

IMPACT OF FINANCIAL LITERACY ON INVESTMENT DECISION AND PERSONAL SAVING IN KATHMADU VALLEY

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by

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Impact of Financial Literacy on Investment Decision and Personal Saving in Kathmandu Valley**”. 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 the dissertation.

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REPORT OF RESEARCH COMMITTEE

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TABLE OF CONTENTS

<i>Certificate of Authorship</i>	<i>Error! Bookmark not defined.i</i>
<i>Report of research committee</i>	<i>iii</i>
<i>Approval sheet</i>	<i>iv</i>
<i>Acknowledgements</i>	<i>v</i>
<i>Table of contents</i>	<i>vi</i>
<i>List of tables</i>	<i>viii</i>
<i>List of figures</i>	<i>ix</i>
<i>Abbreviations</i>	<i>x</i>
<i>Abstract</i>	<i>xi</i>
CHAPTER I: INTRODUCTION	1
1.1 Background of the study.....	1
1.2 Problem Statement	5
1.3 Objectives of the study	7
1.4 Research Hypothesis.....	8
1.5 Rationale of the Study	9
1.6 Limitations of the study	10
CHAPTER II: LITERATURE REVIEW	11
2.1 Theoretical Foundations	14
2.2 Theoretical Review	16
2.3 Empirical Review	19
2.4 Summary of Literature Review	27
2.5 Research Gap	31
CHAPTER III: RESEARCH METHDOLOGY	33
3.1 Research Design.....	33
3.2 Population and Sample Data	34

3.2.1 Population	34
3.2.2 Sampling Design	34
3.3 Data Collection	34
3.4 Data Analysis	35
3.4.1 Descriptive Analysis	36
3.4.2 Correlation and Regression analysis	36
3.4.3 Regression Analysis	37
3.5 Research Framework	38
CHAPTER IV: RESULTS AND DISCUSSION	42
4.1 Results	42
4.1.1 Demographic Profile of Respondents	42
4.1.2 Descriptive Analysis	45
4.2 Reliability Test	47
4.3 Pearson Correlation Analysis	48
4.4 Regression Analysis.....	50
4.5 Hypothesis Testing	56
4.6 Discussion	57
CHAPTER V:SUMMARY AND CONCLUSION	61
5.1 Summary	61
5.2 Conclusion.....	62
5.3 Implications.....	62
References.....	64
Appendix.....	68

LIST OF TABLES

Table 1: Summary of Literature Review	27
Table 2: Respondent's Profile	42
Table 3: Descriptive Analysis	46
Table 4: Reliability Test	48
Table 5: Pearson Correlation Analysis	49
Table 6: Regression Analysis for Personal Savings.....	51
Table 7: ANOVA Test	51
Table 8: Regression Test.....	52
Table 9: Regression Analysis for Investment Decision	53
Table 10: ANOVA Test	53
Table 11: Regression Test	544
Table 12: Hypothesis Testing	566

LIST OF FIGURES

Figure 1: Conceptual Framework,.....	39
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ABBREVIATIONS

ANOVA	:	Analysis of Variance
GoN	:	Government of Nepal
NGOs	:	Non-governmental organizations
NRB	:	Nepal Rastra Bank
OECD	:	Organization for Economic Cooperation and Development
SPSS	:	Statistical Package for Social Sciences

ABSTRACT

This research report explored the impact of financial literacy on investment decisions and personal savings among residents of the Kathmandu Valley. The study objectives aimed to evaluate the effects of financial literacy, financial confidence, financial skill, financial attitude, financial behaviour, and risk tolerance on investment decisions and personal savings. A quantitative research method was employed, involving 300 participants who responded to Likert scale-based questionnaires distributed through online platforms and direct mail. The data analysis included correlation and regression analyses to examine the relationships between variables.

Findings indicate that financial attitude, risk tolerance, financial behaviour, financial skill, and financial confidence had significant positive impacts on investment decisions, whereas financial knowledge did not show a significant effect. Financial skill, risk tolerance, and financial attitude demonstrated significant positive relationships for personal savings, while financial knowledge, financial confidence, and financial behaviour did not exhibit statistically significant effects. The study emphasizes the importance of psychological and behavioural factors in influencing financial decisions.

The implications of the study suggest that promoting financial literacy and addressing psychological and behavioural factors are crucial for influencing investment decisions and personal savings. Policymakers, educators, and financial institutions should collaborate to implement strategies that empower individuals and enhance financial decision-making. However, the study has limitations, including the restriction of data to the Kathmandu Valley and the potential respondent bias due to the online data collection method. Therefore, generalization of the study results should be approached with caution. Nonetheless, the findings contribute to the understanding of financial behaviour in the region and lay the groundwork for future research in financial literacy and decision-making.

Keywords: financial attitude, financial literacy, investment decisions, personal savings, risk tolerance.

CHAPTER I

INTRODUCTION

1.1 Background of the study

It is more crucial than ever for consumers to understand their finances and be adept at managing them due to the current changes in the financial markets. This is because a wider choice of financial products and services are now accessible due to modifications in the financial markets, which have increased the complexity and variety of financial decisions. Due to improved access to credit cards, financial market liberalization, and technological developments in the way financial services are supplied, many clients today face an overwhelming number of investing options and selections.

People choose to save, invest, and borrow in several ways throughout their daily lives. The global economy is getting riskier and more fragile by the minute. Rising prices for goods and services that force people to be able to make wise financial decisions is one of its key effects (Lusardi & Mitchell, 2007). Financial literacy defines an individual's comprehension of essential financial concepts, confidence, and capacity to make suitable short-term and long-term investment decisions while taking changing economic conditions into account. As a result, a good investment selection is strongly dependent on an individual's level of financial literacy. Financial literacy encompasses knowledge and comprehension, behaviour, attitudes, views, and awareness of the financial environment (Jariwala, 2013).

The Government of Nepal (GoN) has emphasized the importance of an inclusive financial system, which is reflected in the 2017 release of Nepal's Financial Sector Development Strategy Paper, which has an objective to develop an inclusive financial system to make access to finance easy and comfortable for those with low income and from rural areas, as well as to increase financial literacy in financial services and instruments and to protect the interests of financial consumers in order to achieve the goals of the Nepalese government (Nepal Rastra Bank, 2020).

Furthermore, the central bank of Nepal, Nepal Rastra Bank, has the NRB Act 2002 as its goal to promote access to financial services and public confidence in the banking and financial sector. Thus, to promote the achievement of the goal, the NRB has underlined it in its current Strategic Plan (2017-2021), annual monetary policy, and the Financial Inclusion Roadmap (2017-2022). This illustrates the central bank's focus on increasing consumer empowerment, protection, and education (Nepal Rastra Bank, 2020).

Investment decision-making is a crucial process that depends on several variables that may differ from person to person. When making decisions in life, people have a history of acting in many ways. While some people rely only on their own judgment when making decisions, others consider a variety of additional considerations before acting on a certain choice. When investors fully understand all the confusing elements, making decisions becomes simple. The factors that help individuals make the best choice so that future losses can be avoided or minimized (Awais et.al, 2016).

Awais et.al, (2016) Investors deal with very complicated issues like risk, uncertainty, and choice overload while making investment decisions. These provide difficulties for seasoned investors, financial experts, and especially regular individual households. In their financial choices, investors must pursue risks. They may make money because of this. On the other hand, any decision taken by investors based on subpar or inaccurate information or based on information that has not been properly assessed may result in subpar results. Investments made today that are expenses could yield returns later. A business might interact with organizations from other countries, such as the World Bank, the European Commission, the European Bank for Reconstruction and Development, and others. These are the organizations that design certain procedures to manage investment decisions. Investment costs are incurred to achieve gains, and there are two ways to do so. The first method is making investments in movable property like structures, equipment, or plants. The second might be financial investments like stocks, bonds, etc. Both investment types have the power to boost the success of any business or person (Awais et.al, 2016).

A financially aware person will understand certain fundamental financial principles. As a result, financial knowledge is seen as a critical component of financial literacy. Gina and Siti-Nabiha (2017) defined financial knowledge as a person's understanding

of his financial problems rather than basic financial concepts and considered it as a prerequisite for making sound financial decisions. Financial knowledge, according to Gina and Siti-Nabiha (2017), is the comprehension of fundamental personal finance concepts such as budgeting and saving (Gina & Siti-Nabiha, 2012).

As per Bush et al. (2000) financial knowledge has become not just a convenience but an essential survival tool. Financial knowledge has a significant contribution to financial behaviour of a person. Chaulagain (2015) presents financial knowledge as the first dimension of financial literacy that is contributed by financial education. Basic concepts and understanding of the financial services and market are some of the sources of financial knowledge (Jariwala, 2013).

Individuals must be able to manage their resources and assets to make well-informed investing decisions. When selecting an investment, it is critical to understand the risk-return trade-off as well as an individual's risk-taking capacity. The evaluation of various investment opportunities necessitates financial education to comprehend the role of the parameter. As a result, the source of financial education is critical. Financial awareness focuses on the need for and the source of financial education (Jariwala, 2013).

Financial education is becoming increasingly crucial for all people. It is critical for every family attempting to balance their budget, purchase a home, support their children's education, and ensure that there will be income when the parents retire. Financial knowledge influences financial abilities that rely on knowledge and is reflected in perceived financial knowledge. Financial literacy is the understanding of fundamental economic and financial ideas, as well as the capacity to apply that understanding and other financial skills to properly manage financial resources for a lifetime of well-being (OECD, 2011).

Individual achievement and economic progress are becoming increasingly dependent on financial literacy. Despite its expanding importance, however, there remain considerable knowledge gaps in comprehending the fundamental links between financial literacy, education, and behaviour. Due to the scarcity of research that has been able to generate comprehensive measures of financial literacy and show strong causal linkages between financial education, literacy, and behaviour, continuous

arguments regarding the relevance of financial literacy and effective tactics for addressing it have ensued.

In a developing country like Nepal, financial literacy holds particular significance. It is closely linked to an individual's emotional, personal, social, economic, and employment success. A solid understanding of money management and the appropriate utilization of financial resources are essential for individuals to thrive across various aspects of life, including personal, professional, business, and community levels. Moreover, financial literacy empowers individuals to identify and discuss critical economic issues that affect both society and the world.

Nepal has had difficulties because of inflation, which has had a substantial impact on consumers' consumption patterns. Affording necessities has grown increasingly difficult, discouraging personal and household savings. As a result, there has been a shortage of investment in productive areas, which has had a negative impact on the overall economy. Furthermore, the country has had liquidity challenges as well as a lack of investors for industries, hindering economic progress. However, the expansion of online financial systems, such as mobile banking, e-wallets, and online stocks trading, has been hastened by the COVID-19 epidemic. This has demanded the development of financial literacy among Nepalese citizens to safeguard their current and future financial security.

Additional variables mentioned in recent work must be considered to acquire a thorough picture of the impact of financial literacy on investment decisions and personal savings in the Kathmandu Valley. According to research, demographic, educational, and personality factors all influence financial literacy among Nepalese college students. Significant factors of investing choices and outcomes have been identified as financial confidence, financial skill, financial attitude, financial behaviour, financial literacy, and risk tolerance.

The purpose of this research is to examine the impact of financial literacy, risk tolerance, and other characteristics such as financial confidence, financial competence, financial attitude, and financial behaviour on investment decisions and personal savings in the Kathmandu Valley. This study aims to improve our understanding of how financial literacy and risk tolerance influence individuals'

financial decisions and results in Nepal by exploring the links between these variables. The study's findings will be useful for government policymakers, financial sector regulators, non-governmental organizations (NGOs), and educators in developing effective strategies and policies to improve financial literacy, promote risk-aware decision-making, and foster economic growth and stability in the country.

1.2 Problem Statement

Despite the growing importance of financial literacy, there are still significant knowledge gaps regarding the fundamental connections between literacy, education, and behaviour. Limited research has been able to develop complex measures of financial literacy and establish clear causal relationships between financial education, literacy, and behaviour (Thapa & Nepal, 2015). This lack of understanding has led to debates about the role of financial literacy, the extent of the problem it represents, and the most effective strategies for addressing it.

Financial literacy plays a crucial role in an individual's emotional, personal, social, economic, and employment success, particularly in a developing country like Nepal (Thapa & Nepal, 2015). Understanding the basics of money management and utilizing financial resources appropriately are essential for individuals to thrive in society at personal, professional, business, and community levels. Furthermore, financial literacy enables individuals to identify and discuss significant economic issues that are important to society and the world (Century, 2003).

In Nepal, inflation has had a significant impact on individuals' consumption patterns, making it increasingly challenging for them to afford basic commodities (Thapa & Nepal, 2015). As a result, personal and household savings have been discouraged, leading to a lack of investment in productive areas and adversely affecting the overall economy of the country. Additionally, the liquidity and availability of investors for industries have become pressing issues, further hindering economic growth. However, the advent of digitalization, accelerated by the COVID-19 pandemic, has popularized online financial platforms, such as mobile banking, e-wallets, and online securities trading, creating a need for financial literacy among Nepalese individuals to secure their present and future financial well-being (Thapa & Nepal, 2015).

To comprehensively understand the impact of financial literacy on investment decisions and personal saving in the Kathmandu Valley, it is important to consider additional variables highlighted in recent literature. Thapa and Nepal (2015) found that financial literacy among college students in Nepal was influenced by demographic, educational, and personality variables. Financial confidence, financial skill, financial attitude, financial behaviour, financial literacy, and risk tolerance were identified as important factors in determining investment choices and outcomes (Shrestha & Manandhar, 2023). Previous studies conducted by Lamichhane (2023) and Oli (2020) in Nepal have examined the impact of financial literacy on individual financial planning. Lamichhane's study highlighted the positive influence of financial literacy, financial awareness, financial attitude, financial confidence, and financial socialization on personal financial planning. Similarly, Oli's study demonstrated the significant role of financial literacy and attitude in shaping personal financial planning decisions. These studies contribute to the understanding of how financial literacy affects individuals' financial decision-making and planning.

Another study conducted by Lamichhane (2023) investigates the impact of financial literacy on individual financial planning in Nepal. The research examines factors such as financial awareness, financial attitude, financial confidence, and financial socialization as independent variables, with personal financial planning as the dependent variable. Data from 192 respondents were collected using a structured questionnaire. The study reveals that having a basic understanding of finance helps with personal financial planning. Improved personal financial planning is likely to result from greater financial understanding. The findings also indicate that personal financial planning benefits from financial awareness, financial confidence, and financial socialization. These factors contribute to more successful financial planning (Lamichhane, 2023).

Similarly, Oli (2020) explores the effect of financial literacy on individual financial planning among Nepalese individuals. The study encompasses cash management, insurance, investment, and retirement planning as components of personal financial planning. Primary data were collected from 700 Nepalese participants through a structured closed-ended questionnaire. The findings highlight the significant impact of financial literacy and attitude on personal financial planning. Demographic

parameters such as marital status, income level, age, career, and gender were found to have a negligible or insignificant impact. The study also indicates that individuals in Nepal prefer broad financial investment options compared to contemporary financial assets. However, there is still a need for a better understanding of insurance, investments, cash management, and retirement plans for future financial stability (Oli, 2020).

This study aims to analyze the impact of financial literacy, risk tolerance, and other variables such as financial confidence, financial skill, financial attitude, and financial behaviour on investment decisions and personal saving in the context of the Kathmandu Valley. By examining the relationships between these variables, this research will contribute to a deeper understanding of the role of financial literacy and risk tolerance in shaping individuals' financial decisions and outcomes in Nepal. The findings of this study can inform the development of effective financial strategies and policies by the government, financial sector regulators, non-governmental organizations (NGOs), and educators to enhance financial literacy among Nepalese individuals, promote risk-aware decision-making, and foster economic growth and stability (Thapa & Nepal, 2015; Shrestha & Manandhar, 2023; Chaulagain, 2017; Lamichhane, 2023; Oli, 2020; Nepali, 2018).

The present research addresses following questions:

1. What is the effect of financial knowledge, financial confidence, financial skill, financial attitude, financial behaviour, and risk tolerance on investment decisions among individuals?
2. What is the impact of financial knowledge, financial confidence, financial skill, financial attitude, financial behaviour, and risk tolerance on personal savings among individuals?

1.3 Objectives of the study

The primary objective of this study is to examine the impact of financial literacy on investment decisions and personal savings of residents of Kathmandu valley. The objectives of the study are specified as follows:

1. To evaluate the effect of financial knowledge, financial confidence, financial skill, financial attitude, financial behaviour, and risk tolerance on investment decisions among individuals.
2. To analyze impact of financial knowledge, financial confidence, financial skill, financial attitude, financial behaviour, and risk tolerance on personal savings among individuals.

1.4 Research Hypothesis

These following hypotheses reflect the expected relationships between the independent variables (financial knowledge, financial skill, financial confidence, financial behaviour, risk tolerance, and financial attitude) and the dependent variables (investment decisions and personal savings).

H1: There is a significant positive relationship between financial knowledge and investment decisions.

H2: There is a significant positive relationship between financial skill and investment decisions.

H3: There is a significant positive relationship between financial confidence and investment decisions.

H4: There is a significant positive relationship between financial behaviour and investment decisions.

H5: There is a significant positive relationship between risk tolerance and investment decisions.

H6: There is a significant positive relationship between financial attitude and investment decisions.

H7: There is a significant positive relationship between financial knowledge and personal savings.

H8: There is a significant positive relationship between financial skill and personal savings.

H9: There is a significant positive relationship between financial confidence and personal savings.

H10: There is a significant positive relationship between financial behaviour and personal savings.

H11: There is a significant positive relationship between risk tolerance and personal savings.

H12: There is a significant positive relationship between financial attitude and personal savings.

1.5 Rationale of the Study

Financial literacy is very important in terms of economic progress in any country, organization or individual. Saving is only encouraged when you earn more than you consume in countries like Nepal. Therefore, financial literacy is being considered important for different aspects such as:

The following benefits will be enormous for policymakers. With the results from the studies below in mind, strategies to encourage saving and financial security, even during retirement, should be developed. As a result of the research's findings, policymakers will be able to use the respondents' illiteracy gaps to create educational curriculum that will improve financial literacy and, ultimately, financial management.

Employers and employees alike will find the study to be quite useful. It is possible to develop strategies to encourage saving for retirement and asset development, such as enrolling employees proactively in pension plans offered by their employers. This easy-to-implement but brilliant technique has been shown to significantly increase pension participation. Individuals will be pushed to seek out information to advance their understanding for better saves for wealth creation and retirement planning by learning the true condition of financial literacy.

The findings will contribute to the body of academic knowledge in finance, particularly in personal financial management and financial literacy. This study will be valuable to academics and researchers for future research and debate so they may investigate and advance their studies on financial literacy and personal financial management.

The research findings will be helpful to people and their households in receiving advice regarding the significance of various aspects of personal financial management

to protect their future welfare. They will also be better able to anticipate the many financial investing options that are available. The information will be beneficial to borrowers by pension plans and mortgage lenders if they consistently show a lack of knowledge about mortgages and interest rates. The companies will gather relevant data to draw conclusions about the reasons why younger individuals, those from lower socioeconomic levels, and those with low incomes are the least affluent customers of financial products.

1.6 Limitations of the study

In general, both the researcher and the respondents in any research must deal with some restrictions. The study has following limitations: -

1. The study is specifically done with the respondents of Kathmandu valley only. Therefore, the study may not reflect the whole population to generalize the study.
2. The data is collected through questionnaires distributed through online medium, which may lead to respondent's biasness in terms of their privacy or hesitation to provide real opinions.

CHAPTER II

LITERATURE REVIEW

The broad concept of financial literacy and its importance in today's complex financial landscape were introduced in the preceding chapter, which served as the chapter's basis. In that chapter, we studied the various aspects of financial literacy, such as financial knowledge, attitudes, and behaviors, and talked about how it is becoming a more important life skill. We also emphasized the bigger picture of the world economy and how people are increasingly in charge of their financial security.

Building on the foundation laid in the previous chapter, this one explores the complicated connections between financial literacy and these two essential components of personal finance: saving and investing for one's own future. This chapter provides a thorough literature review that synthesizes previous studies and theoretical frameworks linked to financial literacy, investment behavior, and saving habits. It acts as a link between theory and empirical study. This chapter provides a structured assessment of the body of knowledge, identifies gaps in the literature, and lays the groundwork for the upcoming empirical inquiry by making this connection. It opens the way for a deeper investigation into the impact of financial literacy on investment decisions and personal saving habits, which are at the core of this research endeavor, by a thorough analysis of earlier studies.

Both on a micro and macro level, financial literacy is essential, especially for households, the financial industry, national economies, and monetary policy. Effective budgeting and savings strategies, responsible asset and debt management, and profitable financial market investments are all made possible by having a solid understanding of personal finance. This knowledge is essential for both individuals and families. The size, liquidity, and product diversity of financial markets expand because of greater financial inclusion, which in turn contributes to the development of the entire financial system. Furthermore, better financial planning by consumers and small and medium-sized organisations is made possible by enhanced financial literacy. The dependability and productivity of the financial sector have both greatly improved as a direct result of these improvements.

A definition of financial literacy that is appropriate for all readers does not exist. OCED (2020) defines financial literacy as "the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction, and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities to make informed decisions, to know where to go for help, and to take other effective actions to improve (OECD, 2020)."

On the other hand, the United States Financial Literacy and Education Commission describes financial literacy as "the capacity to employ knowledge and skills to successfully manage financial resources for a lifetime of financial well-being." Financial literacy is also described by Lusardi (2008) as knowledge of basic financial concepts such interest compounding, the difference between nominal and real values, and the basics of risk diversification (Lusardi A. , 2008).

Financial literacy is the capacity for a person to comprehend and apply knowledge pertaining to their personal finances (Huston, 2010) . Financial literacy also refers to a person's ability and confidence to use their financial knowledge to make sound financial decisions. Thus, financial literacy is defined in this study as the understanding and knowledge of fundamental economic and financial concepts, as well as the capacity to apply such knowledge to manage financial resources. On the other hand, informed customers have a big influence on how financial institutions perform, and as a result, how dependable, reasonable, and effective these institutions are in their operations. Therefore, having a basic understanding of finance encourages individuals and households to manage their finances responsibly and to save money locally. Additionally, financial literacy supports economic expansion through influencing the financial sector's expansion on both a quantitative and qualitative level. Increasing national savings, financial advancement, declining unemployment, and rising living standards are all results of the expanding economy. Additionally, it helps the economy as a whole grow. Global educational and financial policy have started to emphasise the importance of financial literacy more recently. However, Nepal's national policies have not yet taken this matter into account. As an illustration, the Nepal Rastra Bank (2020) emphasizes the value of financial literacy

in both the formulation of policy and the delivery of financial services (Nepal Rastra Bank, 2020).

Nepal Rastra Bank (2020) highlights the importance of having sufficient financial literacy to ensure financial inclusion and increase access to financial services. This states that a draft of a financial literacy plan has been produced and delivered to the Ministry of Finance for approval. Financial literacy is a brand-new educational idea that was developed in the twenty-first century. According to research published in 2005 by the Organization for Economic Cooperation and Development (OECD), it was the first comprehensive international study on financial education. This claim shows that financial literacy education is a subject that is receiving more and more attention globally.

Sarigul (2014), on the other hand, reports that the idea of financial literacy was initially investigated in 1997 by Jumpstart Coalition in the form of a personal financial literacy survey. On the other hand, Remund (2010) contends that the study and interpretation of financial literacy did not start until the year 2000. The global financial crisis that occurred between 2007 and 2009 and the policy agenda in the financial sector are both intimately related to the emphasis that is being placed on financial literacy (Remund, 2010). As a result of the aftermath of the global financial crisis, policy officials all over the world have become more interested in the field of financial literacy (Gupta & Kaur, 2014). According to Wagner (2015)'s opinion, the worldwide financial crisis elevated the problem of financial literacy to a position of higher priority. A lack of financial literacy on the part of financial customers was one of the factors that contributed to the global financial crisis (Wagner, 2015). Although the problem of money management is strongly related with the development of human financial civilization, it is difficult to determine the exact era and environment in which it first emerged. The knowledge, skills, attitudes, and behaviours of persons in relation to concerns of finance are the components that comprise financial literacy. At the end of the day, it contributes to the people' financial well-being.

However, there are certain connections both in the opposite direction and in the same direction between the four aspects of financial literacy. The linkages demonstrate that the components of financial literacy are neither determined exogenously, nor are they the final destinations. Some of the backward linkages that are impacting financial

knowledge, skill, attitude, and behaviour are financial education, experiences, and learning settings. Other contexts include social and cultural factors. In a similar vein, some of the forwards linkages of the components include a person's mentality, behaviour, well-being, and consistency in terms of their financial achievements.

2.1 Theoretical Foundations

Financial Education and Literacy

The distinction between financial education and literacy is an important one to make, even though it can be challenging at times. These two ideas are related to one another but are not the same. It is the opinion of Zadeh and Dahmardeh (2013) that the terms "financial education" and "financial literacy" can be used interchangeably (Zadeh & Dahmardeh, 2013). But Horwitz (2015) contends that financial education is the root of financial literacy. People can be made more financially literate through financial education, where information contributes to the overall concept of literacy (Horwitz, 2015). Despite this, there are a few other avenues besides education that can serve as a source of financial literacy. These include personal experience, the media, family, and friends. In addition, the Consumer Financial Protection Bureau (2014) explains that "financial literacy" and "financial capacity" are synonymous terms that refer to similar ideas that include knowledge, skill, and conduct regarding one's financial situation. According to Durband and Britt (2012), the purpose of financial education should go beyond simply teaching people how to manage their money. On the other hand, they do not go into detail on what comes after the objectives of financial education (Durband & Britt, 2012). Therefore, one of the sources of financial literacy is financial education, whereas basic features of financial literacy include knowledge of finances and the ability to manage money effectively.

Financial Attitude, Behaviour, and Well-being

A person's financial attitude can be interpreted as their psychological and mental assessment of their current financial condition and problems. It demonstrates the behavioural implications of having a financial outlook. In a similar vein, one's attitude can be influenced by their level of financial literacy. In addition, Bolanos (2012) contends that increased financial education among students leads to improved financial beliefs, which in turn adds to greater financial wellness. As a result, one's

behaviour in the financial realm should be an urgent focus and the major objective of efforts to improve one's financial knowledge, skills, and attitude (Bolanus, 2012).

According to Horwitz (2015), adequate financial literacy is the sole factor that can influence an individual's financial behaviour. On the other hand, it can be challenging to determine the appropriate level of financial literacy for everyone. The context influences not only the topic but also the quality and amount of financial literacy. It gives the impression that a person's financial conduct cannot be considerably altered by acquiring a small amount of financial knowledge. Individuals and institutions both engage in personal and institutional forms of financial conduct (Horwitz, 2015). When it comes to their own finances, they keep their money and income away from any settings associated with financial institutions. These behaviours include the purchasing and selling of real estate, the preparation of a financial plan, the maintenance of regular expenditures, and others. They make use of formal financial environments to borrow money and save money as part of their institutional financial behaviour. The changes in one's financial literacy, attitude, and behaviour that result from receiving financial education can have a positive impact on one's well-being. Putting money into financial education gives one the chance to enhance their financial literacy, which in turn lowers the risk of making costly financial mistakes and raises the possibility of increased financial well-being (Huston, 2010).

In a similar vein, the Consumer Financial Protection Bureau (2015) identifies monetary security as the end goal of financial literacy. It suggests that persons who have a good understanding of finances have a larger potential of having better financial well-being. Because of this link, we can reach the conclusion that, all other factors being equal, a hierarchical relationship exists between financial education, literacy, attitude, conduct, and wellbeing (Consumer Financial Protection Bureau, 2015). However, to meet this chain relationship, there are various time lags and constraints that must be met.

Financial Literacy

There is no such thing as a definition of financial literacy that caters to all types of readers. Financial literacy is defined by the Organization for Economic Cooperation and Development (2005) as "the process by which financial consumers/investors

improve their understanding of financial products and concepts and, through information, instruction, and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities to make informed choices, to know where to go for help, and to take other effective actions to improve their financial situation." The United States Financial Literacy and Education Commission, on the other hand, defines financial literacy as "the capacity to employ knowledge and skills to successfully manage financial resources for a lifetime of financial well-being." Similarly, Lusardi (2008) defines financial literacy as awareness of fundamental financial concepts such as interest compounding, the distinction between nominal and real values, and the fundamentals of risk diversification. Huston (2010) defines financial literacy as the ability of an individual to understand and use personal finance-related information. Furthermore, financial literacy refers to an individual's competence and confidence in using his or her financial knowledge to make financial judgments. Thus, financial literacy is defined in this study as the understanding and knowledge of fundamental economic and financial concepts, as well as the capacity to apply such knowledge to manage financial resources.

2.2 Theoretical Review

Life cycle theory

According to this theory, a person's income should be rationalized to maximize their lifetime utility. The conventional economic approach to saving and consumption, which assumes that a fully rational and well-informed person will consume less than his income during times of high earnings (while working) and will save to support consumption when income falls (after retirement), served as the foundation for this idea's original development by Ando and Modigliani in 1954. By saving in this way, households can smooth the marginal utility of their spending over the course of their lifetimes. According to this theory, individuals make financial decisions based on their stage in the life cycle, including their income, age, and financial goals. Financial literacy can assist individuals in understanding the importance of saving and investing at different life stages, leading to better investment decisions and personal savings behaviour (Modigliani & Brumberg, 1954).

This model makes the following assumptions about human behaviour: that people are forward-thinking over the course of their lifetimes; that they can predict the financial resources they will have over the course of their lifetimes; that they are aware of the financial resources they will require at every stage of their lives; and that they make wise choices regarding how to use their financial resources. The current study uses life cycle theory to describe how people decide whether to put off current spending in favour of savings and investments for the future because financial readiness for retirement is a long-term objective. To prepare financially for retirement, this study examined the moderating effects of demographic characteristics, financial circumstances, and the independent variable of financial literacy.

Prospect Theory

The term "prospect theory" refers to the process of making decisions between options in which there is an element of risk (that is, options with unknown outcomes) even when the probabilities are known. The model is descriptive; it attempts to mimic real-life choices as opposed to those that are optimal.⁸ Prospect theory, which was developed by Kahneman and Tversky (1979), is one of the most often cited and best-documented phenomena in economic psychology. The model is descriptive. According to this hypothesis, humans have an irrational inclination to be less eager to gamble with earnings than with losses. The idea was developed to explain this phenomenon. It makes it possible to provide an explanation of the decision-making process that people go through when confronted with a choice between two or more options, each of which involves some degree of financial risk. This theory suggests that individuals' decisions are influenced by their perception of gains and losses, rather than simply maximizing monetary value. Financial literacy can help individuals assess the potential risks and rewards associated with investment decisions and make choices based on a more comprehensive evaluation of potential outcomes (Tversky & Kahneman, 1992).

Theory on optimal Investment in financial literacy

Recent research indicates that an individual's level of financial literacy has a high and positive correlation with their household wealth; however, there is also a substantial amount of cross-sectional variance in both levels of wealth and financial literacy. We

create a calibrated stochastic life cycle model that contains endogenous financial literacy accumulation so that we can investigate these tendencies. In comparison to the results that are obtained by other types of lifecycle models, ours creates a significant amount of wealth inequality. This is because higher earners typically have more hump-shaped labour income profiles and lower retirement benefits, both of which, when interacted with the precautionary saving motive, boost higher earners' requirements for private wealth accumulation and, consequently, their need to be financially literate. We show that the %age of the population that is logically "financially uninformed" is dependent not only on the level of income uncertainty in the labour market but also on the generosity of the retirement system. This is because of the relationship between the two factors.

Theory of Planned behaviour

According to the theory of planned behaviour, a person's state of mind and their goals are significant factors that impact their actions. The first one is assessing the circumstance, and the second one is determining whether you are prepared to act. The theory of planned conduct was based on a line of hierarchy that included the formation of attitudes, the transformation of attitudes into intentions, and the influence of those intentions on behaviour. The self-efficacy or self-confidence factor is another name for the perceived behavioural control factor. It refers to a person's belief in their own abilities to perform certain acts. Self-efficacy can be affected by a variety of circumstances, including one's level of knowledge and expertise. This suggests that a more sustainable financial behaviour would result from small borrowers demonstrating their financial conduct using financial analysis. The analysis is a component of the process of developing attitudes, and as such, it increases the likelihood of exhibiting sensible action. This theory suggests that an individual's intention to engage in a particular behaviour, such as making investment decisions or saving money, is influenced by their attitudes, subjective norms, and perceived behavioural control. Financial literacy can enhance individuals' knowledge and understanding, thus influencing their attitudes and perceived control over investment decisions and personal savings (Ajzen, 1991).

Social Cognitive Theory

The Social Cognitive Theory postulates that individuals would make a short-term cognitive decision when performing certain behaviours. Bandura (1999) makes the case that in the short run, the influence of one's surroundings becomes the most important element in shaping human behaviour. According to this idea, the creation of attitudes and intentions does not play a role. It demonstrates that humans can behave in ways that they learn from the behaviours and environments of others. The environment of learning might consist of a variety of factors, such as friends, neighbours, the effects of media, etc. Bandura (1999) also discusses the inborn abilities that people possess, which are shown to influence human behaviour. According to him, the factors responsible for altering human behaviours are cognitive effects, which include knowledge and competence. People get all their information from other people, and they follow it, often without even realizing it. People therefore learn first, then behave, and only then, if necessary, do they think. The way someone thinks is connected to their attitude, which may not always be the most prominent trait. This theory is more applicable to financial behaviour, particularly for small borrowers, because most participants learn their financial behaviour from their families, friends, environments, societies, and institutions. This is especially true for small borrowers. The idea emphasizes the importance of social situations, peer relationships, environment, and socioeconomic factors in the process of learning behaviour (Bandura, 1999).

2.3 Empirical Review

Financial literacy has been defined by many authors and scholars in a wide range of studies and projects. Financial literacy is the set of skills and knowledge that allows a person to make good financial decisions by making good use of his or her own money and information.

Mahdzan and Tabiani (2013) looked at how financial literacy affects how much people save in Malaysia, an emerging market. To study the relationship being investigated, a survey was given to about 200 people in Klang Valley, Malaysia. Other factors that affect how much a person saves were also looked at. These included how often a person saves, how willing they are to take risks, and their socioeconomic

background (Mahdzan & Tabiani, 2013). A probability regression showed that a person's level of financial knowledge had a big, positive effect on how much they saved. The likelihood of saving was also affected positively by how often someone saved, their gender, their income, and their level of education. The results of this study show that it was important for policymakers to help households learn more about money by putting in place different financial education programs. This would influence the national saving rate.

Sariguln (2014) looked at the level of financial literacy among university students to find out what kind of students they are, what their parents do for a living, and how much they know about money. For this study, 1127 students from three universities and a method called "logistic regression" were used. The study found that female participants knew less about FL than male participants that students in the social sciences knew more than students in other streams that seniors knew more than juniors that business school students had more ideas than students in other streams, and that kids with educated parents knew more about FL. The study said that universities should improve their FL programs for their students by considering who they are. This program might help students do better in school and the economy (Sariguln, 2014).

Bhushan and Medury (2014) used the ANOVA Test and Regression Method to analyze data on the link between financial literacy and investment behaviour of salaried adults in India. The survey clearly indicates that individuals invest their money in traditional financial products due to a lack of financial literacy and are unable to take advantage of new age financial products that offer higher returns. The study's findings revealed that consumers' financial literacy degree influenced their knowledge and investing choices toward financial items (Bhushan & Medury, 2014).

Mahdzan and Tabiani (2013) used regression to investigate the effect of financial literacy on personal savings. The participants in this study included 192 individuals, including students in the Master of Business Administration program at Malaya University and residents of the Klang valley. The researchers found that financial literacy was a significant positive determinant of personal savings.

Jappelli and Padula (2013) also developed an intertemporal consumption model about the investments in financial literacy. They examined the effect of financial literacy on wealth and savings in a sample of people aged 50 and over and found that financial literacy raised the savings. Jappelli and Padula (2013) examined the effect of financial literacy on wealth and savings in a sample of people aged 50 and over (Jappelli & Padula, 2013).

In a separate piece of research, Beckmann (2013) used regression analysis to investigate the effect of financial literacy on the amount of money saved by households (Beckman, 2013). He found that financial literacy had a positive influence on the amount saved. The researchers discovered that high levels of financial literacy were a significant determinant of savings. In a different piece of research, He discovered that there was no significant relationship between budgeting and financial literacy.

Yoong (2010) contends that financially ignorant consumers, who typically make irrational financial decisions, may end up experiencing long-term effects that are detrimental to their ability to amass wealth and maintain their standard of living. The study places an emphasis on a well-documented domain of possibly suboptimal financial decision making, namely the absence of involvement in the stock market. A strategy for finding causation between stock market related financial literacy and stock market participation is used in this study. This strategy makes use of a comprehensive assessment of financial literacy that was directed to a sample of older American respondents who participated in the RAND American Life Panel (ALP). According to the findings of the study, a considerable reduction in the propensity to keep stocks occurs when there is a lack of investment information regarding the stock market. In specifically, a reduction of one standard deviation in the relevant measure suggests a reduction of approximately ten % in the amount of people participating in the stock market (Yoong, 2019).

In addition, the study carried out by Cavezzali (2012) explores the question of whether individuals' levels of financial literacy influence their decisions regarding the taking of risks and their behaviour regarding diversification. Studies that have been done in the past have shown that the average person is incapable of performing an elaborate portfolio diversification. Instead, what they do is distribute their money in a

naive manner among the various financial assets that are available. As a result, the purpose of the study is to determine whether financial literacy is a factor in decisions of this nature. The findings of the study, which were derived from responses to a questionnaire sent to two hundred people living in the United States, suggest that financial literacy plays an important part in the decisions that individuals make regarding the amount of risk they are willing to assume. In addition, the research shows that only people who are knowledgeable about diversification choose portfolios with lower levels of risk; those who are not just increase the amount of risk they face without taking any steps to manage it (Cavezzali, 2012).

Bhushan and Medury (2014) investigates the connection between the level of financial literacy possessed by salaried individuals and their level of knowledge concerning financial products. In addition, the research investigated the connection between those with salaried jobs and their level of financial knowledge and how they invest their money. According to the results of the research, the level of financial literacy an individual possesses influences both their awareness of financial products and their investing preferences in relation to such goods (Bhushan & Medury, 2014).

Musundi (2014) conducts research into the level of financial literacy possessed by real estate investors in the county of Nairobi. The study also investigated the connection between a person's level of financial literacy and the impact of the elements that play a role in determining whether to make an investment. According to the findings, the level of financial literacy possessed by real estate investors in Nairobi is well below what is required. It was discovered that the amount of financial literacy has a substantial impact on the investing decision making process that real estate investors go through (Musindi, 2014). The purpose of the research that Jagongo and Mutswenje (2014) propose to conduct is to identify the elements that influence investment decisions made at the Nairobi Stock Exchange. According to the findings of the study, the aspects of a company's reputation and status within its industry, as well as the expected earnings per share (EPS), profit and condition of statement, and the historical performance of the company's stock, are the most significant aspects that influence individual decisions regarding investments (Jagongo & Mutswenje, 2014).

Thapa and Nepal (2015) investigated financial literacy among Nepalese students. In this study, 436 college students were chosen as a sample, and the impact of

demographic, educational, and personality variables on Financial Literacy was investigated. For data analysis, the study employed the Mean, ANOVA, and Logistic Regression models. According to the findings of this survey, pupils have rudimentary financial awareness, while others have advanced knowledge. They have a lack of financial activity and banks, as well as inflation and the stock market, as well as low credit, taxes, financial statements, and insurance (Thapa & Nepal, 2014). Most students were involved in family support by purchasing insurance policies, participating in stock markets, purchasing jewellery, and lending money to friends. The study concluded that college students had a baseline degree of financial understanding, which was determined by their family income, age, stream of education, type of college they attended, and financial attitude. The study suggested that the government, financial sector regulators, non-governmental organizations (NGOs), and educators use these findings to establish financial strategies and policies in financial literacy.

Debbich (2015) investigates the extent to which the financial advice given to customers by sellers of financial goods can serve as a substitute for the customers' own financial literacy. The research presents a straightforward conceptual model in which a knowledgeable consumer of financial products interacts with a less knowledgeable financial advisor throughout the course of a conversation. Considering the potential for a conflict of interest on the part of the advisor, the model demonstrates that only consumers who are quite well off financially are likely to receive relevant information from the advisor. The model, in general, hypothesizes that there would be a linear connection between a person's level of financial literacy and the need for financial guidance. To evaluate the accuracy of the model's projections, the research also includes a survey of French families (Debbich, 2015). As a result of this, the findings indicate that financial literacy has a substantial association with the propensity to consult a financial counsellor. In addition, the findings of the study indicate that the link is not strongly monotonic, lending credence to the assertion that financial guidance is not a suitable substitute for financial literacy.

Bayar and Sasmaz (2017) looked at the primary determinants of long-term economic growth, including capital stock, human capital, technological advancement, financial

development, institutional development, infrastructural development level, and trade openness. By encouraging savings and fostering the growth of the financial sector, financial literacy has the potential to have an impact on economic growth. In this study, logistic regression analysis was used to examine how financial literacy among Usak University staff members affected their ability to save for their own goals. We discovered that risk tolerance had a negative impact on personal savings, but financial literacy, income level, age, and education level had beneficial effects (Bayar & Sasmaz, 2017).

Chaulagain (2017) tested financial literacy to establish the relationship between it and other major characteristics that influence small borrowers' financial behaviour. This study evaluated the degree of financial literacy of small borrowers with their financial attitudes and behaviours using data from a survey of small borrowers from two cooperatives that have been granted licenses by Nepal Rastra Bank. The hypothesis demonstrating the association between these chosen variables was put to the test using the chi-square test. The investigation revealed a substantial correlation between small borrowers' financial literacy and their financial attitude and conduct. Therefore, we contend that improving small borrowers' financial literacy on a regular basis is necessary to alter their mindset and, in turn, their financial conduct (Chaulagain, 2017).

Nepali (2018) examined how family structure affects the choices made by individual investors on the Nepalese stock market. The study's methodology was a structured questionnaire survey of individual investors in Nepal. The responses gathered were examined using descriptive statistics, correlation, and regression analysis with a total sample size of 400. The study's findings support a resounding conclusion that having children and having a gender difference in financial literacy have a major impact on how individual investors make investment decisions. However, it has been discovered that neither financial independence nor marital status significantly affects the investment choices made by individual investors in the Nepalese stock market. Financial literacy and investment decisions are positively correlated with both economic independence and financial understanding. Financial advisers, consultants, analysts, and decision-makers may find the current study valuable in understanding how family structure affects individual investors' investing choices (Nepali, 2018).

Thapa and KC (2020) aimed to investigate the level of financial literacy among Nepalese stock market investors. Sorting out the factors that influence stock market investors and examining their relationships is the study's main goal. For this study, a descriptive research design was used, and 83 respondents from the Kathmandu Valley provided the data. The chi-square test is used to examine how various factors affect financial literacy. The study's findings indicate that Nepalese investors have a low level of financial literacy. Additionally, several factors have been having a minor impact on their financial decision (Thapa & KC, 2020).

Alaaraj and Bakri (2020) investigated how investors in South Lebanon make investment decisions in relation to their financial literacy. While investors' decision-making is defined as their act and how they understand, predict, research, and evaluate the stages and transactions for decision-making, financial literacy is expressed in terms of knowledge and awareness. This covers investment risk, decision-making process, and model. A quantitative approach was used to gather 150 self-administered surveys utilizing convenience sampling to meet the research objective. Customers from four different banks in South Lebanon are included in the sample. Software called SPSS was used to examine the data. Pearson correlation and multi-regression analysis were used to find descriptive statistics and test proposed hypotheses. The findings indicated a strong, positive correlation between financial literacy and investment decision-making. Future research is urged to extend the study to other Lebanon regions over a longer time frame and to use other variables (Alaaraj & Bakri, 2020).

Oli (2020) investigated the effect of financial literacy on individual financial planning among Nepalese people is examined. Cash management, insurance, investment, and retirement planning are all included in personal financial planning. 700 Nepalese from seven regions were surveyed using a set of structured closed-end questions to get primary data. The study linked the three key measures of knowledge, awareness, and attitude toward financial planning decisions—factors impacting other parts of personal financial planning—to the efforts made in this area. The findings demonstrate how one's level of financial literacy and attitude toward personal financial planning affect personal financial planning. The outcome also shows that demographic parameters including marital status, income level, age, career, and

gender have a negligible or insignificant impact. Compared to contemporary financial assets, broad final financial investment options are preferred in Nepal. Individual understanding of insurance, investments, cash management, and retirement plans for future financial stability is rising, but not to the necessary extent. This study has significance for financial planners who are developing financial strategies for their clients' successful implementation of personal financial planning programs (Oli, 2020).

Shrestha and Manandhar (2023) goal of this study is to evaluate how financial literacy affects individuals' investment choices in the Kathmandu Valley. For this investigation, a descriptive and causal study was created. Structured questions were created and utilized in a questionnaire survey to gather information. The study's subjects were traders in the stock market. 200 samples were obtained using the convenience sampling method. The data were thoroughly evaluated using reliability analysis, descriptive statistics, correlation analysis, and regression analysis. According to the study, investment decisions are significantly influenced by financial behaviour, financial attitude, financial awareness, and financial skill. Promoting financial awareness and safeguarding investors can result in improved financial results for people and society at large (Shrestha & Manandhar, 2023).

Lamichhane (2023) investigated on the impact of financial literacy on individual financial planning in Nepal. The dependent variable is personal financial planning. Financial literacy, financial awareness, financial attitude, financial confidence, and financial socialization have been chosen as independent factors. To gauge respondents' attitudes about financial planning, confidence, and financial literacy, the primary source of data is used. The research is based on 192 respondents' initial data. A structured questionnaire is created to accomplish the study's goals. It is projected to examine the significance and importance of financial literacy on individual financial planning in Nepal using regression models and correlation coefficients. The findings indicated that having a basic understanding of finance helps with personal financial planning. It indicates that improved personal financial planning would result from greater financial understanding. The outcomes also showed that personal financial planning benefits from financial awareness. It indicates that greater personal financial planning results from having a higher level of financial awareness. Financial attitude

also influences personal financial planning favourably, suggesting that a more upbeat outlook results in more successful personal financial planning. Furthermore, personal financial planning benefits from financial confidence. It suggests that improved personal financial planning would result from higher levels of financial confidence. Additionally, financial socialization benefits individual financial planning. It suggests that greater financial planning results from increased socialization (Lamichhane, 2023).

2.4 Summary of Literature Review

Table 1 summarizes the available literature for extrapolating the financial literacy effect on personal savings and investment decision.

Table 1

Summary of Literature Review

Author	Findings
1. Cavezzali (2012)	The findings of the study suggest that financial literacy plays a significant role in individuals' decisions concerning the level of risk they are willing to assume. Specifically, individuals with higher levels of financial literacy are more likely to choose portfolios with lower levels of risk. In contrast, individuals with lower financial literacy tend to increase the amount of risk they face without taking proactive steps to manage it. This highlights the importance of financial literacy in influencing risk-taking and diversification behavior among individual investors.
2. Mahdzan and Tabiani (2013)	The study revealed a significant and positive correlation between individuals' financial knowledge and their saving behavior. Higher levels of financial literacy were associated with increased personal saving. The likelihood of saving was influenced by other factors such as saving frequency, gender, income, and education level. The findings suggest the importance of implementing financial education programs to enhance individuals' financial knowledge, which can positively impact the national saving rate.
3. Jappelli and Padula (2013)	The study revealed that financial literacy had a positive effect on savings behavior among individuals aged 50 and over. The findings indicated that individuals with higher levels of financial literacy were more likely to save. These results suggest that investing in financial literacy can play a significant role in increasing wealth and promoting savings behavior in this age group.

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4. Beckman (2013) The study found that financial literacy had a positive influence on the amount of money saved by households. Higher levels of financial literacy were identified as a significant determinant of savings. However, in a separate analysis, the study did not find a significant relationship between budgeting and financial literacy. This suggests that while financial literacy positively impacts savings behavior, its influence on budgeting may be less pronounced.
5. Sariguln (2014) The study found a positive association between students' financial literacy and the educational background of their parents. The study emphasized the importance of universities enhancing their financial literacy programs to cater to the specific characteristics of their student population.
6. Musundi (2014) The findings of the study revealed that the level of financial literacy among real estate investors in Nairobi County is significantly below the required level. The study highlighted that the level of financial literacy has a substantial impact on the decision-making process of real estate investors. This suggests that individuals with higher levels of financial literacy are better equipped to make informed investment decisions in the real estate market.
7. Jagongo and Mutswenje (2014) The findings of the study indicated that several factors significantly influenced individual investment decisions at the Nairobi Stock Exchange.
- Key factors identified include a company's reputation and status within its industry, expected earnings per share (EPS), and the historical performance of the company's stock. These factors played a significant role in shaping the investment decisions of individual investors including financial literacy.
8. Bhushan and Medury (2014) The study's findings indicated that a lack of financial literacy among individuals resulted in a preference for traditional financial products, which limited their ability to take advantage of new-age financial products offering higher returns.
- The degree of financial literacy was found to significantly influence individuals' knowledge and choices regarding financial products. This suggests that enhancing financial literacy can positively impact individuals' investment decisions and enable them to make informed choices about various financial instruments.
9. Debbich (2015) The findings of the study indicate that financial literacy is significantly associated with the likelihood of consulting a financial counselor. The research suggests that individuals with higher levels of financial literacy are more likely to seek financial guidance. Furthermore, the study found that the relationship between financial literacy and the
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	need for financial guidance is not strictly linear, implying that financial advice is not a suitable substitute for financial literacy.
10. Thapa and Nepal (2015)	The study concluded that students' financial literacy was influenced by factors such as family income, age, academic discipline, type of college attended, and financial attitude. The authors recommended that government agencies, financial regulators, NGOs, and educators utilize these findings to formulate effective financial strategies and policies aimed at promoting financial literacy among college students.
11. Murendo and Mutsonziwa (2017)	The study found a positive association between financial literacy and personal savings among adult financial consumers in Zimbabwe. The findings suggest that individuals with higher levels of financial literacy are more likely to make informed saving decisions. This highlights the importance of financial literacy in promoting positive savings behavior among individuals in Zimbabwe.
12. Bayar and Sasmaz (2017)	The findings indicated that financial literacy had a positive effect on personal savings. Additionally, income level, age, and education level were found to have beneficial effects on personal savings. However, risk tolerance was negatively associated with personal savings.
13. Chaulagain (2017)	The study found a significant correlation between the financial literacy of small borrowers and their financial attitudes and behaviors. The results suggest that regular improvement in the financial literacy of small borrowers is necessary to change their mindset and, consequently, their financial behavior.
14. Nepali (2018)	The study's findings indicate that family structure, specifically the presence of children and gender differences in financial literacy, significantly affect the investment choices made by individual investors. However, factors such as financial independence and marital status were found to have no significant impact on investment decisions in the Nepalese stock market. There is a positive correlation between financial literacy, economic independence, and investment decisions.
15. Yoong (2019)	The findings of the study revealed that a lack of investment information regarding the stock market leads to a significant reduction in the propensity to participate in the stock market. Specifically, a reduction of one standard deviation in the relevant measure of financial literacy was associated with approximately a ten % decrease in stock market participation. This highlights the importance of financial literacy in influencing individuals' decisions

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- to engage in stock market activities.
16. Alaaraj and Bakri (2020) The findings of the study indicated a strong, positive correlation between financial literacy and investment decision-making among investors in Southern Lebanon. This suggests that individuals with higher levels of financial literacy are more likely to make informed and effective investment decisions. The study recommends further research extending the study to other regions in Lebanon over a longer time frame and incorporating additional variables.
17. Oli (2020) The findings suggest that an individual's level of financial literacy and attitude towards personal financial planning significantly impact their engagement in personal financial planning activities.
- However, demographic factors such as marital status, income level, age, career, and gender were found to have a minimal or insignificant effect. The study also indicates that Nepalese individuals prefer broad financial investment options over contemporary financial assets. While there is an increasing understanding of insurance, investments, cash management, and retirement plans, there is still room for improvement in terms of necessary knowledge and awareness.
18. Thapa and KC (2020) The findings of the study indicate that Nepalese stock market investors have a low level of financial literacy. Furthermore, several factors were found to have a minor impact on their financial decision-making.
19. Shrestha and Manandhar (2023) The study revealed that financial behavior, financial attitude, financial awareness, and financial skills significantly influenced investment decisions. The results suggested that promoting financial awareness and protecting investors can lead to improved financial outcomes for individuals and society.
20. Lamichhane (2023) The findings of the study indicate that a basic understanding of finance positively impacts personal financial planning. Higher levels of financial understanding and awareness contribute to improved personal financial planning. Positive financial attitudes and increased financial confidence are associated with more successful personal financial planning. Financial socialization also plays a beneficial role in individual financial planning.
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2.5 Research Gap

The reviewed studies provide valuable insights into the relationship between financial literacy and investment decisions as well as personal savings. However, there are still research gaps that need to be addressed. The current study aims to close these gaps by investigating the impact of financial knowledge, risk tolerance, financial behaviour, and financial attitude on investment decisions and personal savings.

Thapa and KC (2020) conducted a study on Nepalese stock market investors and found that they have a low level of financial literacy. This highlights the need to explore how improving financial knowledge can influence investment decisions and personal savings among this group. Alaaraj and Bakri (2020) discovered a strong positive correlation between financial literacy and investment decision-making in South Lebanon. While this is an important finding, it is essential to further investigate the specific aspects of financial knowledge and behaviour that contribute to better investment decisions.

Oli (2020) examined the effect of financial literacy on individual financial planning in Nepal. Although the study found that financial literacy and attitude play a role in personal financial planning, it is crucial to delve deeper into the specific components of financial literacy that have the most significant impact on financial planning and saving. Shrestha and Manandhar (2023) focused on traders in the Kathmandu Valley and identified that investment decisions are influenced by financial behaviour, attitude, awareness, and skill. To build upon this research, it is important to explore how these factors interact and which ones are most influential in shaping investment decisions.

Lamichhane (2023) investigated the impact of financial literacy, awareness, attitude, confidence, and socialization on personal financial planning in Nepal. While the study found positive correlations, it is essential to understand the relative importance of each of these factors in driving effective personal financial planning. In summary, the existing literature provides valuable insights into the relationship between financial literacy and investment decisions/personal savings. However, the specific impact of financial knowledge, risk tolerance, financial behaviour, and financial attitude on

these aspects remains an area that requires further investigation. This study aims to address this research gap by examining these factors in greater detail and their influence on investment decisions and personal savings.

CHAPTER III

RESEARCH METHODOLOGY

A quantitative research method was used in the context of the study examining the influence of financial literacy on personal savings and investment decisions in the Kathmandu Valley. Quantitative research is concerned with acquiring and analysing numerical data to identify patterns, connections, and trends. Quantitative research entails gathering numerical data that enables objective measurement of variables. In this study, standardized scales or measurement tools are used to quantify financial literacy, personal savings, investment decisions, and other associated characteristics. This ensures that the data collected is precise and that statistical analysis may be performed. Quantitative research allows researchers to explore patterns, correlations, and trends in data using statistical analysis tools. The Researcher used regression analysis to evaluate how much financial literacy, risk tolerance, and other independent variables influence personal savings and investing decisions. This technique is thorough and systematic in assessing the influence of financial literacy on these outcomes.

3.1 Research Design

The study's goal was to investigate how financial literacy and other factors, such as risk tolerance, influence personal savings and investing decisions. As a result, the study has employed a causal research design that emphasizes determining how the variables interact with one another. This study also looks at how much each independent variable effects the dependent variable. The relationship between the variables was studied using a causal study approach. The impact of financial literacy and other variables on personal savings was investigated using regression analysis. The study used quantitative methodologies because primary data was acquired to investigate the relationship between the variables.

Correlation analysis was deemed to be significantly more relevant because, in most social and commercial inquiries, our attention is on understanding and managing correlations between variables rather than establishing causes (Kothari, 2016). This is also applicable in this case, as we can explore the level of impact of financial literacy and other factors such as risk tolerance on personal savings and investment decision.

3.2 Population and Sample Data

3.2.1 Population

The population is the complete group, individual, events, or items of interest that the researcher seeks to explore (Kothari, 2016). The study focused on Kathmandu valley inhabitants to investigate financial elements like as financial literacy and savings. As a result, the population for the study will consist of economically active people from the Kathmandu valley. As a result, inhabitants of Kathmandu valley who are financially engaged were chosen as the study's population target.

3.2.2 Sampling Design

The major types of sampling design are probability and non-probability sampling design (Cooper & Scindler, 2011). Non-probability sampling design is used in the study. The non-probability sampling technique uses subjective judgement of the researcher to select samples required for the study. The study used purposive random sampling where residents of the Kathmandu valley were selected at random who are currently economically active. Purposive random sampling enabled the study to select the most appropriate respondents who are well versed with the issues under consideration and who would provide adequate relevant information. The economically active residents of Kathmandu valley were chosen at random. For the convenience, the selected sample size of this research study was 300.

3.3 Data Collection

The two types of data from which information may be acquired are primary data and secondary data (Kothari, 2016). Primary data was used to collect data on the respondent's financial literacy levels, personal savings and risk tolerance via Likert scales to establish the relationship among the variables, if any exists. Data was collected via Google forms and printed questionnaire, which was distributed through interception, direct mail, direct messages, social media platforms and recommendations. Also, secondary data was used to collect relevant supporting data on the subject matter through news articles, journal research papers, public data, annual reports, and others. The survey questionnaire was administered to the chosen individuals by the researchers. This was accomplished by in-person interviews, online surveys, or a combination of the two. Participants would be asked to respond based on

their own experiences, knowledge, and attitudes about the factors of interest. The information gathered was in the form of numerical values ascribed to the response options chosen.

Questionnaire includes demographic background questions as well as questions about the significance respondents place on various aspects when making investment decisions. There are questions about the demographic profile in Section A. The questionnaire was delivered in both physical and email form for convenience. In addition to being reassured that their participation in the survey was completely voluntary and that the results would remain anonymous, participants were told what the poll's objectives were. The questionnaire asked respondents about their demographic background. In Section A, there are inquiries pertaining to the demographic profile. For convenience, the questionnaire was sent via email and physical mail. Participants were informed of the poll's goals in addition to being assured that their participation in the poll was entirely voluntary and that the results would remain anonymous. Core variables relating to personal saving and investment were assessed using Likert scale questionnaires. The questionnaire had three parts: a demographic profile, personal saving, and investment decision factors. For data analysis, these variables were quantified using the Likert scale. The quality of these traits was evaluated on a scale of 1 to 5, with 5 denoting strongly agree, 4 denoting agree, 3 denoting neutral, 2 denoting disagree, and 1 denoting strongly disagree. The questionnaire as derived from past studies and available literature (Lamichhane, 2023); (Thapa and Nepal,2015)

3.4 Data Analysis

All data obtained directly, via printed paper surveys, and electronically was processed to evaluate different questionnaire characteristics and respondents' responses. Data processing workflow includes gathering data, handling it, analysing it, and making conclusions or findings. A questionnaire and a survey were utilized to collect primary data for this investigation. The resulting data was collected, organized, converted, extracted, and integrated using software. As a result, data was structured and documented with the use of software programs such as Microsoft Excel. Similarly, tables, pie charts, bar diagrams, and graphs were used to comprehend the outcomes of

statistical data analysis methodologies used to investigate the data. The outcomes of the analysis were then analysed, and key aspects of the research were described.

The data acquired in this study was analysed using correlational analysis. In this study, for example, frequency distribution, bar graphs, and pie charts were utilized to display and assess data. The same statistical approaches were used, such as mean. The acquired data was evaluated meticulously using SPSS software tools. To demonstrate the relationship between the variables, the Pearson's correlation coefficient was used. Pearson's correlation coefficient, a test statistic, assesses the statistical relationship or connection between two continuous variables. To explore the assumptions, the Regression test was done using SPSS research program.

Correlational analysis was performed to evaluate the collected data in this study. As a result, the researcher was able to investigate how the factors are associated. In this study, frequency distribution, bar graphs, and pie charts were used to illustrate and explain data. Similarly, mean, and other statistical techniques were used. The gathered data was thoroughly examined using SPSS software tools. Pearson's correlation coefficient was used to highlight the relationship between variables. Pearson's correlation coefficient is a test statistic that evaluates the statistical relationship, or association, between two continuous variables (Laerd Statistics, 2021). When utilizing SPSS research software to analyze hypotheses, the Pearson correlation test was utilized.

In the data analysis process, the following methodologies and tools are employed.

- Pearson Correlation to explore the correlation between the independent and dependent variables of the study.
- Regression analysis.

3.4.2 Correlation and Regression analysis

Correlation analysis is used in this study to evaluate the relationship among the variables. A calculated coefficient called correlation is used to display composite connections. A bivariate test called correlation is used to assess the direction and strength of a link between two variables. As the intensity of the association increases, the correlation coefficient decreases, going from +1 to -1. The two variables are inextricably related if the score is 1. As the correlation coefficient number gets closer

to zero, the relationship between the two variables is weaker. The direction of the relationship is indicated by the sign of the coefficient; a + sign denotes a positive link and a - sign denotes a negative link.

3.4.1 Descriptive Analysis

Descriptive analysis was used in the study to summarize and present data in a meaningful way. It involves examining and describing the main characteristics of a dataset without making inferences or drawing conclusions about the larger population. In the context of the study, descriptive analysis was used to provide insights into the distribution and variation of various financial factors, such as personal saving behaviour, investment decisions, financial knowledge, financial attitude, risk tolerance, financial behaviour, financial skill, and financial confidence, among the sample of participants.

3.4.3 Regression Analysis

The linear regression model assumes that there is a linear or straight line relationship between the dependent variable and each predictor. The regression models proposed for tested in this study are as follows:

$$Y_1 = \alpha + \beta_1 X_1 + \beta_2 X_2 + E_i \dots \dots \dots (1)$$

where, Y_1 = Dependent variable

X_1 = Variable 1

X_2 = Variable 2

β = Coefficient of Independent Variables

E_i = Error term

α = Constant

Regression Model for Personal Savings:

$$\text{Personal Savings} = \beta_0 + \beta_1 (\text{Financial Knowledge}) + \beta_2 (\text{Financial Skill}) + \beta_3 (\text{Financial Confidence}) + \beta_4 (\text{Financial behaviour}) + \beta_5 (\text{Risk Tolerance}) + \beta_6 (\text{Financial Attitude}) + \varepsilon$$

In this model, the dependent variable is "Personal Savings," and the independent variables are "Financial Knowledge," "Financial Skill," "Financial Confidence,"

"Financial behaviour," "Risk Tolerance," and "Financial Attitude." The coefficients β_0 , β_1 , β_2 , β_3 , β_4 , β_5 , and β_6 represent the regression coefficients, which indicate the magnitude and direction of the relationship between the independent variables and personal savings. The term ε represents the error term, accounting for any unexplained variability in personal savings.

Regression Model for Investment Decisions:

$$\text{Investment Decisions} = \beta_0 + \beta_1 (\text{Financial Knowledge}) + \beta_2 (\text{Financial Skill}) + \beta_3 (\text{Financial Confidence}) + \beta_4 (\text{Financial behaviour}) + \beta_5 (\text{Risk Tolerance}) + \beta_6 (\text{Financial Attitude}) + \varepsilon$$

In this model, the dependent variable is "Investment Decisions," and the independent variables are the same as in the previous model: "Financial Knowledge," "Financial Skill," "Financial Confidence," "Financial behaviour," "Risk Tolerance," and "Financial Attitude." The regression coefficients β_0 , β_1 , β_2 , β_3 , β_4 , β_5 , and β_6 represent the relationships between the independent variables and investment decisions. The error term ε captures any unexplained variability in investment decisions.

3.5 Research Framework

The following figure represents the conceptual model of the study where personal savings and investment decisions are regarded as the dependent variable.

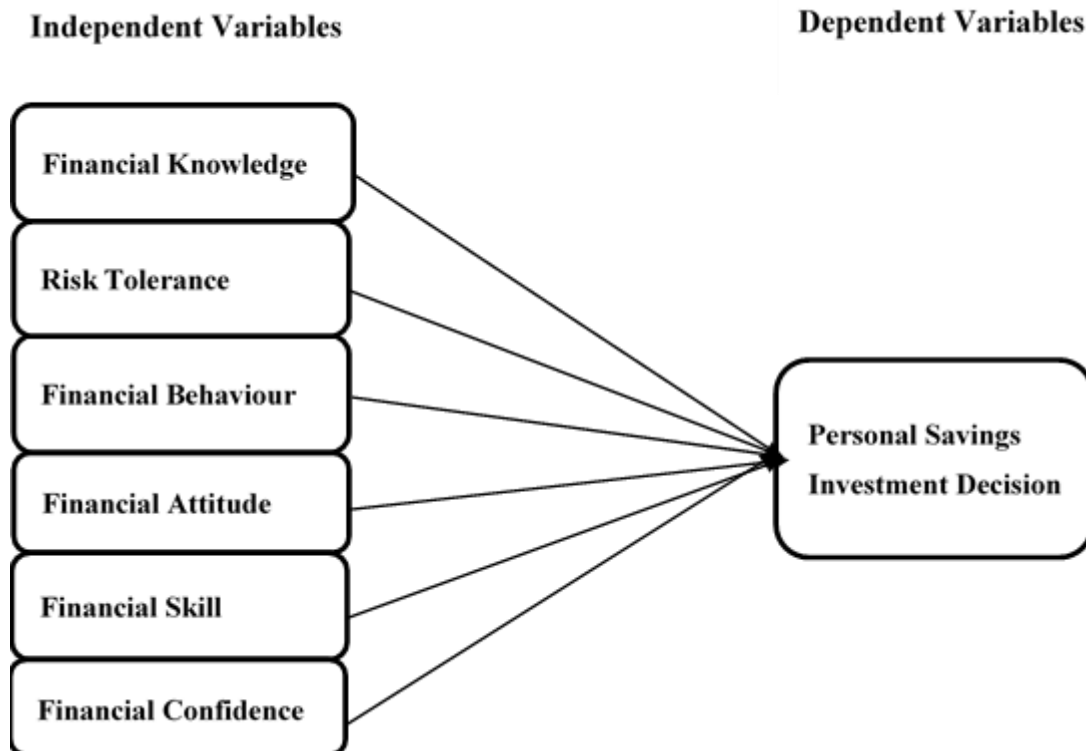


Figure 1: Conceptual Framework,

Source: (Lamichhane ,2023); (Thapa and Nepal ,2015)

Dependent Variables

Personal savings: Personal saving is the deliberate and intentional act of setting aside a portion of one's income or resources for future usage or crises. Personal savings can be viewed as one of the dependent variables impacted by financial knowledge, risk tolerance, financial behaviour, financial attitude, financial skill, and financial confidence in the context of the conceptual framework. Individuals' ability and willingness to save money, as well as their ability to make informed judgments about allocating financial resources to saves, may be influenced by several independent variables (Lamichhane, 2023).

Investment Decision: The process of examining several investment possibilities and selecting the most appropriate ones based on an individual's financial goals, risk preferences, and expected returns is referred to as investment decision. Investment decision is another dependent variable in the conceptual framework that can be influenced by financial knowledge, risk tolerance, financial behaviour, financial

attitude, financial competence, and financial confidence. Individuals' ability to recognize investment opportunities, analyze risks, and make informed decisions about investing their funds may be influenced by several independent variables (Thapa & Nepal, 2014).

Independent Variables

Financial Knowledge: Financial knowledge refers to the ability to comprehend and apply various financial skills, such as personal financial management, budgeting, and investing. Financial literacy is the foundation of your relationship with money, and it is a lifelong learning journey. It is a combination of awareness, knowledge, skill, attitude, and behaviour that is required to make sound financial decisions and achieve individual financial well-being (Thapa & Nepal, 2015).

Risk Tolerance: Risk tolerance is the amount of loss that an investor is willing to accept when making an investment decision. Several factors influence how much risk an investor is willing to take. Knowing one's risk tolerance level assists investors in planning their entire portfolio and influences how they invest. For example, if a person's risk tolerance is low, investments will be made cautiously, with more low-risk investments and fewer high-risk investments (Lamichhane, 2023).

Financial behaviour: Financial behaviour refers to an individual's actions, habits, and patterns of financial activity in managing their finances. It includes things like saving, budgeting, spending, investing, and borrowing. Financial conduct is an independent variable in the conceptual framework that might influence personal savings and investment decisions. Individuals who engage in positive financial behaviour, such as continuous saving, disciplined budgeting, and sensible spending, are more likely to amass savings and make sound investment decisions (Lamichhane, 2023).

Financial Attitude: A person's psychological and emotional outlook or disposition toward financial matters is represented by their financial attitude. It includes their money views, values, and perceptions, as well as their financial aspirations and financial decision-making. Financial attitude is an independent element in the conceptual framework that might influence personal savings and investment decisions. Individuals with favourable financial attitudes, such as a belief in the value of saving, a long-term financial view, and a proactive approach to financial decision-

making, are more likely to save and make informed investment decisions (Lamichhane, 2023).

Financial Skill: Financial skill refers to an individual's ability to properly manage their personal money by applying financial knowledge and skills. It entails the practical application of financial knowledge, such as making educated financial decisions, employing financial tools, tactics, and strategies, and managing financial resources successfully. Financial skill is an independent variable in the conceptual framework that might influence personal savings and investing decisions. Individuals with higher financial skill levels are better able to manage their finances, make informed decisions about saving and investing, and negotiate the financial landscape's complexities (Thapa & Nepal, 2015)

Financial Confidence: An individual's level of self-assurance or belief in their competence to handle financial concerns and make wise financial judgments is referred to as financial confidence. It entails a sense of empowerment and comfort in dealing with financial difficulties, dangers, and uncertainties. Financial confidence is an independent variable in the conceptual framework that might influence personal savings and investment decisions. Individuals who are more confident in their financial abilities (Thapa & Nepal, 2014).

CHAPTER IV

RESULTS AND DISCUSSION

The primary data that was collected is presented and systematically examined in this chapter. This section is divided into three parts. The first section of this chapter deals with descriptive statistics, which outline the salient characteristics of the research variables. The degree of correlation between the research variables is illustrated by the correlation analysis in the second half of the chapter, and the regression results from the regression models in the first chapter are shown in the third quarter of the chapter. A total of 300 sample size was considered for data analysis in the study.

4.1 Results

4.1.1 Demographic Profile of Respondents

The demographic features of the respondents from the 300 responses received during the survey are summarized in the sections below.

Table 2

Respondent's Profile

	Frequency	%
<i>Gender</i>		
Male	214	71.3
Female	86	28.7
<i>Age Group</i>		
18 to 30	131	43.7
31 to 50	149	49.7
51 and above	20	6.7
<i>Academic Qualification</i>		
Intermediate (+2) or below high school	66	22.0
Bachelor's Degree	159	53.0
Master's Degree and above	75	25.0
<i>Occupation</i>		
Student	61	20.3

Employee	77	25.7
Self-employed	122	40.7
Housewife	16	5.3
Others	24	8.0
<i>Level of Experience in Field of Work</i>		
Less than 1 year	57	19.0
1 to 3 years	147	49.0
4 to 7 years	80	26.7
8 years and above	16	5.3
<i>Income Level</i>		
Below 30000	74	24.7
Rs. 30000 to 60000	85	28.3
Rs. 60000 to 90000	92	30.7
Above 100000	49	16.3
<i>Investment Experience in the Stock Market</i>		
1 to 2 years	114	38.0
3 to 4 years	128	42.7
5 to 7	38	12.7
More than 7	20	6.7

Source: Survey 2023

The demographic data pertaining to gender distribution of the sample size of 300 respondents was examined. Out of the total sample, 214 respondents were male, representing approximately 71.3% of the participants. On the other hand, there were 86 female respondents, making up about 28.7% of the total sample. These numbers indicate that the study had a higher representation of male participants compared to females.

Most of the participants, comprising approximately 49.7% (149 respondents), fell within the age range of 31 to 50. The next significant age group was between 18 and 30, accounting for around 43.7% (131 respondents) of the total sample. A smaller proportion, about 6.7% (20 respondents), belonged to the age group of 51 and above. The distribution of respondents across different age groups is essential to consider

when examining the impact of financial literacy on investment decision-making and personal savings in the Kathmandu Valley.

The results indicate that most participants, comprising approximately 53.0% (159 respondents), held a bachelor's degree. The next significant group was those with an academic qualification of Intermediate (+2) or below high school, accounting for about 22.0% (66 respondents) of the total sample. A smaller proportion, approximately 25.0% (75 respondents), possessed a master's degree or above. Understanding the distribution of respondents across different educational backgrounds was crucial when exploring the impact of financial literacy on investment decision-making and personal savings in the Kathmandu Valley.

The results indicate that the largest group of participants, approximately 40.7% (122 respondents), were self-employed individuals. The next significant category was employees, accounting for about 25.7% (77 respondents) of the total sample. Students made up around 20.3% (61 respondents) of the participants, while housewives represented a smaller proportion of about 5.3% (16 respondents). The remaining 8.0% (24 respondents) fell into the "Others" category. Occupations can influence people's financial situation, risk appetite, and ability to save and invest.

The findings showed that 147 respondents, or about 49.0% of the participants, had one to three years of experience. Those with 4 to 7 years of experience, which made up around 26.7% (80 respondents) of the entire sample, were the next significant group. Approximately 19.0% of respondents (57 respondents) had less than one year of experience, while just 5.3% of respondents (16 respondents) had eight years or more of experience. When examining the effect of financial literacy on investment choice and personal savings in the Kathmandu Valley, it is essential to comprehend the distribution of respondents across various experience levels. One's financial knowledge, risk-taking tendencies, and long-term financial planning can change depending on their level of expertise.

According to the findings, most participants, or about 30.7% (92 respondents), had an annual income between Rs. 60000 and 90000. Respondent earning between Rs. 30000 and Rs. 60000, who made up around 28.3% of the sample (85 respondents) were the next noteworthy group. Participants with incomes below Rs. 30000 made up roughly 24.7% of the sample (74 respondents), whereas participants with incomes exceeding

Rs. 100000 made up a smaller 16.3% of the sample (49 respondents). When examining the effect of financial literacy on investment choice and personal savings in the Kathmandu Valley, it is essential to comprehend the distribution of respondents across various income levels. Income levels can have a big impact on someone's ability to save money, investing possibilities, and saving behaviours.

According to the findings, most participants, or about 42.7% (128 respondents), had three to four years of investment experience. One to two years of investment experience was the next large group, which made up around 38.0% (114 respondents) of the entire sample. Only a smaller %age, 12.7% (38 respondents), had expertise ranging from 5 to 7 years in investing. Finally, 20 respondents, or 6.7% of the sample, had more than seven years of investment experience. When examining the effect of financial literacy on investment decision-making and personal savings in the Kathmandu Valley, it is essential to comprehend the distribution of respondents across various investing expertise levels.

4.1.2 Descriptive Analysis

A type of data analysis called descriptive analysis helps to precisely describe, show, or summarize data points so that patterns might appear that completely match the goals of the data. This is one of the most important steps in the analysis of statistical data. By giving you a description of the data's distribution, helping you spot errors and outliers, and enabling you to uncover connections between variables, it lays the groundwork for subsequent statistical research. The mean, standard deviation, and variance of the study's independent and dependent variables are shown in the table below. A Likert scale with ratings from 1 to 5 was used to compile the responses from the respondents.

Table 3

Descriptive Analysis

Factors	Minimum	Maximum	Mean	Std. Deviation
Personal Saving	1.50	4.75	3.7267	.75644
Investment Decision	1.67	4.67	3.6989	.66686
Financial Knowledge	1.67	5.00	3.5967	.74542
Financial Attitude	1.63	4.63	3.6179	.68869
Risk Tolerance	1.40	4.60	3.5947	.77466
Financial Behavior	1.67	4.67	3.6350	.73254
Financial Skill	1.67	4.67	3.6344	.72172
Financial Confidence	1.40	5.00	3.6413	.72131

Table 3 displays insights into the minimum, maximum, mean, and standard deviation of each factor, shedding light on their distribution and variation within the sample

For the factor Personal Saving, the respondents scores ranged from 1.50 to 4.75, with a mean score of 3.7267 and a standard deviation of .75644. This suggests that the participants exhibited varying levels of personal saving behavior, with a higher mean score indicating a tendency towards more proactive saving practices. Similarly, for "Investment Decision," the scores varied between 1.67 and 4.67, with a mean of 3.6989 and a standard deviation of .66686. This implies that the respondents' investment decisions showed some diversity, but overall, the mean score suggests a relatively positive trend in investment decision-making.

Regarding Financial Knowledge, the scores ranged from 1.67 to 5.00, with a mean of 3.5967 and a standard deviation of .74542. This indicates that the respondents had varying levels of financial knowledge, with a mean score suggesting a moderate level of understanding. The factor "Financial Attitude" had scores between 1.63 and 4.63, with a mean of 3.6179 and a standard deviation of .68869. This reveals that the respondents' financial attitudes were relatively consistent, as indicated by the standard deviation, with a moderate overall mean score.

For Risk Tolerance, the scores varied from 1.40 to 4.60, with a mean of 3.5947 and a standard deviation of .77466. This implies that the respondents had diverse risk tolerance levels, with the mean score indicating a somewhat balanced risk approach. Regarding Financial Behavior, the scores ranged from 1.67 to 4.67, with a mean of

3.6350 and a standard deviation of .73254. This suggests that the participants exhibited varying financial behaviors, with a moderate mean score reflecting an overall responsible financial approach.

Similarly, for Financial Skill, the scores ranged from 1.67 to 4.67, with a mean of 3.6344 and a standard deviation of .72172. This implies that the respondents had diverse financial skills, with a moderate mean score indicating a reasonable level of financial competence. Lastly, for Financial Confidence, the scores varied from 1.40 to 5.00, with a mean of 3.6413 and a standard deviation of .72131. This indicates that the respondents had differing levels of financial confidence, with a moderate mean score reflecting a relatively positive level of self-assurance in financial matters.

Overall, this detailed interpretation of the descriptive data provides a comprehensive understanding of the respondents' financial behavior and attitudes across various factors. The range, mean, and standard deviation values help to characterize the distribution and variability within each factor, providing valuable insights for the investigation of the impact of financial literacy on investment decisions and personal savings in the Kathmandu Valley.

4.2 Reliability Test

The degree of reliability refers to how well research project results hold up under various interpretations. The reliability of a research method's findings ensures that they are comparable and trustworthy. The Cronbach's alpha was used in the reliability analysis. This method was used to assess the internal consistency and reliability of measurements. Although 0.7 is proposed in this case as an appropriate reliability coefficient, lower criteria are occasionally used in the literature. In this study, a Cronbach's alpha of 0.6 or higher was considered acceptable. SPSS software was used to conduct the Cronbach's alpha test. A research tool's validity is its ability to accurately evaluate the desired result.

It is crucial to assess the validity of the statements in the questionnaire instrument and interview instructions to determine whether they are relevant to the study. It is critical to assess a measurement's reliability and validity. Reliability is the homogeneity of a group of measures. The accuracy of measurement results or the accuracy with which such values may be duplicated using repeated measures are both examples of reliability (Kothari C. , 2004).

Cronbach's alphas were determined for each instrument. The table above shows the independent and dependent variables' Cronbach's Alpha coefficients.

Table 4

Reliability Test

Variable	Cronbach's Alpha	Number of Items
Personal Savings	.790	4
Investment Decision	.798	6
Financial Knowledge	.851	6
Financial Attitude	.874	8
Risk Tolerance	.832	5
Financial Behaviour	.843	6
Financial Skill	.850	6
Financial Confidence	.794	5

Table 4 shows the results of a reliability test conducted for various variables in the study. The Cronbach's alpha values indicate the internal consistency and reliability of the items within each variable. All variables have acceptable to high levels of internal consistency, with Cronbach's alpha ranging from .790 to .874. The variables include Personal Savings, Investment Decision, Financial Knowledge, Financial Attitude, Risk Tolerance, Financial Behaviour, Financial Skill, and Financial Confidence. These reliable measures suggest that the items consistently assess their respective constructs, strengthening the validity of the study's findings as the scores are above 0.60.

4.3 Pearson Correlation Analysis

Pearson correlation analysis is a statistical method used to measure the strength and direction of the linear relationship between two continuous variables. It calculates the Pearson correlation coefficient (r), which ranges from -1 to +1. A positive value of r indicates a positive correlation, meaning that as one variable increases, the other tends to increase as well. On the other hand, a negative value of r indicates a negative correlation, where one variable increases as the other decreases. A correlation of 0 suggests no linear relationship between the variables. Levin (2008) highlights the significance of Pearson correlation analysis in research, providing insights into its application and interpretation. Researchers often use this technique to examine the

relationship between financial literacy and investment decisions, for instance, by correlating financial knowledge scores with investment performance or risk tolerance levels (Levin, 2008).

Table 5

Pearson Correlation Analysis

Factors	PS	ID	FK	FA	RTY	FB	FS	FC
PS	1	-	-	-	-	-	-	-
ID	.857**	1	-	-	-	-	-	-
FK	.607**	.682**	1	-	-	-	-	-
FA	.693**	.756**	.785**	1	-	-	-	-
RTY	.705**	.744**	.697**	.689**	1	-	-	-
FB	.618**	.643**	.697**	.621**	.817**	1	-	-
FS	.668**	.735**	.694**	.643**	.689**	.755**	1	-
FC	.688**	.763**	.678**	.667**	.809**	.734**	.753**	1

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

Note: PS = Personal Savings, ID = Investment Decision, FK = Financial Knowledge, FA = Financial Attitude, RTY = Risk Tolerance, FB = Financial behavior, FS = Financial Skill, FC = Financial Confidence.

The correlation data reveals the relationships between the independent variables (Financial Knowledge, Risk Tolerance, Financial Skill, Financial Behavior, Financial Skill, and Financial Confidence) and the dependent variables (Personal Saving and Investment Decision). The correlation coefficient values indicate the strength and direction of these relationships.

Regarding the relationship between Personal Saving and the independent variables, we observe the following correlation coefficients: Personal Saving and Financial Knowledge have a positive correlation of 0.607, Personal Saving and Risk Tolerance have a positive correlation of 0.705, Personal Saving and Financial Behavior have a positive correlation of 0.618, Personal Saving and Financial Skill have a positive correlation of 0.668, and Personal Saving and Financial Confidence have a positive correlation of 0.688. These positive correlations suggest that as the levels of Financial Knowledge, Risk Tolerance, Financial Behavior, Financial Skill, and Financial Confidence increase, there is a tendency for Personal Saving to increase as well.

Similarly, for the relationship between Investment Decision and the independent variables, the correlation coefficients are as follows: Investment Decision and Financial Knowledge have a positive correlation of 0.682, Investment Decision and Risk Tolerance have a positive correlation of 0.744, Investment Decision and Financial Behavior have a positive correlation of 0.643, Investment Decision and Financial Skill have a positive correlation of 0.735, and Investment Decision and Financial Confidence have a positive correlation of 0.763. These positive correlations suggest that as the levels of Financial Knowledge, Risk Tolerance, Financial Behavior, Financial Skill, and Financial Confidence increase, there is a tendency for Investment Decision to increase as well.

Overall, the strong positive correlations between the independent variables and the dependent variables highlight that there is a significant and positive relationship between these factors. The findings suggest that individuals with higher levels of Financial Knowledge, Risk Tolerance, Financial Behavior, Financial Skill, and Financial Confidence are more likely to engage in Personal Saving and Investment Decision activities. These results are valuable in understanding the influence of these independent variables on individuals' financial behaviors and investment choices.

4.4 Regression Analysis

A regression analysis was conducted using SPSS to establish the cause-and-effect relationship between the variables and gain a deeper understanding of their impact on the dependent variable. This regression analysis will provide valuable insights into how Financial Knowledge, Risk Tolerance, Financial Behaviour, Financial Skill, and Financial Confidence influence Personal Saving and Investment Decision in the context of the research on financial literacy and decision-making in the Kathmandu Valley.

Regression Analysis for Personal Savings

Table 6

Regression Analysis for Personal Savings

R	R Square	Adj. R Square	Std. Error
.786	.617	.609	.47272

Table 6 indicates that the correlation coefficient (Adjusted R Square value) is 0.609. This indicates that the independent variables explain about 60.9% of variations in the dependent variable purchase decision. The remaining 39.1% of the variations in the dependent variable is due to the influence of other variables not identified in the research. If the R-squared value is $0.5 < r < 0.7$ this value is generally considered a Moderate effect size (Zikmund, 2000). In this case, the 60.9% account for variation in the dependent variable indicates a moderate effect size.

Table 7

ANOVA Test

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	105.610	6	17.602	78.766	.000
Residual	65.476	293	.223		
Total	171.087	299			

a. Dependent Variable: Personal Saving

The ANOVA test in Table 7 assesses the relationship between the independent variables (Financial Knowledge, Risk Tolerance, Financial Behavior, Financial Skill, Financial Confidence) and the dependent variables (Personal Saving and Investment Decision). The results of the test provide valuable insights into the significance of these relationships. The Regression row indicates that the model used for the analysis has a sum of squares of 105.610. There are 6 degrees of freedom associated with the regression, resulting in a mean square of 17.602. The F-statistic is calculated as 78.766. Additionally, the p-value (Sig.) associated with the F-statistic is extremely low at .000. The low p-value of .000 in the ANOVA test suggests that the regression model is highly significant. This means that the independent variables (Financial Knowledge, Risk Tolerance, Financial Behavior, Financial Skill, Financial Confidence) together have a strong relationship with the dependent variables (Personal Saving and Investment Decision). In other words, these independent

variables significantly explain and influence variations in both Personal Saving and Investment Decision.

Table 8

Regression Test

Factors	Beta	t	Sig.
(Constant)		2.495	.013
Financial Knowledge	-.100	-1.507	.133
Financial Attitude	.353	5.648	.000
Risk Tolerance	.307	3.992	.000
Financial Behavior	-.071	-.998	.319
Financial Skill	.252	3.932	.000
Financial Confidence	.134	1.923	.055

The regression test in Table 8 examines the relationship between the independent variables (Financial Knowledge, Risk Tolerance, Financial Behavior, Financial Skill, Financial Confidence) and the dependent variable (Investment Decision). Each beta value represents the strength and direction of the relationship between an independent variable and the dependent variable, while the constant term acts as the baseline when all the independent variables are zero. Its significance, denoted by the "t" value, indicates that it has a relatively low impact on the Investment Decision compared to the other independent variables.

The beta value for Financial Knowledge is -0.100. It suggests that an increase in Financial Knowledge is associated with a slight decrease in the Investment Decision. However, this negative relationship is not statistically significant. The beta value for Financial Attitude is 0.353. It indicates that a more positive Financial Attitude is linked to a higher Investment Decision. This relationship is highly significant. The beta value for Risk Tolerance is 0.307. It implies that individuals with higher Risk Tolerance are more likely to make favorable investment decisions. This relationship is also highly significant.

The beta value for Financial Behavior is -0.071. It suggests that individuals with more responsible Financial Behavior tend to have a slightly lower Investment Decision. However, this negative relationship is not statistically significant. The beta value for Financial Skill is 0.252. It indicates that individuals with better Financial Skills are

more likely to make favorable investment decisions. This relationship is highly significant. The beta value for Financial Confidence is 0.134. It suggests that higher Financial Confidence is associated with a higher Investment Decision. However, this relationship is marginally non-significant.

In summary, the regression test reveals that Financial Attitude, Risk Tolerance, and Financial Skill have significant positive effects on the Investment Decision. On the other hand, Financial Knowledge, Financial Behavior, and Financial Confidence do not have statistically significant effects on the Investment Decision in this research sample. These findings provide valuable insights into the specific psychological and behavioral factors that influence individuals' investment decisions in the context of the Kathmandu Valley.

Regression Analysis for Investment Decision

Table 9

Regression Analysis for Investment Decision

R	R Square	Adj R Square	Std. Error of
.856 ^a	.733	.728	.34806

Table 9 indicates that the correlation coefficient (Adjusted R Square value) is 0.728. This indicates that the independent variables explain about 72.8% of variations in the dependent variable purchase decision. The remaining 27.2% of the variations in the dependent variable is due to the influence of other variables not identified in the research. If the R-squared value is $0.5 < r < 0.7$ this value is generally considered a Moderate effect size (Zikmund, 2000). In this case, the 72.8% account for variation in the dependent variable indicates a strong effect size.

Table 10

ANOVA Test

	Sum of Squares	Df	Mean Square	F	Sig.
<i>Regression</i>	97.470	6	16.245	134.090	.000 ^b
<i>Residual</i>	35.497	293	.121		
<i>Total</i>	132.966	299			

The ANOVA test presented in Table 10 explores the correlation between the independent variables (Financial Knowledge, Risk Tolerance, Financial Behavior, Financial Skill, Financial Confidence) and the dependent variable (Investment Decision). The test evaluates whether these independent variables collectively have a significant impact on the Investment Decision. The ANOVA results indicate that the regression model is statistically significant ($F = 134.090$, $p < 0.001$). This means that the set of independent variables, which include Financial Confidence, Financial Attitude, Financial Behavior, Financial Skill, Financial Knowledge, and Risk Tolerance, collectively have a strong relationship with the Investment Decision.

In conclusion, the ANOVA test confirms that the combination of Financial Confidence, Financial Attitude, Financial Behavior, Financial Skill, Financial Knowledge, and Risk Tolerance significantly influences the Investment Decision. The overall model's high F-statistic and the extremely low p-value ($p < 0.001$) indicate that these independent variables collectively have a substantial impact on individuals' investment decisions in the context of the Kathmandu Valley.

Table 11

Regression Test

Factors	Beta	t	Sig.
(Constant)		4.225	.000
Financial Knowledge	.024	-.442	.658
Financial Attitude	.354	6.790	.000
Risk Tolerance	.262	4.078	.000
Financial Behavior	.167	2.796	.006
Financial Skill	.297	5.544	.000
Financial Confidence	.231	3.958	.000

The regression test results in Table 11 analyze the relationship between the independent variables (Financial Knowledge, Risk Tolerance, Financial Behavior, Financial Skill, Financial Confidence) and the dependent variable (Investment Decision). The objective of this regression analysis is to understand how each independent variable impacts the Investment Decision and whether these relationships are statistically significant.

The Constant row represents the intercept of the regression model. It has a beta value of 4.225 and a highly significant p-value of 0.000. This indicates that the intercept is statistically different from zero, and it represents the expected value of the Investment Decision when all independent variables are zero. The beta coefficient (Beta) shows the change in the dependent variable (Investment Decision) associated with a one-unit change in the corresponding independent variable, while keeping other variables constant.

For Financial Knowledge, the beta coefficient is 0.024, and its t-value is -0.442 with a p-value of 0.658. The p-value being greater than 0.05 suggests that Financial Knowledge is not statistically significant in predicting the Investment Decision. In other words, Financial Knowledge does not have a substantial impact on individuals' investment decisions. In contrast, Financial Attitude has a beta coefficient of 0.354, and its t-value is 6.790 with an extremely low p-value of 0.000. The p-value being less than 0.001 indicates that Financial Attitude is highly statistically significant in predicting the Investment Decision. A positive beta coefficient implies that a more positive financial attitude is strongly associated with a higher likelihood of making investment decisions. Similarly, for Risk Tolerance, the beta coefficient is 0.262, and its t-value is 4.078 with a very low p-value of 0.000. Risk Tolerance is also highly statistically significant in predicting the Investment Decision. A positive beta coefficient indicates that individuals with higher risk tolerance are significantly more inclined to make investment decisions.

Regarding Financial Behavior, the beta coefficient is -0.167, and its t-value is 2.796 with a p-value of 0.006. Financial Behavior is statistically significant, with a p-value less than 0.01. The positive beta coefficient suggests that individuals with more responsible financial behavior are likely to engage in investment decisions. For Financial Skill, the beta coefficient is 0.297, and its t-value is 5.544 with a p-value of 0.000. Financial Skill is highly statistically significant in predicting the Investment Decision. A positive beta coefficient implies that individuals with higher financial skills are significantly more inclined to make investment decisions.

Lastly, Financial Confidence has a beta coefficient of 0.231, and its t-value is 3.958 with a p-value of 0.000. Financial Confidence is also highly statistically significant in predicting the Investment Decision. A positive beta coefficient indicates that

individuals with higher financial confidence are significantly more likely to make investment decisions.

In summary, this regression analysis reveals that Financial Attitude, Risk Tolerance, Financial Behavior, Financial Skill, and Financial Confidence have significant relationships with individuals' Investment Decision. Conversely, Financial Knowledge does not have a statistically significant impact on investment decisions. These findings provide valuable insights into the factors that influence investment decisions in the context of the Kathmandu Valley.

4.5 Hypothesis Testing

Table 12

Hypothesis Testing

Hypothesis	P-value	Remarks
H1: There is a significant positive relationship between financial knowledge and investment decisions.	0.658	Reject
H2: There is a significant positive relationship between financial skill and investment decisions.	0.000	Accept
H3: There is a significant positive relationship between financial confidence and investment decisions.	0.000	Accept
H4: There is a significant positive relationship between financial behaviour and investment decisions.	0.006	Accept
H5: There is a significant positive relationship between risk tolerance and investment decisions.	0.000	Accept
H6: There is a significant positive relationship between financial attitude and investment decisions.	0.000	Accept
H7: There is a significant positive relationship between financial knowledge and personal savings.	0.133	Reject
H8: There is a significant positive relationship between financial skill and personal savings.	0.000	Accept
H9: There is a significant positive relationship between financial confidence and personal savings.	0.055	Reject
H10: There is a significant positive relationship between financial behaviour and personal savings.	0.319	Reject

H11: There is a significant positive relationship between risk tolerance and personal savings.	0.000	Accept
H12: There is a significant positive relationship between financial attitude and personal savings.	0.000	Accept

4.6 Discussion

The descriptive analysis provided insights into the distribution and variation of each factor (Personal Saving, Investment Decision, Financial Knowledge, Financial Attitude, Risk Tolerance, Financial Behaviour, Financial Skill, Financial Confidence) within the sample. Participants displayed varying levels of personal saving behaviour, with a mean score of 3.7267 and a standard deviation of 0.75644. The higher mean score suggests a tendency towards more proactive saving practices.

Investment decisions showed diversity among respondents, with a mean score of 3.6989 and a standard deviation of 0.66686. Overall, the mean score suggests a relatively positive trend in investment decision-making. Respondents exhibited varying levels of financial knowledge, with a mean score of 3.5967 and a standard deviation of 0.74542. The mean score indicates a moderate level of understanding. Financial attitudes were relatively consistent among respondents, with a mean score of 3.6179 and a standard deviation of 0.68869, reflecting a moderate overall attitude towards financial matters. Risk tolerance levels varied among participants, with a mean score of 3.5947 and a standard deviation of 0.77466, indicating diverse risk tolerance levels and a somewhat balanced risk approach.

Financial behaviour showed variation, with a mean score of 3.6350 and a standard deviation of 0.73254, reflecting an overall responsible financial approach among participants. Participants demonstrated diverse financial skills, with a mean score of 3.6344 and a standard deviation of 0.72172, indicating a reasonable level of financial competence among respondents. Respondents displayed differing levels of financial confidence, with a mean score of 3.6413 and a standard deviation of 0.72131, reflecting a relatively positive level of self-assurance in financial matters.

The correlation analysis reveals the relationships between the independent variables (Financial Knowledge, Risk Tolerance, Financial behaviour, Financial Skill, Financial Confidence) and the dependent variables (Personal Saving and Investment Decision). Positive correlations exist between Personal Saving and the independent variables:

Financial Knowledge (correlation coefficient of 0.607), Risk Tolerance (correlation coefficient of 0.705), Financial behaviour (correlation coefficient of 0.618), Financial Skill (correlation coefficient of 0.668), and Financial Confidence (correlation coefficient of 0.688). This suggests that as the levels of these independent variables increase, there is a tendency for Personal Saving to increase as well.

Similarly, positive correlations exist between Investment Decision and the independent variables: Financial Knowledge (correlation coefficient of 0.682), Risk Tolerance (correlation coefficient of 0.744), Financial behaviour (correlation coefficient of 0.643), Financial Skill (correlation coefficient of 0.735), and Financial Confidence (correlation coefficient of 0.763). This indicates that as the levels of these independent variables increase, there is a tendency for Investment Decision to increase as well. The strong positive correlations between the independent variables and the dependent variables suggest a significant and positive relationship between these factors. This implies that individuals with higher levels of Financial Knowledge, Risk Tolerance, Financial Behaviour, Financial Skill, and Financial Confidence are more likely to engage in Personal Saving and Investment Decision activities.

The regression analysis examined the relationship between the independent variables (Financial Knowledge, Risk Tolerance, Financial Behaviour, Financial Skill, Financial Confidence) and the dependent variable (Personal Savings). The correlation coefficient (Adjusted R Square value) of 0.609 indicates that the independent variables explain about 60.9% of the variations in Personal Savings. The remaining 39.1% of variations may be influenced by other unidentified variables. Financial Attitude, Risk Tolerance, and Financial Skill have significant positive effects on Investment Decision. Financial Knowledge, Financial behaviour, and Financial Confidence do not have statistically significant effects on Investment Decision in this research sample.

The regression analysed examines the relationship between the independent variables (Financial Knowledge, Risk Tolerance, Financial behaviour, Financial Skill, Financial Confidence) and the dependent variable (Investment Decision). The correlation coefficient (Adjusted R Square value) of 0.728 indicates that the independent variables explain about 72.8% of the variations in Investment Decision. The remaining 27.2% of variations may be influenced by other unidentified variables. The

low p-value of .000 in the ANOVA test indicates that the regression model is highly significant, suggesting that the independent variables (Financial Knowledge, Risk Tolerance, Financial behaviour, Financial Skill, Financial Confidence) have a strong relationship with Investment Decision. Financial Attitude, Risk Tolerance, Financial behaviour, Financial Skill, and Financial Confidence have significant effects on Investment Decision. Financial Knowledge does not have a statistically significant effect on Investment Decision in this research sample.

The present study's findings indicate that participants displayed varying levels of personal saving behaviour, with a mean score suggesting a tendency towards more proactive saving practices. This aligns with the findings of Thapa and Nepal (2015), who also observed that individuals had rudimentary financial awareness but lacked financial activity. Moreover, Oli (2020) demonstrated that an individual's level of financial literacy and attitude toward personal financial planning significantly affect personal financial planning, which includes saving behaviour. Therefore, the current study's results reinforce the importance of financial literacy in influencing positive saving behaviours.

The current study highlights that investment decisions showed diversity among respondents, with a relatively positive trend overall. This corresponds with the findings of Shrestha and Manandhar (2023), who found that investment decisions were significantly influenced by financial behaviour, financial attitude, financial awareness, and financial skill. Moreover, Musundi (2014) discovered that the level of financial literacy significantly impacts the investment decision-making process for real estate investors. Therefore, the current study's results align with past research, emphasizing the role of financial literacy in guiding investment choices.

The current study did not find a statistically significant relationship between financial knowledge and investment decisions. This finding aligns with the research conducted by Thapa and KC (2020), which also found that Nepalese investors had a low level of financial literacy, and various factors had a minor impact on their financial decisions. Thus, both studies emphasize the need to address the lack of financial knowledge among investors to enhance their decision-making processes.

The hypotheses testing results indicated significant positive relationships between financial skill ($p < 0.001$), financial confidence ($p < 0.001$), financial behaviour ($p =$

0.006), risk tolerance ($p < 0.001$), and financial attitude ($p < 0.001$) with investment decisions. However, there was no significant positive relationship between financial knowledge and investment decisions ($p = 0.658$). Additionally, the analysis revealed significant positive relationships between financial skill ($p < 0.001$), risk tolerance ($p < 0.001$), and financial attitude ($p < 0.001$) with personal savings. On the other hand, there were no significant positive relationships between financial knowledge ($p = 0.133$), financial confidence ($p = 0.055$), and financial behaviour ($p = 0.319$) with personal savings.

The current study revealed significant positive relationships between financial skill, financial confidence, financial behaviour, risk tolerance, and financial attitude with both personal savings and investment decisions. These findings support the research conducted by Chaulangain (2017), which found a substantial correlation between financial literacy and financial attitude and behaviour. Additionally, Lamichhane (2023) demonstrated that financial attitude positively influences personal financial planning. Therefore, the current study's results further emphasize the significance of financial literacy in shaping financial behaviour and attitudes, ultimately affecting savings and investment decisions.

CHAPTER V

SUMMARY AND CONCLUSION

Based on the overall data presentation and analysis from the survey responses supplied above, the current researcher found several results that helped create the study conclusion. This chapter presents the major findings from the comprehensive data analysis conducted in this study, focusing on the relationships between various financial factors and both investment decisions and personal savings in the context of the Kathmandu Valley.

5.1 Summary

The study investigates the relationship between financial literacy, investment decisions, and personal savings in the context of Kathmandu Valley. The study's primary goals are to better understand the effects of financial literacy-related factors, such as financial confidence, financial skill, financial attitude, financial behaviour, and risk tolerance, on critical aspects of investment choices and personal savings behaviours among valley residents. The study adopts a causal research approach and a combination of correlation and regression techniques to uncover the underlying dynamics of these variables.

The main findings of the study shed light on the different terrain of financial behaviours and investment decisions among the surveyed population. Participants displayed a range of financial behaviours and investment preferences, with noteworthy trends toward proactive saving and somewhat favourable investing decision-making tendencies. Importantly, favourable associations appeared between several aspects of financial literacy and investment decisions as well as personal savings. Financial skill, financial confidence, financial conduct, risk tolerance, and financial attitude were all found to have strong positive connections with investment decisions and personal savings. These findings highlight the importance of developing a broad financial literacy foundation to create educated and confident financial decision-making among individuals.

The study emphasizes the importance of financial literacy in determining investment decisions and personal savings behaviours in the setting of Kathmandu valley. The study emphasizes the need of successful financial literacy programs and education by

emphasizing the significant impact of elements such as financial skill, confidence, behaviour, risk tolerance, and attitude. The findings highlight the potential benefits of improving individuals' financial decision-making abilities, ultimately adding to the region's and individuals' overall economic well-being.

5.2 Conclusion

The goal of the study was to determine how financial literacy affected Kathmandu Valley people's choices about personal savings and investments. The study had two main goals: first, to assess the influence of financial knowledge, confidence, skill, attitude, behaviour, and risk tolerance on investment decisions; and second, to examine the influence of these elements on personal savings. The study, which is consistent with earlier studies, emphasizes the significance of financial literacy in encouraging healthy saving practices. It focuses on the idea that people with basic financial awareness, but little financial engagement may gain from expanding their financial literacy to improve their saving habits.

According to the study, financial behaviour, financial attitude, financial awareness, and financial competence all have a big impact on investing choices. In line with earlier research, this emphasizes the importance of financial knowledge in assisting with investing decisions. It is important to note, that this study did not find a statistically significant link between investing choices and financial literacy. This demonstrates the necessity of addressing investors' poor levels of financial literacy to improve their decision-making.

5.3 Implications

The study underscores the importance of promoting financial literacy among the people of Kathmandu Valley. Enhancing financial knowledge, confidence, skill, attitude, and behaviour can have a significant positive impact on both investment decisions and personal savings. Policymakers and educators should focus on providing comprehensive financial education that goes beyond just imparting factual knowledge. This education should also address the development of positive financial attitudes, improved financial skills, and increased risk tolerance, as these factors play a crucial role in shaping financial behaviour.

The study highlights that financial behaviour, attitude, awareness, and competence significantly influence investment decisions. This underscores the importance of financial knowledge in assisting individuals in making informed and wise investment choices. It is essential to recognize that the study did not find a statistically significant link between investing decisions and financial literacy. This emphasizes the need to address the existing gaps in financial literacy among investors to enhance their decision-making processes.

In conclusion, this study emphasizes the pivotal role of financial literacy in encouraging healthy saving practices and improving investment decisions in the Kathmandu Valley. Policymakers and educators should work together to promote comprehensive financial education and address the challenges posed by inadequate financial literacy levels among investors.

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APPENDIX

Sample Questionnaire

Dear respondent,

I would like you to contribute few minutes of your valuable time and kindly fill in the following questions. I would be thankful to you all for your kind cooperation for providing valuable information. All the information received is strictly for academic purpose and will be treated confidentially. Thank you for your support.

Researcher: Pragati Ghimire

Section A: Respondent Profile

1. Age:
 - 18-30
 - 31-50
 - 51 or above
2. Gender
 - Male
 - Female
3. Education:
 - 10+2 or below high school
 - Bachelor's degree
 - Master's degree or above
4. Occupation:
 - Student
 - Employee
 - Self Employed
 - Housewife
 - Other
5. What is your level of experience in your field of work?
 - Less than 1 year
 - 1 to 3 years
 - 4 to 7 years
 - 8 years and above
6. Income Level
 - Below 30,000
 - Rs 30000 – 60000
 - Rs 60,000 – 90,000
 - Above 1,00,000
7. How many years of investment experience do you have in the stock market?
 - 1 to 2 years
 - 3 to 4 years
 - 5 to 7 years

- More than 7

Section B: Investment, Saving and Financial Factors

Indicate your reactions to the following statements by ticking a mark (√) in the appropriate box below. SD=Strongly Disagree, D = Disagree, N= Neutral, A = Agree, and SA=Strongly Agree.

Personal Savings

Statement	SD	D	N	A	SA
I save frequently for investment.					
I do not use loans to make investments.					
I invested from my savings.					
I am financially capable to make regular savings.					

Investment Decision

Statement	SD	D	N	A	SA
I only purchase the stocks I can afford and do not rely on debt.					
I do not consider third party opinion while making investment decision					
I do not make investment decision based on what others do					
I do not take unnecessary risks while investing.					
I make investment decision after analysis.					
I do not solely depend upon market rumours and/or hunches while investing in various financial instruments					

Financial Knowledge

Statement	SD	D	N	A	SA
I understand basic financial management.					
I have taken financial knowledge related training.					
I am seeking financial knowledge through different courses and platforms.					
I have the financial knowledge to make sound investment decisions.					

I feel I have a good grasp on all the insurance, investment, and stocks in all forms.					
I feel capable of using my financial status to get to my financial goals.					

Factor: Financial Attitude

Statement	SD	D	N	A	SA
I feel in control of my financial situation					
I feel capable of using my future income to achieve my financial goals					
I am confident in my ability to manage my finance.					
I am not uncertain about where my money is spent.					
I feel credit cards are safe and risk free.					
I give importance to saving money from my monthly income					
I feel having life insurance is an important way to protect loved ones					
I enjoy thinking about and have interest in reading about money management					

Risk Tolerance

Statement	SD	D	N	A	SA
I tend to invest based on market speculation.					
I tend to take more risk while investing for higher returns.					
I tend to secure funds for emergency savings.					
High growth and high return are my primary investment goals.					
I expect my future return to grow exponentially.					

Factor: Financial behaviour

Statement	SD	D	N	A	SA
I consistently save a portion of my income for future needs.					

I regularly review and adjust my spending habits based on my financial goals.					
I seek professional advice before making significant financial decisions.					
I actively track and monitor my financial transactions.					
I diversify my investments to minimize risk.					
I stick to a long-term financial plan even during market fluctuations.					

Financial Skill

Statement	SD	D	N	A	SA
I am adept at creating and managing a personal budget.					
I can analyze financial statements and make sense of financial data.					
I am proficient in using financial tools and software for tracking expenses and investments.					
I have the skills to evaluate different investment options and assess their potential returns and risks.					
I can negotiate and managing financial agreements (e.g., loans, contracts).					
I possess the necessary skills to effectively manage my personal financial affairs.					

Financial Confidence

Statement	SD	D	N	A	SA
I feel confident in my ability to handle unexpected financial situations.					
I believe that I can achieve my financial goals through careful planning and disciplined actions.					
I am confident in my financial decision-making abilities.					
I feel comfortable taking calculated risks with my investments.					
I trust my judgment when it comes to managing my finances.					

