

Abstract

In this study, researcher analyzed the nexus between the financial literacy (FL) and financial inclusion (FI) with the mediating role of social network (SN) on the microfinance banks in Pakistan. The purpose of this study is to investigate the role of SN on the FL and FI. To achieve this objective, data will be collected from the customer of micro finance bank. Total sample of this study is 420. Structural equation modeling (SEM) employed for data analysis in this research. This study finding shows that FL in the term of perceived financial knowledge has significant impact on FI (access, quality and usage of financial products and services). This research result indicates that FL (financial attitude) has some positive and negative relation with FI (access, usage and welfare of financial products and services). This study finding shows that FL in the term of financial behaviour has positive impact on FI (quality, usage and welfare of financial products and services). FL (financial skill) has shown positive influence on FI (welfare of financial products and services) and also SN (tie) mediate the relationship between FL (perceived financial knowledge, financial behaviour, financial attitude and financial skill) and FI (access, usage, quality and welfare of financial products and services). This study will definitely help practitioner to develop policies for the benefits of banking customer and these policies will indirectly remove the ratio of poverty in Pakistan. Tie partially or fully mediates the nexus between FL and all dimensions of FI except quality of financial products and services.

Keywords: Financial Inclusion, Financial Literacy, Social Network, Microfinance banks