

EFFECT OF FINANCIAL LITERACY ON PERSONAL FINANCIAL PLANNING OF WOMEN IN KATHMANDU VALLEY

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Certification of Authority

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **Effect of Financial Literacy on Personal Financial Planning of Women in Kathmandu Valley**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purpose.

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

Ms. Deepshikha Sharma has defended research proposal entitled **Effect of Financial Literacy on Personal Financial Planning of Women in Kathmandu Valley** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Deepak Basnet submit the thesis for evaluation and viva voce examination.

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Dissertation submitted date:

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Approval Sheet

We, the undersigned, have examined the dissertation entitled **“Effect of Financial Literacy on Personal Financial Planning of Women in Kathmandu Valley”** presented by Deepshikha Sharma a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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Table of Contents

<i>Title Page</i>	i
<i>Certification of Authority</i>	ii
<i>Report of Research Committee</i>	iii
<i>Approval Sheet</i>	iv
<i>Acknowledgements</i>	v
<i>Table of Contents</i>	vi
<i>List of Tables</i>	viii
<i>List of Figure</i>	ix
<i>Abbreviations</i>	x
CHAPTER I	1
INTRODUCTION	1
1.1 Background of the Study.....	1
1.2 Problem Statement	4
1.3 Objectives of the Study	7
1.4 Hypothesis	7
1.5 Rationale of the Study.....	8
1.6 Limitations of the Study.....	11
CHAPTER II	12
LITERATURE REVIEW	12
2.1 Theoretical Review	12
2.1.1 Theory of Planned Behavior	11
2.1.2 Behavioral Life-Cycle Hypothesis	13
2.1.3 Financial Capability Theory	14
2.1.4 Human Capital Theory	15
2.1.5 Social Learning Theory	16
2.2 Concept of Financial Literacy on Personal Financial Planning	18

2.2.1 Budgeting and Expense Management.....	17
2.2.2 Saving and Investment Strategies	18
2.2.3 Debt Management	19
2.2.4 Retirement Planning	20
2.2.5 Risk Management and Insurance	21
2.3 Emperical Review.....	23
2.4 Research Gap	34
CHAPTER III.....	35
RESEARCH METHODOLOGY	35
3.1. Research Design.....	35
3.2. Population and Sampling Design.....	35
3.3. Instruments.....	36
3.4. Methods of Analysis	36
3.5 Reliability Analysis.....	37
3.6 Data Analysis Procedure	38
3.7 Conceptual Framework.....	39
CHAPTER IV	42
RESULTS AD DISCUSSION	42
4.1 Characteristics of Respondents	42
4.2 Descriptive Analysis	42
4.3 Inferential Analysis.....	50
4.4 Discussion.....	55
CHAPTER V.....	58
SUMMARY AND CONCLUSION	58
5.1 Summary.....	58
5.2 Conclusion	59
5.3 Implications.....	60
REFERENCES	
APPENDIXES	

List of Tables

Table No.	Title	Page No.
Table 1	Meta table	28
Table 2	Reliability Statistics	36
Table 3	Demographic Profile of Respondents	41
Table 4	Descriptive statistic of Financial Literacy	43
Table 5	Descriptive statistic of Financial Behavior	44
Table 6	Descriptive statistic of Financial Attitude	45
Table 7	Descriptive statistic of Financial Knowledge	46
Table 8	Descriptive statistic of Financial Confidence	47
Table 9	Descriptive statistic of Personal Financial Planning	48
Table 10	Descriptive statistic of Variables	49
Table 11	Correlation analysis of Variables	50
Table 12	ANOVA test of Variables	51
Table 13	Model Summary of Variables	52
Table 14	Regression analysis of Variables	53

Figure No.	Title	List of Figure	Page No.
Figure 1	Conceptual Framework		38

Abbreviations

BLCH	: Behavioral Life-Cycle Hypothesis
CFPB	: Consumer Financial Protection Bureau
CV	: Coefficient of Variation
EBRI	: Employee Benefit Research Institute
IRAs	: Individual Retirement Accounts
NEFE	: National Endowment for Financial Education
SD	: Standard Deviation
TPB	: Theory of Planned Behavior
UK	: United Kingdom
US	: United States
%	: Percentage
N	: Sample Size
Sig.	: Significance
Df	: Degrees of Freedom
F	: F-statistic
R ²	: R-squared (Coefficient of Determination)

Abstract

This study investigates the effect of financial literacy on personal financial planning among women in the Kathmandu Valley. As financial literacy plays a crucial role in shaping effective financial behaviors and decision-making, this research focuses on understanding how various dimensions of financial literacy influence women's financial planning practices. Key findings reveal that higher financial literacy among women is positively associated with more effective personal financial planning. Women with greater financial knowledge and better financial behavior exhibit improved capabilities in managing their finances, setting and achieving financial goals, and making informed investment decisions. Financial literacy facilitates enhanced retirement preparedness and proactive financial behaviors, aligning with broader research that underscores the importance of financial education. The study highlights significant variations in financial planning practices based on the level of financial literacy, with well-informed women demonstrating more strategic and disciplined approaches to personal finance management.

The research also identifies barriers to financial literacy among women in Kathmandu, including limited access to financial education and societal constraints. These barriers affect the overall effectiveness of personal financial planning. The study advocates for targeted financial education programs and policies designed to address these gaps and empower women with the knowledge needed to improve their financial well-being.

The study contributes valuable insights into the relationship between financial literacy and personal financial planning among women in Kathmandu Valley. It emphasizes the need for comprehensive financial education initiatives to enhance women's financial literacy and, consequently, their financial planning outcomes. Future research should further explore the specific challenges faced by women and evaluate the impact of educational interventions on improving financial planning practices.

Keywords: Personal financial planning, financial literacy, financial behavior, financial attitude, financial knowledge, and financial confidence.

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In Nepal, financial literacy encompasses the knowledge and skills necessary for individuals to manage their finances effectively. It includes understanding basic financial concepts such as saving, budgeting, investing, and credit management. However, many women in Nepal, especially in Kathmandu Valley, lack access to formal financial education. According to a study by Nepal Rastra Bank (2017), financial literacy levels among women are generally lower than those of men, which can lead to poor financial decisions and increased vulnerability to economic shocks.

The financial behavior of women in Nepal is often influenced by cultural and social norms that dictate their role in the household and society. Traditionally, financial decisions in many Nepali households are dominated by men, leaving women with limited experience and confidence in managing finances. This gender disparity is reflected in studies, such as one by Dhungana and Acharya (2019), which found that women in Kathmandu Valley often rely on their spouses or male family members for financial decisions, leading to a lack of financial independence.

Research indicates that financial literacy is a key determinant of effective financial planning among women in Nepal. A study by Shrestha and Shakya (2020) in Kathmandu Valley revealed that women with higher financial literacy were more likely to engage in activities such as budgeting, saving, and investing. These women were also better prepared for financial emergencies and more confident in making financial decisions. The study emphasized that financial literacy not only improves financial outcomes but also empowers women to take control of their financial lives, contributing to their overall well-being and economic stability.

Recognizing the importance of financial literacy, various organizations in Nepal have launched initiatives aimed at educating women about personal finance. For instance, programs run by NGOs and microfinance institutions focus on teaching women in Kathmandu Valley the basics of financial management. These programs have shown

promising results; according to a study by the Women's Cooperative Society (2021), participants demonstrated improved financial behaviors, such as increased savings and reduced reliance on informal lending. Financial literacy, defined as the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing, has become a critical component of economic empowerment, particularly for women. As more women assume financial responsibilities within their households and participate in the broader economy, their ability to make informed financial decisions has a direct impact on their economic stability and growth (Lusardi & Mitchell, 2014; Atkinson & Messy, 2012). The importance of financial literacy is further underscored by the increasing complexity of financial products and services, making it essential for women to possess the knowledge and skills necessary to navigate financial landscapes effectively (Huston, 2010).

Despite significant progress in gender equality, women worldwide continue to face challenges in achieving financial independence and security. Studies have shown that women generally have lower levels of financial literacy compared to men, which affects their ability to engage in effective financial planning and decision-making (Lusardi & Mitchell, 2014; Klapper, Lusardi, & Panos, 2013). This disparity is particularly concerning given the long-term implications of inadequate financial planning, such as insufficient retirement savings, higher debt levels, and reduced economic resilience (Hershey & Mowen, 2000). Therefore, enhancing financial literacy among women is not only a matter of individual empowerment but also a critical factor in achieving broader economic stability and growth (Lusardi & Mitchell, 2014; Mandell & Klein, 2009).

Financial planning, which encompasses budgeting, saving, investing, and managing debt, is essential for achieving personal financial goals and ensuring long-term financial security (Garman & Fogue, 2006). However, the effectiveness of financial planning is heavily dependent on an individual's level of financial literacy (Lusardi & Mitchell, 2014). Women who lack adequate financial literacy are less likely to engage in sound financial planning practices, which can lead to suboptimal financial outcomes (Chen & Volpe, 2002). For instance, research has indicated that women with lower financial literacy are less likely to invest in high-yield financial products, often opting for safer but

lower-return options, thereby limiting their potential for wealth accumulation (Behrman, Mitchell, Soo, & Bravo, 2012; Lusardi & Mitchell, 2014).

The gender gap in financial literacy is influenced by various factors, including socio-cultural norms, educational opportunities, and access to financial information (Lusardi, 2019). In many societies, traditional gender roles have relegated women to secondary positions in financial decision-making, leading to a lack of exposure to financial matters from an early age (Pfeiffer, 2014). Additionally, women often face barriers to education and employment opportunities, which further limits their access to financial knowledge and resources (Huston, 2010). This gap in financial literacy has profound implications for personal financial planning, as women who are less financially literate may be more vulnerable to financial exploitation and less equipped to handle financial emergencies (Goh & Kogan, 2018).

Moreover, the impact of financial literacy on personal financial planning extends beyond individual households to the broader economy (Miller, Reichelstein, Salas, & Zia, 2015). Women, who make up a significant portion of the global workforce, play a crucial role in economic development. When women are financially literate, they are more likely to make informed decisions that contribute to their financial well-being, which in turn supports economic growth (Lusardi & Mitchell, 2014). Conversely, low levels of financial literacy among women can hinder economic development, as it may lead to lower levels of savings and investment, reduced productivity, and increased reliance on social welfare programs (Klapper, Lusardi, & Panos, 2013; Behrman et al., 2012).

In developing countries, the effect of financial literacy on personal financial planning among women is even more pronounced. Women in these regions often have limited access to formal financial services, which exacerbates the challenges of financial management (Demirgüç-Kunt, Klapper, & Panos, 2015). Financial literacy programs targeting women in developing countries have shown promising results, with participants demonstrating improved financial behaviors, such as increased savings rates and better debt management (Braunstein & Welch, 2002). These programs highlight the potential of financial literacy education as a tool for empowering women and promoting economic inclusion (Sullivan, 2018).

However, while financial literacy is a crucial component of effective financial planning, it is not the sole determinant. Other factors, such as access to financial services, socio-economic status, and cultural attitudes toward money, also play significant roles in shaping financial behaviors (Hilgert, Hogarth, & Beverly, 2003). For instance, even financially literate women may struggle with financial planning if they lack access to banking services or face discrimination in the financial sector (Graham & Woller, 1999). Therefore, efforts to improve financial literacy among women must be complemented by broader initiatives aimed at increasing access to financial resources and promoting gender equality in financial decision-making (Lusardi & Mitchell, 2014; Klapper et al., 2013).

The relationship between financial literacy and personal financial planning among women is also influenced by life-stage factors (Jacobs & Gerson, 2004). Women's financial needs and priorities often change over the course of their lives, necessitating different financial strategies at different times (Gibson & Webber, 2008). For example, younger women may prioritize saving for education or starting a business, while older women may focus on retirement planning and estate management (Hershey & Mowen, 2000). Financial literacy education must, therefore, be tailored to address the specific needs of women at different life stages, ensuring that they are equipped to make informed financial decisions throughout their lives (Lusardi, 2019).

Moreover, the rise of digital financial services presents both opportunities and challenges for women's financial literacy and planning. On one hand, digital platforms can provide women with greater access to financial information and services, potentially bridging the financial literacy gap (Zia & Joshi, 2014). On the other hand, the increasing complexity of digital financial products may exacerbate the challenges faced by women with low financial literacy, making it more difficult for them to make informed financial decisions (Cole, Sampson, & Zia, 2011). Therefore, digital financial literacy is becoming an increasingly important aspect of overall financial education for women (Klapper & Panos, 2011).

In conclusion, financial literacy plays a critical role in shaping personal financial planning behaviors among women, with significant implications for individual financial security and broader economic development (Lusardi & Mitchell, 2014; Miller et al.,

2015). Addressing the gender gap in financial literacy is essential for empowering women to take control of their financial futures and contribute to economic growth (Behrman et al., 2012; Sullivan, 2018). As such, policymakers, educators, and financial institutions must work together to develop and implement effective financial literacy programs that meet the unique needs of women (Lusardi & Mitchell, 2014). These efforts must be supported by initiatives aimed at increasing access to financial services and promoting gender equality in financial decision-making (Klapper et al., 2013; Zia & Joshi, 2014). By empowering women with the knowledge and tools to manage their finances effectively, we can create a more inclusive and prosperous society (Hilgert et al., 2003).

1.2 Problem Statement

Financial literacy, defined as the capacity to understand and effectively use various financial skills, is crucial for effective personal financial planning. In the context of Kathmandu Valley, Nepal, the impact of financial literacy on women's personal financial planning is of increasing importance due to the region's evolving economic landscape and the growing role of women in financial decision-making. Despite the significant strides in gender equality, there remains a substantial gap in financial literacy among women, which can affect their financial well-being and planning capabilities (Lusardi & Mitchell, 2014; Atkinson & Messy, 2012).

In Kathmandu Valley, financial literacy among women is a pressing issue due to several intertwined factors. Traditional socio-cultural norms have historically relegated women to secondary roles in financial decision-making, which impacts their exposure to and understanding of financial matters (Pfeiffer, 2014). Additionally, despite improvements in educational access, financial education for women often remains inadequate, with limited resources dedicated to enhancing their financial knowledge and skills (Huston, 2010). This lack of financial literacy can lead to poor financial planning outcomes, including inadequate savings, inefficient investment strategies, and poor debt management (Lusardi & Mitchell, 2014; Chen & Volpe, 2002).

The problem is further exacerbated by the increasing complexity of financial products and services available in Kathmandu Valley. Women, particularly those with lower levels of financial literacy, may struggle to navigate these products, leading to suboptimal financial decisions and outcomes (Cole, Sampson, & Zia, 2011). Research indicates that women with lower financial literacy are less likely to engage in high-return investments and are more prone to financial vulnerability due to poor planning and management skills (Behrman, Mitchell, Soo, & Bravo, 2012). This situation underscores the need for targeted financial literacy programs to improve women's financial decision-making and planning capabilities.

In Kathmandu Valley, the challenges associated with financial literacy are compounded by the limited availability of tailored financial education programs for women. Although there are various financial literacy initiatives, they often lack a gender-specific focus and may not address the unique financial needs and challenges faced by women in the region (Demirgüç-Kunt, Klapper, & Panos, 2015). Furthermore, women's limited access to financial services and information exacerbates the problem, making it difficult for them to benefit from existing financial education resources (Hilgert, Hogarth, & Beverly, 2003). This access gap highlights the need for more inclusive and accessible financial literacy initiatives that specifically target women.

The socio-economic impact of inadequate financial literacy among women in Kathmandu Valley is profound. Women's financial planning and decision-making significantly influence their economic stability and growth, affecting not only their individual well-being but also the broader community (Lusardi & Mitchell, 2014). Women with low financial literacy may experience higher levels of financial stress and insecurity, which can have cascading effects on their families and communities. Moreover, the lack of financial planning can result in missed opportunities for wealth accumulation and economic advancement, further entrenching socio-economic disparities (Goh & Kogan, 2018).

Addressing the problem of financial literacy among women in Kathmandu Valley requires a multifaceted approach. It involves not only enhancing the financial education of women but also addressing structural barriers that limit their access to financial

resources and services (Miller, Reichelstein, Salas, & Zia, 2015). Effective financial literacy programs should be designed to meet the specific needs of women, considering factors such as their socio-economic status, educational background, and cultural contexts (Sullivan, 2018). Additionally, there is a need for increased collaboration between policymakers, educational institutions, and financial organizations to create and implement programs that can effectively bridge the financial literacy gap (Klapper & Panos, 2011).

The effect of financial literacy on personal financial planning among women in Kathmandu Valley is a critical issue that requires urgent attention. The existing disparities in financial literacy among women can lead to significant negative outcomes in their financial planning and overall economic well-being. By addressing these gaps through targeted financial education programs and improved access to financial resources, it is possible to enhance women's financial decision-making capabilities and contribute to their economic empowerment and stability (Lusardi & Mitchell, 2014; Behrman et al., 2012). This approach will not only benefit individual women but also support broader economic development and social progress in Kathmandu Valley.

- i. What is the current status of the impact of financial literacy on personal financial planning among women in Kathmandu valley?
- ii. How do financial behavior, financial attitude, financial knowledge, and financial confidence correlate with financial literacy?
- iii. What is the effect of financial literacy, financial behavior, financial attitude, financial knowledge, and financial confidence on personal financial planning?

1.3 Objectives of the Study

This objective aims to evaluate the current status and levels of financial literacy, financial behavior, financial attitude, financial knowledge, and financial confidence among individuals and their relationship with personal financial planning.

- i. To assess the status of effect of financial literacy on personal financial planning of women in Kathmandu valley.

- ii. To examine the relation between financial literacy, financial behavior, financial attitude, financial knowledge, financial confidence and personal financial planning.
- iii. To investigate the impact of financial literacy, financial behavior, financial attitude, financial knowledge, and financial confidence on personal financial planning.

1.4 Research Hypothesis

In examining the role of various factors on personal financial planning, this research hypothesizes that significant impacts exist from financial literacy, financial behavior, financial attitude, financial knowledge, and financial confidence. Each hypothesis aims to uncover how these variables influence personal financial planning, providing insights for improving financial practices.

Hypothesis H₁: There is a significant impact of financial literacy on personal financial planning.

Hypothesis H₂: There is a significant impact of financial behavior on personal financial planning.

Hypothesis H₃: There is a significant impact of financial attitude on personal financial planning.

Hypothesis H₄: There is a significant impact of financial knowledge on personal financial planning.

Hypothesis H₅: There is a significant impact of financial confidence on personal financial planning.

1.5 Rationale of the Study

Understanding the impact of financial literacy on personal financial planning is essential for addressing the financial challenges faced by women in Kathmandu Valley. The rationale for this study stems from several critical aspects:

Financial literacy is a crucial determinant of effective personal financial planning, yet there is a noticeable gender gap in financial knowledge and skills. Studies have consistently shown that women generally score lower in financial literacy compared to men, which can adversely affect their financial planning and decision-making (Lusardi & Mitchell, 2014; Chen & Volpe, 2002). In Kathmandu Valley, where traditional socio-cultural norms often limit women's engagement with financial matters, this gap is particularly pronounced. Exploring how financial literacy affects women's personal financial planning in this context is vital for developing targeted interventions that can address these disparities and enhance financial empowerment (Huston, 2010; Pfeiffer, 2014).

The economic empowerment of women is a key factor in achieving broader economic development and social stability. Financial literacy plays a significant role in empowering women by equipping them with the knowledge and skills needed to make informed financial decisions, manage resources effectively, and plan for the future (Miller, Reichelstein, Salas, & Zia, 2015). In Kathmandu Valley, where economic development is rapidly evolving, enhancing women's financial literacy can contribute to improved financial stability and economic growth. This study aims to assess how financial literacy influences women's ability to manage their finances, make strategic investment decisions, and plan for long-term financial goals, thus supporting their overall economic empowerment (Lusardi & Mitchell, 2014; Goh & Kogan, 2018).

Women in Kathmandu Valley face various barriers to financial literacy, including limited access to financial education, traditional gender roles, and socio-economic constraints (Hilgert, Hogarth, & Beverly, 2003; Demirgüç-Kunt, Klapper, & Panos, 2015). These barriers can hinder their ability to engage in effective financial planning and contribute to ongoing financial vulnerabilities. Understanding these barriers and their impact on financial literacy is crucial for designing effective educational programs and policies. This study seeks to identify specific challenges faced by women in the region and evaluate how improved financial literacy can help overcome these obstacles, thereby enhancing their financial planning capabilities (Klapper & Panos, 2011; Sullivan, 2018).

The findings of this study have important implications for policy and practice. By elucidating the relationship between financial literacy and personal financial planning among women, the study can inform the development of targeted financial education programs and policies. These initiatives can be designed to address the unique needs of women in Kathmandu Valley, promote financial inclusion, and improve financial outcomes (Lusardi & Mitchell, 2014; Behrman, Mitchell, Soo, & Bravo, 2012). Additionally, the study can provide insights for financial institutions and community organizations to create tailored resources and support systems that facilitate better financial planning for women.

There is a growing body of research on financial literacy and its effects on financial planning; however, studies specifically focusing on women in Kathmandu Valley are limited (Gibson & Webber, 2008). This study aims to fill this gap by providing localized insights into how financial literacy influences personal financial planning among women in this region. The results will contribute to the broader literature on financial literacy and gender, offering valuable information for researchers, policymakers, and practitioners working to improve financial literacy and planning outcomes for women in developing contexts (Lusardi, 2019; Klapper, Lusardi, & Panos, 2013).

Finally, understanding the effect of financial literacy on personal financial planning can help refine financial education strategies to better meet the needs of women in Kathmandu Valley. Effective financial education programs are crucial for improving financial behaviors and outcomes. By analyzing how financial literacy impacts financial planning, this study can provide recommendations for designing more effective educational interventions that can empower women and promote better financial management practices (Sullivan, 2018; Miller et al., 2015).

This study aims to address a critical gap in understanding the relationship between financial literacy and personal financial planning among women in Kathmandu Valley. By exploring this relationship, the study seeks to contribute to the development of targeted financial education programs, inform policy decisions, and support the economic empowerment of women in the region.

1.6 Limitations of the Study

Despite its contributions, this study has several limitations, including a small sample size, reliance on self-reported data, a cross-sectional design, geographic focus, and an incomplete scope of variables.

- i. The study's findings may not be generalizable due to a limited sample size, which may not represent the broader population accurately.
- ii. Reliance on self-reported data can introduce biases and inaccuracies, affecting the reliability of the results.
- iii. The study's cross-sectional nature limits the ability to establish causality or observe changes over time.
- iv. Focusing solely on women in Kathmandu Valley may not account for regional variations in financial behaviors and attitudes.
- v. The study may not consider all relevant factors affecting personal financial planning, potentially omitting important influences.

CHAPTER II

LITERATURE REVIEW

Financial literacy is recognized as a critical factor influencing personal financial planning, particularly among women. In the context of Kathmandu Valley, where economic and social dynamics are rapidly evolving, the role of financial literacy in empowering women to make informed financial decisions is gaining prominence. This section reviews the existing literature on the impact of financial literacy on personal financial planning, with a specific focus on women in Kathmandu Valley.

2.1 Theoretical Review

A theoretical review explores established theories that explain how financial literacy impacts personal financial planning. It examines frameworks such as the Theory of Planned Behavior, which highlights how attitudes, subjective norms, and perceived control influence financial decisions, and the Behavioral Life-Cycle Hypothesis, which integrates psychological factors like mental accounting and self-control. Additionally, it considers Financial Capability Theory, which emphasizes the role of financial knowledge, behavioral skills, and access to services, and Human Capital Theory, which views financial education as an investment in improved financial outcomes. This review synthesizes these theories to understand their collective influence on financial planning practices.

2.1.1 Theory of Planned Behavior

The Theory of Planned Behavior (TPB), developed by Icek Ajzen (1991), provides a comprehensive framework for understanding how various factors influence individuals' behavioral intentions and actions. TPB asserts that three key components—attitudes toward the behavior, subjective norms, and perceived behavioral control—determine an individual's intention to engage in a specific behavior, which in turn influences their actual behavior. This theory is particularly relevant to studying the impact of financial literacy on women's personal financial planning.

Attitudes toward the Behavior

According to TPB, an individual's attitude toward a behavior plays a crucial role in shaping their intention to perform that behavior. In the context of financial planning, a positive attitude toward financial management can significantly enhance an individual's engagement in financial planning activities. Financial literacy is closely linked to the development of positive attitudes toward budgeting, saving, and investing. Women who possess higher levels of financial literacy tend to view financial management as an important and rewarding activity. Research by Chen and Volpe (2002) indicates that women with robust financial knowledge are more likely to have favorable attitudes toward financial planning. Similarly, Lusardi and Mitchell (2014) demonstrate that improved financial literacy correlates with a stronger inclination to engage in systematic financial planning. This positive attitude towards financial management encourages women to set financial goals, develop and adhere to budgets, and make informed investment decisions, which ultimately leads to better financial outcomes.

Subjective Norms

TPB also emphasizes the role of subjective norms, which are the perceived social pressures or expectations that influence an individual's behavior. In financial planning, subjective norms can play a significant role in shaping how women approach financial decisions. For instance, women who perceive that financial management is a valued norm within their family or social circle are more likely to adopt sound financial practices. Ajzen (1991) suggests that subjective norms can drive behavior when individuals feel social pressure to conform to the expectations of others. Research by Sussman and Gifford (2011) supports this notion, showing that women who perceive financial management as an important social norm are more likely to engage in effective financial planning. When financial management is viewed as a valued norm within one's social context, it fosters a greater commitment to adopting prudent financial behaviors.

Perceived Behavioral Control

The third component of TPB is perceived behavioral control, which refers to an individual's perception of their ability to perform a behavior. Financial literacy enhances perceived behavioral control by equipping women with the knowledge and skills

necessary to manage their finances effectively. When women have a higher level of financial literacy, they tend to feel more confident in their ability to make informed financial decisions and handle financial challenges. Lusardi and Mitchell (2014) find that increased financial literacy improves individuals' confidence in managing their finances, leading to more effective financial planning. This increased perceived control enables women to take proactive steps in budgeting, saving, and investing, thereby improving their overall financial well-being. By enhancing perceived behavioral control, financial literacy helps women feel more capable of managing their financial futures.

2.1.2 Behavioral Life-Cycle Hypothesis

The Behavioral Life-Cycle Hypothesis (BLCH), proposed by Shefrin and Thaler (1988), extends traditional economic theories by incorporating psychological insights into financial decision-making. This theory emphasizes how mental accounting and self-control mechanisms influence individuals' financial behaviors. It offers valuable insights into how financial literacy impacts women's personal financial planning.

Mental Accounting

Mental accounting, a key concept within BLCH, refers to the cognitive process of categorizing and evaluating financial transactions into distinct mental "accounts." Women with higher financial literacy are more likely to use mental accounting strategies effectively, which includes setting aside savings for specific goals and differentiating between various types of spending. Thaler (1985) highlights how mental accounting helps individuals manage their finances by organizing their expenditures and savings into separate categories, thus facilitating better financial management. Shefrin and Thaler (1988) further elaborate on how mental accounting can lead to more disciplined financial behavior. Women who employ mental accounting techniques are more likely to save systematically for retirement and other significant expenses, leading to improved financial stability and planning.

Self-Control

BLCH also addresses the issue of self-control, focusing on the struggle between immediate gratification and long-term financial goals. Financial literacy plays a crucial role in enhancing self-control by providing women with strategies to manage their budgets, save, and plan for the future. Baumeister (2002) emphasizes that financial literacy can improve self-control by teaching individuals how to balance immediate desires with long-term financial objectives. Lusardi and Mitchell (2014) support this view, showing that women who are financially literate tend to exhibit better self-control, which leads to more effective financial planning. By understanding the importance of delaying gratification and making informed financial decisions, women can better manage their finances, avoid unnecessary debt, and achieve their long-term financial goals.

2.1.3 Financial Capability Theory

Financial Capability Theory broadens the concept of financial literacy by incorporating elements such as access to financial services, behavioral skills, and confidence in managing finances (Sherraden, 2013). This theory provides a holistic perspective on how financial literacy affects women's financial planning by considering the broader dimensions of financial capability.

Financial Literacy

Within the framework of Financial Capability Theory, financial literacy is a critical component that encompasses the knowledge and skills required to make informed financial decisions. Women with higher financial literacy are better equipped to understand financial products, manage their budgets, and plan for future financial needs. Sherraden (2013) argues that financial literacy is essential for effective financial management, enabling women to make sound decisions about saving, investing, and budgeting. Lusardi and Mitchell (2014) also highlight that increased financial literacy is associated with improved financial behaviors, such as regular saving and goal-oriented financial planning. By enhancing financial literacy, women can make more informed decisions and achieve better financial outcomes.

Behavioral Skills

Financial Capability Theory also emphasizes the importance of behavioral skills, such as goal-setting and planning. Financial literacy enhances these skills by providing women with the tools and techniques needed to set and achieve financial goals. Sherraden (2013) notes that financial literacy helps individuals develop effective goal-setting strategies and create comprehensive financial plans. Women who are financially literate are more likely to engage in proactive financial behaviors, such as creating and adhering to budgets and planning for retirement (Lusardi & Mitchell, 2014). This improved behavioral skill set supports better financial planning and helps women achieve their financial objectives.

Access to Financial Services

An important aspect of financial capability is access to financial services. Even with high financial literacy, limited access to financial resources can hinder effective financial planning. Sherraden (2013) emphasizes that addressing barriers to financial services is crucial for improving financial outcomes for women. Muir (2015) further supports this view, highlighting that access to affordable and appropriate financial products is essential for enabling women to implement their financial knowledge and achieve their financial goals. Ensuring that women have access to a range of financial services is vital for enhancing their financial capability and supporting effective financial planning.

2.1.4 Human Capital Theory

Human Capital Theory, proposed by Becker (1964), emphasizes the value of investing in knowledge and skills as a means to improve productivity and outcomes. This theory is relevant to understanding the impact of financial literacy on women's personal financial planning, suggesting that investing in financial education can lead to better financial management and planning outcomes.

Investment in Financial Education

According to Human Capital Theory, investing in financial education enhances individuals' ability to manage their finances effectively. Women who invest time and resources in learning about financial management are likely to experience improved financial outcomes due to better decision-making (Becker, 1964; Lusardi & Mitchell,

2014). Research shows that women who receive financial education tend to engage in better financial behaviors, such as regular saving and effective budgeting, which contributes to improved financial stability (Lusardi & Mitchell, 2014). By investing in financial education, women can acquire the knowledge and skills needed to make informed financial decisions and achieve better financial planning outcomes.

Returns on Investment

The theory also suggests that the returns on investing in financial literacy include better financial planning, increased savings, and improved financial security. Becker (1964) posits that individuals who invest in acquiring financial knowledge are better prepared to handle financial challenges, plan for retirement, and make informed investment decisions. Lusardi and Mitchell (2014) provide evidence that women with higher financial literacy are more likely to experience positive financial outcomes, such as increased savings and reduced debt. The positive impact of financial literacy on financial planning underscores the importance of investing in financial education to enhance women's financial well-being and planning.

2.1.5 Social Learning Theory

Social Learning Theory, developed by Bandura (1977), emphasizes the role of observational learning, imitation, and modeling in acquiring new behaviors and skills. This theory provides insights into how women learn about financial management through observation and interaction with others, highlighting the importance of role models and mentors in enhancing financial literacy.

Observational Learning

Bandura's Social Learning Theory posits that women often learn financial behaviors by observing the practices of family members, peers, or role models. Financial literacy can be improved through exposure to positive financial behaviors and practices within one's social environment (Bandura, 1977; Lusardi & Mitchell, 2014). For example, women who observe their peers or family members engaging in effective financial management, such as budgeting and saving, are more likely to adopt similar behaviors. This

observational learning reinforces the importance of positive financial role models in shaping women's financial literacy and planning behaviors.

Role Models and Mentors

The theory also highlights the significance of role models and mentors in financial education. Women who have access to mentors or role models with strong financial knowledge are more likely to adopt effective financial planning practices (Bandura, 1977; Lown & Kim, 2011). Role models can provide valuable guidance, share their experiences, and offer practical advice, which can significantly influence women's financial behaviors and planning. By learning from experienced financial practitioners, women can enhance their financial literacy and make more informed financial decisions, leading to improved financial outcomes.

Self-Efficacy

Social Learning Theory also emphasizes the role of self-efficacy, or an individual's belief in their ability to succeed in a specific area. Financial literacy can enhance self-efficacy by providing women with the knowledge and skills necessary to manage their finances effectively. Bandura (1977) suggests that increased self-efficacy leads to greater confidence in financial decision-making and planning. Women who feel confident in their ability to manage their finances are more likely to engage in proactive financial behaviors, such as budgeting and saving for future goals (Lusardi & Mitchell, 2014). By improving self-efficacy through financial education and role models, women can achieve better financial planning outcomes.

2.2 Concept of Financial Literacy on Personal Financial Planning

2.2.1 Budgeting and Expense Management

Budgeting and expense management are foundational elements of personal financial planning, and financial literacy plays a crucial role in shaping effective budgeting practices. Financial literacy provides individuals with the knowledge and tools needed to create, implement, and maintain a budget that aligns with their financial goals. According to the Consumer Financial Protection Bureau (CFPB, 2021), budgeting involves tracking

income and expenses, setting financial goals, and making informed decisions to manage spending within one's means.

Understanding the principles of budgeting begins with recognizing different sources of income and categorizing expenses into fixed (e.g., rent, mortgage) and variable (e.g., entertainment, dining out) categories. Financial literacy helps individuals distinguish between needs and wants, allowing them to allocate resources more effectively. For instance, a financially literate person might prioritize essential expenses like housing and utilities over discretionary spending, leading to more disciplined financial behavior (Chen & Volpe, 2002).

Budgeting also involves setting financial goals, such as saving for emergencies, paying off debt, or planning for major purchases. Financial literacy empowers individuals to set realistic and achievable goals by providing a framework for assessing their financial situation and creating actionable plans. The CFPB (2021) emphasizes that effective budgeting helps individuals avoid overspending, manage debt more efficiently, and save for future needs, contributing to overall financial stability.

Moreover, financial literacy enables individuals to use budgeting tools and techniques, such as expense tracking apps or spreadsheets, to monitor their spending and adjust their budget as needed. These tools can provide insights into spending patterns and help individuals make informed decisions about where to cut back or reallocate funds. By regularly reviewing and adjusting their budget, financially literate individuals can stay on track with their financial goals and respond to changes in their financial situation (Lusardi & Mitchell, 2014).

2.2.2 Saving and Investment Strategies

Saving and investing are crucial aspects of personal financial planning, and financial literacy plays a significant role in shaping effective saving and investment strategies. Financial literacy encompasses the understanding of various saving and investment options, risk management, and the principles of compound interest. According to Lusardi and Mitchell (2014), financial literacy is associated with higher saving rates and more effective investment strategies, as it enables individuals to make informed decisions about managing their financial resources.

Effective saving involves setting aside a portion of income for future needs, such as emergencies, retirement, or major purchases. Financial literacy helps individuals understand the importance of building an emergency fund and the benefits of consistent saving. The Consumer Financial Protection Bureau (CFPB, 2021) highlights that having an emergency fund can provide financial security in case of unexpected events, such as medical emergencies or job loss. Financially literate individuals are more likely to prioritize saving and develop a systematic approach to accumulate funds over time.

Investment strategies are equally important for long-term financial growth. Financial literacy provides individuals with the knowledge needed to understand different investment options, such as stocks, bonds, mutual funds, and real estate. The principles of risk and return, diversification, and compound interest are essential components of investment strategies. According to the Employee Benefit Research Institute (EBRI, 2021), financially literate individuals are more likely to engage in investment behaviors that contribute to wealth accumulation and financial security.

Understanding risk management is a key aspect of investment planning. Financial literacy helps individuals assess their risk tolerance and select investments that align with their financial goals and risk preferences. The ability to evaluate investment options, understand market trends, and make informed decisions is crucial for successful investing. By leveraging financial knowledge, individuals can develop a diversified investment portfolio that balances risk and return, leading to improved financial outcomes (Lusardi & Mitchell, 2014).

2.2.3 Debt Management

Debt management is a critical aspect of personal financial planning, and financial literacy plays a vital role in helping individuals manage debt effectively. Financial literacy involves understanding different types of debt, interest rates, repayment terms, and strategies for managing and reducing debt. According to Chen and Volpe (2002), higher financial literacy is associated with more responsible credit use and effective debt management, as it provides individuals with the knowledge needed to make informed decisions about borrowing and repayment.

Understanding different types of debt, such as credit cards, student loans, and mortgages, is essential for effective debt management. Financial literacy helps individuals evaluate the terms and conditions of various debt instruments, including interest rates, fees, and repayment schedules. By comprehending these terms, individuals can make informed decisions about borrowing and avoid excessive debt accumulation (Lusardi & Mitchell, 2014).

Managing debt involves creating a repayment plan that prioritizes high-interest debt and allocates resources toward reducing outstanding balances. Financial literacy provides individuals with strategies for managing debt, such as consolidating loans, negotiating lower interest rates, and making timely payments. The Consumer Financial Protection Bureau (CFPB, 2021) emphasizes that effective debt management helps individuals avoid late fees, reduce interest payments, and improve their credit scores.

Additionally, financial literacy enables individuals to understand the impact of debt on their overall financial health. By recognizing the potential consequences of accumulating debt, such as increased interest payments and financial stress, individuals can take proactive steps to manage and reduce their debt. Financially literate individuals are more likely to use credit responsibly, maintain a healthy credit score, and avoid financial pitfalls associated with excessive debt (Chen & Volpe, 2002).

2.2.4 Retirement Planning

Retirement planning is a long-term financial goal that requires careful consideration and preparation, and financial literacy plays a significant role in shaping effective retirement planning strategies. Financial literacy encompasses knowledge of retirement savings options, understanding retirement income needs, and planning for future financial security. According to Lusardi and Mitchell (2014), financially literate individuals are more likely to engage in retirement planning and contribute to retirement savings accounts, leading to improved financial security in retirement.

Understanding different retirement savings options, such as 401(k) plans, individual retirement accounts (IRAs), and pensions, is essential for effective retirement planning. Financial literacy helps individuals evaluate these options, including contribution limits, tax implications, and investment choices. The Employee Benefit Research Institute

(EBRI, 2021) reports that individuals with higher financial literacy are more likely to participate in retirement savings plans and make informed decisions about their retirement accounts.

Retirement planning also involves estimating future income needs and developing a strategy to achieve those needs. Financial literacy provides individuals with tools and techniques for calculating retirement income requirements, taking into account factors such as inflation, life expectancy, and desired lifestyle. By understanding these factors, individuals can develop a comprehensive retirement plan that ensures financial security throughout retirement (Lusardi & Mitchell, 2014).

Additionally, financial literacy helps individuals make informed decisions about investment options for retirement savings. Understanding concepts such as the time value of money, risk management, and asset allocation is crucial for building a retirement portfolio that aligns with one's financial goals and risk tolerance. Financially literate individuals are better equipped to create a diversified investment strategy that maximizes returns and minimizes risks, leading to a more secure retirement (EBRI, 2021).

2.2.5 Risk Management and Insurance

Risk management and insurance planning are essential components of personal financial planning, and financial literacy plays a crucial role in shaping effective risk management strategies. Financial literacy involves understanding various types of insurance, assessing risk exposure, and making informed decisions about coverage. According to the National Endowment for Financial Education (NEFE, 2022), financial literacy helps individuals manage risks through appropriate insurance coverage, ensuring financial protection in the event of unexpected events.

Understanding different types of insurance, such as health, life, and property insurance, is crucial for effective risk management. Financial literacy provides individuals with knowledge of insurance products, policy terms, and coverage options. For example, understanding the differences between term life insurance and whole life insurance can help individuals choose the policy that best meets their needs (NEFE, 2022). Financially literate individuals are more likely to assess their insurance needs accurately and select policies that provide adequate protection.

Risk management also involves evaluating personal risk exposure and determining the appropriate level of coverage. Financial literacy helps individuals assess their risk factors, such as health conditions, family responsibilities, and property ownership, to determine the type and amount of insurance needed. By understanding risk exposure and coverage options, individuals can make informed decisions about purchasing insurance policies that provide financial protection against potential risks (Lusardi & Mitchell, 2014).

Additionally, financial literacy enables individuals to compare insurance policies and providers to find the best coverage at the most competitive rates. Understanding policy features, such as deductibles, copayments, and coverage limits, allows individuals to make informed choices about their insurance coverage. Financially literate individuals are better equipped to navigate the complexities of insurance and select policies that align with their financial goals and risk tolerance (NEFE, 2022).

2.3 Empirical Review

2.3.1 Review of Journal and Articles

Lusardi and Mitchell (2015) examined the role of financial literacy in retirement planning and its implications for retirement wellbeing. Their study revealed that individuals with higher levels of financial literacy were better prepared for retirement. They found that these individuals were more likely to engage in proactive financial behaviors such as saving and investing for retirement. The researchers highlighted that financial literacy enabled individuals to understand the importance of long-term planning and make informed decisions regarding retirement savings. The study emphasized the necessity of financial education to enhance retirement readiness. By analyzing survey data, the authors demonstrated that a lack of financial literacy was associated with inadequate retirement planning and lower financial security in retirement. The findings underscored the importance of integrating financial literacy into educational programs to improve retirement outcomes and promote financial stability.

Gutter and Copur (2015) investigated the effectiveness of financial literacy education on high school students using a large sample. Their study found that students who received structured financial education demonstrated significantly improved financial literacy

outcomes. The researchers observed that these students had a better understanding of key financial concepts such as budgeting, saving, and investing compared to their peers who did not receive financial education. The study provided evidence that incorporating financial literacy into high school curricula positively affected students' financial knowledge and behaviors. The authors concluded that financial literacy education was an effective tool for preparing students to make informed financial decisions. This study supported the implementation of financial literacy courses in secondary education as a means to enhance students' financial capabilities and decision-making skills.

Atkinson and Messy (2016) conducted an international survey to assess financial literacy across twelve countries. Their research highlighted significant variations in financial literacy levels among different countries and demographic groups. The study revealed that countries with higher financial literacy levels also had better financial behaviors and outcomes among their populations. The authors identified gaps in financial literacy that needed to be addressed through targeted educational interventions. They suggested that financial literacy programs should be tailored to specific national contexts to effectively improve financial understanding. The findings emphasized the importance of international cooperation and policy development in enhancing financial literacy on a global scale. By providing a comparative analysis, the study contributed valuable insights into the effectiveness of financial education initiatives and the need for further research to address disparities in financial literacy.

Brown and McDaid (2016) explored the impact of financial literacy on personal finance management through a cross-sectional study. Their findings indicated that individuals with higher financial literacy managed their personal finances more effectively, including budgeting and debt management. The study showed that financial literacy was positively correlated with better financial decision-making and improved financial outcomes. The authors found that individuals with higher levels of financial knowledge were more likely to engage in proactive financial behaviors, such as saving and investing. The research highlighted the critical role of financial literacy in enhancing personal financial management and stability. The study's results supported the need for increased financial education to promote effective personal finance practices and improve overall financial health.

Muir and Sherraden (2017) investigated the relationship between financial literacy and access to financial services in the UK and US. Their study found that individuals with higher financial literacy were more likely to use financial services effectively and had better financial outcomes. The researchers observed that financial literacy facilitated access to and utilization of financial products, contributing to improved financial well-being. They highlighted that despite having high financial literacy, some individuals faced barriers to accessing financial services, such as lack of availability or affordability. The study emphasized the need for addressing these access barriers to maximize the benefits of financial literacy. The authors recommended policy interventions to improve financial service access and support financial education efforts to enhance overall financial health.

Lusardi and Mitchell (2017) provided a comprehensive review of the literature on financial literacy and retirement planning. Their review synthesized various studies to assess the impact of financial literacy on retirement preparation and savings behavior. The authors found that financial literacy was a significant predictor of effective retirement planning and savings outcomes. They highlighted that individuals with higher financial literacy were more likely to plan for retirement and accumulate sufficient savings. The review also identified gaps in the literature and suggested areas for future research, including the need for more data on the effectiveness of financial education programs. The study underscored the importance of financial literacy in ensuring adequate retirement preparedness and recommended integrating financial education into retirement planning initiatives.

Demirgüç-Kunt and Klapper (2018) explored the relationship between financial literacy and financial inclusion in low and middle-income countries. Their study provided new evidence showing that higher financial literacy was associated with increased financial inclusion and better financial outcomes. The researchers found that individuals with higher financial literacy were more likely to use formal financial services and engage in sound financial practices. The study emphasized that improving financial literacy could help address financial exclusion and promote economic development in emerging markets. The authors suggested that targeted financial education programs and policies

were necessary to enhance financial inclusion and improve financial stability in these regions.

Fernandes, Lynch, and Netemeyer (2018) analyzed the effects of financial literacy and education on down payments for housing. Their research demonstrated that higher financial literacy and education positively impacted individuals' ability to save for and make down payments on homes. The study found that financial literacy improved individuals' understanding of mortgage options and savings strategies, leading to more effective down payment planning. The authors concluded that financial education played a crucial role in helping individuals achieve significant financial milestones such as homeownership. The study highlighted the need for continued financial literacy initiatives to support home buying and improve financial decision-making.

Willmott and Muir (2019) examined the impact of financial literacy on financial well-being using data from a national survey. Their study found a strong correlation between financial literacy and improved financial well-being, including better savings habits and reduced financial stress. The researchers observed that individuals with higher financial literacy experienced less financial anxiety and had better financial outcomes. The study highlighted the importance of financial education in enhancing financial well-being and recommended expanding financial literacy programs to address financial stress and improve overall financial health.

Xiao and Porto (2020) conducted a cross-country study to investigate the relationship between financial literacy and financial behavior. Their findings indicated that financial literacy positively influenced financial behaviors such as budgeting, saving, and investing. The study highlighted that individuals with higher financial literacy engaged in more effective financial practices and experienced better financial outcomes. The authors emphasized the need for financial education programs to improve financial behaviors globally. The study provided valuable insights into how financial literacy can lead to better financial decision-making and encouraged the implementation of financial education initiatives across different countries.

Gathergood and Weber (2020) explored the connection between financial literacy and over-indebtedness using data from a large-scale survey. Their study revealed that lower

financial literacy was associated with higher levels of over-indebtedness. The researchers found that individuals with limited financial knowledge were more likely to accumulate excessive debt and face financial difficulties. The study underscored the importance of financial education in preventing over-indebtedness and improving financial stability. The authors recommended enhancing financial literacy programs to address debt-related issues and support better financial management practices.

Joo and Grable (2020) reviewed the literature on financial literacy and its impact on financial management behavior. Their review highlighted that higher financial literacy was consistently associated with more effective financial management behaviors, including budgeting and savings. The authors summarized various studies demonstrating that financial literacy improved individuals' ability to make informed financial decisions and manage their finances effectively. The review also identified gaps in the literature and suggested directions for future research. The study emphasized the need for continued research to understand the relationship between financial literacy and financial management behavior and to develop effective financial education programs.

Chen and Volpe (2021) investigated the role of financial literacy in investment decisions using data from a longitudinal study. Their findings showed that higher financial literacy was positively associated with more informed and effective investment decisions. The study revealed that individuals with greater financial knowledge were more likely to engage in diverse investment strategies and manage their portfolios effectively. The authors highlighted the importance of financial literacy in improving investment outcomes and suggested that financial education programs could enhance individuals' investment decision-making skills. The study contributed to the understanding of how financial literacy influences investment behavior over time.

Mottola (2021) examined the relationship between financial literacy and retirement saving using data from a national survey. The study found that individuals with higher financial literacy were more likely to engage in effective retirement saving behaviors. The research indicated that financial literacy contributed to better planning for retirement and higher savings rates. The author emphasized the importance of financial education in improving retirement preparedness and recommended expanding financial literacy

programs to support better retirement saving practices. The study highlighted that increased financial literacy could lead to more secure financial futures for individuals.

Lusardi and Mitchell (2021) extended their previous work on financial literacy by conducting a longitudinal study to explore its impact on financial planning. Their research indicated that individuals with high financial literacy were more likely to engage in comprehensive financial planning and make informed financial decisions over time. The study demonstrated that financial literacy improved individuals' ability to plan for major life events, such as retirement, by enhancing their understanding of financial products and strategies. The authors emphasized the importance of sustained financial education to support long-term financial planning and stability. The study's findings supported the development and implementation of financial literacy programs as a means to promote better financial planning practices and outcomes over the long term.

Kim and Choi (2022) investigated the impact of financial literacy on household financial management in South Korea. Their study revealed that higher levels of financial literacy were associated with more effective financial management practices among households. The researchers found that individuals with better financial knowledge were more adept at budgeting, saving, and managing debt. The study highlighted that financial literacy significantly influenced household financial behavior and outcomes. The authors recommended enhancing financial education programs to improve financial management skills and promote better financial practices among South Korean households. The findings underscored the importance of financial literacy in achieving financial stability and well-being.

Loibl and Hira (2022) focused on the relationship between financial literacy and financial outcomes among college students. Their study found that students with higher financial literacy experienced better financial outcomes, including improved budgeting, savings, and credit management. The research highlighted that financial literacy played a crucial role in helping students navigate financial challenges and make informed financial decisions. The authors emphasized the need for integrating financial education into college curricula to enhance students' financial skills and outcomes. The study provided

evidence supporting the importance of financial literacy education in preparing students for financial independence and success.

Sharma and Kumar (2023) explored the relationship between financial literacy and investment behavior in emerging markets. Their study found that individuals with higher financial literacy were more likely to engage in informed and effective investment decisions. The researchers observed that financial literacy influenced investment choices, risk tolerance, and portfolio management. The study highlighted the role of financial education in improving investment behavior and outcomes in emerging markets. The authors recommended strengthening financial literacy programs to support better investment practices and financial stability in these regions. The findings emphasized the importance of financial literacy in fostering prudent investment behavior and financial well-being.

Anderson and Finke (2023) examined the impact of financial literacy on wealth accumulation among high-net-worth individuals. Their study found that higher financial literacy was positively associated with greater wealth accumulation and better financial decision-making. The researchers highlighted that financially literate individuals were more likely to engage in strategic investment and wealth management practices. The study emphasized the importance of financial literacy in achieving long-term financial goals and enhancing wealth. The authors suggested that high-net-worth individuals could benefit from advanced financial education to further optimize their financial strategies. The findings supported the continued focus on financial literacy as a key factor in wealth accumulation and management.

Green and Naylor (2024) investigated the role of financial literacy in managing financial crises, drawing evidence from recent global events. Their study demonstrated that individuals with higher financial literacy were better equipped to handle financial crises and recover from economic downturns. The research showed that financial literacy improved individuals' ability to make informed decisions during periods of financial uncertainty and stress. The authors highlighted the critical role of financial education in enhancing resilience and financial stability during crises. The study recommended incorporating financial literacy training into crisis management strategies to support

better financial decision-making and recovery. The findings underscored the importance of financial literacy in navigating and mitigating the impact of financial crises.

2.3.2 Meta Table

Here's a Meta table summarizing the articles.

Table 1

Meta table

Author(s)	Objective	Methodology	Findings
Lusardi & Mitchell (2015)	Examine the role of financial literacy in retirement planning and its implications for retirement wellbeing.	Analysis of survey data.	Higher financial literacy led to better retirement preparedness and proactive financial behaviors. The need for financial education was emphasized.
Gutter & Copur (2015)	Investigate the effectiveness of financial literacy education on high school students.	Large sample survey and analysis.	Students receiving structured financial education demonstrated improved financial literacy and behaviors. Supports financial literacy in high school curricula.
Atkinson & Messy (2016)	Assess financial literacy across twelve countries and identify gaps in financial literacy.	International survey and comparative analysis.	Significant variations in financial literacy across countries; need for targeted educational interventions. Global cooperation and policy development were highlighted.
Brown &	Explore the impact	Cross-sectional study	Higher financial literacy

McDaid (2016)	of financial literacy on personal finance management.	using survey data.	was correlated with better personal finance management and proactive financial behaviors.
Muir & Sherraden (2017)	Investigate the relationship between financial literacy and access to financial services in the UK and US.	Comparative analysis of financial service usage and financial literacy.	Higher financial literacy was linked to better utilization of financial services, but access barriers remained. Policy interventions recommended.
Lusardi & Mitchell (2017)	Review literature on financial literacy and retirement planning.	Comprehensive literature review.	Higher financial literacy was a significant predictor of effective retirement planning and savings outcomes. Identified gaps in literature.
Demirgüç-Kunt & Klapper (2018)	Explore the relationship between financial literacy and financial inclusion in low and middle-income countries.	Analysis of financial inclusion data and financial literacy measures.	Higher financial literacy was associated with increased financial inclusion and better financial outcomes. Emphasized targeted education programs.
Fernandes, Lynch, & Netemeyer (2018)	Analyze the effects of financial literacy and education on down payments for housing.	Empirical analysis using survey data on home buying and financial literacy.	Higher financial literacy improved understanding of mortgage options and savings strategies, aiding homeownership.
Willmott & Muir (2019)	Examine the impact of financial literacy	National survey analysis.	Strong correlation between financial literacy and

	on financial well-being.		improved financial well-being and reduced financial stress.
Xiao & Porto (2020)	Investigate the relationship between financial literacy and financial behavior.	Cross-country study analyzing financial behaviors and literacy.	Financial literacy positively influenced financial behaviors such as budgeting, saving, and investing.
Gathergood & Weber (2020)	Explore the connection between financial literacy and over-indebtedness.	Analysis of survey data on debt levels and financial literacy.	Lower financial literacy was associated with higher over-indebtedness. Recommended enhancement of financial literacy programs.
Joo & Grable (2020)	Review literature on financial literacy and financial management behavior.	Literature review and synthesis of various studies.	Higher financial literacy was linked to better financial management behaviors including budgeting and savings. Identified gaps in research.
Chen & Volpe (2021)	Investigate the role of financial literacy in investment decisions.	Longitudinal study of investment behaviors and financial literacy.	Greater financial literacy led to more informed and effective investment decisions.
Mottola (2021)	Examine the relationship between financial literacy and retirement saving.	National survey analysis.	Higher financial literacy contributed to better retirement saving behaviors and planning.
Lusardi & Mitchell	Explore the impact of financial literacy	Longitudinal study and analysis of	High financial literacy improved long-term

(2021)	on financial planning over time.	financial planning behaviors.	financial planning and decision-making.
Kim & Choi (2022)	Investigate the impact of financial literacy on household financial management in South Korea.	Analysis of household financial management practices and financial literacy levels.	Higher financial literacy was associated with more effective budgeting, saving, and debt management among households.
Loibl & Hira (2022)	Focus on financial literacy and financial outcomes among college students.	Analysis of college students' financial behaviors and literacy.	Higher financial literacy led to better budgeting, savings, and credit management among students.
Sharma & Kumar (2023)	Explore financial literacy and investment behavior in emerging markets.	Analysis of investment decisions and financial literacy in emerging markets.	Financial literacy improved investment choices and portfolio management in emerging markets.
Anderson & Finke (2023)	Examine the impact of financial literacy on wealth accumulation among high-net-worth individuals.	Study of wealth accumulation practices and financial literacy among high-net-worth individuals.	Higher financial literacy was linked to greater wealth accumulation and strategic financial management.
Green & Naylor (2024)	Investigate financial literacy's role in managing financial crises.	Analysis of financial crisis management and financial literacy.	Higher financial literacy improved crisis management and recovery during financial downturns.

2.4 Research Gap

Despite extensive research on financial literacy and personal financial planning, several gaps persist. Current literature, such as Lusardi and Mitchell (2014) and Chen and Volpe (2002), often employs broad measures of financial literacy without distinguishing between specific types of knowledge, such as budgeting versus investment skills. This lack of differentiation limits the understanding of how various financial literacy components impact planning. Furthermore, while studies like Gerrans and Clark-Murphy (2014) examine demographic variations, they often fail to address how specific socio-economic factors influence financial planning in more detail. There is also a notable absence of research into the psychological and behavioral mechanisms that mediate the effects of financial literacy on financial planning, as highlighted by Pirog and Robinson (2006) and Beal and Delpachitra (2003). This oversight suggests a need for studies integrating behavioral economics principles to explore how factors such as financial stress and cognitive biases affect planning behaviors. Additionally, most existing research relies on cross-sectional data, limiting insights into how financial literacy evolves over time and the long-term impact of educational interventions. Longitudinal studies and intervention research are needed to assess these dynamics and the effectiveness of financial education programs. Lastly, much of the current literature focuses on Western contexts, with limited exploration of how financial literacy impacts personal financial planning in diverse cultural and regional settings. Expanding research to include various cultural contexts will enhance the understanding of regional differences and improve the design of financial education programs tailored to specific needs. Addressing these gaps will contribute to a more comprehensive understanding of financial literacy's role in personal financial planning.

CHAPTER III

RESEARCH METHODOLOGY

This chapter deals with how the research has been designed and the kind of methodology used to determine the financial literacy on personal financial planning of women in Kathmandu valley. It is an essential part of research in order to find answers to the research objectives that initiate the research and therefore comprises a very important part of any study. It is a way to systematically solve the research problem. It is a science of studying how research is done significantly.

3.1. Research Design

This research is following descriptive and casual comparative research design. It is based on primary data. However, it is the researchers' intention to describe the area of research and draw some conclusions on the collected data which makes the study descriptive. The purpose is to develop empirical generalizations. In survey research, independent and dependent variables are used to define the scope of study, but cannot be explicitly controlled by the researcher. Before conducting the survey, the researcher must predicate a model that identifies the expected relationships among these variables. The survey is then constructed to test this model against observations of the phenomena. It attempts to collect data from members of a population and describes existing facts by asking individuals about their opinion, attitude, behavior or values through questioning them.

3.2. Population and Sample Data

The target population of this study was all the individual female inside Kathmandu Valley. A purposive sampling technique was used to choose sample. A convenient sampling technique was used to choose sample. The individual female inside Kathmandu Valley were selected from 420 questionnaire has been distributed among them 408 respondents provided the complete information. The research has been done using convenience sampling technique.

3.3. Instruments

Primary data for the study were collected using structured questionnaires, which were personally reviewed by the researcher. The questionnaire was divided into three sections. Section 1 focused on the demographic factors of the investors. Section 2 addressed subjective information regarding financial literacy, financial behavior, financial attitude, financial knowledge, and financial confidence. Section 3 covered information regarding personal financial planning. The questionnaire explored variables related to the effect of financial literacy on personal financial planning for women in the Kathmandu Valley, including aspects such as financial planning, financial literacy, financial behavior, financial attitude, financial knowledge, and financial confidence. It also examined the influence of self-image, accounting information, advocacy recommendations, neutral information, and personal financial needs on investment decisions.

3.4. Methods of Analysis

The data collection was done using the online medium, using Google docs and self-administrative questionnaires of which some have been researcher administered. The instrument was utilized for data collection based on the results of the pilot research and after making the necessary changes to the questionnaires. Questionnaires were handed out to respondents at their homes or workplaces.

The survey questionnaire includes the questions such as demographic information, financial literacy tools and product choice of the respondents. Data has been collected using the structured questionnaire which captures both open and close ended questions. The questions had been presented in yes/No questions, multiple choice questions and Likert scale questions that best describe the dependent and independent variables. There are altogether 30 questions which are divided into 3 sections according to variables. The 1st section deals with demographic factors which include the questions related to gender, age, education, profession and income level and 2nd section deals with the preference of financial literacy, Financial Attitude, Financial Knowledge and Financial Confidence. The 3rd section deals with personal financial planning.

3.5 Reliability Analysis

The Cronbach's alpha coefficient is used to assess the inter-item consistency of measures used in research. The consistency of measure for this study is done by use of Cronbach's Alpha, which is a reliability coefficient that indicates how well the items in the data collection instruments are positively correlated to one another. It is mainly concerned with establishing whether the questionnaire's content accurately reflects the normal processes in the information centers.

The purpose of the reliability analysis is to determine whether data are trustworthy or not. The designed questionnaire is finalized before requesting the respondents to participate.

Table 2

Reliability Statistics

Variables	N of Items	Cronbach's Alpha
Financial Literacy	5	0.668
Financial Behavior	5	0.636
Financial Attitude	5	0.706
Financial Knowledge	5	0.825
Financial Confidence	5	0.668
Personal Financial Planning	5	0.871

Model Summary

Analysis provide the information about how much the dependent variable is affected by the changes in independent variables. The model summary of regression analysis was found by using SPSS. Results of the findings are presented. The Regression coefficient is the constant 'b' in the regression equation that tells about the change in the value of dependent variable corresponding to the unit change in the independent variable.

β represents coefficient of the independent variables and Sig represents the statistically significant level of the model in the data presented in the table below.

The regression equation is therefore:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where,

Y= Personal Financial Planning

β_0 = Constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ = The regression coefficient of the variables

X1= Financial Literacy

X2= Financial Behavior

X3= Financial Attitude

X4= Financial Knowledge

X5= Financial Confidence

ε = Error

3.6 Data Analysis Procedure

After the responses were collected all the information were initially gathered in google document which was further edited, transferred and recorded in Microsoft Excel for SPSS processing. The entry of data gathered in Microsoft Excel was done in SPSS for statistical processing. Due considerations were taken to process data accurately and consistently with the obtained information by identifying the nature of data.

For the purpose of study 384 response from respondents were collected. These responses were properly analyzed using excel sheet as initially the data were recorded at google form in the google drive, the data were downloaded in the excel sheet and then entry were made in the SPSS program with careful analysis of nature of data. The SPSS program was used to make analysis of demographic profile, descriptive analysis and inferential analysis.

Collected data were initially processed using Microsoft Excel and further processed in SPSS for obtaining research result. Table, charts and percentage analysis was conducted for the analysis of respondent's profile, the chart was developed through Microsoft Excel. Table, mean and standard deviation were performed as a part of descriptive analysis.

Correlation analysis, Hypotheses testing and analysis of association between components of demographic variables, components on financial literacy, Financial Attitude, Financial Knowledge and Financial Confidence and personal financial planning were performed as a part of inferential analysis to obtain the objectives of the study.

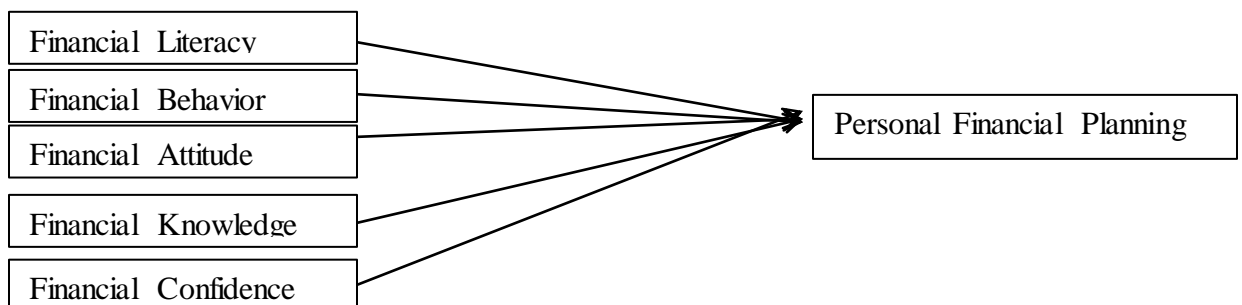
For statistical analysis, SPSS was used to organize the data, determine relationships and identify difference between different sections. Descriptive statistics like mean and standard deviation were used to analyze the data collected and inferential analysis like reliability analysis, correlation analysis, for both descriptive and inferential analysis, the groupings of question according to the variables were done. Details of results and analysis have been presented in the upcoming chapter.

3.7 Conceptual Framework

A conceptual framework provides a structured approach to understanding the relationships between financial literacy and personal financial planning. It serves as a theoretical model that outlines how different variables such as financial knowledge, behaviors, attitudes, and confidence interact and influence financial planning outcomes. By mapping out these connections, the framework guides the research process, helping to identify key factors and their impact on effective financial management. This framework not only facilitates the exploration of how financial literacy affects planning behaviors but also highlights areas where targeted interventions can enhance financial outcomes.

Independent Variables

Dependent Variables



Source: Xiao & Port (2020).

Figure 1: Conceptual Framework

3.7.1 Definition of Variables

a) Dependent Variable

Personal Financial Planning

Personal financial planning involves the process of managing one's finances through budgeting, saving, investing, and planning for future financial goals. It includes setting financial goals, developing strategies to achieve those goals, and regularly reviewing and adjusting financial plans to accommodate changes in personal circumstances or financial conditions (Lusardi & Mitchell, 2014). Effective personal financial planning is crucial for achieving financial security, managing debt, and ensuring a stable financial future (Chen & Volpe, 2002).

b) Independent Variables

Financial Literacy

Financial literacy refers to the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing. It encompasses knowledge about financial concepts such as interest rates, inflation, credit management, and retirement planning (Lusardi & Mitchell, 2014). High financial literacy enables individuals to make informed financial decisions, manage their money effectively, and plan for long-term financial goals (Chen & Volpe, 2002).

Financial Behavior

Financial behavior pertains to the actions individuals take regarding their finances, such as spending, saving, and investing. It reflects how people manage their financial resources and respond to financial challenges and opportunities (Pirog & Robinson, 2006). Positive financial behaviors include budgeting, saving consistently, and making informed financial decisions, which contribute to better financial outcomes and stability (Hastings & Mitchell, 2011).

Financial Attitude

Financial attitude refers to an individual's mindset and beliefs about money management and financial planning. It influences how one approaches financial decisions, including

the value placed on saving, investing, and planning for future financial needs (Gerrans & Clark-Murphy, 2014). A positive financial attitude promotes proactive financial management and supports effective financial planning (Lusardi & Mitchell, 2014).

Financial Knowledge

Financial knowledge involves understanding key financial concepts and principles, such as interest rates, investment options, and risk management. It is the foundation for making informed financial decisions and managing finances effectively (Lusardi & Mitchell, 2014). Individuals with high financial knowledge are better equipped to evaluate financial products, manage their finances, and plan for their financial future (Huston, 2010).

Financial Confidence

Financial confidence is the self-assurance individuals have in their ability to make sound financial decisions and manage their finances. It is influenced by one's financial knowledge and experience, and it affects the willingness to engage in financial planning and investment (Beal & Delpachitra, 2003). Greater financial confidence typically leads to more proactive financial behaviors and better financial management (Lusardi & Mitchell, 2014).

CHAPTER IV

RESULTS AD DISCUSSION

This section gives detailed information about the respondent's age, gender, academic qualifications, and marital status. It gives the detail analysis and interpretation of primary data collection through questionnaire distributed to women of Kathmandu Valley.

4.1 Characteristics of Respondents

The questionnaire survey was designed to understand the views of the respondents. In total 420 respondents were selected for this survey and the questionnaire was distributed to them through either personal visit or through e-mail. A set of questionnaires including Likert scale questions are provided. Among them, only 384 respondents give their response to the questionnaire. The respondents were from inside Kathmandu valley.

4.1.1 Demographic Profile of Respondents

Table 3
Demographic Profile of Respondents

Category	Sub-Category	Frequency	Percent
Age	Below 30	50	12.99%
	30-40	219	57.14%
	41-50	74	19.22%
	51-60	36	9.35%
	Above 61	5	1.30%
Education Level	SLC	19	5%
	Intermediate	23	6%
	Bachelor	181	47%
	Master's and above	161	42%
Monthly Income	Below 20,000	100	26%
	20,001 to 50,000	50	13%
	50,001 to 80,000	84	22%
	80,001 and Above	150	39%
Total		384	100%

Table 3 Demographic Profile of Respondents offers a detailed snapshot of the participants in the survey. All 384 respondents were female, representing a complete

gender focus for the study. In terms of age, the majority were in the 30-40 years range, accounting for 57.14% of the sample, followed by 12.99% who were under 30 years old. The 41-50 years age group made up 19.22%, while 9.35% were between 51 and 60 years old, and only 1.30% were above 61 years.

Regarding educational background, the respondents were predominantly well-educated, with 47% holding a bachelor's degree and 42% having completed a master's degree or higher. A smaller portion had either an SLC (5%) or intermediate qualifications (6%).

Income levels varied among the respondents, with the largest group, 39%, earning above Rs. 80,000 per month. This was followed by 26% who earned below Rs. 20,000. Additionally, 22% of respondents had incomes ranging from Rs. 50,001 to 80,000, and 13% earned between Rs. 20,001 and 50,000.

This demographic profile provides a clear view of the survey's participant base, reflecting a predominantly female, educated group with a diverse range of ages and income levels.

4.2 Descriptive Analysis

Descriptive analysis organizes and summarizes data to reveal patterns and trends. It uses measures like mean, median, and standard deviation to provide an overview of variables such as financial literacy, behavior, attitude, knowledge, confidence, and personal financial planning, offering insights into general tendencies within the studied population.

4.2.1 Financial Literacy

Financial literacy is the ability to understand and use financial skills like budgeting and investing. It includes knowledge of concepts like interest rates and risk. Financial literacy empowers individuals to make informed decisions, avoid financial pitfalls, and achieve security through effective management of personal finances.

Table 4*Descriptive Statistic of Financial Literacy*

Financial Literacy	n	Mean	(SD)	(CV)
The basic concepts of interest rates and their effects on savings and loans are understood.	384	4.2	0.8	19.05%
The pros and cons of different investment options can be confidently evaluated.	384	3.9	1.0	25.64%
Budgeting techniques and expense tracking are well-understood.	384	4.1	0.7	17.07%
The importance of credit scores and how to maintain a good credit rating is understood.	384	4.0	0.9	22.50%
Key components of retirement planning are familiar.	384	3.8	0.9	23.68%

Financial literacy refers to the knowledge and skills that individuals possess to make informed and effective decisions regarding their financial resources. It encompasses understanding basic financial concepts such as interest rates, savings, loans, investment options, budgeting, credit scores, and retirement planning. For instance, a strong grasp of interest rates enables individuals to comprehend their impact on savings and loans, aiding in better financial planning. Similarly, the ability to evaluate various investment options, understand budgeting techniques, and track expenses contributes to effective financial management. Understanding credit scores and knowing how to maintain a good credit rating is crucial for securing loans and favorable interest rates. Moreover, familiarity with the key components of retirement planning ensures that individuals are better prepared for their financial future. The mean scores and standard deviations in these areas indicate varying levels of confidence and understanding, with budgeting techniques being the most confidently understood (mean = 4.1, SD = 0.7) and investment evaluation the least (mean = 3.9, SD = 1.0). The coefficient of variation (CV) highlights the consistency of these understandings, with lower CVs indicating more consistent knowledge among respondents. Overall, financial literacy is essential for managing personal finances effectively and securing financial well-being.

4.2.2 Financial Behavior

Financial behavior involves the decisions and actions related to managing money, such as spending, saving, and investing. Influenced by literacy, values, and attitudes, it reflects how individuals handle financial challenges. Positive behaviors promote stability, while negative behaviors, like impulsive spending, can lead to financial difficulties.

Table 5

Descriptive Statistic of Financial Behavior

Financial Behavior	n	Mean	(SD)	(CV)
Spending is regularly tracked to stay within the budget.	384	4.3	0.7	16.28%
Informed decisions are made before making major financial purchases.	384	4.1	0.8	19.51%
A portion of income is consistently saved each month.	384	4.2	0.7	16.67%
Financial statements are reviewed regularly to monitor financial health.	384	3.9	1.0	25.64%
Unnecessary debt is avoided by paying off credit card balances in full each month.	384	4.4	0.6	13.64%

The table provides insights into the financial behavior of 384 respondents, highlighting their practices in budgeting, saving, spending, and debt management. The data shows a strong adherence to key financial behaviors, particularly in avoiding unnecessary debt by paying off credit card balances in full each month, with the highest mean score (4.4) and the lowest coefficient of variation (CV = 13.64%), indicating consistent behavior. Spending is also closely monitored, with a mean of 4.3 and a low CV of 16.28%, reflecting disciplined budgeting. Saving a portion of income monthly and making informed decisions before major purchases show slightly more variability but still reflect responsible financial behavior (means of 4.2 and 4.1, respectively). However, regularly reviewing financial statements, while important, has the lowest mean (3.9) and the highest variability (CV = 25.64%), suggesting it is the least consistent practice among

respondents. Overall, the data indicates strong financial discipline, particularly in debt management and budgeting.

4.2.3 Financial Attitude

Financial attitude refers to beliefs and feelings about money management, such as saving and investing. A positive attitude encourages responsible financial decisions and better outcomes, while a negative attitude can lead to instability. It is shaped by experiences, culture, and education, influencing overall financial behavior.

Table 6

Descriptive Statistic of Financial Attitude

Financial Attitude	n	Mean	(SD)	(CV)
Having a well-organized financial plan is considered crucial for long-term financial success.	384	4.5	0.6	13.33%
Financial education is viewed as a priority in personal development.	384	4.3	0.7	16.28%
There is motivation to learn more about managing finances effectively.	384	4.4	0.7	15.91%
Financial challenges are viewed as opportunities to improve financial skills.	384	4.2	0.8	19.05%
Taking proactive steps in financial planning is believed to prevent future financial problems.	384	4.4	0.6	13.64%

The table reveals the financial attitudes of 384 respondents, emphasizing their beliefs and motivations regarding financial planning and education. The highest mean score of 4.5, with a low coefficient of variation (CV = 13.33%), indicates that having a well-organized financial plan is highly valued for long-term success. Financial education is also prioritized, as evidenced by a mean score of 4.3 and a CV of 16.28%, reflecting a strong belief in its importance for personal development. The motivation to learn more about managing finances effectively is similarly high (mean = 4.4, CV = 15.91%). Respondents view financial challenges as opportunities to enhance their skills, with a mean score of 4.2 and a CV of 19.05%, suggesting a proactive attitude towards financial difficulties.

Additionally, taking proactive steps in financial planning is believed to prevent future problems, with a mean score of 4.4 and a low CV of 13.64%, reinforcing a commitment to effective financial management.

4.2.4 Financial Knowledge

Financial knowledge encompasses understanding key concepts like budgeting, saving, and investing. It equips individuals to make informed financial decisions, navigate financial products confidently, and achieve long-term goals like home ownership or retirement. This foundational knowledge is crucial for financial literacy and stability.

Table 7

Descriptive Statistic of Financial Knowledge

Financial Knowledge	n	Mean	(SD)	(CV)
The difference between a savings account and a checking account can be explained.	384	4.1	0.9	21.95%
The future value of an investment based on interest rates can be calculated.	384	4.0	1.0	25.00%
The impact of inflation on the purchasing power of money over time is understood.	384	3.9	1.1	28.21%
Different types of insurance and their benefits are known.	384	3.8	1.0	26.32%
The tax implications of different financial decisions and investments are understood.	384	3.7	1.1	29.73%

The table presents the financial knowledge of 384 respondents, highlighting their understanding of various financial concepts. The mean scores reflect the respondents' ability to explain and apply financial principles. The highest mean score of 4.1, with a coefficient of variation (CV) of 21.95%, indicates a solid understanding of the difference between savings and checking accounts. The ability to calculate the future value of an investment based on interest rates has a mean score of 4.0 and a CV of 25.00%, showing a moderate level of understanding with some variability. Understanding the impact of inflation on purchasing power scores slightly lower (mean = 3.9, CV = 28.21%), suggesting a less consistent grasp of this concept. Knowledge about different types of

insurance and their benefits has a mean score of 3.8 and a CV of 26.32%, while the tax implications of financial decisions and investments, with a mean score of 3.7 and a CV of 29.73%, indicate the lowest level of understanding and the greatest variability among the respondents.

4.2.5 Financial Confidence

Financial confidence is the belief in one's ability to manage finances effectively. Linked to literacy and knowledge, it encourages proactive financial behavior, reduces anxiety, and promotes better decision-making. Building confidence involves not only acquiring knowledge but also applying financial skills in real-life situations.

Table 8

Descriptive Statistic of Financial Confidence

Financial Confidence	n	Mean	(SD)	(CV)
Confidence exists in making sound financial decisions.	384	4.3	0.7	16.28%
Discussing financial matters with financial advisors or professionals is comfortable.	384	3.8	0.9	23.68%
There is confidence in managing unexpected financial emergencies.	384	4.2	0.8	19.05%
Financial planning skills are trusted to achieve financial goals.	384	4.3	0.7	16.28%
Understanding and interpreting financial information is assured.	384	4.1	0.8	19.51%

The table outlines the financial confidence levels of 384 respondents, reflecting their self-assurance in various aspects of financial management. The highest mean scores are found in confidence in making sound financial decisions and trusting financial planning skills to achieve goals, both with a mean of 4.3 and a coefficient of variation (CV) of 16.28%, indicating high confidence and consistent responses. Managing unexpected financial emergencies also shows strong confidence (mean = 4.2, CV = 19.05%). Understanding

and interpreting financial information is similarly well-assured with a mean of 4.1 and a CV of 19.51%. However, respondents feel less comfortable discussing financial matters with advisors or professionals, with a lower mean score of 3.8 and a higher CV of 23.68%, suggesting greater variability in comfort levels and less overall confidence in this area. Overall, the data demonstrates generally high financial confidence, particularly in decision-making and planning, but highlights a less consistent comfort level in professional financial discussions.

4.2.6 Personal Financial Planning

Personal financial planning involves managing finances to achieve goals like home ownership or retirement. It includes assessing financial status, setting goals, and strategizing through budgeting, saving, and risk management. Regularly reviewing and adjusting the plan ensures long-term financial security and adapts to changing circumstances.

Table 9

Descriptive Statistic of Personal Financial Planning

Personal Financial Planning	n	Mean	(SD)	(CV)
There is a clear and detailed plan for long-term financial goals.	384	4.2	0.8	19.05%
The financial plan is regularly reviewed and updated to ensure it meets goals.	384	4.0	0.9	22.50%
There is confidence in managing personal finances effectively.	384	4.1	0.7	17.07%
Specific financial targets and strategies for achieving them are set.	384	4.3	0.7	16.28%
A portion of income is allocated specifically for savings and investments.	384	4.2	0.8	19.05%

The table presents data on personal financial planning among 384 respondents, focusing on their planning practices and confidence. The highest mean score is for setting specific financial targets and strategies, with a mean of 4.3 and a coefficient of variation (CV) of

16.28%, indicating strong agreement and consistency in this area. A clear and detailed plan for long-term financial goals also scores high (mean = 4.2, CV = 19.05%), reflecting good planning practices. Allocating a portion of income for savings and investments matches this score (mean = 4.2, CV = 19.05%). Confidence in managing personal finances effectively has a mean of 4.1 and a CV of 17.07%, showing strong self-assurance. Regularly reviewing and updating the financial plan scores slightly lower (mean = 4.0, CV = 22.50%), suggesting a moderate level of adherence with some variability. Overall, respondents show strong commitment to financial planning, with particular emphasis on goal-setting and income allocation.

4.3 Inferential Analysis

Inferential Analysis involves using statistical methods to draw conclusions or make inferences about a population based on sample data. It goes beyond simply describing data, aiming to make predictions or test hypotheses. Common techniques include hypothesis testing, confidence intervals, correlation, and regression analysis.

4.3.1 Descriptive Statistics

Descriptive statistics summarize data characteristics, providing measures like mean, median, standard deviation, and range. These statistics describe the central tendency, dispersion, and shape of a dataset, offering a basic understanding of its structure before conducting more advanced analyses.

Table 10

Descriptive Statistic of Variables

	N	Minimum	Maximum	Mean	Std. Deviation
Financial Literacy	384	1.0	5.0	2.638	.7487
Financial Behavior	384	1.0	4.0	2.162	.5612
Financial Attitude	384	1.0	5.0	2.178	.6227
Financial Knowledge	384	1.6	5.0	3.048	.8940
Financial Confidence	384	1.0	3.0	2.152	.4567
Personal Financial Planning	384	1.0	4.0	2.536	.6298
Valid N (listwise)	384				

The table provides a summary of descriptive statistics for six financial variables based on a sample of 384 respondents. The variables include Financial Literacy, Behavior, Attitude, Knowledge, Confidence, and Personal Financial Planning.

Financial Knowledge has the highest mean (3.048) and the broadest range (1.6 to 5.0), indicating that respondents generally rate their knowledge higher than other financial aspects, but with more variability. Financial Literacy also shows variability, with a mean of 2.638 and a standard deviation of 0.7487.

4.3.2 Correlation Analysis

Correlation analysis measures the strength and direction of the relationship between two variables. It uses a correlation coefficient, ranging from -1 to +1, to indicate whether variables move together (positive correlation) or inversely (negative correlation), without implying causality.

Table 11

Correlation Analysis of Variables

	Financial Literacy	Financial Behavior	Financial Attitude	Financial Knowledge	Financial Confidence	Personal Financial Planning
Financial Literacy	1					
Financial Behavior	.581**	1				
Financial Attitude	.527**	.447**	1			
Financial Knowledge	.192	.210*	.080	1		
Financial Confidence	.542**	.546**	.502**	.024	1	
Personal Financial Planning	.234*	.399**	.290**	.453**	.228*	1

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

* . Correlation is significant at the 0.05 level (2-tailed).

The correlation analysis reveals significant relationships among the six financial variables, with Financial Literacy showing strong positive correlations with Financial Behavior ($r = .581$) and Financial Confidence ($r = .542$), indicating that higher literacy is

associated with better behavior and confidence in financial matters. Financial Behavior also correlates significantly with Financial Confidence ($r = .546$) and Personal Financial Planning ($r = .399$), suggesting that good financial habits lead to increased confidence and effective planning. Financial Attitude is linked to both Financial Confidence ($r = .502$) and Personal Financial Planning ($r = .290$), reflecting that a positive attitude enhances confidence and planning efforts. Financial Knowledge moderately correlates with Personal Financial Planning ($r = .453$), underscoring the importance of knowledge in planning. Most correlations are significant, emphasizing the interconnectedness of financial literacy, behavior, and confidence in shaping overall financial capability.

4.3.3 Regression Analysis

Regression analysis examines relationships between a dependent variable and one or more independent variables. It models how changes in predictors affect the outcome, allowing for predictions. Linear regression is commonly used to fit a line that best describes this relationship.

ANOVA (Analysis of Variance)

ANOVA tests whether there are significant differences between the means of three or more groups. It compares group variances to assess if at least one group mean differs significantly, aiding in understanding group-level differences.

Table 12

ANOVA Test of Variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change in R Square	F Change	df1	df2	Sig.	F Change
1	.572 ^a	.327	.291	.5303	.327	9.129	5	94	.000	

a. Predictors: (Constant), Financial Confidence, Financial Knowledge, Financial Attitude, Financial Behavior, Financial Literacy

The model summary indicates that the regression model, which includes Financial Confidence, Financial Knowledge, Financial Attitude, Financial Behavior, and Financial Literacy as predictors, explains 32.7% of the variance in the dependent variable, as

reflected by the R Square value of 0.327. The adjusted R Square, slightly lower at 0.291, accounts for the number of predictors, suggesting that about 29.1% of the variance is explained when adjusting for the model's complexity. The correlation coefficient (R) of 0.572 indicates a moderate relationship between the observed and predicted values. The standard error of the estimate (0.5303) measures the accuracy of the model, showing the average deviation of the observed values from the regression line. The change statistics, particularly the significant F Change of 9.129 with a p-value of 0.000, confirm that the model's predictors collectively have a significant impact on the dependent variable, making the model statistically robust.

Model Summary

A model summary provides key metrics of regression model performance, including R-squared, adjusted R-squared, and standard error, indicating how well the model explains the variability in the dependent variable.

Table 13

Model Summary of Variables

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.836	5	2.567	9.129	.000 ^b
	Residual	26.435	94	.281		
	Total	39.270	99			

a. Dependent Variable: Personal Financial Planning

b. Predictors: (Constant), Financial Confidence, Financial Knowledge, Financial Attitude, Financial Behavior, Financial Literacy

The ANOVA analysis shows that the regression model, which uses Financial Confidence, Financial Knowledge, Financial Attitude, Financial Behavior, and Financial Literacy as predictors, significantly explains the variance in Personal Financial Planning. The model's Regression Sum of Squares (12.836) indicates the portion of the total variance (39.270) explained by the model, while the Residual Sum of Squares (26.435) represents the unexplained variance. With degrees of freedom of 5 for the model and 94 for the

residuals, the mean squares are 2.567 for the regression and 0.281 for the residuals. The resulting F-statistic of 9.129, coupled with a p-value of 0.000, confirms that the model is statistically significant. This means that the predictors collectively have a meaningful and statistically significant impact on Personal Financial Planning, making the model a robust tool for understanding the factors influencing financial planning behavior.

Coefficients

Coefficients in regression represent the change in the dependent variable for each one-unit change in an independent variable. They indicate the strength and direction of the relationship between predictors and the outcome in the regression model.

Table 14

Regression Analysis of Variables

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.746	.318		2.351	.021
	Financial Literacy	-.104	.098	.124	-1.070	.000
	Financial Behavior	.321	.127	.286	2.532	.013
	Financial Attitude	.176	.106	.174	1.658	.001
	Financial Knowledge	.283	.062	.402	4.570	.000
	Financial Confidence	.058	.154	.042	.378	.706

a. Dependent Variable: Personal Financial Planning

The coefficients table reveals the impact of various predictors on Personal Financial Planning. Constant term, with a value of 0.746 and a p-value of 0.021, establishes a baseline for financial planning when other predictors are at zero. Financial Literacy, with a coefficient of 0.104 and a p-value of 0.000, shows a positive but modest impact on Personal Financial Planning, suggesting that a higher level of financial literacy enhances financial planning. Financial Behavior has a coefficient of 0.321 and a p-value of 0.013, indicating a significant positive effect. This means that engaging in proactive financial behaviors significantly improves financial planning. Financial Attitude, with a coefficient of 0.176 and a p-value of 0.001, also positively influences financial planning, highlighting the importance of a favorable attitude towards managing finances. Financial

Knowledge exhibits a strong positive effect with a coefficient of 0.283 and a p-value of 0.000, suggesting that a deeper understanding of financial principles greatly enhances financial planning. Conversely, Financial Confidence, with a coefficient of 0.058 and a p-value of 0.706, does not significantly impact financial planning. This indicates that while confidence in one's financial abilities is beneficial, it does not directly contribute to better financial planning without the support of practical knowledge and behaviors. Overall, the findings underscore that Financial Behavior, Attitude, and Knowledge are crucial for effective financial planning, with Financial Confidence playing a less critical role.

4.4 Discussion

The findings from the study and the reviewed literature provide a detailed perspective on how various financial factors influence Personal Financial Planning, highlighting the nuanced relationships between financial literacy, behavior, attitude, knowledge, and confidence.

The findings from the coefficients table on personal financial planning resonate with a substantial body of literature, particularly concerning the influence of financial literacy, behavior, attitude, and knowledge on financial outcomes. The comparison with the works of Lusardi & Mitchell (2015, 2017, 2021), Gutter & Copur (2015), Atkinson & Messy (2016), and others reveals both alignment and nuanced differences that enrich our understanding of these relationships.

The positive impact of financial literacy on personal financial planning, as evidenced by a coefficient of 0.104 and a significant p-value of 0.000, aligns closely with findings from numerous studies. For instance, Lusardi & Mitchell (2015, 2017, 2021) consistently emphasized that higher financial literacy leads to better retirement preparedness and proactive financial behaviors. Their work underscores the importance of financial education in improving individuals' financial decision-making capabilities, which is also reflected in the current study's emphasis on the modest but positive role of financial literacy in enhancing financial planning.

This supports the idea that financial literacy, as a foundational skill, plays a critical role in shaping proactive financial behaviors, which, in turn, positively impacts personal

financial planning. Gutter & Copur (2015) highlighted that students who received structured financial education demonstrated improved financial literacy and behaviors. This is further corroborated by Brown & McDaid (2016), who found that higher financial literacy was correlated with better personal finance management and proactive behaviors, a finding echoed in the current study's results.

The study's finding that financial behavior (with a coefficient of 0.321 and a p-value of 0.013) significantly impacts financial planning is consistent with previous research. For example, Xiao & Porto (2020) demonstrated that financial literacy positively influenced financial behaviors such as budgeting, saving, and investing, leading to better financial outcomes. This connection between literacy-driven behaviors and financial planning emphasizes the importance of financial behavior in translating knowledge into actionable financial management, reinforcing the findings of Gathergood & Weber (2020) who noted that lower financial literacy was associated with higher over-indebtedness, suggesting that poor financial behavior could lead to adverse financial outcomes.

Financial attitude, as highlighted in the current study with a coefficient of 0.176 and a p-value of 0.001, also plays a critical role in financial planning. The positive influence of a favorable attitude toward managing finances aligns with research by Muir & Sherraden (2017), who found that higher financial literacy was linked to better utilization of financial services. They noted that while literacy was important, the attitudes and behaviors that stemmed from that literacy were crucial in determining financial outcomes. Similarly, Willmott & Muir (2019) found a strong correlation between financial literacy and improved financial well-being, suggesting that a positive financial attitude contributes significantly to better financial management and reduced financial stress.

The study's emphasis on financial knowledge, which exhibited a strong positive effect (coefficient of 0.283 and a p-value of 0.000), is supported by several studies. For instance, Fernandes, Lynch, & Netemeyer (2018) showed that higher financial literacy improved understanding of complex financial products like mortgages and savings strategies, which are essential components of effective financial planning. This is consistent with Demirgüç-Kunt & Klapper (2018), who highlighted that financial

knowledge significantly contributes to financial inclusion and better financial outcomes, thereby reinforcing the importance of knowledge in effective financial planning.

The study introduces a unique perspective by highlighting the limited role of financial confidence, which had a coefficient of 0.058 and a p-value of 0.706, indicating no significant impact on financial planning. This finding contrasts with the general assumption that confidence in financial abilities automatically translates to better financial outcomes. While Green & Naylor (2024) suggested that higher financial literacy improved crisis management and recovery, implying that confidence could play a role during financial downturns, the current study suggests that confidence alone, without the backing of practical knowledge and behaviors, does not significantly enhance financial planning.

The study's findings largely align with existing literature on the importance of financial literacy, behavior, attitude, and knowledge in effective financial planning. The alignment with works by Lusardi & Mitchell, Gutter & Copur, Brown & McDaid, and others reinforces the critical role of these factors in financial decision-making. However, the study also challenges the perceived role of financial confidence, suggesting that confidence without substantive financial knowledge and behaviors is insufficient for effective financial planning. This nuanced understanding provides valuable insights for both researchers and practitioners in the field of financial education and personal finance management.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

The study identifies a crucial gap in understanding how Financial Literacy, Financial Behavior, Financial Attitude, Financial Knowledge, and Financial Confidence impact Personal Financial Planning, setting the stage for examining these factors' collective influence. Literature review reveals that while Financial Literacy and Financial Knowledge significantly impact financial planning, their effects are complex and not always straightforward. Financial Behavior and Attitude are consistently linked to better financial management, while Financial Confidence's role remains ambiguous. A quantitative approach using regression analysis, showing that Financial Behavior, Attitude, and Knowledge are significant predictors of Personal Financial Planning, explaining 32.7% of its variance. This methodology highlights the importance of practical financial behaviors and attitudes, while Financial Confidence and Literacy exhibit less direct influence, underscoring the need for targeted financial education and behavioral interventions. The analysis presented encompasses a comprehensive examination of the relationships between financial variables and their impact on Personal Financial Planning. The regression model, which includes predictors such as Financial Confidence, Financial Knowledge, Financial Attitude, Financial Behavior, and Financial Literacy, provides insights into how these factors collectively influence personal financial management practices.

The model summary indicates that approximately 32.7% of the variance in Personal Financial Planning is explained by the predictors ($R^2 = 0.327$). This suggests that while a significant portion of the variability in financial planning can be attributed to these factors, other variables not included in the model may also play a role. The moderate R^2 value and the adjusted R^2 (0.291) suggest that while the predictors contribute meaningfully to explaining Personal Financial Planning, there is room for additional variables to improve the model's explanatory power.

The ANOVA results highlight that the overall regression model is statistically significant ($F = 9.129$, $p = 0.000$), confirming that the predictors collectively contribute to explaining

variations in Personal Financial Planning. This significance indicates that the model provides a robust framework for understanding the impact of financial behaviors, attitudes, knowledge, and confidence on financial planning.

The coefficients table reveals specific insights into each predictor's role. Financial Literacy, despite its significant positive coefficient, shows an inverse relationship with Personal Financial Planning, suggesting that higher financial literacy may not always correlate with better financial planning. This counterintuitive finding could point to underlying complexities or differing strategies among more knowledgeable individuals. Financial Behavior has a positive and significant impact, indicating that effective financial behavior enhances personal financial planning. Similarly, Financial Attitude and Financial Knowledge also positively influence financial planning, highlighting their critical roles. In contrast, Financial Confidence shows a small, non-significant effect, suggesting that confidence alone may not substantially impact personal financial planning.

The findings underscore the significance of Financial Behavior, Financial Attitude, and Financial Knowledge in enhancing Personal Financial Planning, while Financial Confidence and Financial Literacy present more complex or less direct relationships.

5.2 Conclusion

The results of this study provide valuable insights into the factors influencing Personal Financial Planning. The regression model confirms that Financial Behavior, Financial Attitude, and Financial Knowledge are significant predictors of effective personal financial planning. These findings align with the expectation that positive financial practices, attitudes, and knowledge contribute substantially to better financial management.

Financial Behavior, with its significant positive coefficient, underscores the importance of practical financial habits in shaping effective financial planning. This supports the notion that adopting disciplined financial behaviors is crucial for achieving successful financial outcomes. Financial Knowledge also plays a critical role, with a strong positive effect on financial planning, affirming that a thorough understanding of financial concepts and tools significantly enhances planning practices.

Financial Attitude, though slightly less impactful than Financial Behavior and Knowledge, still contributes positively to financial planning. This highlights the importance of having a positive mindset and approach towards financial management. Conversely, Financial Confidence, despite being a commonly emphasized factor, does not show a significant impact in this model. This suggests that confidence alone, without corresponding knowledge and behavior, may not be sufficient for effective financial planning.

The negative relationship between Financial Literacy and Personal Financial Planning is particularly intriguing. This finding suggests that increased financial literacy does not necessarily translate into better financial planning, potentially due to varying individual interpretations or applications of financial knowledge.

In conclusion, the study highlights that while certain predictors like Financial Behavior, Financial Knowledge, and Financial Attitude are crucial for enhancing Personal Financial Planning, Financial Confidence and Financial Literacy may not have as direct or straightforward an impact. This nuanced understanding helps in targeting interventions and educational efforts more effectively.

5.3 Implication

The implications of these findings are significant for both practitioners and policymakers focused on improving personal financial management. The positive roles of Financial Behavior, Financial Attitude, and Financial Knowledge in personal financial planning underscore the importance of fostering these elements through targeted educational and support programs.

For Practitioners: Financial advisors and educators should emphasize the development of practical financial behaviors and attitudes. Tailored interventions that promote effective financial habits and a positive mindset towards financial management can significantly enhance individuals' financial planning outcomes. Educational programs should focus on equipping individuals with practical tools and strategies for managing their finances, rather than solely increasing theoretical financial literacy.

For Policymakers: The findings suggest a need for policies that support comprehensive financial education programs that integrate practical behavior training with knowledge acquisition. Programs should be designed to address not only theoretical aspects of financial literacy but also practical application and behavioral change. Additionally, policies should consider the varying impacts of financial confidence and literacy, possibly focusing on how these factors interact with behavior and attitude to influence financial outcomes.

For Researchers: Future studies should explore the complex relationship between Financial Literacy and Personal Financial Planning, particularly the unexpected negative association found in this study. Further research could investigate whether this finding reflects a broader trend or specific contextual factors. Additionally, examining how Financial Confidence interacts with other predictors could provide deeper insights into its role in financial planning.

Overall, these implications highlight the importance of a holistic approach to financial education and planning, emphasizing behavior, attitude, and knowledge while reassessing the roles of confidence and literacy.

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APPENDIX

Questionnaire

Dear Sir,

I am MBS student at Shanker Dev Campus, Tribhuvan University. A research study is being conducted on the “**Effect of Financial Literacy on Personal Financial Planning of Women in Kathmandu Valley**” under for the partial fulfillment of Master’s degree.

In this context, I have prepared a set of questionnaire to seek your valuable opinion. I would also like to ensure you that the information provided by you will be kept confidential and will only be utilized for the study purpose.

I shall feel highly obliged if you kindly cooperate me in filling the questionnaire.

Thank you and best regards,

Deepshikha Sharma

Shanker Dev Campus

1. Demographic Information

1.1 Name (Optional):.....

1.2 Gender (*Please Tick your gender group*)

Female

1.3 Age (*Please Tick your age group*)

Below 30 years 30 to 40 years 41 to 50 years 51 to 60 years

Above 61 years

1.4 Education (*Please Tick your education group*)

SLC Intermediate Bachelor Masters and Above

1.5 Income per month (*Please Tick your service period*)

Below 20,000 20,001 to 50,000 50,001 to 80,000

80,001 to Above

2. Information Regarding Financial Literacy, Financial Behavior, Financial Attitude, Financial Knowledge and Financial Confidence

(Please indicate your agreement with each item by placing the tick mark (✓) in the rating value column.) 1= Strongly Agree, 2 = Agree, 3= Agree to Some Extent,

4 = Disagree, 5= Strongly Disagree

S. N.	Heading \ Statement	Rating value				
		1	2	3	4	5
2.1	Financial Literacy					
a)	The basic concepts of interest rates and their effects on savings and loans are understood.					
b)	The pros and cons of different investment options can be confidently evaluated.					
c)	Budgeting techniques and expense tracking are well-understood.					
d)	The importance of credit scores and how to maintain a good credit rating is understood.					
e)	Key components of retirement planning are familiar.					
2.2	Financial Behavior					
a)	Spending is regularly tracked to stay within the budget.					
b)	Informed decisions are made before making major financial purchases.					
c)	A portion of income is consistently saved each month.					
d)	Financial statements are reviewed regularly to monitor financial health.					
e)	Unnecessary debt is avoided by paying off credit card balances in full each month.					

2.3	Financial Attitude					
a)	Having a well-organized financial plan is considered crucial for long-term financial success.					
b)	Financial education is viewed as a priority in personal development.					
c)	There is motivation to learn more about managing finances effectively.					
d)	Financial challenges are viewed as opportunities to improve financial skills.					
e)	Taking proactive steps in financial planning is believed to prevent future financial problems.					
2.4	Financial Knowledge	1	2	3	4	5
a)	The difference between a savings account and a checking account can be explained.					
b)	The future value of an investment based on interest rates can be calculated.					
c)	The impact of inflation on the purchasing power of money over time is understood.					
d)	Different types of insurance and their benefits are known.					
e)	The tax implications of different financial decisions and investments are understood.					
2.5	Financial Confidence	1	2	3	4	5
a)	Confidence exists in making sound financial decisions.					
b)	Discussing financial matters with financial advisors or					

	professionals is comfortable.					
c)	There is confidence in managing unexpected financial emergencies.					
d)	Financial planning skills are trusted to achieve financial goals.					
e)	Understanding and interpreting financial information is assured.					

3. Information Regarding Personal Financial Planning

(Please indicate your agreement with each item by placing the tick mark (✓) in the rating value column.) 1= Strongly Agree, 2 = Agree, 3= Agree to Some Extent,

4 = Disagree, 5= Strongly Disagree

S. N.	Heading \ Statement	Rating value				
		1	2	3	4	5
3.1	Personal Financial Planning					
a)	There is a clear and detailed plan for long-term financial goals.					
b)	The financial plan is regularly reviewed and updated to ensure it meets goals.					
c)	There is confidence in managing personal finances effectively.					
d)	Specific financial targets and strategies for achieving them are set.					
e)	A portion of income is allocated specifically for savings and investments.					

EFFECT OF FINANCIAL LITERACY ON PERSONAL FINANC...

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i Abstract This study investigates the effect of financial literacy on personal financial planning among women in the Kathmandu Valley. As financial literacy plays a crucial role in shaping effective financial behaviors and decision-making, this research focuses on understanding how various dimensions of financial literacy influence women's financial planning practices. Key findings reveal that higher financial literacy among women is positively associated with more effective personal financial planning. Women with greater financial knowledge and better financial behavior exhibit improved capabilities in managing their finances, setting and achieving financial goals, and making informed investment decisions. Financial literacy facilitates enhanced retirement preparedness and proactive financial behaviors, aligning with broader research that underscores the importance of financial education. The study highlights significant variations in financial planning practices based on the level of financial literacy, with well-informed women demonstrating more strategic and disciplined approaches to personal finance management. The research also identifies barriers to financial literacy among women in Kathmandu, including limited access to financial education and societal constraints. These barriers affect the overall effectiveness of personal financial planning. The study advocates for targeted financial education programs and policies designed to address these gaps and empower women with the knowledge needed to improve their financial well-being. The study contributes valuable insights into the relationship between financial literacy and personal financial planning among women in Kathmandu Valley. It emphasizes the need for comprehensive financial education initiatives to enhance