Role of Financial Literacy on Investment Decisions: A Study of Investors Living in Kathmandu Valley

A Dissertation submitted to the office of the Dean, Faculty of Management in partial fulfilment of the requirements for the Master's Degree

By

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Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “Role of Financial Literacy on Investment Decision, A Study of Investors Living in Kathmandu Valley” under the supervision of my supervisor Asso. Prof. Suman Kamal Parajuli. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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Report of Research Committee

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ABBREVIATIONS/ACRONYMS

ANOVA	:	Analysis of Variance
LCH	:	Life Cycle Hypothesis
MBA	:	Master in Business Administration
MBS	:	Master in Business Studies
MPT	:	Modern Portfolio Theory
OECD	:	Organisation for Economic Co-operation and Development
SPSS	:	Statistical Package of Social Science

Abstract

The study aimed to examine the role of financial literacy on the investment decisions of investors living in the Kathmandu Valley with the specific objectives of assessing the financial literacy of these investors, evaluating their investment decisions related to financial and real assets, and find out the relationship between financial literacy and investment choices.

The study followed descriptive as well as correlational research design was utilizing a quantitative method. In the study, financial literacy was examined through financial knowledge, attitude, and behavior. The study targeted individuals investing in various financial products and real estate within Kathmandu valley, with a sample of 400 respondents selected through convenience sampling. In the study, primary data was collected via surveys, and both descriptive and inferential statistics were used for data analysis. In the study, there were an equal gender distribution, with 50.75% of respondents aged 20 to 30. Educationally, 38.75% held a bachelor's degree, and 30.5% had a master's degree, predominantly in management. Income varied, with 31.75% earning Rs. 40-60 thousand monthly.

The results reveal that a substantial gap in financial knowledge, particularly regarding government securities and the distinction between debt and equity. The study also found that financial knowledge improved with higher education and income, and also shows that females showed a slightly better understanding than males. Most respondents exhibited positive attitudes toward financial management, although social reluctance to discuss financial matters persisted. There was strong interest in IPOs and long-term investments, with investment behavior varying significantly by gender, education, and income. Overall, the study emphasized the need for enhanced financial education to address these disparities and support informed investment decisions.

Keywords: *financial literacy, investment decision, financial knowledge, financial behavior, financial education.*

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Investment is vital for the growth and prosperity of families as well as individuals. It also increases the personal ability and skill of an investor but is only possible if the investment is effective. For effective investment and reduction of the risk in their investment the knowledge and skill related to financial management is vital and only possible if the investors have some degree of financial literacy. Financial literacy, the ability to understand and effectively use various financial skills, is increasingly recognized as a crucial factor influencing investment decisions (Goyal, & Kumar, 2021). As financial markets become more complex, the need for individuals to be financially literate is paramount, which is also needed for portfolio creation and risk reduction (Dewi et al., 2020).

Financial literacy encompasses a wide range of knowledge and skills, including understanding financial products, basic numeracy, budgeting, saving, and investing (Goyal, & Kumar, 2021; Lusardi & Mitchell, 2023). It involves being aware of financial risks and opportunities, knowing where to seek financial advice, and making informed choices. Similarly, investment decisions are complex and involve choosing among various financial products with different risk-return profiles, such as stocks, bonds, mutual funds, real estate, and more (Lusardi, Hasler&Yakoboski, 2021).

Financially literate individuals are better equipped to understand the characteristics, benefits, and risks associated with different investment options. This knowledge enables them to select products that align with their financial goals and risk tolerance. Similarly, financially literate individuals are less likely to fall prey to common behavioral biases such as overconfidence, herding, and loss aversion. By being aware of these biases, they can make more rational investment decisions based on objective analysis rather than emotional reactions (Koskelainen et al., 2023).

A key component of investment decision-making is assessing and managing risk. Financial literacy helps investors understand market volatility, diversification, and risk mitigation strategies, reducing the likelihood of making poor investment choices that could lead to significant losses (Ouachani, Belhassine, & Kammoun, 2021). On the other hand, financial literacy encourages long-term financial planning and goal setting. Investors with a higher degree of financial literacy are more likely to engage in retirement planning and other long-term investment strategies, ensuring financial security in the future (Ingale & Paluri, 2022).

Research consistently shows a positive correlation between financial literacy and sound investment decisions. Studies have found that financially literate individuals are more likely to participate in financial markets, diversify their portfolios, and avoid high-cost borrowing (Morgan & Long, 2020; Farida, Soesatyo & Aji, 2021). Lusardi (2019) highlights that individuals with higher financial literacy are better at accumulating wealth and managing it effectively.

Financial literacy is a cornerstone of effective investment decision-making. By understanding financial products, managing risks, and making informed choices, financially literate individuals can optimize their investment portfolios and achieve long-term financial goals (Lusardi & Mitchell, 2023). Enhancing financial literacy through education and policy initiatives is essential for fostering a more informed and resilient investor base, ultimately contributing to economic stability and growth (Goyal, & Kumar, 2021).

Financial knowledge is crucial in shaping investment behavior, as it enables individuals to understand risk, diversify portfolios, and make informed decisions. With a solid foundation in financial concepts, investors are more likely to adopt prudent strategies, avoid emotional decision-making, and achieve long-term financial goals effectively (Mazumdar, 2014). Similarly, financial knowledge is crucial in shaping investment behavior, as it enables individuals to understand risk, diversify portfolios, and make informed decisions. With a solid foundation in financial concepts, investors are more likely to adopt prudent strategies, avoid emotional decision-making, and achieve long-term financial goals effectively (Mak&Ip, 2017).

Investment decisions are multifaceted and not only decided from financial literacy but influenced by economic conditions, personal habits, individual goals, risk tolerance, and family status. Economic conditions such as interest rates, inflation, and economic growth significantly impact market performance and investor confidence (Adil, Singh & Ansari, 2022). In times of economic downturns, investors tend to prefer safer assets, whereas in booming economies, they may pursue higher-risk investments for potentially greater returns. Personal habits, including spending patterns, saving discipline, and financial planning, also play a crucial role (Gupta, 2017). Individuals with disciplined saving habits are better positioned to take advantage of market opportunities, having the capital needed for investment (Baihaqqy et al., 2020).

Furthermore, individual goals, risk tolerance, and family status are pivotal in shaping investment choices. Personal financial objectives, such as saving for retirement, funding education, purchasing a home, or achieving financial independence, guide investors in selecting appropriate investment vehicles and strategies (Shroff, Paliwal&Dewasiri, 2024). Risk tolerance, or the willingness to endure market volatility and potential losses, dictates whether an investor leans towards high-risk, high-reward assets or more conservative options. Family circumstances, including marital status and financial responsibilities, further influence these decisions (Suresh, 2024). Individuals with dependents may prioritize stable and secure investments to ensure financial security for their families. In summary, understanding these factors leads to more informed and effective investment strategies (Lusardi, 2019).

In this regards, the study was conducted to role of financial literacy of people on their investment decisions.

1.2 Problem Statement

Financial literacy is a vital element for taking investment decisions. If the person has a higher level of financial knowledge than they analysis and take investment decision frequently and are also motivate for investment in financial securities. The study by Niazi and Malik, (2019) finds significant moderating effect of financial literacy upon investment diversity in relation to socio-demographics, financial attitude and decision behavior. Moreover, with the increase in age, education, and income, investment diversity improves. Similarly, Thapa and KC (2020) argue that the knowledge of financial literacy to Nepalese investors is at a low level and various variables have been affecting their financial decision insignificantly. Likewise, the study by Subedi and Bhandari (2024) found that investors with higher financial literacy levels are better equipped to mitigate the adverse effects of psychological biases, leading to more rational and informed investment decisions.

Ahmed et al. (2021) found the positive and significant impact of financial literacy on investment decision-making behaviour and financial risk tolerance among individual equity investors. The study by Sabir et al. (2021) shows the relationship between investment intention and investment behaviour of individual investors in stock market was significantly moderated by financial literacy. The study by Gupta (2017) argues that the investment decision made by the mainly affected by the financial knowledge and attitude of the investor along with income and wealth status of the investor family.

In Nepal, few investigations were concentrated on financial literacy and its link with investment decision of investors. Most of the literature is concentrated on the level of financial literacy among the people, the relation of financial literacy with financial planning. This study focuses on the role of financial literacy in investment decisions and by understanding the role of financial literacy in investment decisions is crucial for bridging the gap between theoretical knowledge and practical application. This study also explores how financial literacy affects investment behavior, aiming to enhance education programs. For investors, it provides insights into navigating financial markets and optimizing portfolios and its link with their financial knowledge and awareness. Policymakers can use the findings to design initiatives that improve public understanding of financial products, leading to more prudent investment behavior and supporting economic development and financial inclusion.

The study helps promote comprehensive financial education programs that can significantly enhance individuals' understanding of investment options, leading to more informed and effective decision-making. Policymakers should implement initiatives that increase public financial literacy, ensuring a more resilient and economically stable society.

Following is the research questions of purposed study:

i. What is the level of financial literacy among the investors living in Kathmandu valley?
ii. What is the investment decision of the investors related to financial assets and real assets?
iii. What is the effect of financial literacy and investment decision of the investors?

1.3 Objectives of the Study

The general objective of the purposed study is to find out the role of financial literacy on the investment decision by the investors living in Kathmandu valley. Following are the specific objectives of the study:

i. To find out the financial literacy among the investors living in Kathmandu valley.
ii. To assess the investment decision of the investors related to financial assets and real assets.
iii. To analyze the effect of financial literacy on investment decision of the investors.

1.4 Hypothesis of the Study

Following is the hypothesis of the study:

Hypothesis one (H1): There is a positive relation between Knowledge and investment decisions.

Hypothesis two (H2): There is a positive relation between financial awareness and investment decisions.

Hypothesis three (H3): There is a positive relation between financial attitude and investment decision.

1.5 Rationale of the Study

The study aims to examine the role of financial literacy on investment decisions of investors. The finding of study has significant for academic purpose, investor as well as policy maker. Understanding the role of financial literacy in investment decision-making is crucial because it bridges the gap between theoretical knowledge and practical application. This study aims to explore the relationship between financial literacy and investment behavior, providing empirical evidence to enrich the existing literature. It seeks to identify specific areas where education can enhance investment outcomes, contributing to the development of more effective financial education programs and curricula. Similarly, financial literacy is a critical determinant of making informed investment decisions. This study highlights how knowledge about financial products, risk management, and market dynamics influences investment choices and outcomes. By understanding these relationships, investors can better navigate the complexities of the financial markets, optimize their portfolios, and achieve their financial goals. The findings can empower investors with actionable insights to enhance their financial decision-making capabilities.

This study underscores the importance of promoting financial literacy to foster a more informed and resilient investor base because utilizing the finding Policymakers can leverage the insights to design and implement initiatives that enhance public understanding of financial products and markets. Improved financial literacy can lead to more prudent investment behavior, contributing to the stability and growth of the financial system. This research can guide the formulation of policies aimed at increasing financial education and protecting investors, ultimately supporting economic development and financial inclusion.

1.6 Limitations of the Study

Following are the limitations of the study:

i. The study was conducted to the investors living in Kathmandu district and invested in financial securities traded in secondary market. So, the finding of the study cannot be generalized for whole country.

ii. The study used cross-sectional data collected in specific periods of time, so the study ignores the change in financial knowledge over time and its impact on investment decisions.

iii. Investment decisions are affected by market trends, macro indicators of the country and world but in this study, all their variables are ignored and only focuses on relation of investment decision with financial knowledge.

iv. Investment decision of persons is also affected by risk taking habit, income level of investor, age factors and so on which was not also the focuses on the study.

CHAPTER II

LITERATURE REVIEWS

2.1 Conceptual Review

2.1.1 Financial Literacy

Financial literacy is the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing. It's a crucial aspect of modern life, empowering individuals to make informed decisions about their money. Lusardi and Mitchell (2019) argue that financial literacy refers to the knowledge and skills required to make informed and effective decisions regarding financial resources. The argument by Lusardi and Mitchell (2019) focused on financial literacy as the knowledge about financial resources and its management.

Financial literacy encompasses the behaviors that enable individuals to manage their finances effectively, including budgeting, saving, and investing (Hung, Parker &Yoong, 2019). It focuses on reflection of financial behavior on their knowledge of financial knowledge and ability. It is the capacity to make sound financial decisions, which involves understanding financial products, concepts, and risks (Klapper, Lusardi, & van Oudheusden, 2020). At its core, financial literacy encompasses several key concepts. Budgeting is the foundation where individuals learn to track income and expenses, ensuring they live within their means. By setting financial goals and creating a budget, people can avoid unnecessary debt and save for future needs (Shaik et al., 2022).

Financial literacy is the understanding of key economic principles that underpin financial decision-making, including interest rates, inflation, and risk diversification (OECD, 2020). Huston (2021) refers to financial literacy as the ability to use financial knowledge to improve financial resilience, which involves the capacity to absorb financial shocks. Savings and investment strategies are also integral to financial literacy which involves setting aside money for short-term needs or emergencies, while investing focuses on growing wealth over the long term. This includes understanding different types of investments, such as stocks, bonds, and mutual funds, and knowing the risks and rewards associated with each.

Financial literacy includes the understanding of how behavioral biases affect financial decisions and the ability to mitigate such biases (Gale & Levine, 2020). Additionally, it includes competencies in digital financial services, such as online banking and mobile payments, due to the increasing digitization of finance (Demirgüç-Kunt et al., 2018).

Understanding credit is a vital component of financial literacy. Credit allows people to borrow money for major purchases, like a home or car, but it comes with the responsibility of repayment, usually with interest. Being financially literate means knowing how credit works, including how to maintain a good credit score by paying bills on time, keeping debt levels low, and regularly monitoring credit reports.

Debt management is another critical area. Financially literate individuals recognize the dangers of excessive debt and prioritize paying off high-interest debts first. They also understand the difference between good debt, like a mortgage, which can help build wealth, and bad debt, such as high-interest credit cards, which can lead to financial strain. Similarly, financial literacy also involves knowledge of insurance, which protects against unexpected financial losses. This includes understanding different types of insurance, such as health, auto, and life insurance, and knowing how to choose the right policies based on individual needs.

2.1.2 Financial Knowledge

Financial knowledge refers to the understanding of key financial concepts and principles that enable individuals to make informed decisions about managing their money. It is the understanding of financial concepts and the ability to apply this understanding in decision-making, enabling individuals to manage their finances effectively (Huston, 2010). Similarly, it is the awareness and understanding of financial concepts, including the ability to evaluate and use financial information to make sound financial decisions (Lusardi & Mitchell, 2014). According to OECD (2020) it refers to the comprehension of fundamental financial principles and practices that enable individuals to make informed choices regarding saving, investing, borrowing, and budgeting (OECD, 2020).

This knowledge includes basic concepts like budgeting, saving, and investing, as well as understanding interest rates, inflation, taxes, and credit. It also encompasses more advanced topics such as retirement planning, risk management, and understanding financial markets. Financial knowledge is the level of awareness and understanding that individuals have regarding financial matters, allowing them to apply this knowledge in managing personal finances (Robb & Woodyard, 2011). It encompasses the understanding of financial concepts such as interest rates, inflation, diversification, and risk management, which are essential for making effective financial decisions (Klapper, Lusardi, & van Oudheusden, 2020). It involves the awareness and understanding of basic financial concepts and the ability to apply this knowledge in real-life financial situations, helping individuals to manage their money wisely (Atkinson & Messy, 2012).

Possessing financial knowledge is essential for navigating everyday financial decisions, from managing a checking account to making significant investments. It helps individuals understand how to allocate their income effectively, avoid unnecessary debt, and plan for future financial needs (Robb & Woodyard, 2011).

Moreover, financial knowledge empowers people to evaluate financial products and services critically, enabling them to choose the ones that best suit their needs. It also provides the foundation for financial literacy, which combines this knowledge with practical skills and behaviors to achieve financial well-being (Lusardi & Mitchell, 2014). It is crucial for achieving personal and financial goals, ensuring long-term stability, and protecting against financial risks. Without it, individuals are more vulnerable to poor financial decisions, leading to potential financial insecurity and stress.

2.1.3 Financial Awareness

Financial awareness refers to an individual's understanding and consciousness of their financial situation, as well as their ability to recognize the importance of managing finances effectively. It is a crucial aspect of financial literacy that goes beyond mere knowledge of financial concepts, encompassing the ability to apply that knowledge in real-life situations and make informed financial decisions (Lusardi, 2019).

At its core, financial awareness involves a comprehensive understanding of one's financial position, including income, expenses, assets, liabilities, and overall financial goals. It requires individuals to be actively engaged in monitoring their finances, which includes budgeting, tracking spending, and regularly reviewing financial statements (Xiao & O'Neill, 2016). This proactive approach helps individuals identify potential financial challenges early on and allows for timely adjustments to their financial plans.

One of the key components of financial awareness is the ability to differentiate between needs and wants. By being aware of this distinction, individuals can make more deliberate choices about where to allocate their financial resources, avoiding unnecessary expenses and focusing on saving and investing for future needs. This mindfulness in spending also contributes to better debt management, as individuals with high financial awareness are more likely to avoid high-interest debt and prioritize paying off existing obligations (Stolper & Walter, 2017).

Financial awareness also involves understanding the impact of external factors, such as economic trends, inflation, and interest rates, on personal finances. For example, being aware of rising inflation rates can prompt individuals to adjust their budgets or seek investment opportunities that outpace inflation. Similarly, understanding how interest rates affect loans, and savings can guide decisions on borrowing or investing (Klapper & Lusardi, 2020).

Another critical aspect of financial awareness is the recognition of the importance of financial planning. Individuals with strong financial awareness are more likely to set clear financial goals, such as saving for retirement, purchasing a home, or funding education. They understand the value of creating a financial plan that includes short-term and long-term objectives, as well as the steps needed to achieve them (Xiao & O'Neill, 2016). This planning often includes building an emergency fund, diversifying investments, and ensuring adequate insurance coverage to protect against unforeseen events.

In today's digital age, financial awareness also extends to being informed about digital financial tools and services. This includes understanding how to use online banking, mobile payment apps, and investment platforms securely and effectively. Additionally, it involves being aware of the risks associated with digital finance, such as fraud and cyber security threats, and taking appropriate precautions (Garg & Singh, 2018).

Financial awareness is a vital component of financial well-being. It empowers individuals to take control of their financial lives, make informed decisions, and build a secure financial future. By cultivating financial awareness, individuals can navigate the complexities of modern finance with confidence and achieve their financial goals.

2.1.4 Financial Attitude

Financial attitude refers to an individual's mindset, beliefs, and emotional approach toward money and financial decision-making. It encompasses how people view money, the importance they place on financial stability, and their willingness to plan and manage their finances. Financial attitude plays a crucial role in shaping financial behaviors and, ultimately, financial well-being (Yahaya et al., 2019).

A positive financial attitude is characterized by a proactive approach to managing money. Individuals with a healthy financial attitude recognize the importance of budgeting, saving, and investing for the future. They view money as a tool to achieve their goals and are motivated to make informed financial decisions. This attitude often leads to prudent financial behaviors, such as setting financial goals, avoiding unnecessary debt, and planning for emergencies (Ameliawati & Setiyani, 2018).

Conversely, a negative financial attitude can lead to poor financial outcomes. Individuals with a dismissive or careless attitude toward money may avoid planning or budgeting, leading to impulsive spending and financial instability. They might view money as a source of stress or conflict, which can result in avoidance behaviors, such as ignoring bills or failing to save (Rai, Dua & Yadav, 2019).

Financial attitude is also influenced by cultural, social, and personal factors. Cultural norms can shape how individuals perceive money, with some cultures placing a high value on saving and frugality, while others may emphasize spending and consumption. Social influences, such as family, friends, and societal expectations, also play a role in shaping financial attitudes. Personal experiences, including childhood upbringing, education, and financial experiences, can significantly impact an individual's financial attitude (Stolper & Walter, 2017).

One of the key aspects of financial attitude is risk tolerance, which reflects how comfortable an individual is with taking financial risks. People with a high-risk tolerance may be more willing to invest in stocks or other high-risk assets, while those with a low-risk tolerance may prefer safer, more conservative investments (Huston, 2010). Understanding one's risk tolerance is essential for making investment decisions that align with personal financial goals and comfort levels (Gale & Levine, 2020).

A strong financial attitude includes a willingness to learn and adapt. In a constantly changing financial landscape, individuals who are open to acquiring new financial knowledge and skills are better equipped to manage their finances effectively. This adaptability helps individuals navigate financial challenges and take advantage of new opportunities (Stolper & Walter, 2017).

In summary, financial attitude is a fundamental aspect of financial behavior that influences how individuals approach money management. A positive financial attitude encourages responsible financial practices, leading to greater financial security and success. By fostering a healthy financial attitude, individuals can improve their financial well-being and achieve their long-term financial objectives.

2.1.5 Investment Decision

Investment decisions are critical financial choices that individuals and organizations make to allocate resources into assets or projects with the expectation of generating returns. These decisions are influenced by a combination of financial knowledge, financial awareness, and financial attitude, each playing a distinct but interconnected role in shaping how and where investments are made (Levy, 2015).

Financial knowledge is the foundation upon which sound investment decisions are built. It involves understanding key financial concepts such as risk, return, diversification, and the time value of money. Individuals with strong financial knowledge are better equipped to assess different investment options, understand the associated risks, and calculate potential returns. This knowledge enables investors to make informed choices, whether they are deciding between stocks, bonds, real estate, or other investment vehicles (Niazi & Malik, 2019). Without sufficient financial knowledge, investors are more likely to make poor decisions, such as underestimating risks or overestimating potential returns, which can lead to financial losses (Kumar & Goyal, 2015).

Financial awareness complements financial knowledge by helping individuals remain conscious of their financial situation and the broader economic environment. Being financially aware means understanding one's financial goals, current market conditions, and how various factors like inflation, interest rates, and economic trends impact investment performance (Nofsinger, 2017). This awareness allows investors to time their investments more effectively, adjust their portfolios in response to market changes, and avoid making impulsive decisions based on short-term market fluctuations. Financially aware investors are more likely to maintain a diversified portfolio and rebalance it as needed to align with their long-term financial objectives (Baruah & Parikh, 2018).

Financial attitude reflects an individual's mindset and emotional approach toward investing and risk-taking. It encompasses one's willingness to take on financial risks, the importance placed on financial security, and the degree of confidence in making investment decisions. A positive financial attitude, characterized by a proactive and disciplined approach to investing, encourages consistent and rational decision-making. Investors with a healthy financial attitude are more likely to stay committed to their investment strategies, even during market downturns, and avoid panic selling (Niazi& Malik, 2019). On the other hand, a negative financial attitude, such as a fear of risk or a tendency toward impulsive decisions, can lead to suboptimal investment behaviors, like hoarding cash or chasing high-risk investments without proper consideration (Huston, 2010).

The interplay between financial knowledge, awareness, and attitude significantly impacts investment decisions and outcomes. Even with robust financial knowledge, an investor with a negative financial attitude may struggle to apply that knowledge effectively, leading to poor decisions. Similarly, a lack of financial awareness might cause an investor to overlook important market signals or personal financial goals, resulting in misaligned investments. Thus, a holistic approach that incorporates strong financial knowledge, ongoing financial awareness, and a positive financial attitude is crucial for making sound investment decisions and achieving long-term financial success.

2.2 Theoretical Review

There are no direct theories related to financial literacy and investment decision but some of these theories are relevant for the study:

2.2.1 Human Capital Theory

Human Capital Theory posits that investments in education, training, and skills development enhance an individual's productivity and economic potential. This theory, developed by economists like Gary Becker, suggests that just as physical capital (like machinery) can increase productivity, so can human capital. By acquiring knowledge and skills, individuals can improve their job prospects, earn higher wages, and contribute more effectively to the economy (Aliu & Aigbavboa, 2019).

Financial literacy is a crucial component of human capital. It equips individuals with the knowledge and skills needed to manage their finances effectively, make informed decisions, and plan. Financially literate individuals are better at budgeting, saving, investing, and avoiding debt, which can lead to improved economic stability and growth (McClanahan, 2017). Thus, enhancing financial literacy is an investment in human capital that can yield significant personal and societal economic benefits.

2.2.2 Life Cycle Hypothesis

The Life-Cycle Hypothesis (LCH), developed by Franco Modigliani and Richard Brumberg in the 1950s, posits that individuals plan their consumption and savings behavior over their lifetime to maintain a stable standard of living. According to LCH, people borrow during low-income periods (like early adulthood), save during high-income periods (middle age), and spend their savings during retirement (Frini, 2022). This results in a hump-shaped pattern of wealth accumulation: low in youth and old age, high in middle age.

Financial literacy is crucial for implementing the LCH effectively. Understanding financial concepts helps individuals make informed decisions about borrowing, saving, and investing. Financially literate individuals are better equipped to plan for future income changes, ensuring they save adequately for retirement and avoid excessive debt (Rancan, 2019). Similarly, the LCH also influences investment decisions. Younger individuals, anticipating higher future earnings, might take on more investment risks. As they age and their income stabilizes, they might shift to safer investments to preserve their wealth for retirement (Jawahar & McLaughlin, 2018). Financial literacy aids in understanding these investment strategies, helping individuals optimize their portfolios according to their life stages.

2.2.3 Portfolio Choice Theory

Portfolio Choice Theory is a framework for understanding how investors allocate their wealth among different assets to maximize returns while managing risk. This theory is central to modern finance and investment strategies. One of the most influential models within this theory is Modern Portfolio Theory (MPT), developed by Harry Markowitz in the 1950s. MPT suggests that the risk and return of an individual investment should not be considered in isolation but in the context of how it affects the overall portfolio's risk and return. The key idea is diversification: by combining assets with different risk and return profiles, investors can create a portfolio that maximizes expected return for a given level of risk (Pfiffelmann, Roger & Bourachnikova, 2016).

MPT uses statistical measures like variance and correlation to assess the risk of a portfolio. The theory assumes that investors are risk-averse, meaning they prefer a less risky portfolio for a given level of return (Mittal, Bhattacharya & Mandal, 2022). Therefore, an optimal portfolio is one that offers the highest expected return for a given level of risk or the lowest risk for a given level of expected return (Kumar, 2018). This theory has practical applications in constructing investment portfolios, guiding investors to balance their risk tolerance with their return objectives through diversification.

2.3 Empirical Review

2.3.1 International Context

Thomas and Subhashree (2020) focused identifying and assessing the various determinant factors of financial literacy among engineering students. The study uses quantitative method where data collected from 253 students, the study has found that financial knowledge, financial attitude, family influence, and peer-group pressure influenced the level of financial literacy among engineering undergraduate students. The findings suggest that long term deliberate attempts are essential for improving financial literacy among engineering students.

The study by Banagan, Vergara and Bueno (2021) aimed to determine the factors influencing financial literacy among graduate students and professionals using a descriptive cross-sectional survey methodology with a sample size of 135. The results showed that previous financial knowledge aided participants in making sound economic decisions. There was much information available regarding retirement plans, investment accounts, insurance policies, and credit cards. The study also found that a promising financial future, and their parents'/family members had an essential role in their financial literacy growth. Peer pressure was found to play a role in their financial literacy. In terms of saving and spending, the participants were prudent and financially knowledgeable. Financial literacy was shown to have a modest relationship with financial skills, familial influence, and peer pressure as well as having a slight link between participants' financial views and financial literacy.

Iram, Bilal and Ahmad (2023) in their study investigated the theoretical link between heuristic behavioral factors and the investment decision-making of women entrepreneurs, focusing on the importance of financial literacy as a potential mediator shaping prudent decision-making. The study followed descriptive research design using quantitative methods. Using the proportionate stratified sampling method, collected data from women entrepreneurs who were formally registered in Punjab Province, Pakistan. The smart PLS method was applied to analyze the structural relationship between the measured and latent constructs. The results show that overconfidence and availability heuristics have a significant positive impact on investment decisions, while financial literacy plays an essential intervening role between the overconfidence heuristic, availability heuristic, and investment decision-making. The study results support the execution of financial literacy awareness among women entrepreneurs to stimulate their financial decision control and give them the independence to make prudent financial decisions.

The study by Ashfaq, Shafique andSelezneva (2024) aimed to explore and understand, how strong financial literacy influences the cognitive biases of students in Germany while investing. Second, it also evaluates the most influential cognitive biases that students encounter when undertaking their investment decisions within this environment. A quantitative approach was used to assess the relationship between financial literacy and students' investment-related cognitive biases by using the frameworks proposed by Clercq (2019) and Pompian (2012). The study found that the students' financial literacy positively impacts their cognitive biases within the investment process. It additionally revealed the most significant biases regarding students' investment decision-making and proposed the possible reasons behind their behavioral distortions.

The study by Geenen and Verhoeven (2023) aimed to explore the nexus relationship between financial literacy and investment decision-making among social media influencers. For the survey, a total of 28 questions assessing financial literacy, investment decision and influential factors were asked to 70 respondents and several statistical tests were used to analyze the data collected. The findings reveal that financial literacy is positively correlated with the investment decisions of the social media influencers and factors play a vital role in deciding the avenue of investment. Respondents have good knowledge of the basic investment avenues such as savings schemes and limited or minimal knowledge of other significant financial aspects.

Bustani (2024) on the study aimed to explore the crucial roles of financial literacy and self-monitoring in shaping investment decisions in Banjarmasin. Employing a quantitative approach based on Partial Least Squares Structural Equation Modeling, data was collected through surveys using questionnaires developed from pertinent literature and validated instruments involving 100 individual investors in Banjarmasin who participated voluntarily as respondents. The study's findings reveal that financial literacy and self-monitoring significantly impact individual investment decisions, offering critical insights for developing more effective financial education and supportive investment policies applicable in Banjarmasin and globally. Despite limitations in generalizing to a specific sample, this research contributes to a literature that remains sparse in the context of local investors, advocating for further longitudinal, comparative, and technologically enhanced studies in financial literacy and investment decision-making.

Table 1

Review Matrix of International Context

Scholars	Finding
Thomas and Subhashree (2020)	Financialknowledge, financial attitude, family influence, and peer-group pressure influenced the level of financial literacy among engineering undergraduate students.
Banagan, Vergara and Bueno (2021)	Financialknowledge aided participants in making sound economic decisions.
Iram, Bilal and Ahmad (2023)	Financial literacy plays an essential intervening role between the overconfidence heuristic, availability heuristic, and investment decision-making.
Ashfaq, Shafique andSelezneva (2024)	The students' financial literacy positively impacts their cognitive biases within the investment process.
Geenen andVerhoeven (2023)	Financial literacy is positively correlated with the investment decisions of the social media influencers and factors play a vital role in deciding the avenue of investment.
Bustani (2024)	Financial significantly impact individual investment decisions, offering critical insights for developing more effective financial education and supportive investment policies.

2.3.2 National Contexts

Thapa and Nepal (2015) had conducted a study aim to assess the status of financial literacy among the college students and the financial knowledge of college students based on their demographic, educational and personality characteristics. This study surveys 436 college students to examine their financial literacy; the impact of demographic, educational and personality characteristics on financial literacy. Mean, ANOVA and logistic regression were used in carrying out analysis. Results show that most of the students have a basic level of financial knowledge, but they lack an understanding of credit, taxes, share market, financial statement and insurance. Students are highly influenced by their parents at home, and they have a positive attitude towards savings. The study further identified income, age, stream of education, types of college, and attitude of students as determinants of financial knowledge; and financial knowledge is unaffected by gender, university affiliation, financial behavior and influence. It is concluded that college students have basic level of financial knowledge. However, overall financial knowledge of the students is affected by some of their demographic, educational and personality characteristics.

Oli (2018) in the study examined the impact of financial literacy on personal financial planning of Nepalese individuals. Personal financial planning encompasses cash planning, insurance planning, investment planning and retirement planning. The primary data was collected from 700 Nepalese of 7 provinces by using a set of structured closed-end questionnaire. The study associated personal financial planning efforts with three major measures: knowledge, awareness and attitude towards financial planning decision, factor influencing other aspects of personal financial planning. The results showed that personal financial planning is influenced by the level of financial awareness and individual financial planning attitude. The result also reveals that demographic factors such as marital status, education level, income level, age, profession, and gender have little impact but not significant. The general final financial investment alternatives are popular in comparison to modern financial assets in Nepal. The level of individual awareness is increasing regarding insurance, investment, cash management and retirement plans for financial security in the future but not enough as it should have.

The study by Khanal, Thapa and Nepal (2022) focused on analyze the determinants of financial planning of business graduates in Nepal. It examined the impact of financial attitude, financial awareness and financial knowledge on financial planning in the presence of gender, monthly income, family type, and marital status as control variables. A full-fledged questionnaire was used in the survey among 227 business graduates through email. Hierarchical multiple regression was used for the causal analysis. The findings revealed that financial attitude and financial awareness have significant impact on personal financial planning while financial knowledge does not. But surprisingly, none of the control variables were found significant in influencing personal financial planning. Hence, attitude and awareness towards the monetary aspects of life of business graduates are major determinants of their personal financial planning in Nepal.

The study by Subedi (2023) examines the role of financial literacy on the investment decisions of investors in the Nepalese share market. Financial literacy is expressed in personal saving, risk tolerance, investment options, and financial knowledge. The data were collected through a structured questionnaire using the convenience sampling method from 384 respondents of Kathmandu Valley. Pearson correlation and multiple regression analysis have been used to analyze data. The study results revealed a positive and significant relationship between the dimensions of financial literacy and investment decisions in the Nepalese share market. Low financial literacy and lack of financial information affect the ability to save and make sound financial decisions. Ignorance of basic financial concepts results in negative behavior in saving and investment decisions. The study suggests conducting financial education programs to help improve investors' savings and financial decisions.

Khadka (2023) by this study examines the variables influencing individual investors' decisions to make investments in the fast-paced financial landscape of Nepal. Two main goals were investigated: first, the relationship between financial literacy, investment decisions, and economic independence was explored; second, the effects of these aspects were examined in detail. The results show a robust positive association between financial literacy and wise decision-making, as well as between investment decisions and economic independence. Its importance was highlighted when it was found that economic independence strongly predicted investment decisions. Furthermore, financial literacy was shown to be an essential aspect impacting investing preferences. These findings underscore the significance of financial education and empowerment for individual investors in Nepal. Prospective avenues for investigation comprise delving into cultural impacts, evaluating the effectiveness of financial literacy initiatives, and examining the effects of nascent FinTech platforms on investing choices. This research adds to our understanding of the dynamics of investments in Nepal's changing financial system and provides valuable information for policymakers and investors.

Kharel et al., (2024) on the study aims to examine the degree of financial literacy and practices of financial knowledge among MBA students in Nepal. The descriptive and analytical research approach was applied to analyze the data. Data were collected through questionnaires from 320 students by using convenience and stratified sampling methods. The results highlight the complex interplay of factors influencing financial behavior and literacy among MBA students, emphasizing the importance of education, familial influence, and media exposure in shaping financial attitudes and decision-making. The study delves into several key aspects of financial behavior, influence, attitude, literacy, and knowledge sources among MBA students. Notably, respondents displayed positive financial behaviors such as reading for knowledge enhancement and prudent spending practices. The study shows how education, family influence, and media exposure affect MBA student's financial think, how people handle finance, like their education and where they get information from. This is seen as reflected in financial literacy scores ranging from 1.43 to 3.86, with an average of 2.405 and a standard deviation of 0.449, suggesting below-average scores and reduced unpredictability.

Table 2

Review Matrix of National Context

Scholars	Finding
Thapa and Nepal (2015)	Most of the students have a basic level of financial knowledge, but they lack an understanding of credit, taxes, share market, financial statement and insurance.
Oli (2018)	Personal financial planning is influenced by the level of financial awareness and individual financial planning attitude.
Khanal, Thapa and Nepal (2022)	Financial attitude and financial awareness have significant impact on personal financial planning while financial knowledge does not.
Subedi (2023)	There was positive and significant relationship between the dimensions of financial literacy and investment decisions in the Nepalese share market.
Khadka (2023)	There was positive association between financial literacy and wise decision-making, as well as between investment decisions and economic independence.
Kharel et al., (2024)	There was complex interplay of factors influencing financial behavior and literacy among MBA students, emphasizing the importance of education, familial influence, and media exposure in shaping financial attitudes and decision-making.

2.4 Research Gap

Existing studies examine financial knowledge, attitudes, heuristic behaviors, and cognitive biases, but little research explores how these factors collectively influence investment decisions, highlighting the need for integrative research. Geenen and Verhoeven (2023), and Bustani (2024) found financial literacy impacts investment decisions among social media influencers and local investors, but gaps remain in understanding its specific role in Nepal. Thapa and Nepal (2015) identified basic financial knowledge gaps among students, while Oli (2018) noted that financial awareness and attitudes influence financial planning more than demographics. Khanal et al. (2022) found that financial attitude affects planning, but knowledge does not. Subedi (2023) showed a positive link between financial literacy and investment decisions, while Khadka (2023) and Kharel et al. (2024) highlighted the need for further research into cultural impacts, FinTech, and education. These findings suggest a need for more comprehensive studies on financial literacy's nuanced effects on investment decisions in Nepal.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research Design

The aim of the study is to examine the role of financial literacy on the investment decision of the person, so the study uses correlational as well as descriptive research design using quantitative method. The rational of using correlational research design is that in the study, the relation among financial knowledge, financial attitude and financial behaviour as well as the relation between these variables with investment decisions. The study also likes the different aspects of financial literacy with investment decision so descriptive research design is used. Using descriptive research design, the financial literacy level of the investor is explain using their level of financial knowledge, financial attitude and financial behaviour. The study used a primary data collection source for the collection of the data using a survey method. For the data analysis both descriptive statistics are used for the summarization of data and for hypothesis testing inferential statistics are used.

3.2 Population, Sample and Sampling Design

For the study, all the people who made investment in different financial products and real states and living in Kathmandu districts was the population of the study. There was no proper record about the number of investors living in Kathmandu, so the population was treated as infinite. For the calculation of sample size, 5% of the error (e=0.05) will be assumed and maximum variance (P=0.5) will be assumed. For the calculation of minimum sample size Cochran's sample size formula is used.

$$\text{Minimum sample size (n)} = \frac{\left(Z^2\, P(1-P)\right)}{e^2}$$

$$= \frac{1.96^2\ x\ 0.5x0.5}{0.05^2}$$

$$=384.16 = 385$$

In the study, 400 respondents are selected using non-probability sampling method which is more than theoretical minimum sample size (385 respondents). Therefore, easy calculation, selection of 400 respondents represent the population of the study. Under non-probability sampling method convenience sampling method. At first, researchers identify the investors by contacting brokers and requesting them provide some information about investors. Some of the investors known by researchers were also taken as samples. In the study, individual investors were considered as sample units.

3.3 Nature and Sources of Data Collection

In the study, all the demographic information of the respondents was qualitative in nature. The data related to knowledge about financial products was developed in “yes” and “no’ scale which are also qualitative in nature, the questions related to financial behaviour and financial attitude are developed in 4-point Likert scale. The data related to investment decisions also was measured in the Likert scale. For the data collection primary data collection sources were used.

3.4 Instruments of Data Collection

In the study, a survey was conducted using a questionnaire. The questionnaire consists of demographic information, financial knowledge, financial behaviour, financial attitude and investment decision. In financial knowledge, 10 yes-no objectives questions related to respondents' knowledge about shares, debenture, bond, insurance, bank’s saving, mutual fund was developed. The statement related to financial behaviour and financial attitude were adopted from the study by Thapa and Nepal (2021), and Thapa and Khanal (2022) which are developed in 4-point Likert scales where 1 refer to not at all true for me, 2 refer to somewhat not true for me, 3 refer to somewhat true for me and 4 refer to very true for me. Similarly, the statement related to investment decision was developed in 5-point Likert scale where 1 refer to strongly agree to 5 refer to strongly disagree.

3.5 Reliability and Validity of Data

For the reliability test, Cronbach’s Alpha test was conducted for testing on internal consistency of instrument. Cronbach’s Alpha of financial knowledge, financial attitude and financial behaviour was calculated separately and by combining all these variable overall tests of financial literacy were also conducted. Cronbavh’s Alpha of investment decision was also check.

Table 3

Cronbach's Alpha

Variables	Items	Value	Results
Financial Knowledge	10	0.812	Highly reliable
Financial Behaviour	10	0.728	Reliable
Financial attitude	11	0.721	Reliable
Financial literacy	31	0.791	Reliable
Investment decision	10	0.601	reliable

The data in Table 1 shows that the reliability test value (Cronbach's alpha) of financial knowledge, financial behavior and financial attitude were able 0.6 indicating that the scale are reliable. The reliability of overall scale of financial literacy was 0.791 indicating that the scale was reliable for data collection. Similarly, the Cronbach's Alpha of investment was 0.601 indicating that it was also reliable measurement of investment decision.

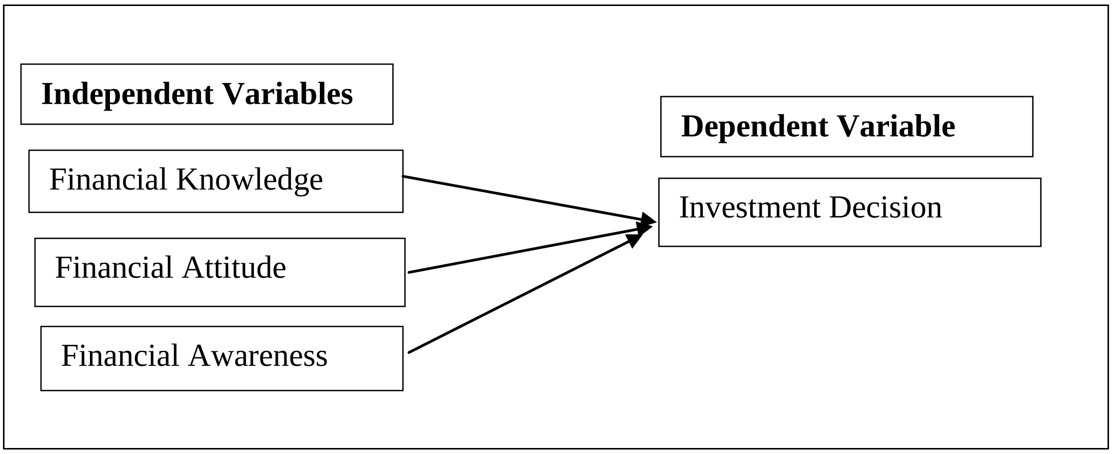
For validity of the instruments, content validity was used. For content validity, at first questions related to financial knowledge, financial behabiour and financial attitude was developed. After initial development of questions researcher met supervisor and two experts of finance for their suggestion and recommendation. Questions were finalized with their suggestion.

3.6 Methods of Analysis

In the study, descriptive statistics are used for the summarization of the data. Under descriptive statistics tabulation, mean, standard deviation and correlation were used. The statistical package SPSS 27 was used for the calculation. For calculation of financial literacy level equal weighted of 1 for right response was used. All the points for the right answer to 10 questions were added and a sum is used for financial knowledge. For calculation of financial behavior, the response of all 10 questions was added and final value was derived by dividing the number of items. Similarly, the same process was followed for calculation of financial attitude. The same process is followed. The scale of investment decision was 5 Point-Likert scale and for calculation of final value, average value was calculated considering scores of all the items included.

3.7 Research Framework and Definition of Variables

The aim of the study is to examine financial literacy and its role in investment decisions. Financial literacy was identified as a positively influenced variable on the investment decision and financial literacy are determine by the knowledge about financial products and it assess, knowledge about investment options, money management skill and financial skills which are independent variables of the study. All these dimensions of financial literacy contribute to the investment decision to the investor. All these connections of variables are shown in figure 1 below:



Source: adopted from Thomas and Subhashree, 2020; Oli, 2018

Figure 1. Research Framework of the Study

The review from the literature shows that there is a positive relation between knowledge about financial products and investment decisions and vice versa. Similarly, these statistics also show that there is a positive relation between assessment of financial products and investment decision. Likewise, there is also a direct positive relation between knowledge about investment options and investment decisions. The literature review also reveals that there is also a direct relation between money management and investment decisions. There is also a positive relation between the financial skill of investors and investment decisions. Since knowledge about financial products and it assess, knowledge about investment options, money management skill and financial skills are the part of financial literacy so financial literacy also has positive relation with investment decision.

Following is the operation definition of the study:

Financial Literacy: In this study, financial literacy is the combination of consumers'/investors' understanding of financial products and concepts and their ability and confidence to appreciate financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being OECD (2005) adopted from (Kumari, 2020).

Financial Knowledge: In the study, Financial knowledge refers to Understanding different categories of financial products such as savings accounts, checking accounts, credit cards, loans (personal, auto, mortgage), investment products (stocks, bonds, mutual funds), insurance products (health, life, property) (Thomas & Subhashree, 2020).

Financial Attitude: In the study, financial attitude reflects an individual's beliefs and behaviors towards money management. It includes views on spending, saving, investing, and handling debt. A positive financial attitude often involves budgeting, setting financial goals, and prioritizing long-term stability over short-term gratification (Thapa & Nepal, 2021).

Financial Awareness: In the study, financial awareness is the understanding of one's financial situation, including income, expenses, savings, investments, and debts. It involves being mindful of financial habits, knowing how to budget effectively, and making informed decisions (Thapa & Nepal, 2021).

CHAPTER IV

RESULTS AND DISCUSSION

In this chapter, the collected data are presented in results section and based on this finding argument was written comparing with finding of other scholars. At first, the demographic information of the study was present followed by financial knowledge, financial attitude, financial behaviours and investment decision. In this chapter the correlation was also present along with p-values. In last part, the discussion based on finding was present.

4.1 Demographic Information

In this study, the demographic variables namely, gender, age group, level of education, study faculty and income level were present.

4.1.1 Gender of the Respondents

In this study the gender of the respondents was categorized into male, female and other but none of the respondents are in other. Following table 4 shows the distribution of respondents based on gender:

Table 4

Gender of Respondents

Gender of Respondents	Respondents	Percent (%)
Female	200	50.00
Male	200	50.00
Total	400	100.00

Source: Field Survey, 2024

The data in table shows that 50% of the respondents were female and 50% of the respondents were male. So, in this study equal number of respondents are male and female.

4.1.2 Age Group

In the study, age group of the respondents were categorized under 20, 20 to 30, 30 to 40, 40 and more. Following table 5 shows the distribution of age category of the respondents:

Table 5

Age of the Respondents

Age category (in year)	Respondents	Percent (%)
Under 20	19	4.75
20 to 30	203	50.75
30 to 40	104	26.00
40 and more	74	18.50
Total	400	100.00

Source: Field Survey, 2024

The data in table shows that majority (50.75%) of the respondents were aged between 20 to 30 years followed by 26%, 18.50% and 4.75% were aged between 30 to 40 years, 40 and more years, and under 25 years respectively.

4.1.3 Education of Respondents

In this study, the level of education was categorized into Under SLC/SEE, SLC/SEE, plus 2, bachelor, master and above master. Following Table 6 shows that distribution of respondents based on level of education:

Table 6

Level of Education

Education level	Respondents	Percent (%)
SLC/SEE	24	6.00
Plus 2	78	19.5
Bachelor	155	38.75
Master	122	30.5
Above master	21	5.25
Total	400	100.00

Source: Field Survey, 2024

The data in Table 6 shows that 38.75% of the respondents studied up to bachelor level, 30.5% of the respondents studied up to master level, 19.5% of the respondents studied up to plus 2 level, 6% of the respondents studied up to SLC/SEE and 5.25% of the respondents studied above master level. Thus, in the study majority of the respondent study either bachelor or master level.

Following table shows the study faculty of the respondents:

Table 7

Study Faculty of Respondents

Study Faculty	Respondents	Percent (%)
Humanities and Social Sciences	42	10.50
Management	280	70.00
Science	36	9.00
Other	42	10.50
Total	400	100.00

Source: Field Survey, 2024

The data in Table 7 shows that the study faculty of majority (70%) of the respondents was management followed bystudy faculty of 10.5% of the respondents was humanities and social sciences and other faculty respectively. The table 5 also shows that study faculty of 9% of the respondents was science.

4.1.4 Income of Respondents

In the study, income of the respondents was categorized into under Rs. 20000, Rs. 20000 to Rs. 40000, Rs. 40000 to Rs. 60000, Rs. 60000 to Rs. 80000, Rs. 80000 to Rs. 100000, and Rs. 100000 and more. Following table 8 shows the distribution of respondents based on income:

Table 8

Income Level of Respondents

Income level in Rs. (“000”)	Respondents	Percent (%)
Under 20	18	4.50
20 to 40	66	16.50
40 to 60	127	31.75
60 to 80	28	7.00
80 to 100	86	21.50
100 and more	75	18.75
Total	400	100.00

Source: Field Survey, 2024

The data in Table 8 shows that 31.75% of the respondents had monthly income of $s. 40 to Rs. 60 thousand, 21.5% of the respondents had monthly income of Rs. 80 to Rs. 100 thousand, 18.75% of the respondents had monthly income of Rs. 100 and above thousand, 16.50% of the respondents had monthly income of Rs. 20 to Rs. 40 thousand and 7% of the respondents had monthly income of Rs. 60 to Rs. 80 thousand.

4.2 Financial Knowledge

Financial knowledge is understanding how money works, including budgeting, saving, investing, and debt management. It involves making informed decisions about income, expenses, and long-term goals. Having financial knowledge empowers individuals to achieve financial stability and security. In this study the statement related to knowledge about shares, T-bills, mutual fund, interest rate, FPOs were asked to the respondent and the response was present in table 9 below:

Table 9

Financial Knowledge

Statements	Current answer	Percent (%)
Bank interest rates are different in different account types but remain same throughout a fiscal year in any situation.	248	62
Debentures issued in Nepal are normally mature in a year.	284	71
T-bills/notes are issued by private organizations.	324	81
Equity shares of companies are debt financial instruments.	235	58.75
The maturity of certificate of deposit is normally more than a year.	77	19.25
FPOs are traded in primary markets.	131	32.75
Shares are money market securities.	221	55.25
Mutual funds shares are issued by insurance companies.	187	46.75
T-bills are issued at a discount rate.	325	81.25
Insurance companies are non-depositary financial institutions.	346	86.5

Source: Field Survey, 2024

The data from Table 9 provides insights into the respondents' understanding of various financial concepts and instruments. It reveals that 62% of respondents correctly answer (say no) about bank interest rates differ across account types but remain unchanged throughout the fiscal year, a common misconception. A more accurate understanding is shown by 71% of respondents correctly response (No), who know that debentures issued in Nepal typically mature more than a year. However, 81% incorrectly think that T-bills and notes are issued by private organizations, while in reality, they are issued by the government.

Regarding equity shares, 58.75% of respondents'response corrected answer (say no) as in the statement identify them as debt financial instruments, when they are, in fact, equity-based. There is also limited awareness about certificates of deposit, as only 19.25% of respondents correctly understand that they generally have a maturity period less than one year. Additionally, only 32.75% of respondents know that FPOs are traded in primary markets, and 55.25% respond correctly from incorrected statement related to shares are money market securities but shares belong to the capital market security.

Further, 46.75% of respondents responds correctly from incorrectly assume that mutual fund shares are issued by insurance companies, showing confusion between different financial products. On a more positive note, 81.25% correctly understand that T-bills are issued at a discount rate. Lastly, 86.5% of respondents correctly recognize that insurance companies are non-depository financial institutions, reflecting a clearer understanding in this area.Overall, the table highlights several misconceptions and gaps in financial knowledge among the respondents.

The Table 8 highlights variations in financial knowledge across gender, education, and income levels. Overall, the mean financial knowledge score is 5.95, with a standard deviation of 1.92, indicating moderate variability. Among genders, females exhibit a higher mean score of 6.47 compared to males at 5.42. While female respondents show a more pronounced left skew (-0.937), indicating more respondents scoring higher than the average, male responses are almost symmetrically distributed. The p-value of t-test in Table 9 sows that the different was significant with female have more financial knowledge than male.

In terms of academic disciplines (Table 8), those in the management field have the highest mean financial knowledge score of 7.29, followed by science with a mean of 6.58. Respondents from Humanities and Social Sciences show a lower mean score of 5.58, while those in the other category score 6.52. The p-value in table 9 shows that there was significant different in financial knowledge among different faculty.

Following table shows the descriptive statistics related to financial knowledge:

Table 10

Descriptive Statistics of Financial Knowledge

category	Mean	Standard Deviation	Skewness	Kurtosis
Overall	5.95	1.92	-0.477	-0.906
Female	6.47	1.71	-0.937	0.088
Male	5.42	1.99	-0.068	-1.160
Humanities and social sciences	5.58	0.891	0.257	-0.564
Management	7.29	2.01	-0.192	-1.16
Science	6.58	1.75	-0.948	-0.437
Other	6.52	1.27	-0.726	-0.357
Under Rs. 20,000	4.00	1.333	-0.847	-1.190
Rs. 20,000 to Rs. 40,000	5.71	2.10	-0.446	-1.10
Rs. 40000 to Rs. 60000	5.62	1.82	0.660	0.080
Rs. 60000 to Rs.80000	6.14	1.99	-0.423	-1.02
Rs. 80000 to Rs. 100000	6.85	1.29	-1.50	1.23
Above Rs. 100000	6.05	1.91	-0.669	-0.916

Source: Field Survey, 2024

From monthly income point of view, financial knowledge generally increases with higher income levels. Respondents earning less than Rs. 20,000 have a mean score of 4.00, with a skew towards lower scores, while those earning between Rs. 80,000 and Rs. 100,000 exhibit the highest mean score of 6.85, although their responses are heavily left-skewed (-1.50), indicating that most scores are concentrated on the higher side. The group earning above Rs. 100,000 has a mean score of 6.05, showing moderate left skewness (-0.669). The p-value in table 9 shows that there are significant different among study faculty of respondents.

This analysis reflects that financial knowledge improves with both higher education and income, while gender-based differences also suggest females have a slightly better understanding of financial concepts.

Table 11

Test of Significant Different of Financial Knowledge

Independent variable	Test statistics	value	p-value	result
Gender	t-test	5.69	<0.001	Significant
Study faculty	One-way ANOVA	14.1	<0.001	Significant
Monthly income	One-way ANOVA	6.52	<0.001	Significant

4.3 Financial Attitude

In the study, statements reflect a positive financial attitude was asked to the respondents, characterized by a sense of control, capability, and future-oriented thinking. The individual believes they can effectively manage their finances, achieve their goals, and make informed decisions about credit and insurance. They prioritize saving and understand the importance of life insurance. Additionally, they show interest in financial matters and enjoy discussing them with others.

The data in Table 12 reflects respondents' financial attitudes, covering aspects like control over their situation, the use of income for goals, and attitudes toward saving and financial planning. According to table, most respondents' express confidence in their financial management, as seen in the high percentage of agreement and strong agreement with statements such as feeling capable of using income to achieve goals because 29% of the respondents express agree and 11.75% are strongly agree on the statement with the mean and standard deviation of 3.19 and 1.12 respectively.

The table also reveal that 28.75% were agreed and highest (42.5%) percent express strongly agree on giving importance to saving money with the mean and standard deviation of 3.94 and 1.20 respectively. There is also a strong sense of agreement on life insurance being important for protecting loved ones, with 44.5% strongly agreeing with average value of 3.93 and standard deviation of 1.24. Second highest (32.5%) of the respondent had express their agree and 12.75% were strongly agree on the statement of “I feel capable of handling my financial future” with average value and standard deviation of 3.28 and 1.12 respectively.

Following Table 12 shows the respondents response related to financial attitude:

Table 12

Financial Attitude of Respondents

S. N.	Statement		SD	D	N	A	SA
1	I feel in control of my situation.	F	41	19	81	87	172
		P	10.25	4.75	20.25	21.75	43
2	I feel capable of using my income to achieve my goals.	F	41	51	145	116	47
		P	10.25	12.75	36.25	29	11.75
3	I feel credit cards are safe and risk free.	F	23	89	179	82	27
		P	5.75	22.25	44.75	20.5	6.75
4	I feel capable of handling my financial future (e.g. buying insurance).	F	40	41	138	130	51
		P	10	10.25	34.5	32.5	12.75
5	I give importance to saving money from my monthly income.	F	25	29	61	115	170
		P	6.25	7.25	15.25	28.75	42.5
6	I feel having life insurance is an important way to protect loved ones.	F	22	49	43	108	178
		P	5.5	12.25	10.75	27	44.5
7	I enjoy thinking about and have interest in reading about money management.	F	46	25	62	89	178
		P	11.5	6.25	15.5	22.25	44.5
8	I enjoy talking to my peers about money-related issues (i.e. taxes).	F	45	45	74	81	155
		P	11.25	11.25	18.5	20.25	38.75

Source: Field Survey, 2024; “F” refers to frequency and “P” refer to percent

However, attitudes toward credit cards are more neutral or cautious. Only 6.75% strongly agree that credit cards are safe and risk-free, with the majority (44.75%) remaining neutral with mean and standard deviation of 3.00 and 0.964 respectively. Similarly, while many respondents enjoy learning about money management (44.5% strongly agree), fewer (38.75%) strongly agree that they enjoy discussing money-related issues with peers with mean and standard deviation of 3.82 and 1.36 respectively.

Table 13

Descriptive Statistics of Financial Attitude

S. N.	Statement	Mean	St. Dev
1	I feel in control of my situation.	3.83	1.31
2	I feel capable of using my income to achieve my goals.	3.19	1.12
3	I feel credit cards are safe and risk free.	3.00	0.964
4	I feel capable of handling my financial future (e.g. buying insurance).	3.28	1.12
5	I give importance to saving money from my monthly income.	3.94	1.20
6	I feel having life insurance is an important way to protect loved ones.	3.93	1.24
7	I enjoy thinking about and have interest in reading about money management.	3.82	1.36
8	I enjoy talking to my peers about money-related issues (i.e. taxes).	3.64	1.38
Overall			

Source: Field Survey, 2024

The data in Table 13 also reflect that 38.75% of respondents had strongly agree and 20.25% had express agree on the statement of "I enjoy talking to my peers about money-related issues (i.e. taxes)" with mean and standard deviation of 3.64 and 1.38 respectively (table 11). This suggests that while people are generally comfortable with their personal financial planning, there is more hesitancy around discussing financial matters socially or using credit cards.

Following Table 14 shows the test of significant difference of financial attitude based on gender, study faculty and monthly income of respondents:

Table 14

Test of Significant Difference of Financial Attitude based on Gender, Study Faculty and Income

Category	Mean	S.D.	test statistics	Value	p-value	Results
Female	3.89	1.04	t-test	6.66	<0.001	Significant
Male	3.26	0.855				
Humanities and social sciences	3.80	0.867	One-way ANOVA	7.72	<0.001	Significant
Management	3.49	1.028				
Science	4.08	0.744				
Other	3.46	1.01				
Under Rs. 20,000	3.33	0.724	One-way ANOVA	1.96	0.093	Insignificant
Rs. 20,000 to Rs. 40,000	3.49	0.958				
Rs. 40000 to Rs. 60000	3.36	0.580				
Rs. 60000 to Rs.80000	3.68	0.989				
Rs. 80000 to Rs. 100000	3.48	0.798				
Above Rs. 100000	3.68	1.133				

The data in Table 14 shows that the mean of financial attitude of female was 3.89 with standard deviation of 1.04 and male respondents was 3.26 with standard deviation of 0.855. the data shows that financial attitude of female was more than male and p-value (<0.001) also reflect the significant different between them. Similarly, mean of financial attitude of respondents who study humanities and social sciences was 3.80 with standard deviation of 0.867, who study management was 3.49 with standard deviation of 1.028, who studied science was 4.08 with standard deviation of 0.744 and who study other subject was 3.46 with standard deviation of 1.01. The data shows that there is difference in financial attitude of respondents who are from different faculties and p-value (<0.001) also reflect the significant different between them.

The data in Table 14 also reflect the slightly difference in financial attitude to among different income group i.e. range from 3.33 to 3.68 but p-value (0.097) shows that these differences are not significant.

4.4 Financial Awareness

In the study, financial awareness involves understanding various investment options such as bank saving accounts for secure deposits, debentures/bonds for fixed income, equity shares for ownership in companies, government securities for low-risk investments, and derivative products for hedging risks. Mutual funds diversify portfolios, life insurance provides protection, and currency markets involve trading foreign currencies. Following Table 13 shows the response of respondents about financial awareness about different financial assets available in market:

Table 15

Financial Awareness among Respondents

S. N.	Statement		CU	SNA	N	SA	CA
1	Bank saving accounts	F	36	14	64	42	244
		P	9	3.5	16	10.5	61
2	Debenture/bonds	F	33	64	76	65	162
		P	8.25	16	19	16.25	40.5
3	Equity shares	F	31	54	76	63	176
		P	7.75	13.5	19	15.75	44
4	Government securities	F	25	57	86	59	173
		P	6.25	14.25	21.5	14.75	43.25
5	Derivative product	F	102	88	128	50	32
		P	25.5	22	32	12.5	8
6	Mutual funds	F	21	54	79	114	132
		P	5.25	13.5	19.75	28.5	33
7	Life Insurance	F	15	44	49	72	220
		P	3.75	11	12.25	18	55
8	Currency Market	F	100	75	77	74	74
		P	25	18.75	19.25	18.5	18.5

Source: Field Survey, 2024;

The Table 15 highlights varying levels of financial awareness among respondents for different financial instruments. The table shows that majority of respondents were highly aware of bank savings accounts, with 61% being completely aware, and only 9% completely unaware with the mean and standard deviation of 4.11 and 1.31 respectively. In case of life insurance also has strong awareness, with 55.5% completely were aware and just 10.5% completely unaware with mean and standard deviation of 4.09 and 1.20 respectively (table 14). Thus, respondents were aware about these financial instruments.

In contrast, awareness of more complex financial products like equity shares and derivatives was much lower. For equity shares, 31.5% were completely unaware, and only 20.5% were completely aware with mean and standard deviation of 3.75 and 1.36 respectively. Similarly, in case of derivative products, 25.5% of respondents were completely unaware and just 32% completely aware, while a large percentage (31.5%) remain neutral with mean and standard deviation of 2.56 and 1.22 respectively (table 14).

The table also shows that for debentures/bonds, 40.5% of respondents were completely aware, though there is still a noticeable level of unawareness, with 16% slightly unaware and 8.25% completely unaware with mean and standard deviation of 3.65 and 1.36 respectively. Government securities were better understood, with 43.25% completely aware, though a significant proportion (21.5%) were neutral with mean and standard deviation of 3.75 and 1.31 respectively.

When it comes to mutual funds, 33% of respondents were completely aware, but 21% remain completely unaware with mean and standard deviation of 3.71 and 1.21 respectively (Table 14). Lastly, awareness of the currency market was relatively low, with 25% completely unaware and only 18.5% completely were aware, reflecting uncertainty or unfamiliarity with this financial sector with mean and standard deviation of 2.87 and 1.45 respectively.

This data suggests that while respondents were generally familiar with basic financial products like bank accounts and life insurance, more specialized and complex financial instruments like derivatives and currency markets see lower levels of awareness.

Table 16

Descriptive Statistics of Financial Awareness among Respondents

s.no.	Financial Instrument	Mean	St. Dev.
1	Bank saving accounts	4.11	1.31
2	debenture/bonds	3.65	1.36
3	Equity shares	3.75	1.34
4	Government securities	3.75	1.31
5	Derivative product	2.56	1.22
6	Mutual funds	3.71	1.21
7	Life insurance	4.09	1.20
8	Currency market	2.87	1.45

Following Table 16 shows the significant different of financial awareness based on sex, study faculty and monthly income of the respondents:

Table 17

Test of Significant Difference of Financial Awareness based on Gender, Study Faculty and Income

Category	Mean	S.D.	test statistics	Value	p-value	Results
Female	3.78	0.931	t-test	4.48	<0.001	Significant
Male	3.33	1.07				
Humanities and social sciences	3.78	0.868	One-way ANOVA	5.78	0.001	Significant
Management	3.45	1.080				
Science	3.74	0.927				
Other	3.94	0.723				
Under Rs. 20,000	3.81	1.086	One-way ANOVA	5.36	<0.001	Significant
Rs. 20,000 to Rs. 40,000	3.33	0.965				
Rs. 40000 to Rs. 60000	3.22	0.561				
Rs. 60000 to Rs.80000	4.05	1.013				
Rs. 80000 to Rs. 100000	3.41	0.972				
Above Rs. 100000	3.68	1.099				

The data in Table 17 shows that the mean of financial awareness of female was 3.78 with standard deviation of 0.931 and male respondents was 3.33 with standard deviation of 1.07. The data shows that financial awareness of female was more than male and p-value (<0.001) also reflect the significant different between them. Similarly, mean of financial awareness of respondents who study humanities and social sciences was 3.78 with standard deviation of 0.868, who study management was 3.45 with standard deviation of 1.080, who studied science was 3.94 with standard deviation of 0.723 and who study other subject was 3.74 with standard deviation of 0.927. The data shows that there is difference in financial awareness of respondents who are from different faculties and p-value (0.001) also reflect the significant different between them.

The data in Table 15 also reflect the slightly difference in financial awareness to among different income group i.e. range from 3.22 to 4.05 and p-value (<0.001) shows that these differences were significant.

4.5 Investment Decision

In the study investment decision was analysis based on investment decision related to purchase of IPOs and FPOs, buying and selling financial securities, buy and hold securities for a long time, normally do not buy financial securities rather to increase saving (reverse scale), buying financial securities of different companies by analyzing their risk.

The data in Table 18 shows the investment decisions of respondents, indicating a strong inclination toward active participation in various financial markets. A significant majority (90%) invest in IPOs and FPOs, and 79.25% are engaged in buying and selling financial securities in the secondary market. Additionally, long-term investment strategies are prevalent, with 80.5% of respondents planning to buy and hold securities for an extended period. In contrast, 64.75% of respondents prefer to increase their savings rather than buying financial securities, highlighting a balance between riskier investments and safer savings approaches. Moreover, a substantial 84% of respondents make investment decisions by analyzing the risk of financial securities from different companies, demonstrating a thoughtful and risk-conscious approach to their investment strategies. Overall, the data suggests a strong awareness and active involvement in financial markets among the respondents, with a focus on both immediate trading opportunities and long-term financial planning.

Following table shows the descriptive statistics of investment decision of the respondents:

Table 18

Investment Decision

S. N.	Statement	Yes		No	
		Frequency	Percent	Frequency	Percent
1	I have investment in IPOs and FPOs.	360	90	40	10
2	I buy and sell financial securities in secondary market	317	79.25	83	20.75
3	I plan to buy and hold securities for a long time.	322	80.5	78	19.5
4	I normally do not buy financial securities rather to increase saving	259	64.75	141	35.25
5	I buy financial securities of different companies by analyzing their risk.	336	84	64	16

Source: Field Survey, 2024

The data in Table 18 shows that the mean of investment decision of female was 3.81 with standard deviation of 0.886 and male respondents was 3.56 with standard deviation of 0.995. The data shows that investment decision of female was more than male and p-value (<0.001) also reflect the significant different between them. Similarly, mean of investment decision of respondents who study humanities and social sciences was 3.98 with standard deviation of 0.604, who study management was 3.72 with standard deviation of 0.921, who studied science was 3.33 with standard deviation of 1.391 and who study other subject was 3.56 with standard deviation of 0.862. The data shows that there is difference in investment decision of respondents who are from different faculties and p-value (0.010) also reflect the significant different between them.

Following table shows the descriptive statistics of investment decision based on gender, study faculty and monthly income of the respondents:

Table 19

Descriptive Statistics of Investment Decisions and Test of Significant Difference

category	Mean	S.D.	test statistics	Value	p-value	Results
Overall	3.69	0.949				
Female	3.81	0.886	t-test	2.65	0.008	Significant
Male	3.56	0.995				
Humanities and social sciences	3.06	1.259				
Management	3.72	0.921	One-way ANOVA	4.03	0.010	Significant
Science	3.33	1.391				
Other	3.56	0.862				
Under Rs. 20,000	3.06	1.259				
Rs. 20,000 to Rs. 40,000	3.38	0.843				
Rs. 40000 to Rs. 60000	3.34	1.042	One-way ANOVA	10.9	<0.001	Significant
Rs. 60000 to Rs.80000	4.14	0.356				
Rs. 80000 to Rs. 100000	3.73	0.987				
Above Rs. 100000	3.85	0.904				

The data in Table 19 also reflect the slightly difference in investment decision to among different income group i.e. range from 3.06 to 3.85 and p-value (<0.001) shows that these differences were significant.

4.6 Correlation among Variables

In this part the correlation coefficient among financial knowledge, financial attitude and financial awareness was present. Following table shows the correlation matrix of these variables:

Table 20

Correlation Matrix

		Financial knowledge	Financial attitude	Financial awareness
Financial knowledge	r	1		
	Sig.			
Financial attitude	r	0.633**	1	
	Sig.	<0.001		
Financial awareness	r	0.500**	0.782**	1
	Sig.	<0.001	<0.001	

Note: ** Significant even in 0.01

The Table 20 shows the correlation coefficients matrix among financial knowledge, financial attitude and financial awareness. According to table 16 the correlation between financial knowledge and financial attitude had moderately positive (0.633) which is statistically significant ($p < 0.001$). Similarly, correlation coefficient of financial knowledge and financial awareness was 0.500 (moderately positive) with p value less than 0.001 which indicates the significant correlation. Likewise, the correlation between financial attitude and financial awareness are strongly correlated (0.782) with p-value less than 0.001. It indicates statistically significant correlation. The table 16 shows that the significance (Sig.) values for all these relationships are below 0.001, meaning the correlations are highly statistically significant and not due to random chance.

4.7 Test of Hypothesis

In this part, all three hypotheses were tested. Following table shows the correlation coefficients of investment decision with financial knowledge, financial attitude and financial awareness:

Table 21

Test of Hypothesis

Hypothesis	Correlation	Sig.	Result
There is a positive relation between financial knowledge and investment decisions.	0.381	<0.001	Accepted
There is a positive relation between financial awareness and investment decisions.	0.192	<0.001	Accepted
There is a positive relation between financial attitude and investment decision.	0.272	<0.001	Accepted

The Table 21 shows that there was poorly positive correlation between investment decision and financial knowledge (0.381) with p-value less than 0.001 indicating that the relation was significant. This finding accepted the hypothesis one (H1) than there is a positive relation between financial knowledge and investment decisions. Similarly, there was poorly positive correlation between investment decision and financial awareness (0.192) with p-value less than 0.001 indicating that the relation was significant. This finding accepted the hypothesis two (H2) than there is a positive relation between financial awareness and investment decisions. Likewise, there was poorly positive correlation between investment decision and financial attitude (0.272) with p-value less than 0.001 indicating that the relation was significant. This finding accepted the hypothesis three (H3) than there is a positive relation between financial attitude and investment decisions.

4.8 Discussion

In the study, both male and female are equal, 50.75%) of the respondents were aged between 20 to 30 years, 38.75% of the respondents studied up to bachelor level and 30.5% of the respondents studied up to master level, 70% of the respondents' study faculty was management and 31.75% of the respondents had monthly income of Rs. 40 to Rs. 60 thousand and 21.5% of the respondents had monthly income of Rs. 80 to Rs. 100 thousand.

The study reveals critical gaps in financial knowledge, with many respondents holding misconceptions about basic financial concepts. While some demonstrate an understanding of how bank interest rates vary across account types, there is widespread confusion about government-issued securities, as many mistakenly believe that Treasury bills and notes are private sector products. Additionally, there is uncertainty in distinguishing between debt and equity instruments, with a significant portion of respondents misidentifying equity shares as debt. Awareness of lesser-known financial products, such as certificates of deposit and mutual funds, is also limited. These findings underscore the need for improved financial education to address these pervasive misunderstandings and build stronger financial literacy which are similar finding from Thapa and Nepal (2015). The study also shows that financial knowledge improves with both higher education and income, while gender-based differences also suggest females have a slightly better understanding of financial concepts which was not study by others.

The study found that respondents generally have a positive attitude toward their financial management. Many feel confident in their ability to use income for personal goals and prioritize saving, with strong agreement on the importance of financial planning which was similar to as found by Geenen and Verhoeven (2023). Life insurance is also widely recognized as an essential tool for protecting loved ones. However, attitudes toward credit cards are more cautious, with a neutral stance prevailing among many respondents (Banagan, Vergara & Bueno, 2021). While there is enthusiasm for learning about money management, fewer people actively discuss financial matters with their peers, suggesting some social hesitancy which are ignore by other.

Differences in financial attitudes are also evident across gender, with females showing a more positive attitude than males which was different from Banagan, Vergara and Bueno, (2021) and Geenen and Verhoeven, (2023) and Thomas and Subhashree (2020). Similarly, respondents from different academic backgrounds, particularly those studying science, have a more favorable outlook compared to others which was similar with the finding of Geenen and Verhoeven, (2023) and Thomas and Subhashree (2020). However, financial attitudes across income groups show minor variation, with no significant differences noted which was new for academic world. These findings highlight varying levels of comfort with financial planning and risk, shaped by both personal and academic factors.

Most participants demonstrated a strong understanding of basic products such as bank savings accounts and life insurance, with a significant proportion indicating complete awareness. However, awareness declines sharply for more complex financial products, including equity shares and derivatives, where a considerable number of respondents remain unaware or neutral. Notably, while a portion of respondents expressed familiarity with debentures and government securities, others still displayed a lack of knowledge.

Furthermore, analysis of the data reveals that financial awareness varies by gender and academic background. Females exhibited greater awareness compared to males, reflecting a statistically significant difference which was different from the finding from Thapa and Nepal (2015). Similarly, respondents from different fields of study, particularly those in science, demonstrated higher levels of financial knowledge. While differences in awareness among income groups were noted, they also proved significant. Overall, the findings highlight a need for enhanced education on more intricate financial instruments to bridge the knowledge gap.

The study found that significant majority express interest in investing in IPOs and FPOs, with a high percentage actively buying and selling financial securities in the secondary market. Long-term investment strategies are also prevalent, as many respondents plan to hold securities for an extended period. This indicates a balanced approach, where a substantial portion prefers to save rather than engage in riskier investments, illustrating a thoughtful consideration of personal financial strategies. Additionally, a large number of respondents emphasize risk analysis when making investment decisions, reflecting a cautious and informed investment mindset.

The respondents in humanities and social sciences show the highest levels of investment decisions, while those in science demonstrate comparatively lower engagement. Moreover, differences in investment decisions across income groups are present, with notable significance and similar with Thomas and Subhashree (2020). Overall, these findings underscore a general trend of increasing financial awareness and active participation in investment activities, with variations influenced by gender, academic discipline, and income level which was contradict with finding from Iram, Bilal and Ahmad (2023) but similar with finding from Geenen and Verhoeven (2023).

The study found that financial knowledge positively correlates with attitude and awareness, while attitude and awareness exhibit a strong correlation which was similar finding by Khanal, Thapa and Nepal (2022). All correlations are statistically significant, with p-values below 0.001, indicating they are unlikely to occur by chance. The hypotheses of there are a positive relation between financial knowledge, financial attitude and financial awareness with investment decisions was accepted. All these finding was similar to the finding by Bustani (2024) and Geenen and Verhoeven (2023).

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

Investment is vital for the growth and prosperity of families as well as individuals. It also increases the personal ability and skill of an investor but is only possible if the investment is effective. Financial literacy encompasses a wide range of knowledge and skills, including understanding financial products, basic numeracy, budgeting, saving, and investing. It involves being aware of financial risks and opportunities, knowing where to seek financial advice, and making informed choices. Financially literate individuals are better equipped to understand the characteristics, benefits, and risks associated with different investment options. It helps investors understand market volatility, diversification, and risk mitigation strategies, reducing the likelihood of making poor investment choices that could lead to significant losses. In this regard, the study was conducted to examine the role of financial literacy on the investment decision by the investors living in Kathmandu valley with specific objectives to examine the financial literacy among the investors living in Kathmandu valley, to assess the investment decision of the investors related to financial assets and real assets and to find the relation between financial literacy and investment decision of the investors.

The study uses correlational as well as descriptive research design using quantitative method. Using descriptive research design, the financial literacy level of the investor are explain using their level of financial knowledge, financial attitude and financial behaviour. In the study, all the people who made investment in different financial products and real states and living in Kathmandu valley was the sample of the study. In the study, 400 respondents were selected using non-probability sampling method. Under non-probability sampling method convenience sampling method. The study used a primary data collection source for the collection of the data using a survey method. For the data analysis both descriptive statistics are used for the summarization of data and for hypothesis testing inferential statistics are used.

The study included an equal number of male and female respondents, with 50.75% aged between 20 to 30 years. A majority (38.75%) had a bachelor's degree, while

30.5% held a master’s degree. Management was the main faculty for 70% of respondents. Income levels varied, with 31.75% earning Rs. 40-60 thousand monthly, and 21.5% earning Rs. 80-100 thousand. The study highlights significant gaps in financial knowledge, with many respondents confused about basic financial concepts, such as government securities and debt versus equity. Financial knowledge improved with higher education and income, while females displayed slightly better understanding than males. The study also found that most participants had positive attitudes toward financial management, though there was social hesitation in discussing financial matters. Respondents from different academic backgrounds and income groups showed varying financial attitudes and awareness. A strong interest in IPOs and long-term investments was noted, with significant differences in investment behaviors across gender, academic fields, and income levels. Overall, the study underscores the need for improved financial education.

5.2 Conclusion

Financial literacy plays vital role for financial empowerment and also for investment decision. The study concludes that financial literacy among investors in Kathmandu Valley shows significant gaps, especially in understanding complex financial concepts such as government securities and the distinction between debt and equity instruments. While most respondents demonstrate a solid grasp of basic financial products, such as bank accounts and insurance, awareness of more intricate products remains limited. Most participants showed strong knowledge of basic financial products like savings accounts and life insurance. However, awareness of complex products, such as equity shares and derivatives, was lower, with many respondents unfamiliar or neutral about debentures and government securities.

Investment decisions are cautious yet positive, with many preferring long-term strategies and careful risk assessment when engaging in financial assets. The study also reveals that financial knowledge positively correlates with investment decisions, as those with higher financial literacy make more informed and strategic investments. Differences in financial attitudes and behaviors are shaped by gender, academic background, and income level, with some groups displaying greater engagement and confidence in their financial decision-making. Overall, the findings highlight a clear link between financial literacy and investment choices, emphasizing the need for enhanced education to support better financial outcomes.

5.3 Implication

The study's findings have key implications for academics, policymakers, and investors. This research highlights the need for further exploration into the link between financial literacy and investment decisions, particularly in developing regions which are applicable for academic purpose and also helpful for theory building related to financial literacy and investment decision. The study also applicable for policymaker because policymakers should focus on designing targeted financial education programs to improve understanding of complex financial products like government securities and investment instruments. Policies promoting financial literacy, especially among underrepresented groups, can help bridge knowledge gaps.

The study also applicable for investor because the study underscores the importance of financial education in making informed decisions. Improving financial literacy can empower investors to make better long-term strategies, manage risk effectively, and enhance overall financial well-being. These implications point to the necessity of stronger financial education initiatives to foster more confident and informed investors. After this research, future research should examine the impact of demographic factors on financial literacy and investment behavior, explore gaps in complex product knowledge, and assess the effectiveness of financial education programs across different contexts and regions.

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Annex I: Questionnaire

Dear Participant,

I am URMILA PANDIT, students of Master in Business Studies. I am conducting study on Role of Role of Financial Literacy on Investment Decisions, A Study of Investors Living in Kathmandu Valley for partial fulfilment of my Master's Degree. I requested you to participate in this study by giving their expression related to financial attitude, financial awareness, financial knowledge and investment decision. You can drop this questionnaire anytime if you fill uncomfortable. Your response will be safely kept and researcher ensure your data privacy.

Faithfully yours

Urmila Pandit

Researcher

I read your concern and ready to participate in your research.

Name of Participant: ....

Signature: ....

………

Demographic Information

Name of respondent: …………………………….

Age (in year):

- ❑ under 20
- ❑ 20 to 30
- ❑ 30 to 40
- ❑ 40 and above

Gender of respondent:

- ❑ Male
- ❑ Female
- ❑ Other

Monthly family income (“000”):

- ❑ under Rs. 20
- ❑ Rs.20 to Rs.40
- ❑ Rs.40 to Rs.60
- ❑ Rs. 60 to80
- ❑ Rs.80 to 100
- ❑ above Rs.100

Level of Education:

- ❑ Under SLC
- ❑ SLC
- ❑ Plus 2
- ❑ Bachelor
- ❑ Master
- ❑ Above Master

Study Faculty (applicable only above SLC)

- ❑ Science
- ❑ Management
- ❑ Humanities and Social Sciences
- ❑ Other

Financial Knowledge related questions (tick what you think)

Statements	Yes	No
Bank interest rates are different in different account types but remain same throughout a fiscal year in any situation.		
Debentures issued in Nepal are normally mature in a year.		
T-bills/notes are issued by private organizations.		
Equity shares of companies are debt financial instruments.		
The maturity of certificate of deposit is normally more than a year.		
FPOs are traded in primary markets.		
Shares are money market securities.		
Mutual funds shares are issued by insurance companies.		
T-bills are issued at a discount rate.		
Insurance companies are non-depositary financial institutions.		

Financial Attitude related questions (tick what you think)

Please tick as your best apply where 1=strongly disagree to 5=strongly agree

s.no.	Statement	1	2	3	4	5
1	I feel in control of my situation.					
2	I feel capable of using my income to achieve my goals.					
3	I feel credit cards are safe and risk free.					
4	I feel capable of handling my financial future (e.g. buying insurance).					
5	I give importance to saving money from my monthly income.					
6	I feel having life insurance is an important way to protect loved ones.					
7	I enjoy thinking about and have interest in reading about money management.					
8	I enjoy talking to my peers about money-related issues (i.e. taxes).					

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Financial Awareness related questions (tick what best for you)

1=Completely unaware, 2=slightly not aware 3=neutral 4=slightly aware 5=completely aware

s.no.	statement	1	2	3	4	5
1	Bank saving accounts					
2	debenture/bonds					
3	Equity shares					
4	Government securities					
5	Derivative product					
6	Mutual funds					
7	Life insurance					
8	Currency market					

Investment decision related questions (tick what you think)

s.no.	Statement	Yes	No
1	I have investment in IPOs and FPOs.		
2	I buy and sell financial securities in secondary market		
3	I plan to buy and hold securities for a long time.		
4	I normally do not buy financial securities rather to increase saving		
5	I buy financial securities of different companies by analyzing their risk.		

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