p = 0.024). This indicates that herd behaviour plays a meaningful role in shaping saving outcomes, as lecturers tend to align their saving decisions with prevailing peer or social investment trends. This finding corroborates a substantial body of empirical evidence demonstrating the power of social influence in financial decision-making. Ferdian (2024) documented herding-induced correlated trading behaviour, while Gupta and Shrivastava (2021) showed that social cues, amplified by FOMO, significantly affect participation in risky investments.

Moreover, studies on social learning and peer effects further support this result. Darunday et al. (2024) demonstrated that social media marketing strongly influences investment decisions, while Alshebami and Aldhyani (2022) and Nomlala (2021) found that peer and family influence significantly shape saving behaviour. Within the academic community, frequent interaction, information sharing, and observation of colleagues' financial actions may intensify conformity, making herd behaviour a potent determinant of savings outcomes even among financially educated individuals.

Mediating Role of Financial Literacy

Contrary to expectations, the indirect effect of herd investment decision on savings pattern through financial literacy is negative and statistically insignificant (β = −0.098, p = 0.322). This indicates that financial literacy does not mediate the relationship between herd behaviour and savings pattern. The influence of herd investment decisions on savings therefore operates directly, rather than through changes in financial knowledge. This finding aligns with studies suggesting that financial literacy alone has limited protective power against socially reinforced financial behaviour. Ahmad and Shah (2020) and Almansour et al. (2023) both observed that individuals with moderate to high financial literacy still engage in speculative or imitative investments due to peer pressure, persuasive narratives, and social validation. Evidence from studies on fraudulent schemes (Gryazeva et al., 2021; Onyima, 2019) also highlights how social networks and psychological appeal can dominate rational financial assessment, disrupting saving behaviour regardless of literacy levels.

The absence of a mediating effect implies that while financial literacy improves savings directly, it does not significantly weaken or channel the impact of herd behaviour. This reinforces behavioural finance arguments that cognitive biases and social influence

often bypass rational evaluation mechanisms, especially in tightly knit professional or social environments.

CONCLUSION AND SUGGESTION

The findings reveal that financial literacy significantly improves savings patterns, while herd investment behaviour also exerts a direct influence on saving decisions. However, herd behaviour does not significantly affect financial literacy, and financial literacy does not mediate the relationship between herd investment decisions and savings patterns.

Financial institutions should strengthen financial literacy programs to promote effective savings behaviour. Inclusively, awareness campaigns should address herd-driven financial decisions by encouraging independent financial planning. Integrating behavioural finance insights into savings education can further enhance informed and sustainable saving practices.

Further studies could expand the sample size to cover some other geographical regions and institutions which would help the generalizability of the outcome of the empirical findings. Since the indirect effect shows insignificant effect it informs that future works could explore more in-tune construct like peer influence (band wagon effect), financial literacy training and risk perception of the respondents (lecturers).

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