IMPACT OF FINANCIAL LITERACY ON BANKING HABIT IN NEPAL

A Dissertation Submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the requirements for the Master of Business Studies (MBS)

by

Puja Thapa

Campus Roll No: 755/077

Exam Roll No: 35890/21

T.U. Regd. No: 7-2-676-27-2014

Shanker Dev Campus

Group: Finance

Kathmandu, Nepal

March, 2025

CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the dissertation entitled **“Impact of Financial Literacy on Banking Habit in Nepal".** The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of this dissertation.

.....

Puja Thapa

Date:

REPORT OF RESEARCH COMMITTEE

Ms. Puja Thapa has defended research proposal entitled **"Impact of Financial Literacy on Banking Habit in Nepal"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Ramesh Kumar Paudel submit the dissertation for evaluation and viva-voce examination.

.....
Ramesh Kumar Paudel
Dissertation Supervisor

Dissertation Proposal Defended Date:

.....

Dissertation Submitted Date :

.....

Dissertation Viva-voce Date:

.....

.....
Asso. Prof. Dr. Sajeeb Kumar Shrestha
Head, Research Department

APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled **"Impact of Financial Literacy on Banking Habit in Nepal"** presented by Puja Thapa a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

.....
Ramesh Kumar Paudel
Dissertation Supervisor

.....
Internal Examiner

.....
Internal Expert

.....
External Expert

.....
Asso. Prof. Dr. Sajeeb Kumar Shrestha
Chairperson, Research Committee

.....
Asso. Prof. Dr. Kapil Khanal
Campus Chief

ACKNOWLEDGMENT

I would like to forward my deepest gratitude to Ramesh Kumar Paudel of Shanker Dev Campus who supports me with their invaluable scholarly supervision, constructive comments and suggestions that allow me to furnish this thesis report in this final format.

I would like to pay my sincere thanks to Asso. Prof. Dr. Sajeeb Kumar Shrestha of Shanker Dev Campus. Besides, I would also like to thank to other respected teachers of Shanker Dev Campus and all the staff of this campus for their help in providing me various kinds of suggestions, information and comments.

Further, my deep regard to known and unknown individual who helped to collect the data at preliminary stage of this dissertation writing.

It is the matter of my immense pleasure to express my deep sense of gratitude and heartfelt respect to my parents for their affection, inspiration and incredible support to precede my academic career.

Puja Thapa

TABLE OF CONTENTS

CHAPTER III RESEARCH METHODOLOGY

CHAPTER IV RESULT AND DISCUSSION

CHAPTER V SUMMARY AND CONCLUSION

References

Appendix

.

LIST OF TABLES

Page No.

LIST OF FIGURE

Page No.

ABBREVATIONS

ANOVA	:	Analysis of Variance
DRC	:	Democratic Republic of the Congo
FA	:	Financial Awareness
FAT	:	Financial Attitude
LCH	:	Life Cycle Hypothesis
MBS	:	Masters of Business Studies
NRB	:	Nepal Rastra Bank
OECD	:	Organization for Economic Cooperation and Development
PEP	:	Personal Financial Planning
SPSS	:	Statistical Package for the Social Sciences
TPB	:	Theory of Planned Behavior

ABSTRACT

This research explores the Impact of Financial Literacy on Banking Habits in Nepal, focusing on how financial knowledge, awareness, and attitude influence banking behavior. The study aims to assess the level of financial literacy in Nepal and examine its relationship with banking habits.

Using descriptive statistical methods, data was collected from primary sources to analyze financial literacy levels and their effect on banking behavior. The study employed descriptive analysis to understand overall trends, while correlation and regression analyses were used to determine how financial knowledge, financial awareness, and financial attitude impact banking habits.

The findings indicate that all three factors financial knowledge, awareness, and attitude significantly influence banking habits. Among them, financial awareness has the strongest impact, highlighting its crucial role in shaping banking decisions. While financial knowledge positively contributes to better banking habits, financial attitude alone does not have a statistically significant effect. This suggests that simply having a positive outlook on finances is not enough; individuals also need proper financial knowledge and awareness to make informed banking.

Additionally, the study reveals that most respondents have a moderate understanding of various financial products and services. They generally demonstrate a preference for saving and long-term financial planning, indicating a growing awareness of financial management in Nepal.

Key words: *Financial Literacy, Banking Habits, Financial knowledge, Financial Awareness, Financial Attitude*

CHAPTER I

INTRODUCTION

1.1 Background of study

Financial literacy is the ability to understand and use essential financial skills, such as managing personal finances, creating budgets, and making investments. In today's complex financial world, people need to make informed decisions about their money. This knowledge is considered a vital life skill, as it helps individuals manage their finances, plan for the future, and achieve financial goals.

With the growing importance of financial activities, people now face decisions beyond improving their standard of living, such as planning for retirement and borrowing for purchases, education, or travel. Making smart financial choices requires a good understanding of financial concepts, as these decisions significantly impact the economic well-being of both individuals and the country (Dumitru-Cristian and Adin, 2012).

Financial literacy includes understanding everyday topics like credit, insurance, savings, and investments. It enables people to manage activities like saving, borrowing, and investing, which influence their ability to build wealth, generate income, and enhance their quality of life. Moreover, it plays a crucial role in the economy by shaping investment decisions, assessing risks and returns, and supporting resource allocation and long-term economic growth (Widowson and Hailwood, 2007).

Many studies have emphasized the importance of financial literacy in improving financial decision-making and overall financial well-being (Lusardi and Mitchell, 2014). People with strong financial literacy are more likely to adopt healthy financial habits, such as saving for retirement, making informed investment choices, and avoiding excessive debt (Hastings et al., 2013). On the other hand, limited financial literacy is linked to unfavorable outcomes, including insufficient savings, high debt burdens, and a lack of retirement planning (Lusardi and Tufano,
2015).

The Nepal Rastra Bank (NRB) defines financial literacy as "the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing" (Nepal Rastra Bank, 2020). This study aims to explore the impact of financial literacy

on personal financial planning. By understanding the relationship between these two variables, the research seeks to provide insights that can help improve financial education programs and enhance individuals' financial planning capabilities.

Financial literacy has become a critical skill in today's complex financial environment, particularly in emerging economies where access to financial services is rapidly expanding. Defined as the ability to understand and effectively use financial concepts such as budgeting, saving, investing, and managing debt, financial literacy plays a vital role in shaping individuals' financial behavior and decisions (Lusardi and Mitchell, 2014). A well-informed individual is more likely to adopt positive banking habits, including saving, borrowing responsibly, and engaging in digital banking platforms.

Banking habits refer to the behavioral patterns individuals exhibit in their interactions with financial institutions, including account usage, savings, credit management, and adoption of technological innovations like mobile and online banking. In emerging economies, the relationship between financial literacy and banking habits is of particular interest because financial inclusion initiatives are expanding access to banking services for traditionally underserved populations (World Bank, 2022). However, the effectiveness of these initiatives often depends on individuals' ability to understand and utilize financial products and services effectively.

Studies suggest that low levels of financial literacy contribute to poor financial decisions, such as excessive borrowing or underutilization of savings accounts, which can hinder economic stability at both individual and societal levels (Cole et al., 2011). Conversely, higher financial literacy levels are linked to increased savings, better credit management, and higher participation in formal banking systems (Klapper et al., 2015).

In emerging economies, financial literacy is often constrained by socio-economic factors such as low educational attainment, gender disparities, and limited access to financial education programs. Moreover, cultural attitudes toward money and trust in banking institutions influence banking habits (Demirgüç-Kunt et al., 2018). Despite growing attention to these issues, the impact of financial literacy on banking habits in such contexts remains underexplored.

This study aims to address this gap by examining how financial literacy influences banking habits in emerging economies, highlighting the critical role of financial education and policy interventions in fostering financial inclusion and stability.

The increasing complexity of financial products and the growing responsibility on individuals to manage their financial futures underscore the importance of improving financial literacy. The transition in many countries from defined benefit to defined contribution pension schemes has shifted the responsibility of retirement planning onto individuals, making financial literacy even more vital (OECD, 2013). Without sufficient financial knowledge, individuals may face challenges in making informed decisions about savings, investments, and debt management, potentially endangering their financial stability.

The relationship between financial literacy and banking habit becomes particularly significant amid economic uncertainties and the growing intricacy of financial markets. Individuals with greater financial literacy are better positioned to make strategic decisions that bolster economic stability and future security. Recognizing the profound impact of financial literacy on personal financial planning, this dissertation seeks to investigate the depth of this relationship. By analyzing how financial literacy shapes financial behaviors and planning, the study aims to contribute to the ongoing conversation on financial education and its role in fostering economic well-being (Lusardi and Mitchell, 2007)

Furthermore, financial literacy strengthens economic resilience both at the individual and national levels. In a rapidly evolving financial landscape, individuals must make numerous decisions with potentially long-term implications for their financial well-being. Higher financial literacy enables people to navigate these complexities, make sound financial choices, and reduce exposure to risks. On a macroeconomic scale, a financially literate population is better equipped to withstand economic shocks and downturns, decreasing the likelihood of widespread financial crises. Therefore, fostering financial literacy benefits not only individual economic outcomes but also the sustainability and growth of the national economy.

Hastings et al., 2013 says financial literacy will help individual to plan ahead of time for their life cycle needs and deal with unexpected emergencies without resorting to debt. This will impart knowledge to enable financial planning, develop saving habits and improve the understanding of financial products leading to effective use of financial services by an individual. An early introduction to and understanding of words like "earning", "credit", "income" and "investing" will pay enormous dividends down the road. An individual having sound financial know-how will be

best-positioned to grasp the dream as the economic tide rises. Program on financial literacy cover major aspects of people daily life such as

- Savings
- Loans
- Budgeting
- Remittance
- Dealing with Financial Service Providers
- Rights and responsibilities of Customers

Skinner, (1938) pointed out two types of habits in a person -good and bad. Good banking habits are crucial for managing household finances and achieving financial stability. Good banking habits, such as regularly checking account balances; creating a budget; saving money for the future; and paying bills on time, can help avoid unnecessary fees, build good credit, protect from fraud, and plan for retirement. On the other hand, bad banking habits, such as overspending, not keeping track of expenses, and not protecting personal and financial information, can lead to overdraft fees and high-interest costs.

Financial literacy and banking habits are interlinked, however still the concept differs. Financial literacy does not ensure baking habits as Gautam, (2022) found that the awareness level and motivation factors do not have any linkage with the banking habit of urban people. Banks and financial institutions, as the largest players in the financial market have major role to play in enhancing financial literacy and improving the good banking habit of the citizens. However the role of other non banking institutions, government, and people is vital to achieve the high financial literacy rate.

1.2 Problem Statement

Various researchers have analyzed the impact of financial literacy and banking habits. Nepal Rastra Bank has published the baseline survey report on financial literacy in Nepal finding the overall national financial literacy of 57.9 percent.NRB has also published various survey report on financial literary in Nepal, working papers regarding financial literacy in Nepal.

Financial behavior, attitude and influence are related to financial knowledge, Jorgensen, (2007) and Hathaway and Khatiwada, (2008) provided critical analysis of the impact of financial

education programs on consumer financial behavior but the empirical relationship between financial knowledge and behavior was not found. It may be that savings behaviors are associated with factors other than financial knowledge and attitudes. However, Hilgert et al. (2003) provided some support for a link between financial knowledge and better financial practices.

They used monthly survey data from the University of Michigan's Surveys of Consumers and constructed indexes that represent the level of households' participation in each of four financial management practices: cash flow management, credit management, saving, and investment.

There are plenty of studies on financial literature and banking habits conducted separately. Very limited studies have been conducted on the relation between these two. More specifically, a case study of a bank to study the relation between financial literacy and banking habit by taking recent data is missing hence this study is expected to fill this gap as well.

Furthermore, the literatures related to economic analysis of financial literacy and banking habit have been found to have following gaps:

A review of the literature shows that most of studies are mainly based on university students or group of employees examining the relationship between levels of financial literacy and various factors influencing it. Reviews show that numbers of research were conducted in international arena while few were conducted in Nepal.

In Nepal, studies are rarely found that have examined financial literacy of customers of any banks who have maintained account in that branch. Thus, this study tries to fill the gap by studying in different branches of Nepal Bank Limited that have conducted financial literacy program near them by categorizing all independent variables into different levels. In this regard, following will be the specific research questions:

i. What is the status of financial literacy and banking habits in Nepal?
ii. What is the correlation between financial literacy (financial knowledge, financial awareness and financial attitude) and banking habits?
iii. What is the impact of financial literacy (financial knowledge, financial awareness and financial attitude) on banking habits?

1.3 Objectives of the study

The general objective of this study is to analyze the impacts of financial literacy on banking habits of customers of Nepal.

Other specific objectives are as follows:

i. To assess the status of financial knowledge, financial awareness, financial attitude and banking habit in Nepal.

ii. To examine the correlation between financial literacy (financial knowledge, financial awareness and financial attitude) and banking habits.

iii. To analyze the impact of financial literacy (financial knowledge, financial awareness and financial attitude) on banking habits.

1.4 Hypotheses of the study

Based on the review of the literature, following alternative hypotheses have been formulated in order to examine the impact of financial literacy on baking habits of customers.

H1: There is significant impact of financial knowledge on banking habits.

H2: There is significant impact of financial awareness on banking habits.

H3: There is significant impact of financial attitude on banking habits.

1.5 Rationale of the study

Examining the impacts of financial literacy program on banking habits of customers is the main purpose of this study. It is expected that this study will make a good contribution to the existing literature in the academia. Accordingly, it will help to extend the current literature. In addition, this study is about the subject of financial matters and related with the applied field of the banking industry (Gautam, 2022).

The significance of this study lies in its potential to address a critical gap in the literature by exploring the relationship between financial literacy and banking habits, specifically in the context of emerging economies like Nepal. Financial literacy is widely recognized as a fundamental life skill that influences individuals' ability to manage personal finances, make informed investment decisions, and plan for their future. This research, by examining the interplay between financial literacy and banking behaviors, provides valuable insights into how financial knowledge impacts economic stability and individual financial well-being. Its findings will inform not only academic

discourse but also practical strategies for enhancing financial education and improving banking habits among the population (NRB, 2020).

From an academic perspective, this study enriches the existing body of knowledge by investigating the correlation between financial literacy and banking habits in Nepal a context that has been relatively underexplored. By identifying the status, correlation, and impact of financial literacy on banking behaviors, this research provides a robust framework for future studies. It also highlights actionable pathways for fostering good financial habits, such as saving, budgeting, and responsible borrowing, thereby promoting sustainable economic development and improving the quality of life for individuals. Therefore, the rationale of the study can be expressed by the following points.

- Banking and financial institutions are the lead actors in the financial market. This study will provide them some insights into the role of financial literacy in the economy.
- Findings of the study will provide reliable information to macroeconomic policy more specifically monetary policy makers to decide on the provisions for investment in the financial literacy.
- This study will be helpful for the future researchers to conduct study on the similar field.
- This study helps in analyzing the impact of financial literacy programs in the banking habit of people.

In overall, this study offers useful insights into the implication of financial literacy on banking habits of citizens; additionally the study will also recommend the possible ways to enhance financial literacy and banking habit of people.

1.6 Limitations of the Study

As with any research, this study has certain limitations that must be acknowledged for a proper understanding of the results. The key limitations are:

i. The research uses random sampling method, which might not represent the whole population well, making the results less generalizable.

ii. The study only looks limited factors to assess financial literacy, which might not cover all aspects of this topic.

iii. The research is focused to customer from Nepal Bank limited, so the findings might not apply to other areas of Nepal.

iv. The study only includes a small sample of 384, the results might not reflect the broader population accurately.

v. The narrow focus of the study could miss important details about financial literacy that are relevant in different contexts.

CHAPTER II

LITERATURE REVIEW

The primary aim of conducting a literature review is to expand one's expertise in a specific field, identify gaps or opportunities for further research, and inspire the development of a solid research plan. Each study builds on the groundwork laid by previous research in the area. Engaging with a wide array of resources such as books, academic journals, research papers, articles, periodicals, and even unpublished theses and reports is essential. Overlooking existing research is not an option, as reviewing prior studies provides valuable insights and context. This chapter is designed to serve as a key resource for gathering information that deepens understanding of the field. Specially, this chapter divided into three sections:

- Conceptual Review
- Theoretical Review
- Empirical Review

2.1 Conceptual Review

A conceptual review provides an overview of the key concepts, definitions, and theoretical frameworks underpinning a study. For this research, the main concepts include financial literacy, banking habits, and their interrelationship within the context of emerging economies like Nepal.

Financial Literacy

Financial literacy refers to the ability to understand and effectively use various financial skills, such as budgeting, saving, investing, and managing debt. It encompasses financial knowledge, awareness, and attitudes that enable individuals to make informed financial decisions and plan for their future. According to Nepal Rastra Bank (2020), financial literacy is defined as "the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing." Research highlights that financially literate individuals are more likely to adopt sound financial habits, such as saving for retirement, avoiding excessive debt, and making prudent investment decisions (Lusardi and Mitchell, 2014; Hastings et al., 2013). Conversely, limited financial literacy is associated with poor financial outcomes, such as high debt burdens and inadequate savings (Lusardi and Tufano, 2015).

Financial literacy plays a crucial role in emerging economies, where individuals face unique challenges in accessing financial services and making informed financial decisions. As financial inclusion initiatives expand in these regions, understanding financial concepts becomes even more critical for individuals to navigate complex financial products and services effectively (World Bank, 2022).

Banking Habits

Banking habits are the behavioral patterns individuals exhibit in their interactions with financial institutions, including account usage, savings, credit management, and adoption of financial technologies such as online and mobile banking. These habits are shaped by various factors, including financial literacy, socio-economic conditions, cultural attitudes, and trust in financial institutions (Demirgüç-Kunt et al., 2018). Good banking habits such as regular savings, timely bill payments, and prudent credit usage contribute to individual financial stability and overall economic well-being. On the other hand, poor banking habits, such as overspending and neglecting account monitoring can lead to financial difficulties and increased vulnerability to economic shocks.

In the context of Nepal, the promotion of good banking habits is crucial for fostering financial inclusion and encouraging participation in the formal financial sector. However, as highlighted by Gautam (2022), awareness and motivational factors alone do not guarantee improved banking habits, underscoring the need for financial literacy programs to address these gaps.

Relationship between Financial Literacy and Banking Habits

The interplay between financial literacy and banking habits has been the subject of numerous studies. Higher financial literacy levels are associated with positive banking behaviors, such as increased savings, responsible borrowing, and greater use of formal financial services (Klapper et al., 2015). Conversely, low financial literacy is linked to adverse outcomes, including underutilization of savings accounts and over-reliance on informal lending (Cole et al., 2011). Despite this, the relationship between financial literacy and banking habits is not always straightforward, as factors like financial motivation, access to resources, and socio-economic barriers play a mediating role (Hilgert et al., 2003).

In Nepal, there is limited research exploring the direct relationship between financial literacy and banking habits, particularly at the individual or household level. Most existing studies focus on

specific demographics, such as university students or employees, leaving a gap in understanding the broader population. This study aims to bridge this gap by examining the relationship in the context of customers of Nepal Bank Limited, thereby contributing to the literature on financial literacy and its practical implications.

2.2 Theoretical Review

This section focuses on exploring and combining existing theories and concepts related to the study. It examines the established knowledge, ideas, and models that provide the foundation for the research.

2.2.1 Financial Literacy Framework

Lusardi and Mitchell (2011) emphasize the role of financial literacy in enhancing financial decision-making. Their framework identifies three key components of financial literacy: basic numeracy, understanding of inflation, and comprehension of risk diversification. These factors are critical for influencing banking habits, as they enable individuals to assess banking services, manage accounts, and utilize financial products.

2.2.2 Behavioral Life Cycle Hypothesis (BLC)

Shefrin and Thaler (1988) extended the traditional Life Cycle Hypothesis by incorporating behavioral economics. The Behavioral Life Cycle Hypothesis suggests that self-control, mental accounting, and framing influence financial behavior. In the Nepalese context, financial literacy helps mitigate biases and improves banking habits by encouraging rational decisions regarding savings, loans, and investments.

2.2.3 Diffusion of Innovations Theory

Rogers (1962) proposed the Diffusion of Innovations Theory, which explains how new ideas, products, or behaviors spread within a population. This theory is relevant to banking habits in Nepal, as financial literacy serves as a key enabler for the adoption of formal banking services and digital banking technologies. Financially literate individuals are more likely to act as early adopters, influencing others in their community.

2.2.4 Theory of Planned Behavior (TPB)

The Theory of Planned Behavior by Ajzen (1991) is a widely recognized framework in behavioral studies. It explains how an individual's intention to engage in certain behaviors, like adopting

banking services, is influenced by their attitude, subjective norms, and perceived behavioral control. In the context of financial literacy, individuals with greater understanding of financial concepts are more likely to exhibit confidence in managing banking services, thereby positively influence their banking habits.

2.3 Empirical Review

Sharma and Bohara, (2010) conducted a study aimed at exploring respondents' understanding of personal finance knowledge and examining the potential link between financial literacy and their daily financial behaviors. The study, which surveyed 56 employees and freelancers in Pokhara, Nepal, found that while personal finance topics were considered important, respondents were not fully informed about them. It also revealed that although the participants recognized the importance of financial planning and engaged in basic financial planning activities, their knowledge was limited. Over half of the respondents had taken steps such as saving for the future, planning for retirement, purchasing insurance, and investing to grow their wealth.

Thapa and Nepal, (2015) conducted a study titled Analyzing Financial Literacy in Nepal, aiming to examine financial literacy among college students in Nepal and assess the influence of demographic, educational, and personality characteristics on financial literacy levels. The research employed a survey design, targeting a population of college students, with a sample size of 436 participants. Key variables included financial knowledge, demographic factors, educational background, and personality traits. Data were analyzed using mean calculations and ANOVA. The findings revealed an F-value of 5.23, indicating that the explained variance was significantly greater than the unexplained variance, suggesting a strong model fit. Additionally, the p-value of less than 0.01 confirmed statistical significance. The results highlighted that while college students possessed basic financial knowledge, they lacked a deeper understanding of credit, taxes, share markets, financial statements, and insurance.

Surendar and Sarma, (2017) conducted an empirical study focused on the financial literacy levels of higher education professors/teachers in the Warangal district. Their research included participants from both technical and non-technical educational backgrounds. The study's findings indicated that the financial literacy of these educators was generally satisfactory. Moreover, the research revealed no significant differences in the financial literacy perceptions or financial planning behaviors between teachers from technical and non-technical fields. This suggests that

the level of financial education and awareness among higher education professionals in this region is adequate and consistent across different academic disciplines.

Sharma and Singh, (2018) in their study Banking Habits and Financial Literacy among Rural Youth, aimed to examine the banking habits of rural youth and the impact of financial literacy on their engagement with formal banking systems. Using a survey design, data were collected from 512 rural youths through structured interviews and surveys, focusing on variables such as literacy level, frequency of banking transactions, and demographic traits. Analysis using Pearson correlation ($r = 0.68$), chi-square tests ($\chi^2 = 14.76$), and multiple regression ($R^2 = 0.45$) revealed a significant positive relationship between financial literacy and banking engagement. The regression model was statistically significant ($p < 0.001$), indicating that rural youths with higher financial literacy were more likely to participate in banking activities such as savings accounts and mobile banking.

Lee, (2020) conducted a case study titled "Financial Literacy's Impact on Investment in African Markets" to examine the relationship between financial literacy and investment behaviors among stock investors in Kenya. The study surveyed 300 stock investors, focusing on the impact of financial literacy on the amount invested. Using correlation and regression analyses, the results showed a strong positive relationship ($R = .62$) between financial literacy and investment amounts, with 38% of the variance in investment behavior explained by financial knowledge ($R^2 = .38$). The F-statistic of 7.81 and a p-value less than 0.01 indicated that the regression model was statistically significant, confirming that higher financial literacy is associated with increased investment in Kenyan markets.

Brown, (2020) in her study the Role of Financial Literacy in Banking in Southeast Asia, explored the influence of financial literacy on bank usage among bank customers in Indonesia. Using a longitudinal design, data were collected from a sample of 800 participants, analyzing variables such as financial literacy and banking frequency through ANOVA, regression analysis, standard deviation, and T-tests. The findings revealed a moderate positive correlation ($R = 0.55$) between financial literacy and bank usage frequency, indicating that increased financial literacy corresponds to higher bank usage. The study also found that 30% of the variance in bank usage frequency was explained by financial literacy ($R^2 = 0.30$), while the remaining 70% was attributed to other factors. The F-statistic of 6.75 and a p-value of less than 0.01 confirmed that the relationship was

statistically significant at the 1% level. The results underscored the significant impact of financial literacy on enhancing bank usage frequency in Southeast Asia.

Ali, (2021) conducted a cross-sectional study titled "Financial Literacy and Loan Repayment in the Middle East" to examine how financial literacy affects loan repayment behavior among borrowers in the UAE. The study surveyed 500 borrowers, focusing on the relationship between financial literacy and loan repayment. The analysis involved regression, correlation, T-tests, and standard deviation calculations. The results revealed a strong positive correlation ($R = .63$) between financial literacy and loan repayment, with 40% of the variance in loan repayment behavior explained by financial literacy ($R^2 = .40$). The T-statistic of 5.90 and a p-value of less than 0.01 indicated that the relationship was statistically significant; confirming that higher financial literacy positively influences loan repayment rates in the UAE.

Gonzalez, (2021) conducted an experimental study titled "Financial Awareness and Bank Savings in Latin America" to investigate the effect of financial literacy on bank savings rates among adults in Brazil. The study involved 700 participants and examined the relationship between financial awareness and savings behavior. The analysis included T-tests, correlation, and R^2 calculations. The results showed a moderate positive correlation ($R = .57$) between financial literacy and savings rates, with 32% of the variance in savings behavior explained by financial awareness ($R^2 = .32$). The T-value of 5.20 and a p-value of less than 0.01 indicated that the relationship was statistically significant, providing strong evidence that increased financial awareness positively influences bank savings in Brazil.

Kumar and Gupta, (2021) conducted a study titled "Financial Education and Mobile Banking in India" to assess the role of financial education in influencing mobile banking adoption among rural households in India. The study utilized a survey design, with a sample of 600 participants, focusing on the relationship between financial education and mobile banking adoption. The analysis involved regression, F-tests, and standard deviation calculations. The results revealed a moderate positive correlation ($R = .45$) between financial education and mobile banking adoption, explaining 20% of the variance in mobile banking adoption ($R^2 = .20$). The F-statistic of 4.95 and p-value of less than 0.01 confirmed that the relationship was statistically significant, indicating that financial education has a meaningful impact on mobile banking adoption in rural India.

Santillán et al., (2021) conducted a study titled Evaluation of Financial Literacy of High School Students Regarding Saving Habits, Budgeting, and Credit in Veracruz to assess the financial literacy levels of high school students in areas such as saving habits, budgeting, and credit. The survey-based study involved 250 students from four institutions in Veracruz and analyzed variables including age, gender, marital status, and financial literacy. Using ANOVA and standard deviation, the findings revealed slight differences between genders in their approaches to saving, credit, and budget management. These results highlight nuanced variations in financial literacy based on demographic factors among high school students.

Rossi and Bianchi, (2021) conducted a cross-sectional study titled "Financial Knowledge and Saving Behaviors in Southern Europe" to explore how financial knowledge influences saving habits among adults in Italy. The study surveyed 500 participants, focusing on the relationship between financial literacy and savings rates. The analysis included regression, ANOVA, and standard deviation calculations. The results showed a moderate positive correlation ($R = .56$) between financial literacy and saving behaviors, with 31% of the variance in saving habits explained by financial knowledge ($R^2 = .31$). The F-statistic of 6.20 and a p-value of less than 0.01 confirmed the statistical significance of the relationship, indicating that greater financial literacy positively influences saving behaviors in Italy.

Petrova, (2022) conducted a case study titled "Financial Literacy and Budgeting Skills in Eastern Europe" to investigate the impact of financial literacy on budgeting skills among urban households in Russia. The study surveyed 350 participants, examining how financial literacy relates to the ability to manage household budgets. The analysis involved correlation, T-tests, standard deviation, and R^2 calculations. The results showed a moderate positive correlation ($R = .58$) between financial literacy and budgeting skills, with 34% of the variation in budgeting skills explained by financial literacy ($R^2 = .34$). The T-statistic of 5.15 and a p-value of less than 0.01 indicated that the results were statistically significant; suggesting that increased financial literacy significantly enhances budgeting skills among Russian households.

Thompson, (2022) conducted a survey-based study titled "Financial Education and Digital Banking in Sub-Saharan Africa" to examine how financial education influences the frequency of digital banking usage among youth in Nigeria. The study surveyed 450 participants, focusing on the relationship between financial literacy and digital banking frequency. The analysis included

regression, R^2, F-tests, and standard deviation calculations. The findings revealed a moderate positive correlation (R = .52) between financial education and digital banking usage, with 27% of the variation in digital banking frequency explained by financial literacy (R^2 = .27). The Fstatistic of 6.30 and a p-value of less than 0.01 indicated that the results were statistically significant, suggesting that higher financial education leads to increased use of digital banking in Nigeria.

Khanal et al., (2022) examined what influences personal financial planning among business graduates in Nepal. They defined personal financial planning as a strategic approach individuals use to assess their finances, create plans, and take action to achieve financial goals. The study focused on how financial attitude, awareness, and knowledge impact financial planning, while also considering factors like gender, income, family type, and marital status.The researchers collected data from 227 business graduates using an email questionnaire and analyzed it with hierarchical multiple regression. They found that financial attitude and awareness significantly affect financial planning, but financial knowledge does not. Additionally, the control variables showed no significant impact. The study concluded that for Nepalese business graduates, attitude and awareness play a bigger role in shaping financial planning than financial knowledge. This finding underscores the importance of mindset and awareness over factual knowledge in financial decision-making among young, educated individuals in Nepal.

Doe and Smith, (2022) in their study Financial Literacy and Savings Habits in Developing Nations, aimed to evaluate the influence of financial literacy on savings among urban adults in Nigeria. Using a cross-sectional survey design, the study collected data from 500 respondents and analyzed the relationship between financial literacy, income, and savings habits. Regression analysis revealed that financial literacy accounted for 36% of the variation in savings (R^2=0.36), with the overall model being statistically significant ($p < 0.01$). Additionally, an F-value of 5.56 further confirmed the model's significance. Beta = 0.412 refers to the standardized regression coefficient in a multiple regression analysis. Here's what it means. The findings demonstrated that higher financial literacy is positively and significantly associated with increased savings, emphasizing its critical role in shaping financial behaviors.

Wei, (2022) conducted a survey-based study titled "Impact of Financial Literacy on Credit Card Usage in China" to examine how financial knowledge influences credit card debt among college students in China. The study surveyed 400 college students, focusing on the relationship between

financial literacy and credit card usage. The analysis involved regression, ANOVA, F-tests, and standard deviation calculations. The results indicated a moderate positive correlation (R = .48) between financial literacy and credit card usage, with 23% of the variance in credit card debt explained by financial literacy (R^2 = .23). A Beta of 0.51 reflects a significant and positive influence of the independent variable on the dependent variable. The F-statistic of 4.10 and a Pvalue less than 0.01 demonstrated that the model was statistically significant, suggesting that higher financial literacy is associated with reduced credit card debt among college students in China.

An article by Shrestha et al., (2023) investigates the impact of financial literacy on personal investment decisions in the Kathmandu Valley. Utilizing a descriptive and causal study design, data was collected from 200 participants in the stock market through structured questionnaires. The analysis, which included reliability tests, descriptive statistics, correlation, and regression analyses, revealed that financial behavior, attitude, awareness, and skill significantly influence investment decisions. The study suggests that enhancing financial literacy and protecting investors can lead to improved financial outcomes for both individuals and society, highlighting the importance of financial education for better decision-making. Beta = 0.462: This is the standardized regression coefficient, showing the strength and direction of the relationship between financial attitude and personal financial planning. A Beta of 0.462 indicates a moderately strong positive relationship, meaning that as financial attitude improves, personal financial planning also improves. Beta = 0.247: This is the standardized regression coefficient for financial awareness. It shows a positive but weaker relationship compared to financial attitude. A Beta of 0.247 indicates that financial awareness also positively influences personal financial planning, but to a lesser extent than financial attitude.

2.4 Research Gap

Despite extensive research highlighting the influence of financial literacy on various financial behaviors across diverse demographics, significant gaps remain. Many studies focus on specific groups such as college students (Thapa and Nepal, 2015), rural youth (Sharma and Singh, 2018), or urban adults in developing nations (Doe and Smith, 2022). These studies emphasize the importance of financial literacy in shaping behaviors such as savings, credit usage, and banking habits but often lack a comprehensive exploration of the interplay between financial literacy and

banking engagement in emerging economies as a whole. For instance, while Sharma and Singh (2018) investigate banking habits among rural youth in India, the broader systemic and cultural factors influencing banking behaviors across different regions and income groups remain underexplored. Moreover, studies such as Kumar and Gupta (2021) and Thompson (2022) focus narrowly on mobile or digital banking adoption, leaving traditional banking habits relatively understudied.

Additionally, while financial literacy is consistently linked to positive financial outcomes like enhanced savings (Doe and Smith, 2022), better credit management (Wei, 2022), and improved budgeting skills (Petrova, 2022), the nuanced role of cultural and institutional factors in moderating this relationship is not adequately addressed. For example, Gonzalez (2021) examines financial literacy's impact on savings in Latin America, but cross-country comparisons to identify region-specific barriers or enablers of financial literacy are limited. Furthermore, most studies employ cross-sectional designs, limiting the ability to observe long-term behavioral changes or the sustained impact of financial education interventions. This highlights the need for studies that explore the broader, dynamic relationship between financial literacy, banking habits, and socio-economic factors in emerging economies.

CHAPTER III

RESEARCH METHODOLOGY

This chapter deals with the methods used for data collection and analysis to meet the study's objectives. It primarily addresses the research design, target population, sample size, the nature and sources of data, as well as the instruments and techniques used for data collection and the tools and methods applied for data analysis.

3.1 Research Design

This study followed the quantitative approach towards descriptive analysis. A descriptive research design has been used to gather qualitative information and analyze the impact of financial literacy on banking habits. This approach was utilized to depict the genuine and factual state, circumstances, and details. The goal is to identify and quantify this status of financial literacy and its impact on banking habits of people. The main objective of this study is that how financial literacy helps to influence banking habits and provide valuable recommendation for improvement of banking awareness.

The sampling was based on random sampling method. Total Customer from inside and outside valley will be selected having more customers. Sample for the study has been collected randomly from of Nepal Bank Ltd. This random selection reduces bias and enhances the generalizability of the findings. The sample for this research was drawn from Nepal Bank Ltd ensuring access to a broad population of banking customers with different level of financial literacy.

Through this methodological framework the study aims to offer practical recommendation for improving financial literacy and developing better banking habits among individual.

3.2 Population and Sample, and Sampling Design

This study utilizes a random sampling method due to its time and cost efficiency, though it acknowledges the potential for bias stemming from variations within the population. Surveying the entire population through a questionnaire is often impractical because it is time-consuming, labor-intensive, and expensive. To mitigate these challenges, the random sampling technique was employed under the supervision of a research advisor.

The population can be defined differently based on the nature and subject matter of the study. The target population is total customer of Nepal Bank ltd about 2.5 million. The sample size to assess the effect of financial literacy on banking habits is 384 having 20 to 60 years age group respondent customers.

3.3 Nature and Sources of Data, and the Instrument of Data Collection

While examining the effect of financial literacy on banking habits, a questionnaire was used to gather information. To achieve the objectives of this study, primary data sources were utilized. The questionnaire aimed to assess the influence of financial literacy on banking habits.

This research relied on primary data, collected through Google Forms for the quantitative analysis. The primary data were used to evaluate the effect of financial literacy on banking habits. The questionnaire was distributed to 241 individuals via Messenger, 44 via Viber, 70 via WhatsApp, and 29 from physical written interview. The first section of the questionnaire gathered socio-demographic information, which was used for the descriptive analysis of the respondents.

The second section of the questionnaire consisted of 25 statements related to the independent variables: financial knowledge, financial awareness, and financial attitude. Each statement was rated on a 5-point Likert scale, with 1 representing "strongly disagree," 2 representing "disagree," 3 representing "neutral," 4 representing "agree," and 5 representing "strongly agree." These statements assessed respondents' financial literacy in relation to their banking habits.

The third section contained 8 statements concerning the dependent variable, which is banking habits. These statements were also measured using a 5-point Likert scale, ranging from 1 ("strongly disagree") to 5 ("strongly agree"). The purpose was to examine the respondents' banking behaviors. The entire questionnaire was based on instruments used in the studies by Oli (2020), Thapa and Nepal, (2021), Hilgert et al., (2003) and Khanal et al., (2022).

For data analysis, the study employed tools such as the Statistical Package for the Social Sciences (SPSS) and Microsoft Excel. These tools were used for statistical techniques, including calculating the mean, standard deviation, regression, and Pearson’s correlation. The mean and standard deviation were applied to analyze both dependent and independent variables, while correlation and regression analyses were conducted to explore the relationships between these variables and assess the impact of the independent variables on the dependent variable.

Tools for Data Collection (Questionnaire)

A limited number of basic and structured set of questions were prepared and asked to the target respondents including personal background questions on gender, age, education qualifications, marital status, occupation, monthly personal income likewise, a 5-point Likert scale is used for the survey of data in which 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree.

Reliability Statistics

Table 1

Cronbach's Alpha for Reliability Test

Variables	Cronbach's Alpha	N of Items
Financial Knowledge	0.933	7
Financial Awareness	0.949	8
Financial Attitude	0.943	10
Banking Habits	0.928	8

Sources: SPSS Output, 2025

The dependent and independent variable items used in this research were adapted from studies by Oli (2020), Thapa and Nepal (2021), and Khanal, Thapa, and Nepal (2022), which focused on similar types of research.

Table 1 , titled "Cronbach's Alpha for Reliability Test," provides the reliability coefficients for four variables related to financial literacy and banking habits. These variables include "Financial Knowledge," "Financial Awareness," "Financial Attitude," and "Banking Habits." The table reports each variable's Cronbach's Alpha value alongside the number of items (N of Items) used to measure it. Cronbach's Alpha is a statistical measure that evaluates the internal consistency or reliability of a set of survey or test items, with values above 0.7 considered acceptable and those above 0.9 deemed excellent.

The results indicate that all four variables exhibit high reliability, as evidenced by their Cronbach's Alpha values, all exceeding 0.9. "Financial Awareness" demonstrates the highest reliability with an Alpha of 0.949, followed by "Financial Attitude" at 0.943, "Financial Knowledge" at 0.933, and "Banking Habits" at 0.928. The number of items used for each variable ranges from 7 to 10, reflecting a consistent number of questions or statements for assessing each domain. These high reliability scores suggest that the survey items provide consistent and dependable measures of the

constructs being studied.

3.4 Methods of Analysis

The data are collected and checked daily for completeness. The collected data are coded and entered in Microsoft Excel. Statistical Package for Social Science (SPSS) was used for analyzing the data.

The data are examined using descriptive statistical methods, including frequency, percentage, mean, and standard deviation, as well as inferential techniques such as correlation and regression analyses. These methods are employed to test the hypotheses and to determine the relationship and impact on the dependent variables. The various tools utilized to analyze the data are briefly described below.

Descriptive Analysis

a. Mean (x)

The mean, also referred to as the average, is a calculated value representing the central tendency of a set of numbers. This statistical concept is particularly significant in finance and various business valuation areas. The mean provides an accurate summary of the entire dataset.

$$\bar{x} = \frac{\text{Sum of all data}}{No\ of\ data}$$

b. Standard Deviation (σ)

Dispersion refers to the extent of variation among individual items in a frequency distribution. The standard deviation is used to measure this dispersion precisely. A higher level of dispersion corresponds to a larger standard deviation, while a lower level of dispersion indicates a smaller standard deviation. A smaller standard deviation suggests that the observations are more uniform and the series is more homogeneous, and the opposite is true for a larger standard deviation.

Correlation Analysis

a. Co-efficient of Correlation (r)

The statistical tool that measures the degree of linear relationship between two variables is known as correlation analysis. Coefficient of correlation measures the way of relation between two sets of figures. Correlation can be either negative or be positive. A positive correlation is when both the variables are changing in the same direction. However, correlation is negative when two variables take opposite directions. It is crucial to know that causation is not implied by correlation. For instance, a strong correlation between any two variables does not always have to mean that

one variable influenced the other. Strength and direction of relationship between any two variables is only measured by correlation. Its range is from -1 to 1 where:

r =1 perfect positive linear relationship

r=-1 perfect negative relationship

r =0 no linear relationship (although there is still a chance of nonlinear relationship) X and Y based on a sample size n is shown by:

$$\text{Correlation Coefficient}(r)=\frac{n\Sigma XY-\Sigma X\Sigma Y}{\sqrt{n\Sigma X^2-(\Sigma X)^2}\cdot\sqrt{n\Sigma Y^2-(\Sigma Y)^2}}$$

Where,

n= Number of observations

X= Value of independent variable

Y= Value of dependent variable

b. Coefficient of Determination (R^2)

The coefficient of determination, also denoted as R^2 and (pronounced "R-squared") is a statistical measure that represents the proportion of the variance in the dependent variable that is predictable from the independent variables. In other words, it quantifies how well the independent variables explain the variability of the dependent variable. R^2 is a number between 0 and 1. A value closer to 1 indicates a better fit of the regression model to the data, meaning that a larger proportion of the variability in the dependent variable can be explained by the independent variables. Conversely, a value closer to 0 indicates that the independent variables do not explain much of the determination R^2 depends on the context of the statistical model being used, for linear regression models, the formula for is as below:

$$R^2 = \frac{\text{Explained Variation}}{\text{Total Variation}} \qquad R^2 = 1 - \frac{\text{Residual Variation}}{\text{Total Variation}}$$

Regression Analysis

Regression analysis is a statistical method used to estimate the connection between a dependent variable (typically the outcome) and one or more independent variables (usually predictors). It is

valuable for determining the strength of relationships between variables and can help forecast their future behavior. Usually the formula for regression analysis is below:

YBH = β0 + β1FK + β2FA + β3FAT +e

Where, BH = Banking Habits

FA = Financial Awareness

FAT = Financial Attitude

FK = Financial Knowledge

β0 = Constant

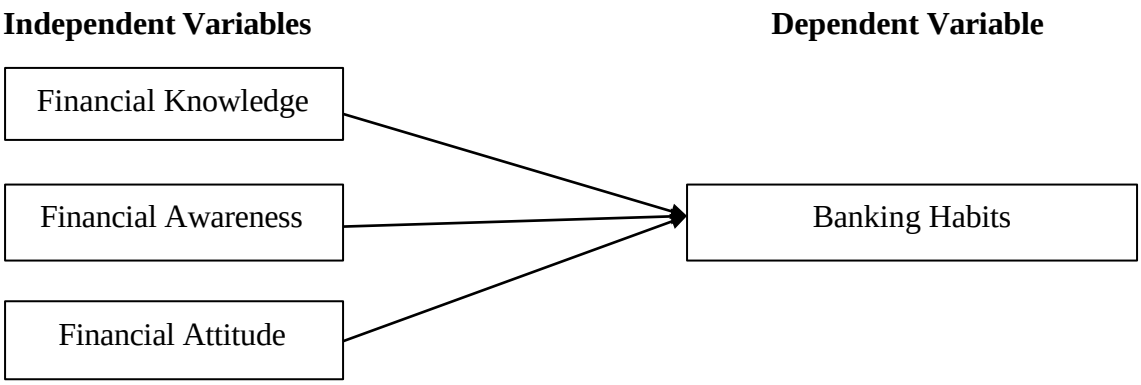
e = Error Term

3.5 Research Framework and Definition of Variables

The theoretical framework is designed to outline the key concepts of the study. It comprises interrelated ideas about general concepts and provides a meaningful structure to understand the phenomenon under investigation. In this study, banking habits serve as the dependent variable, influenced by various independent variables. The independent variables include financial literacy factors such as financial knowledge, awareness, and attitudes. This theoretical framework has been developed based on a review of articles by Khanal, Thapa, and Nepal (2022).

Figure 1

Research Framework of the Study



Source: Khanal, Thapa, & Nepal, (2022) and Sharma and Singh, (2018)

Definition of Variable

Independent Variable

The impact of independent variables on the dependent variable is determined by the constructs used to measure the independent variables in this study. A Likert scale questionnaire serves as the tool for this measurement.

Financial Knowledge

Atkinson and Messy (2005) define financial literacy as the combination of consumers' or investors' understanding of financial products and concepts, along with their ability and confidence to evaluate financial risks and opportunities, make informed decisions, know where to seek help, and take effective actions to improve their financial standing. Greenspan (2002) emphasizes that financial literacy equips individuals with the knowledge necessary to create household budgets, initiate savings plans, and make strategic investment decisions.

Financial Awareness

Financial literacy involves the effective management of financial resources on a personal level throughout one's lifetime, using relevant knowledge and skills (Simon, 2016). Oli (2020) assessed respondents' awareness of various financial products such as savings accounts, shares, debentures, derivatives, and money markets. The study found respondents' familiarity was limited to certain financial products.

Financial Attitude

The tools employed in this research are adapted from the study by Surendar and Sarma (2017). These tools measure various aspects such as saving behaviors, differences between saving and spending, saving patterns, short-term perspectives, and the effectiveness of savings. Financial attitudes are assessed using questionnaires focusing on attitudes towards saving and financial management, with comparisons made based on average scores. Financial attitude is defined as a predisposition to behave in a particular manner, shaped by economic and non-economic beliefs about the outcomes of certain behaviors (Ajzen, 2018).

Dependent Variables

Banking Habits

Banking habits refer to the regular and systematic practices individuals adopt in managing their financial transactions through banking institutions. These habits encompass activities such as saving, borrowing, digital payment usage, account monitoring, and investment decisions, often influenced by factors like financial literacy, accessibility, and socioeconomic status (Lusardi and Mitchell, 2014). Developing sound banking habits can enhance financial stability and inclusion, particularly in emerging economies where formal financial systems are less prevalent.

CHAPTER IV

RESULT AND DISCUSSION

This chapter offers a structured presentation and analysis of primary data. To meet the primary objective of the study, it applies various statistical and regression models outlined in the previous chapter, organized under different headings and subheadings. The chapter is divided into three sections: the first section presents a descriptive analysis of both dependent and independent variables; the second section focuses on the examination of the regression model, including correlation analysis.

4.1 Result

4.1.1 Demographic Analysis

Gender

Gender refers to the classification of individuals as male and female based on biological characteristics. It helps analyze differences in behaviors, preferences, and decision-making patterns among groups. In financial literacy studies, gender differences may impact banking habits and financial decision-making.

Table 2

Gender Group	Frequency	Percent
Female	168	43.75
Male	216	56.25
Total	384	100.0

Source: Online Survey, 2025

Table 2 shows the distribution of respondents by gender where the majority of respondents are male (56.25%) followed by Female (43.75%) respondents. This implies that in this study the respondent of male is more than that of Female.

Age

Age represents the chronological years of respondents and helps categorize them into different age groups. Age influences factors like risk tolerance, spending behavior, and financial literacy levels in research studies.

Table 3

Age Group	Frequency	Percent
20 to 30	239	62.24
31-39	103	26.82
40 above	42	10.94
Total	384	100

Source: Online Survey, 2025

Table 3 present the age distribution of the respondents. Among the 384 participants, the largest portion, 62.24%, falls within the age group of less than 30, followed by those aged 31-39 is 26.82% and only 10.94% of the respondents are aged 40 and above. This suggests that the majority of respondents are within the age range of less than 30 to 39 years.

Marital Status

Marital status is a key demographic variable that categorizes individuals based on their relationship status, such as married, unmarried and divorced. It helps analyze how financial behaviors, banking habits, or economic decisions vary across different marital groups.

Table 4

Marital Status	Frequency	Percent
Divorced	12	3.12
Married	181	47.14
Unmarried	191	49.74
Total	384	100.0

Sources: Online Survey, 2025

Table 4 presents the distribution of respondents based on their marital status, revealing that the majority, 49.74%, are unmarried, while 47.14% are married and 3.12% are divorced. This study, therefore, indicates that a significant portion of the respondents are unmarried.

Academic Qualification

Academic Qualification in demographic analysis refers to the highest level of education attained by respondents. It helps categorize participants based on their educational background, such as

secondary level, 10+2, Bachelor and Masters Levels. This variable is crucial in analyzing trends, correlations, and the impact of education on financial literacy and banking habits.

Table 5

Qualification	Frequency	Percent
10+2	89	23.18
Bachelor	120	31.25
Masters	118	30.73
Secondary Level	57	14.84
Total	384	100.0

Source: Online Survey, 2025

Table 5 presents the breakdown of respondents by academic qualifications, indicating that 23.18% hold a plus two level, 31.25% possess a bachelor's degree and 14.84% have completed secondary level and 30.73% hold masters degree education. This suggests that the majority of respondents have attained bachelor level educations.

Occupations

Occupations in demographic analysis refer to the types of jobs or employment categories of a population, helping to understand economic status and social structure.

Table 6

Occupational Group	Frequency	Percent
Business/Entrepreneur	52	13.54
Government Employee	82	21.35
Others	63	16.41
Private Organization Employee	80	20.83
Student	107	27.87
Total	384	100.0

Source: Online Survey, 2025

Table 6 presents the distribution of respondents based on their occupations. Among the 384 participants, the largest group consists of students, making up 27.87% (107 respondents).

Government employees follow at 21.35% (82 respondents), while private organization employee's account for 20.83% (80 respondents). Individuals categorized as "Others" represent 16.41% (63 respondents), and business owners or entrepreneurs make up 13.54% (52 respondents). This distribution suggests a diverse respondent pool, with a significant representation from students and working professionals across various sectors.

Income Range

Income range in demographic analysis refers to the categorization of individuals or households based on their earnings within a specific period. It helps in understanding financial disparities, consumer behavior, and economic status in a given population.

Table 7

Income Group	Frequency	Percent
Below Rs.20,000	134	34.90
Rs. 21,000- 40,000	122	31.77
Rs.41,000-50,000	61	15.88
More than Rs.50,000	67	17.45
Total	384	100.0

Source: Online Survey, 2025

Table 7 shows the distribution of respondents as per their monthly personal income. Income having below Rs. 20,000 is 34.90%, income having more than Rs. 50,000 is 17.45%, income range having Rs. 21,000 to 40,000 is 31.77% and income range having Rs. 41,000 to 50,000 is 15.88%. It indicates that majority of people have income range is Rs. below 20000.

4.1.2 Inferential Analysis

Financial Knowledge

Financial Knowledge is treated as an independent variable influencing banking habits in emerging economies. It refers to an individual's understanding of financial concepts, including budgeting, saving, investing, and credit management.

Table 8

Items	N	Minimum	Maximum	Mean	Std. Deviation
I find it safer to invest money in various different areas than just investing in only one area.	384	1	5	3.71	0.969
I know the difference between an investment account, a credit card, a pension fund, an insurance policy	384	1	5	3.70	0.970
If I had Rs. 1,000.00 in my saving account with an interest rate of 2% per annum, then I would have Rs. 1,100.00 after 5 years	384	1	5	3.61	1.052
I know how to estimate the amount of money I will need for retirement	384	1	5	3.62	0.949
I understand the impact of inflation on my savings and investments	384	1	5	3.67	0.919
I can accurately track my income and expenses	384	1	5	3.60	0.915
I know the different types of savings accounts and their benefits	384	1	5	3.68	0.999
Valid N (list wise)	384				

Sources: SPSS Output, 2025

The descriptive statistics of financial knowledge suggest that respondents have a fairly good understanding of fundamental financial concepts. The highest mean scores are seen in diversifying investments (3.71) and distinguishing between financial products like investment accounts, credit cards, pension funds, and insurance policies (3.70). This indicates that many individuals recognize the importance of spreading financial risk and have a basic awareness of different financial

instruments. Additionally, knowledge of different types of savings accounts and their benefits (3.68) and understanding the impact of inflation on savings and investments (3.67) suggest that respondents are aware of key financial principles that affect long-term financial stability.

However, there are areas where knowledge could be improved. The lowest mean scores are seen in tracking income and expenses (3.60) and correctly estimating future savings growth (3.61), suggesting that some individuals may struggle with practical financial planning and mathematical calculations related to interest rates. The standard deviation values, ranging from 0.915 to 1.052, indicate moderate variation in financial knowledge across respondents, with the highest variation in understanding interest rate calculations (1.052), which may reflect differences in numerical literacy. Overall, while financial knowledge appears to be at a reasonable level, there is room for improvement in areas such as retirement planning, expense tracking, and interest rate calculations to enhance financial decision-making.

Financial Awareness

It involves awareness of personal finance management, such as budgeting, saving, investing, and managing debt. As an independent variable, it influences banking behaviors and financial decision-making in emerging economies.

Table 9

Items	N	Minimum	Maximum	Mean	Std. Deviation
Bank Saving Accounts	384	1	5	4.05	0.958
Debenture/ Bonds	384	1	5	3.36	1.010
Equity Shares	384	1	5	3.50	1.026
Government Securities	384	1	5	3.51	1.053
Derivative Products	384	1	5	3.41	0.895
Mutual Funds	384	1	5	3.57	0.980
Life Insurance	384	1	5	3.82	0.934
Currency Market	384	1	5	3.52	0.916
Valid N (list wise)	384				

Sources: SPSS Output, 2025

The descriptive statistics of financial awareness indicate that respondents have the highest level of

awareness about bank savings accounts (mean = 4.05) and life insurance (mean = 3.82). This suggests that traditional financial products, which are commonly used for savings and security, are well understood by individuals. Mutual funds (3.57) and government securities (3.51) also show moderate awareness, reflecting some knowledge of investment options beyond basic savings. The relatively high awareness of these financial instruments indicates that individuals recognize their importance in financial planning and long-term wealth management.

On the other hand, financial products such as debentures/bonds (3.36) and derivative products (3.41) have the lowest mean scores, suggesting lower familiarity or understanding. This could be due to the complexity of these instruments, as they require more financial knowledge and expertise. The standard deviation values, ranging from 0.895 to 1.053, indicate that respondents have varying levels of awareness, with the highest variation in government securities (1.053), showing diverse opinions or understanding. Overall, while basic financial products are well recognized, more complex investment instruments may require greater financial education to improve awareness and informed decision-making.

Financial Attitude

Financial attitude refers to an individual's beliefs, feelings, and behaviors toward managing money, which influences their financial decisions and practices. It shapes how people approach saving, spending, and investing. In this study, as an independent variable, it can explain variations in financial behaviors and outcomes.

Table 10

Items	N	Min.	Max.	Mean	Std. Deviation
I feel in control of my financial situation.	384	1	5	3.41	1.021
I feel capable of using my future income to achieve my financial goals	384	1	5	3.60	0.915
I worry to manage my finance	384	1	5	3.51	0.980
I am uncertain about where my money is spent	384	1	5	3.40	0.985
I feel credit cards are safe and risk free	384	1	5	3.53	0.945
I feel capable of handling my financial future (e.g. buying insurance)	384	1	5	3.51	0.993
I am afraid of loan h. I give importance to saving money from my monthly income	384	1	5	3.44	0.984
I feel having life insurance is an important way to protect loved ones	384	1	5	3.52	0.993
I enjoy thinking about and have interest in reading about money management	384	1	5	3.58	0.962
I enjoy talking to my peers about money related issues (i.e. taxes)	384	1	5	3.40	0.912
Valid N (list wise)	384				

Source: SPSS Output, 2025

The descriptive statistics of financial attitude reveal a generally positive outlook towards financial management, with mean scores ranging from 3.40 to 3.60 on a 5-point scale. The highest mean

score (3.60) is observed for feeling capable of using future income to achieve financial goals, indicating that many individuals have confidence in their long-term financial planning. Similarly, interest in reading about money management (3.58) and the belief that credit cards are safe (3.53) suggest a proactive and relatively optimistic attitude toward financial matters.

On the other hand, there are some concerns and uncertainties in financial behavior. A mean score of 3.51 for financial worries suggests that while individuals are somewhat confident, many still experience anxiety about managing their finances. Similarly, uncertainty about spending (3.40) and feeling in control of financial situations (3.41) indicate that some individuals struggle with tracking their expenses effectively. Additionally, discussing money-related issues with peers (3.40) is one of the lowest-scoring items, suggesting that financial conversations may not be common in social settings.

The standard deviation values, ranging from 0.912 to 1.021, indicate moderate variations in responses. The highest deviation (1.021) is in feeling in control of financial situations, meaning opinions vary significantly among respondents. Meanwhile, lower deviations, such as for discussing money-related issues (0.912), suggest a more consistent response pattern. Overall, the findings highlight a mix of financial confidence and concern, where individuals generally believe in their ability to manage their future finances but still face uncertainties and worries about their current financial habits.

Banking Habits

This includes factors such as frequency of bank transactions, usage of digital banking platforms, savings patterns, and preferences for types of financial products. It serves as an independent variable.

Table 11

Items	N	Minimum	Maximum	Mean	Std. Deviation
I regularly save a portion of my income in a bank account	384	1	5	3.61	1.002
I frequently use online banking services for financial transactions	384	1	5	3.50	0.900
I prefer to use my debit or credit card instead of cash for payments	384	1	5	3.40	0.950
I keep track of my account balance and transactions through banking apps or statements	384	1	5	3.43	0.997
I feel confident in understanding the fees and charges associated with my bank accounts	384	1	5	3.55	0.960
I compare different banking products and services before making a decision	384	1	5	3.68	0.973
I am proactive in seeking advice or assistance for managing my banking needs	384	1	5	3.34	1.027
I prioritize securing my financial information when using banking services	384	1	5	3.41	1.012
Valid N (list wise)	384				

Source: SPSS Output, 2025

The descriptive statistics provide insights into the banking habits of the surveyed individuals. The mean scores, which range from 3.34 to 3.68 on a 5-point scale, suggest a generally moderate to high engagement with banking practices. The highest mean score (3.68) is observed for comparing different banking products and services before making a decision, indicating that many individuals take a thoughtful approach to financial choices. Similarly, regularly saving a portion of income in

a bank account (3.61) and understanding bank fees and charges (3.55) also show relatively high engagement, reflecting an awareness of financial planning and cost management.

On the other hand, some behaviors exhibit slightly lower engagement. The lowest mean score (3.34) is associated with seeking advice or assistance for managing banking needs, suggesting that individuals may not frequently reach out for financial guidance. Additionally, the use of debit/credit cards instead of cash (3.40) and prioritizing financial security (3.41) show moderate levels of practice, which may indicate that some individuals still prefer cash transactions or are not fully proactive in securing their financial information. However, frequent use of online banking (3.50) and tracking account balances (3.43) suggest a fair level of digital banking adoption.

The standard deviation values, which range from 0.900 to 1.027, indicate varying levels of consistency in responses. The smallest deviation (0.900) is seen in online banking usage, meaning respondents have relatively similar levels of engagement with digital transactions. Conversely, seeking financial advice has the highest deviation (1.027), implying that responses are more varied some individuals actively seeks guidance, while others rarely do. Overall, the data reflects a balanced mix of financial awareness, digital banking usage, and security conscious behavior, but with some room for improvement in financial advisory engagement and transaction security.

Correlations Analysis

Correlation analysis measures the strength and direction of the relationship between two or more variables. It helps in understanding how changes in one variable correspond to changes in another within a dataset.

Table 12

Variables		X1	X2	X3	Y	P-Value
Financial Knowledge	Pearson Correlation	1	0.747**	0.780**	0.716**	0.000
Financial Awareness	Pearson Correlation		1	0.723**	0.661**	0.013
Financial Attitude	Pearson Correlation			1	0.752**	0.000
Banking Habits	Pearson Correlation				1	0.000

**. Correlation is significant at the 0.01 level (2-tailed).

Sources: SPSS Output, 2025

"Based on the correlation table, the dependent variable 'Y' (presumably representing banking habits) shows various degrees of correlation with the independent variables 'X1' (financial knowledge), 'X2' (financial awareness), and 'X3' (financial attitude).

'Y' has a moderate positive correlation with 'X1' (0.716). This suggests that as financial knowledge increases, banking habits also tend to improve, indicating a significant relationship between knowledge and banking behavior. Similarly, the correlation between 'Y' and 'X2 (financial awareness)' is 0.661, which also indicates a moderate positive relationship. This suggests that a positive financial awareness is associated with better banking habits. Finally, 'Y (banking habits)' and 'X3 (financial attitude)' have a correlation of 0.752, which indicates a moderately strong positive relationship. This implies that financial attitude is closely related to effective banking habits.

All correlations appear significant at the 0.01 level, suggesting that these relationships are statistically significant. Hence, it can be concluded that financial awareness, financial attitude, and financial knowledge affect banking habits.

The analysis shows that higher financial knowledge leads to improved banking habits. Similarly, financial awareness, financial knowledge, and financial attitude are positively correlated with banking habits.

Regression Analysis

Regression analysis is a statistical method used to examine the relationship between a dependent variable and one or more independent variables. It helps to determine how changes in the independent variables affect the dependent variable.

Model Summary of ANOVA Table

The table titled Model Summary of ANOVA Table provides a summary of a regression model's key statistics.

Table 13

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.785[a]	0.623	0.607	3.98122

a. Predictors: (Constant), TotalA, TotalFA, TotalFK

Sources: SPSS Output, 2025

The table indicates that the model includes a constant (BH= Banking Habit) and three predictors: Total A (Financial Attitude), Total FA (Financial Awareness), and Total FK (Financial Knowledge).

The regression model's output is summarized by the R value, R Square, Adjusted R Square, and the Standard Error of the Estimate.

The R value (0.785) represents the correlation coefficient between the observed and predicted values of the dependent variable, suggesting a strong relationship. The R Square value (0.607) indicates that approximately 60.7% of the variability in the dependent variable can be explained by the model, implying that the predictors have a substantial effect. The Adjusted R Square (0.623) accounts for the number of predictors in the model relative to the sample size, slightly adjusting the R Square value to prevent overestimation. The Standard Error of the Estimate (3.98122) provides a measure of the average distance that the observed values fall from the regression line, with a lower value indicating better model fit.

Overall, these statistics suggest that the model is relatively robust, explaining a significant portion of the variance in the dependent variable.

ANOVA Table of Regression Analysis

The table titled 'ANOVA Table of Regression Analysis' presents the results of an Analysis of Variance (ANOVA) for a regression model.

Table 14

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7631.765	3	2543.922	160.498	0.000[b]
	Residual	4739.192	381	15.850		
	Total	12370.957	384			

a. Dependent Variable: TotalBH b. Predictors: (Constant), TotalA, TotalFA, TotalFK

Sources: SPSS Output, 2025

This table breaks down the total variance in the dependent variable into two components: variance explained by the regression model (Regression) and variance not explained by the model (Residual). The 'Sum of Squares' column shows the total variation attributed to each source. The regression model explains a significant amount of variance with a Sum of Squares of 7631.765, while the residual variance, which represents the error or unexplained variance, is 4739.192. The total variance (Total) in the dependent variable is 12370.957, which is the sum of the regression

and residual sums of squares.

The table also provides degrees of freedom (df) for each source of variance. The regression model has 3 degrees of freedom, corresponding to the three predictors in the model: Total A (Financial Attitude), Total FA (Financial Awareness), and Total FK (Financial Knowledge). The residual has 381 degrees of freedom, which is the total sample size minus the number of predictors minus one. The Mean Square is obtained by dividing the Sum of Squares by the respective degrees of freedom. The F-value (160.498) is the ratio of the Mean Square of the regression model to the Mean Square of the residuals, and it is used to determine if the variance explained by the model is significantly greater than the unexplained variance. The significance level (Sig.) of 0.000 indicates that the model is highly significant; suggesting that at least one of the predictors has a meaningful relationship with the dependent variable, banking habits.

Coefficients

The table presents the results of a multiple regression analysis with 'TotalBH (Banking Habit)' as the dependent variable and three independent variables: TotalFK (Financial Knowledge), TotalFA (Financial Awareness), and TotalA (Financial Attitude).

Table 15

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	4.122	1.127		3.656	0.000
	Financial Knowledge	0.295	0.071	0.264	4.174	0.000
	Financial Awareness	0.135	0.054	0.143	2.500	0.013
	Financial Attitude	0.356	0.049	0.443	7.298	0.000

a. Dependent Variable: TotalBH *Sources:*

SPSS Output, 2025

The 'Un-standardized Coefficients' section provides the raw coefficients (B) and standard errors for each predictor, indicating the extent to which each independent variable contributes to the prediction of the dependent variable.

For example, TotalFK (Financial Knowledge) has a coefficient (B) of 0.295, suggesting that for every unit increase in TotalFK (Financial Knowledge), TotalBH (Banking Habit) increases by 0.295 units, holding other variables constant. Similarly, TotalFA (Financial Awareness) and TotalA (Financial Attitude) have coefficients of 0.135 and 0.356, respectively, indicating their contribution to predicting TotalBH (Banking Habit).

The 'Standardized Coefficients' column, represented by Beta, provides a measure of the relative importance of each predictor by standardizing the variables to have a mean of zero and a standard deviation of one. Here, TotalA (Financial Attitude) has the highest standardized coefficient (Beta = 0.443), indicating it is the most significant predictor of TotalBH (Banking Habit). The't' values and the 'Sig.' (Significance) values show that all predictors are statistically significant, with p-values below 0.05. Specifically, TotalA (Financial Attitude) has the highest tvalue (7.298) and the smallest p-value (0.000), reinforcing its strong influence on TotalBH (Banking Habit). This analysis suggests that while all three predictors significantly affect TotalBH (Banking Habit), TotalA (Financial Attitude) has the most substantial impact.

Summary of hypothesis

Hypothesis Testing

Table 16

Hypothesis	P-value(Sig.)	Remarks	Impact
H1: There is significant impact of financial knowledge on banking habits.	0.00	Accept	Positive
H2: There is significant impact of financial awareness on banking habits.	0.013	Accept	Positive
H3: There is significant impact of financial attitude on banking habits.	0.00	Accept	Positive

4.2 Discussion

This study examines how financial literacy factors such as financial awareness, financial attitude, and financial knowledge affect banking habits. The dependent variable in this research is banking habits.

The article review presents various studies on financial literacy, banking habits, and personal financial management across different demographics and geographical regions. These studies highlight a recurring theme: while individuals recognize the importance of financial literacy, there are notable gaps in their understanding of complex financial instruments and behaviors. For instance, Sharma and Bohara (2010) found that respondents in Nepal engaged in basic financial planning but lacked deep financial knowledge, whereas Thapa and Nepal (2015) emphasized that college students had limited comprehension of advanced financial topics like credit and investments. Similarly, other studies, such as those by Ali (2021) and Kumar & Gupta (2021), found strong correlations between financial literacy and financial behaviors like loan repayment and mobile banking adoption. The overall findings from these studies suggest that increasing financial education can significantly enhance financial decision-making and banking engagement.

Findings of this study align with several aspects of these studies but also provide new insights into financial knowledge, awareness, and attitudes in emerging economies. The descriptive analysis shows that respondents demonstrate a moderate understanding of financial concepts, with strong awareness of traditional financial products like savings accounts and life insurance but weaker knowledge of complex financial instruments like derivatives and bonds. Additionally, while respondents exhibit confidence in managing future financial goals, there are uncertainties regarding income tracking and financial planning. These patterns mirror the findings in the literature, which indicate that while individuals engage in financial practices, they often lack depth in financial literacy. Furthermore, my correlation analysis shows a statistically significant relationship between financial literacy and banking habits, reinforcing the conclusions of previous studies that financial education directly impacts financial behaviors.

Despite these similarities, my study also uncovers distinct findings that contribute to the existing literature. Unlike some previous studies that emphasize financial knowledge as the primary driver of financial behaviors, my results suggest that financial attitude plays a more significant role in influencing banking habits. Regression analysis indicates that financial attitude has the highest standardized coefficient (Beta = 0.443), suggesting it has a stronger predictive power than financial knowledge and awareness. This contrasts with studies like Khanal et al. (2022), which found financial knowledge to be less impactful on financial planning. My findings highlight the importance of fostering positive financial attitudes, suggesting that financial

literacy programs should not only focus on knowledge dissemination but also on shaping financial confidence, behavior, and proactive financial engagement.

Additionally, this study emphasizes the need for financial education programs to adopt a more behavioral approach rather than solely focusing on theoretical financial knowledge. While knowledge about financial concepts is essential, the findings suggest that individuals are more likely to engage in effective banking habits when they develop confidence in financial decision-making. Many respondents reported feeling uncertain about their spending and savings behaviors, indicating a psychological barrier that financial education programs must address. Encouraging financial self-efficacy, promoting disciplined banking behaviors, and integrating real-life financial management exercises into financial literacy initiatives can further enhance financial engagement. The descriptive analysis shows that respondents demonstrate a moderate understanding of financial concepts, with strong awareness of traditional financial products like savings accounts and life insurance but weaker knowledge of complex financial instruments like derivatives and bonds. Additionally, while respondents exhibit confidence in managing future financial goals, there are uncertainties regarding income tracking and financial planning. By incorporating these elements, financial education programs can better equip individuals with the skills and mindset necessary for sustainable banking practices.

The statistical analysis confirms that financial knowledge, financial awareness, and financial attitude all have a significant impact on banking habits. Among these, financial knowledge and financial attitude show the strongest influence, both with a p-value of 0.00, indicating a very high level of significance. Financial awareness, while still statistically significant ($p = 0.013$), has a relatively lower impact. Overall, these findings highlight the crucial role of financial literacy in improving banking habits and suggest that a more comprehensive approach to financial education including both knowledge-building and attitude development can lead to better financial decision-making and long-term financial stability.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

Financial literacy plays a crucial role in managing personal finances, making investment decisions, and improving banking habits. In emerging economies like Nepal, financial literacy is particularly important due to the rapid expansion of banking services and financial inclusion initiatives. This study examines the relationship between financial literacy and banking habits among Nepal Bank Limited customers, focusing on three key aspects of financial literacy: financial knowledge, financial awareness, and financial attitude. Previous studies have indicated that individuals with higher financial literacy are more likely to engage in positive banking behaviors, such as saving regularly, managing credit effectively, and using digital banking services.

The study employed a quantitative research approach, collecting data from 384 respondents through structured questionnaires. Statistical methods such as mean, standard deviation, correlation, and regression analysis were used to analyze financial literacy and its impact on banking habits. The reliability of the survey instruments was confirmed with high Cronbach's Alpha values (financial knowledge: 0.933, financial awareness: 0.949, financial attitude: 0.943, and banking habits: 0.928). These results indicate a strong consistency in the data collected, making the findings reliable and valid.

The findings reveal that respondents have a moderate level of financial knowledge, with mean scores ranging from 3.60 to 3.71. Understanding investment diversification had the highest mean score (3.71), whereas tracking income and expenses had the lowest (3.60). Financial awareness was highest for bank savings accounts (4.05) and lowest for debentures and derivative products (3.36 and 3.41, respectively). Regarding financial attitude, respondents expressed moderate confidence in their financial situation (mean = 3.41) but also showed concern about managing their finances (3.51). This suggests that while individuals possess some financial literacy, gaps exist in certain areas, particularly in complex financial products and expense management.

Banking habits were analyzed based on savings behavior, digital banking adoption, and financial security practices. The study found that most respondents regularly save a portion of their income (mean = 3.61) and compare different banking products before making decisions (mean = 3.68). However, fewer individuals actively seek financial advice (mean = 3.34), indicating a need for increased financial education and advisory services. Digital banking adoption was moderate, with a mean score of 3.50, showing that while many individuals use online banking, there is still potential for improvement in digital financial literacy.

Correlation analysis confirmed a significant positive relationship between financial literacy and banking habits. Financial knowledge ($r = 0.716$), financial awareness ($r = 0.752$), and financial attitude ($r = 0.661$) all showed strong correlations with banking habits. The regression analysis provided further evidence, with an R^2 value of 0.623, indicating that 62.3% of the variation in banking habits is explained by financial literacy factors. Among these, financial attitude had the highest impact ($\beta = 0.443$, $p < 0.001$), followed by financial knowledge ($\beta = 0.264$, $p < 0.001$) and financial awareness ($\beta = 0.143$, $p = 0.013$).

0The ANOVA test demonstrated that the regression model was statistically significant ($F = 160.498$, $p < 0.001$), confirming the strong impact of financial literacy on banking habits. The demographic analysis also indicated that younger individuals (20–30 years old) have higher financial literacy and are more likely to engage in modern banking practices than older individuals. This suggests that digital financial education programs should be targeted toward different age groups to improve overall financial behavior.

Overall, the study establishes that financial literacy significantly influences banking habits, with financial attitude playing the most crucial role. The findings highlight the need for targeted financial education programs to address gaps in financial knowledge and awareness. Banks and financial institutions should promote financial literacy through workshops, online resources, and advisory services to enhance customer engagement and responsible banking behavior. Future research should explore long-term behavioral changes through longitudinal studies and expand the scope to include other financial institutions beyond Nepal Bank Limited.

5.2 Conclusion

The study concludes that financial literacy significantly impacts banking habits in Nepal, with financial knowledge, awareness, and attitude playing key roles. The findings highlight that individuals with higher financial literacy are more likely to engage in responsible banking

behaviors, such as maintaining savings accounts, using digital banking services, and making informed financial decisions. The correlation analysis indicates strong positive relationships between financial literacy components and banking habits, with financial attitude showing the highest influence, followed by financial knowledge, and financial awareness. The regression model confirms that variation in banking habits can be explained by financial literacy factors indicating a substantial impact.

Furthermore, the ANOVA results confirm the model's statistical significance, reinforcing the importance of financial literacy in shaping banking behaviors. While financial knowledge and awareness contribute to informed decision-making, financial attitude has the most significant impact on banking engagement. The study suggests that improving financial education programs, especially focusing on financial attitude and awareness, can enhance banking habits among individuals. Financial institutions and policymakers should implement targeted initiatives to bridge knowledge gaps, encourage savings, and promote digital banking adoption. These efforts will not only strengthen personal financial stability but also contribute to broader financial inclusion and economic growth in Nepal.

5.3 Implications

- In the perspective of Nepal Bank Ltd, the findings of this study offer valuable insights in order to develop customer-centric financial literacy programs. The significant positive relationship between financial literacy and banking habits suggests that increasing financial awareness and knowledge among customers can lead to better banking engagement. This indicate that the variation in banking habits is explained by financial literacy, the bank can focus on financial education initiatives to encourage customers to adopt better savings, investment, and borrowing practices. Additionally, given that financial awareness and financial attitude are strong predictors of banking behavior, Nepal Bank Ltd. should integrate financial counseling into its services to help customers make more informed financial decisions.
- In the perspective of NRB as a policy maker, the study holds significant implications in order to shape policies that promote financial literacy and inclusion. The strong correlation between financial literacy and banking habits highlights the need for nationwide financial education programs. Since younger individuals demonstrated higher financial literacy and adoption of banking technologies, NRB can design targeted financial literacy campaigns

that integrate digital banking education. Furthermore, given that financial attitude has the highest impact on banking habits.

- In the perspective of this study, the study may bridges a gap in the literature by providing empirical evidence on the impact of financial literacy on banking habits in Nepal. Unlike previous studies that primarily focused on students or employees, this research provides a broader perspective by analyzing Nepal Bank Limited customers across different demographics. Future researchers can build on this study by conducting longitudinal analyses to track behavioral changes over time. Additionally, with an ANOVA test confirming the statistical significance of the model, researchers can explore other variables, such as financial motivation and cultural influences, to deepen understanding of financial literacy's role in banking behavior.

REFERENCES

Ajzen, I. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Processes*, *50*(2), 179-211. https://doi.org/10.1016/0749-5978(91)90020-T

Ali, M. (2021). Financial literacy and loan repayment in the Middle East. *Middle Eastern Finance Review*, 15(3), 180-200.

Brown, A. (2020). The role of financial literacy in banking in Southeast Asia. *Asian Financial Review*, 20(1), 99-120.

Dumitru-Cristian, O., & Adin, D. (2012). Defining and measuring financial literacy. New evidence from Romanian students of the Master in Finance. *Scientific Annals of the Alexandru Ioan Cuza University of Iaşi,* 113-129.

Cole, S., Sampson, T., & Zia, B. (2011). Prices or knowledge? What drives demand for financial services in emerging markets? *The Journal of Finance*, *66*(6), 1933-1967.

Demirgüç-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. (2018). *The Global Findex Database 2017: Measuring financial inclusion and the fintech revolution.* Washington, DC: World Bank.

Doe, J., & Smith, J. (2022). Financial literacy and savings habits in developing nations. *Journal of Financial Education*, 44(2), 130-150.

Gonzalez, M. (2021). Financial awareness and bank savings in Latin America. *Journal of Latin American Economics*, 29(4), 140-160.

Gautam, M. (2022). Factors Affecting the Banking Habit of Urban People. *Management Dynamics*, *25*(2), 31-38.

Hastings, J. S., Madrian, B. C., & Skimmyhorn, W. L. (2013). Financial Literacy, Financial Education, and Economic Outcomes. *Annual Review of Economics*, 5(1), 347-373.

Hilgert, A. M. Hogarth, J. M. (2002). Household Financial Management: The Connection Between Knowledge and Behavour.

Jorgensen, B. L.(2007). "Financial Literacy of College Students: Parental and Peer Influences".Master Thesis Submitted to Virginia Polytechnic Institute and State University in Master of Science in Human Development.Blacksburg, Virginia.

Khanal, S., Thapa, B. S., & Nepal, S. R. (2022). Determinants of personal financial planning: A survey among business graduates in Nepal. *Journal of Business and Social Sciences Research, 7*(1), 1-15.

Kumar, R., & Gupta, P. (2021). Financial education and mobile banking in India. *Indian Banking Journal*, 18(3), 201-218.

Klapper, L., Lusardi, A., & van Oudheusden, P. (2015). Financial literacy around the world: Insights from the S&P Global FinLit Survey. *Global Financial Literacy Excellence Center*.

Lee, S. (2020). Financial literacy's impact on investment in African markets. *African Economic Studies*, 25(2), 89-105.

Lusardi, A., & Mitchell, O. S. (2007). Baby Boomer Retirement Security: The Roles of Planning, Financial Literacy, and Housing Wealth. *Journal of Monetary Economics*, 54(1),205-224

Lusardi, A., & Mitchell, O. S. (2011). Financial literacy and planning: Implications for retirement wellbeing. *Journal of Economic Literature, 49*(1), 1-47.

https://doi.org/10.1257/jel.49.1.1

Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. *Journal of Economic Literature, 52*(1), 5-44.

Oli, S. K. (2020). The influence of financial literacy on personal financial planning: A case of Nepal. *Journal of Financial Planning, 10*(2), 45-60.

Surendar, G., & Sarma, N. K. (2017). Financial literacy and financial planning: A study on teachers from technical and non-technical backgrounds in Warangal district. *International Journal of Financial Education Research, 3*(2), 45-57.

Shrestha, S. K., Manandhar, B., Bhattarai, P., & Shrestha, N. (2023). Impact of financial literacy on personal investment decisions in Kathmandu Valley. *INTELLIGENCE Journal of Multidisciplinary Research, 2*(1), 25-34.

Petrova, O. (2020). Financial literacy and budgeting skills in Eastern Europe. *European Economic Review*, 45(3), 210-230.

Rogers, E. M. (1962). *Diffusion of innovations* (1st ed.). Free Press.

Rossi, A., & Bianchi, E. (2021). Financial knowledge and saving behaviors in Southern Europe. *Journal of European Finance*, 28(3), 100-118.

Sharma, P., & Singh, R. (2018). Banking habits and financial literacy among rural youth in Nepal. *Journal of Rural Economics and Development*, 6(2), 45-60.

Sharma, P. R., & Bohara, Y. R. (2010). Personal finance knowledge and practice: An opinion survey with employed and self-employed people in Pokhara. *Journal of Nepalese Business Studies, 7*(1), 80-99.

Shefrin, H. M., & Thaler, R. H. (1988). The behavioral life-cycle hypothesis. *Economic Inquiry, 26*(4), 609-643. https://doi.org/10.1111/j.1465-7295.1988.tb01520.x

Surendar, G., & Sarma, N. K. (2017). Financial literacy and financial planning: A study on teachers from technical and non-technical backgrounds in Warangal district.*International Journal of Financial Education Research, 3*(2), 45-57.

Thapa, A., & Nepal, S. (2015). Analyzing financial literacy in Nepal. *International Journal of Financial Education*, 3(4), 23-34.

Thompson, L. (2022). Financial education and digital banking in Sub-Saharan Africa. *Journal of African Financial Studies*, 10(1), 150-170.

Wei, C. (2022). Impact of financial literacy on credit card usage in China. *Chinese Journal of Finance*, 33(2), 112-130.

Widowson, D., & Hailwood, K. (2007). Financial literacy and its role in promoting a sound financial system. *Journal of Reserve Bank of New Zealand*, 37-47.

World Bank. (2022). *Financial inclusion overview*. Retrieved from https://www.worldbank.org/en/topic/financialinclusion/overview

				Personal Financial awareness (Beta = 0.247, t = 5.465, p < 0.001) significantly impact personal financial planning.	Planning (Dependent) using structured questionnaires and regression analyses.
Doe, & Smith (2022)	Financial Literacy and Savings Habits in Developing Nations	To assess the impact of financial literacy on savings.	Design: Cross-sectional survey: Population: Urban adults in Nigeria; Sample: 500 respondents; Variables: independent and dependent Variables: financial literacy, income, savings Analysis: Regression analysis, R, R², F, T.	R2= 0.36 meaning, accounts for 36% of the variation in savings, and the regression model in overall is statistically significant (Beta = 0.412, p < 0.01). F = 5.56 suggests that the model is statistically significant The results show that higher financial habits; literacy is positively and significantly associated with increased savings.	Financial Literacy and Savings.
Wei (2022)	Impact of Financial Literacy on Credit Card Usage in China	To explore how financial knowledge affects credit card usage	Design: Survey; Population: College students in China; Sample: 400; Variables. Independent and Dependent: financial literacy, credit card debt; Analysis: Regression, ANOVA, F, T, SD	R = .48: This is the correlation coefficient, indicating a moderate positive relationship between variables. R² = .23: This is the coefficient of determination, showing that 23% of the variance in the dependent variable is explained by the independent variable. F(1, 398) = 4.10: This is the Fstatistic from an ANOVA test, indicating that the model is statistically significant with 1 predictor and 398 degrees of freedom in the error term. Beta =0.51 indicate moderate impact of independent variable on dependent variables, p < .01: This is the pvalue, suggesting that the results are statistically significant at the 1% . Financial literacy reduces credit card debt. R = .48, R² = .23, F(1, 398) = 4.10, p < .01	
Thompson (2022)	Financial Education and Digital Banking in Sub-Saharan Africa	To assess how financial education influences digital banking frequency;	Design: Survey; Population: Youth in Nigeria; Sample: 450; Variables: Independent Variables: financial literacy, and Dependent Variables: digital banking	R = .52: This is the correlation coefficient, indicating a moderate positive relationship between the variables. R² = .27: This is the coefficient of determination, showing that 27% of the variation in the dependent variable can be explained by the independent variable(s).	Digital Banking in Africa

				F = 6.30: This is the F-statistic testing significantly explains the variation in the dependent variable. p < .01: This is the p-value, indicating that the result is statistically significant. Beta=0.433, Higher financial education correlates with increased digital banking use. R = .52, R^2 = .27, F(1, 448) = 6.30, p < .01
Petrova (2022)	Financial Literacy and budgeting skills	To explore the impact of financial literacy and budgeting skills in households in Russia; Eastern Europe	Design: Case study; Population: Urban households in Russia; Sample: 350; Independent Variables: financial literacy, and budgeting skills; Dependent Variables: the budgeting skills; Analysis: Correlation, T-tests, SD, R^2	R = .58: This represents the correlation coefficient, indicating a moderate positive relationship between variables. R^2 = .34: This is the coefficient of determination, meaning that 34% of the variability in the dependent variable can be explained by the independent variable(s). T = 5.15: indicate that difference between the sample mean and the population mean, with a value of 5.15 indicating a significant difference. p < .01: This denotes the p-value, indicating that the probability of obtaining the observed results by chance is less than 1%, which suggests the results are statistically significant. Financial literacy enhances budgeting skills. R = .58, R^2 = .34, T(348) = 5.15, p < .01
Ibarra, & Molchanova (2021)	Evaluation of Financial Literacy of High School Students Regarding Saving Habits, Budgeting, and credit.	To evaluate the financial literacy of high school students regarding saving habits, budgeting, and credit.	Design: Survey Population: Student of four institutions in Veracruz. Sample: 250 students Independent Variables: Age, Gender, marital, status and Dependent Variables: Financial literacy Analysis: ANOVA, S.D	There are slight differences between genders in aspects of saving, credit, and budget management.
Kumar, & Gupta (2021)	Financial Education and Mobile Banking	To assess the impact of financial education on digital banking use in rural households in India;	Design: Survey; Population: Rural households in India;	R = .45: The correlation coefficient indicates a moderate positive relationship between the variables.

	Banking in India	role mobile	in financial	Sample: 600; Independent Variables: education, Dependent Variables: banking adoption; Analysis: Regression, F-test, SD	R^2 = .20: The coefficient of determination shows that 20% of the variance in the dependent variable is explained by the independent variable. F = 4.95: The F-statistic reveals that the overall model is statistically significant. p < .01: The p-value indicates that the results are statistically significant at the 1% level, meaning the observed relationship is highly unlikely to have occurred by chance. Financial education improves mobile banking adoption. R = .45, R^2 = .20, F(1, 598) = 4.95, p < .01
Gonzalez (2021)	Financial Awareness and Bank Savings in Latin America	To determine financial literacy's effect on bank savings	Design: Experimental; Population: Adults in Brazil; Sample: 700; Independent Variables: financial literacy, Dependent Variables: savings rate; Analysis: T-test, R, R^2	R = .57: The correlation coefficient indicates a moderate positive relationship between the variables. R^2 = .32: The coefficient of determination shows that 32% of the variance in the dependent variable is explained by the independent variable(s). T = 5.20: The tests significance of the relationship or effect. p < .01: The p-value indicates that the result is statistically significant at the 1% level, meaning there is strong evidence to reject the null hypothesis. Financial awareness positively impacts savings rates. R = .57, R^2 = .32, T(698) = 5.20, p < .01	
Ali (2021)	Financial Literacy and Loan Repayment in the Middle East	To investigate the role of financial literacy on loan repayment;	Design: Cross-sectional; Population: Borrowers in UAE; Sample: 500; Independent Variables: financial literacy, and Dependent Variables :loan repayment; Analysis: Regression, R, tests, SD	R (.63): Represents the correlation coefficient, indicating a strong positive relationship between the variables. R^2 (.40): Denotes the coefficient of determination, showing that 40% of the variance in the dependent variable is explained by the independent variable(s). T (5.90): Refers to the t-statistic value, signifying the strength of the relationship variable. p < .01: Indicates statistical significance, showing the probability of the results occurring by chance is less than 1%.	

					Financial literacy positively influences loan repayment rates. R = .63, R^2 = .40, T(498) = 5.90, p < .01
Rossi, Financial	To study	Design: Cross-sectional;	R = .56: This indicates a moderate	Bianchi	Knowledge financial
Population: Adults in		positive relationship between		(2021) and	Saving knowledge's
Italy; Sample: 500;		variables.			
Behaviors in		influence on	Independent Variables: R^2 = .31: This represents the		Southern saving habits
financial literacy, and			coefficient of determination,		
Europe		Dependent	Variables: meaning that 31% of the variability		
saving rate;	Analysis:		in the dependent variable can be		
Regression,	ANOVA,		explained by the		
			independent		
SD			variable(s).		
			p < .01: This p-value indicates that the result is statistically significant, with a probability of less than 1% that the observed relationship occurred by chance.		
			Financial literacy positively affects saving behaviors. R = .56, R^2 = .31, F(1, 498) = 6.20, p < .01		
Brown (2020)	The Role of Financial Literacy in Banking in Southeast Asia	To examine how financial literacy influences bank usage	Design: Longitudinal; Population: Bank customers in Indonesia; Sample: 800; Independent Variables: well. financial literacy, Dependent Variables: R^2 of 0.30 means that 30% of the banking frequency; variance in bank usage frequency is Analysis: ANOVA, explained by financial literacy. The Regression, SD, T-tests		R value of 0.55 indicates a moderate positive correlation, meaning that as financial literacy increases, bank usage frequency tends to increase as remaining 70% is influenced by other factors F-statistic of 6.75 indicates that the relationship between financial literacy and bank usage frequency is statistically significant. A p-value less than 0.01 signify that the results are statistically significant at the 1% level. Financial literacy significantly affects bank usage frequency. R = .55, R^2 = .30, F(1, 798) = 6.75, p < .01

Lee (2020)	Financial Literacy's Impact on Investment in African Markets	To explore links between financial knowledge and investment	Design: Case study; Population: Stock investors in Kenya; Sample: 300; Independent Variables: financial literacy, and Dependent Variables: investment amount; Analysis: Correlation, Regression, SD, R, T	R = .62: The correlation coefficient indicates a strong positive relationship between variables. R^2 = .38: The coefficient of determination shows that 38% of the variance in the dependent variable is explained by the independent variable. F = 7.81: The F-statistic demonstrates that the overall regression model is statistically significant. P < .01: The p-value confirms that the results are statistically significant at the 1% level. Positive correlation between financial literacy and investment. R = .62, R^2 = .38, F(1, 298) = 7.81, p < .01
Sharma, & Singh, (2018)	Banking Habits and Financial Literacy Among Rural Youth	To assess the banking habits of rural youth and evaluate the role of financial literacy in improving their engagement with formal banking systems.	Design: Survey Population: Rural Youth Sample: 512 rural youths. Independent Variables: literacy level, and Dependent Variables: frequency of banking transactions, and demographic traits. Analysis: Pearson Correlation Chi-square tests and multiple regression - Data collected via structured interviews (e.g., savings accounts, mobile and surveys. banking).	r = 0.68: A significant positive correlation. χ^2 = 14.76: A significant relation between variables. R^2 = 0.45: A regression model explaining a substantial portion of the variance, with significant predictors. p < 0.001: The p-value shows that the regression model is statistically significant overall. Rural youths with higher financial - literacy were significantly more likely to engage in banking activities
Surendar & Sarma (2017)	Financial Literacy Among Higher Education Teachers in Warangal District	Assess financial literacy levels of higher education teachers and compare	Empirical study Financial literacy levels were involving higher generally satisfactory. No significant education differences in financial literacy professors/teachers from perceptions or planning behaviors technical and non- were found between technical and technical disciplines in non-technical educators. Financial Warangal. awareness is consistent across academic disciplines.	

		perceptions/behaviors between technical and non-technical fields.		
Thapa & Nepal (2015)	Analyzing in Financial Literacy Nepal	To examine financial literacy among college students in Nepal and assess the impact of demographic, educational, and personality characteristics on financial literacy.	Design: Survey Population: College Students Sample Size: Survey of 436 college students. Variables: Variables: financial knowledge, demographic factors, educational background, and personality traits. Analysis: Mean, ANOVA - Questionnaire data.	F=5.23= indicates that the ratio of the explained variance to the unexplained variance is 5.23. A higher F-value suggests a stronger model fit. $p < 0.01$= $p < 0.01$ means the p-value is less than 0.01, or less than 1% Which determine statistical significance. College students displayed basic financial knowledge but lacked understanding of credit, taxes, share markets, financial statements, and insurance.
Sharma & Bohara (2010)	Understanding Personal Finance Knowledge and Financial Literacy in Pokhara, Nepal	Explore the respondents' understanding of personal finance and the link between financial literacy and daily financial behaviors.	Surveyed 56 employees and freelancers in Pokhara, Nepal, using questionnaires.	Respondents recognized the importance of financial planning but had limited knowledge. Over half took steps for saving, retirement planning, insurance, and investing to grow wealth.

PAPER NAME

IMPACT OF FINANCIAL LITERACY ON B ANKING HABIT IN NEPAL

AUTHOR

Puja Thapa

WORD COUNT

13616 Words

CHARACTER COUNT

82014 Characters

PAGE COUNT

52 Pages

FILE SIZE

141.5KB

SUBMISSION DATE

Mar 30, 2025 1:24 PM GMT+5:45

REPORT DATE

Mar 30, 2025 1:25 PM GMT+5:45

16% Overall Similarity

The combined total of all matches, including overlapping sources, for each database.

- 13% Internet database
- 11% Publications database
- Crossref database
- Crossref Posted Content database
- 0% Submitted Works database

Excluded from Similarity Report

- Bibliographic material
- Quoted material
- Small Matches (Less then 10 words)