

CHAPTER 1

INTRODUCTION

1.1 Background of the study

Over the last several years, the issue of financial literacy seems to have risen on the agendas of educators, community groups, businesses, government agencies, organizations, and policy makers. Well-informed, financially literate people should make better decisions for their families, increasing their economic security and well-being. Secure families are better able to contribute to vital, thriving communities, further fostering community economic development. Thus, financial literacy is not only important to the individual household and family, but also to their communities as well.

Financial literacy can be considered as ‘a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing’. Financial literacy is an important component of sound financial decision-making, and many young people wish they had more financial knowledge (Lusarsdi, Mithel and Corto, 2010).

There is the need to improve financial literacy of individuals, especially students at university level so they can have positive cash management attitudes before they enter the job market. This positive attitude will help them to practice proper personal financial management as working adults. In the course of everyday life, people make a variety of financial decisions about saving, investing and borrowing. The global marketplace is increasingly risky and is becoming more vulnerable day by day. One of its main implications include rising costs of goods and services that push people to be able to make well-informed financial decisions (Clercq and Venter, 2009).

Understanding financial literacy among young people is of critical importance for policymakers in several areas; it can aid those who wish to devise effective financial education programs targeted at young people as well as those writing legislation to protect younger consumers. Our study appears to be the very first in Ghana to contribute to literature on the predictors of financial literacy among university students. Financial literacy is a blend of financial knowledge, awareness, skills, ability, attitudes and

behaviors necessary to make prudent and reliable financial decisions to improve financial health. In today's fast-paced community, financial literacy is a fundamental skill for daily life. It means being competent to understand how money works, how to manage income and expenses, how and where to invest, manage financial risks effectively and most importantly avoid financial distress (Lusardi and Mitchell, 2011).

Learning how to manage money (money management) is just as important as getting it. This phenomenon requires individuals to be equipped with some knowledge and skills relating to personal financing, or simply financial literacy. In academia, financial literacy can be defined as one's understanding and knowledge of financial concepts. Financial literacy can have important implications for financial behavior. For instance, people with low financial literacy are more likely to have problems with debt, less likely to participate in the stock market, less likely to choose mutual funds with lower fees, less likely to accumulate and manage wealth effectively and less likely to plan for retirement' (Mandell, 2008).

Financial knowledge is the understanding of interest calculations, relationship between inflation and return, inflation and prices, risk and return, and the role of diversification in risk reduction. The financial behaviour assesses how the individual deals with money. It includes prompt payment of bills, framing proper planned budgets and monitoring it, continuous saving habits etc... Financial attitude influences the behavior of the individual. Financial attitude is the opinion of the individual about the belief in planning their propensity to save and consume. So, the combination of financial knowledge, attitude and behaviour determines the level of financial literacy of an individual.

Financial literacy is mainly concerned with better planning of retirement life, gradual wealth accumulation and better financial decision making. So to be financially literate becomes important from the initial stages of one's career. But due to some personal or professional hindrances they become financially illiterate. This leaves them with inadequate knowledge about financial dealings, inappropriate decisions etc. So, they have to be enhanced with financial knowledge and tools which are needed to make informed decisions. Financial literacy impacts the promotion of financial inclusion which ultimately results in financial stability of any economy. The need for financial literacy in India has gained importance because of low level of literacy and large section of

population which is financially excluded from the formal financial set up. In younger generations, school and college students are focal point for the study. In Nepal, to promote financial literacy, there are many programs held by government, non-government organization (NGOs) and private sector. Nepal Rastra Bank launched a program 'NRB with Students' for enhancing the financial literacy among students (NRB, 2014). In enhancing financial literacy, NRB Strategic Plan 2012-2016 focuses on financial literacy programs for women, victims of conflict, ethnic minorities, and deprived and marginalized section of population. Similarly, since 2012 monetary policy of NRB has emphasized on the financial awareness programs stating "because of low financial literacy financial services are not effective so appropriate strategy should be developed". However, hardly any study has been conducted on financial literacy among youth in Nepal. This paper, therefore, aims at identifying the financial literacy among the employees of Illam Municipality.

1.2 Problem statement

Financial literacy condition in case of our country is not so good. About two third of that population are literate and among literate population, also most of them are financially illiterate. According to the study reports of Nepal Rastra Bank 2076 Falgun only 18% people are financially literate. Financially literate people can manage to save even though their earnings are low. Country's economic condition will be boost up only if the citizens of that country is financially literate .In any country, the rate of employees is higher than others if those employees are financially literate and can manage take sound financial decisions, then economic condition of the nation can be changed. With the fact stated above, this study is focused to conduct research on employees in Ilam Municipality.

Efforts have been made by different researchers and academicians to investigate into the concept of financial literacy at the personal level. Financial illiteracy regarding personal finance in both developed and underdeveloped countries are the problem which have an impact to the financial system of the particular country. In case of Nepal, financially literate citizens are very low. Financial literacy can be measured on the different parameters like financial knowledge, financial behavior, financial attitude, etc. The study has following research questions:

- i. What is the status of financial literacy among employees?
- ii. What is the impact of demographic characteristics (Gender, Income, Age, Marital status, service sector) and educational characteristics (Level, Stream) in financial literacy among employees?
- iii. What is the impact of personality characteristics (Financial Behaviour, Financial Attitude) in financial literacy among employees?What is the status of financial literacy among banking sector employees and nonbanking sector employees?

1.3 Objective of the study

The general objectives of the study is to examine the level of financial knowledge of employees in Ilam Municipality. The specific objective of the research are as follows:

- i. To examine the status of financial literacy among employees in Ilam Municipality.

- ii. To analyze the impact of demographic characteristics (Gender, Income, Age, Marital Status, service sector) and educational characteristics (Level, Stream) in financial literacy among employees.
- iii. To analyze the impact of personality characteristics (Financial Behaviour, Financial Attitude) in financial literacy among employees.
- iv. To identify the status of financial literacy among banking sector employees and nonbanking sector employees

1.4 Hypothesis

Following hypotheses has formulated for the study:

- H₁:** There is significance difference in financial literacy among employees of different demographic characteristics (age, gender, income level, service sector).
- H₂:** There is significance difference in financial literacy among employees of different educational characteristics (level, stream).
- H₃:** There is significance difference in financial literacy among employees of different personality characteristics (Financial behavior, Financial attitude).

1.5 Rationale of the study

This study contributes to existing literature on financial literacy. The study is conducted in Nepal, where awareness about importance of financial literacy is in increasing trends. That means this study helps to attract policymakers, researchers, and other people to know and research on financial literacy. This study highlighted to analyze the status of financial literacy among employees in Ilam Municipality which provide good opportunity to analyze the condition of employee's financial literacy in Ilam Municipality. This study will be helpful to stakeholders, Nepal Rastra bank to develop and implement the literacy program. Similarly, this study will be helpful to financial institutions to lunch different schemes and program. To the researcher for further research by taking more variables than this study and to the general public to see their status of financial literacy and take necessary action to improve the literacy if necessary.

1.6 Limitations of the study

As every study is conducted within certain limitations the present study is not an exceptional. The study is based on a financial literacy among employees in Ilam

Municipality, which may not represent the overall scenario of Nepal. Basically, the study is limited with-in the following factors:

- i. The responses might not be very representatives of the population due to area limitation.
- ii. All the answers truthfulness depends on respondents. All respondents are taken from Ilam Municipality, which may vary to other places.
- iii. The study only considers variables such as numeracy, compound interest, inflation, time value of money , banking, share market, insurance, taxes and credit so other variables are not focus for the study to measured financial knowledge.
- iv. Only nine factors are used as independent variable and one factor as the dependent variable, the potential moderating variables, if any, are not taken into consideration.
- v. The study only consider gender, age, income level, education stream and educational level to analyze knowledge of banking and non-banking employees.

1.7 Chapter plan

The study is divided into five chapters.

Chapter I: Introduction

This chapters deals with background of the study, problem statement, objective of the study, hypothesis, rationale of the study, limitation of the study and chapter plan.

Chapter II: Review of literature

This chapter includes review of literature which incorporates the theoretical review, empirical review and research gap.

Chapter III: Research methodology

This chapter includes research design, population, sample and sampling design, nature and sources of data, data collection procedure and instrument, data processing procedure and data analysis method and research framework and definition of variable

Chapter IV: Results and discussion

This chapter deals with the techniques used in analyzing the collected data and its presentation in the descriptive and analytical manner or results , major findings and discussion of the study.

Chapter V: Summary and conclusion

This chapter deals with summary, conclusion and implications. Reference and appendices also be attached at the end of the study.

CHAPTER 2

LITERATURE REVIEW

Review of literature is the process of learning and understanding the concept of the related topic. After selecting the topic of research, researchers should study different materials (like books, journals, magazines, newspapers, articles etc.) to collect the information about the subject matter of the study. This process of studying different education materials which are related with the selected topic of the research is called “Review of Literature”. It helps to find out the research gap.

2.1 Theoretical review

The study was guided by theories which had previously been developed and that have called for more research on the subject matter over the years. These theories include Behavioral theory, Prospect theory and Life cycle theory.

2.1.1 Behavioral finance theory

The roots of the concept of literacy refer to the human ability to read. In psychology and education, learning is commonly defined as a process that brings together cognitive, emotional, and environmental influences and experiences for acquiring, enhancing, or making changes in one's knowledge, skills, values, and world views (Illeris, 2004, Ormrod, 1995). The level of knowledge in any subject, including financial knowledge can therefore be connected to variables, such as: Age, gender, level and programme of study, parent's level of education, accessibility to media, sources of education on money matters, place of residence, among others (Shefrin & Statman, 1994). It is argued that some financial phenomena can be better explained using models where it is recognized that some investors are not fully rational or realize that it is not possible for arbitrageurs to offset all instances of mispricing (Barberis & Thaler, 2003). Over the past years psychologists have found again and again that the usual axioms of finance theory are descriptively false.

2.1.2 Prospect theory

Regret is an emotion that occurs after people make mistakes. Investors avoid regret by refusing to sell shares whose prices have gone down and willing to sell those that have appreciated. Moreover, investors tend to be more regretful about holding losing

stocks too long than selling winning ones too soon (Fogel & Berry, 2006). According to prospect theory, people feel more strongly about the pain from loss than the pleasure from an equal gain. People tend to under-weigh probable outcomes compared with certain ones and people respond differently to the similar situations depending on the context of losses or gains in which they are presented (Kahneman & Perttunen, 2004). Prospect theory was developed by Daniel Kahneman, professor at Princeton University's Department of Psychology, and Amos Tversky in 1979 as a psychologically realistic alternative to expected utility theory. (Kahneman, 2003) explain that prospect theory allows one to describe how people make choices in situations where they have to decide between alternatives that involve risk. It describes how people frame and value a decision involving uncertainty and therefore they look at choices in terms of potential gains or losses in relation to a specific reference point, which is often the purchase price. Prospect theory describes the states of mind affecting an individual's decision-making processes including regret aversion and loss aversion. According to Kahneman (2003), an important implication of prospect theory is that the way economic agents subjectively frame an outcome or transaction in their mind affects the utility they expect or receive. This theory guided the current study which considered decision making between current consumption and savings for future consumption. This incorporates the usefulness of time value of money based upon discount rates and credit constraints and thus this study explored the moderating effect of financial factors on the relationship between financial literacy and financial preparedness for retirement which informed the specific objective four of the study.

2.1.3 Life cycle theory

This theory deals with economic decisions on retirement saving in the rationalization of an individual's income in order to maximize utility over his lifetime. Initially developed by (Ando & Modigliani, 1963), it was based on the conventional economic approach to saving and consumption which assumes that a fully rational and well-informed individual will consume less than his income in times of high earnings (during employment), and will save to support consumption when income falls (after retirement). This type of saving behavior enables households to smooth their marginal utility of consumption over their life cycle. This model assumes the following of the human behavior: that they are forward-looking over their life spans; they can predict the

financial resources they will have over their lifetime; they understand something about the financial resources they will need in all periods of their lives; and they make informed decisions about the use of their financial resources. Given that financial preparedness for retirement is future looking, the current study infers from life cycle theory to explain how individuals make decisions on deferring current consumptions in form of savings and investments to future savings. This incorporates the usefulness of time value of money based upon discount rates and thus this study explored the moderating effect of demographic characteristics, financial factors and the independent variable of financial literacy on financial preparedness for retirement.

2.2 Empirical review

Kadoya and Khan (2020) investigated the factors affecting financial literacy in Japan using data from Osaka University's Preference Parameter Study. It examined several demographic, socio-economic, and psychological variables drawn from the social learning, consumer socialization, and psychological theories of learning. The results indicated that the demographic factors (gender, age, and education) and the socio-economic factors (income and occupation) and the psychological factors (perceptions of the future) significantly affect the level of financial literacy. The results are robust to different measures of financial literacy and emphasize that social contact and people's future orientation can improve financial literacy levels in Japan.

Hamza and Arif (2019) examined the impact of financial literacy on investment decisions with the mediating effect of personality traits based in the big-five model. The study used five point Likert scale questionnaire was used alongside the Smart- PLS software for data analysis. A total of 235 responses from Karachi were collected using the convenience sampling technique. The results suggested that financial literacy did not have a significant effect on investment decisions through agreeableness, conscientiousness and extraversion. However, financial literacy has a significant positive impact through neuroticism. The study helps improve our understanding of investor behavior by considering the mediating role of big five personality traits on the relationship between financial literacy and investment decisions. It was recommended that financial institutions should provide investment counseling services to prospective investors using the consumer profile technique.

Niazi and Malik (2019) examined the effect of socio-demographic and behavioral traits upon decisions concerning the asset allocation of the general community. The study was descriptive in nature, and analyzed through the quantitative approach, survey instrument in the form of questionnaires containing 70 items from 775 respondents. The study found significant moderating effective 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. The study suggested that financial literacy could moderate these decisions in the behavioral domain of investment decisions therefore the impact of predictors had been studied while being moderated by financial literacy. They recommended that improvement of financial inclusion and work out a methodology for improving financial awareness for the optimization of investment decisions.

The study reveals that the financial literacy level among youth is low across the most part of the world that has become a cause of concern. Also, it has been observed that various socio-economic and demographic factors such as age, gender, income, marital status and educational attainment influence the financial literacy level of youth and there exists an interrelationship between financial knowledge, financial attitude and financial behaviour (Garg & Singh, 2018) .

Gupta and Gupta (2018) focused on determining the impact of financial literacy on investment decision of people living in rural areas of Himachal Pradesh in Shimla district. The study used chi-square method to measure the relationship between financial literacy and demographic factors like age, income, education and occupation of the respondents data from 500 respondents are engaged in Agricultural/Horticulture and rest of the respondents had their own business followed by service class and other sources of income. The study concluded that there was significance impact of demographic factors on financial literacy of respondents. It recommended that the study can be taken as a base research to have further study by researcher and also it can be taken as an important report to make correction about financial literacy.

(Mutembei and Elly (2017) examined the effect of financial literacy on voluntary retirement planning among employees of state corporations under the minister of health in Nairobi country, Kenya. The study adopted a descriptive study design and uses primary data collected using a questionnaire with a five point Likert scale on the

parameter of each variable. The study applied simple random sampling technique to select respondent to participate in the study. Data was analyzed using means, percentage and frequency. Multiple regression analysis was used to taste the relationship between financial literacy and voluntary retirement planning. The study found to influence the level of voluntary retirement planning among the employee since they were able to make key decision that involved money in such a way that there is minimal risk to them .the study also established that financial literacy had a positive impact on voluntary retirement planning ,however the results indicate that other factor such as income level, age, marital status and level of education were also strongly related to retirement planning. The study concluded that gender influences saving pattern for voluntary retirement planning among employee of state corporation under the minister of health in Nairobi country, Kenya .The contested role of gender on investment and saving decision of household showed that women save better than men. The study recommended that financial literacy programs and work- shops be afford and conducted in public instructions and comprehensive information on saving and specifically on retirement be emphasized .

Abubakar (2015) find out that the difficulties in access to finance, access to market, policy support and entrepreneurship culture are the main problems and constraints on entrepreneurship development in Africa which has a very strong implication for financial literacy on the continent particularly on micro, small and medium enterprises. Other important problems include unfavorable investment climate, absence of entrepreneurship training programs, unfriendly investment business environment, gender gap and lack of value chain in the entrepreneurship ecosystem.

Thapa and Nepal (2015) showed that the most of the students had basic level of financial knowledge but they lack in understanding of credit, taxes, share market, financial statement and insurance. Students were highly influenced by their parents at home and they had positive attitude towards savings. The study further took points such as income, age, gender, stream of education, types of college and attitude of students as determinants of financial knowledge. However, overall financial knowledge was unaffected by gender, University affiliation, financial behavior and influence. The study concluded the college students have basic level of financial knowledge. However, overall financial knowledge of the student was affected by some of their demographic, educational and personality

characteristic. It suggested to the Government and Universities to include some financial literacy program to improve students' financial literacy.

Shiranath (2014) found that the socio-economic- demographic characteristics have a very strong association with the financial literacy of individuals. And, it also found that the majority of the respondents demonstrated a modest financial knowledge and the functional financial literacy was quite diverse across respondents depending on the levels of education, income, gender, age, etc. It recommended that this study can be taken as a base research to have further study by researcher and also it can be taken as an important report to make correction about financial literacy.

Githui and Ngare (2014) carried a study focusing on measuring the impact of financial literacy on retirement planning in the informal sector in Kenya. The study modeled with six hypothesis conceptualizes that gender, age, marital status, education, occupation, income, number of children and financial literacy influence retirement planning. Pearson's Chi-square tests were used in the study which established that all variables except gender are significantly associated with retirement planning. Given that financial literacy is one of the variables associated with retirement planning, the study recommends development of a curriculum on financial education and pension education in middle level and higher learning institutions as well as community pension awareness programs such as road shows and advertisements. The study noted that income greatly affects retirement planning with low income earners feeling that they do not have sufficient income to save. Though the paper introduces other control variables in form of demographic factors on the relationship between financial literacy and retirement planning, the finding was however limited by the fact that statistical techniques was not robust enough to show the direction of the relationship besides the fact that the population from whom the sample was drawn was not relevant since self-employed people do not retire, one important question that remains unaddressed is whether informal sector participants really retire. Though SME employees may retire, business owners that are included in the sample do not retire.

Agarwal et. al. (2012) identified the influence of various socio-demographic factors on different dimensions of financial literacy among the working young in urban India. A few factors specific to India, such as joint-family and consultative decision-making process were found to significantly influence financial literacy in urban Indian youths.

Bhushan (2014) examined the awareness level and investment behavior of salaried individuals towards financial products. The study used structured questionnaire and Likert-Scale to analyse the result. The study found diverse financial product had introduced in Indian market. Each of these products offer a range of benefits and varying options with respect to interest rate, exposure to risk, time period of the contact fee etc. Most of the individuals are not able to take advantage of higher returns by these products due to lack of financial awareness. Thus they must be made aware about risk and return characteristic of these products results of the study suggested that respondents were quite aware about traditional and safe financial product whereas awareness level of new age financial product among the population is low. It recommended that for an effective financial education program, current awareness level as well as investment behavior of individual towards financial product must be known.

Nidar and Bestari (2012) assessed on personal financial literacy. Main purpose of the study was to investigate the level and factors influencing the personal financial literacy. The study surveyed on 400 students in Padjadjaran University of Indonesia and found that level of personal financial literacy was within the low category, especially in investment, credit, and insurance. The study also showed that level of education, faculty, personal income, knowledge from parents, parents' income, and ownership of insurance factors have significant impact on personal financial literacy. The study used personal financial literacy in: basic personal finance, income & spending, credit & debt, saving & investment and insurance. The study mentioned that financial institutions, stakeholders, Reserve Bank can considered this study as a reference. It is also suggested that financial literacy education for students was mandatory.

Lusardi, Mithel and Curto (2010) studied to find out the youth's knowledge regarding interest rates, inflation and risk diversification and relationship between socio-demographics characteristics and family financial sophistication. The study showed that financial literacy among the youth in Germany and showed that financial literacy was low; only less than one-third of young adults were found with basic knowledge of interest rates, inflation, and risk diversification. However, financial literacy was strongly related to socio-demographic characteristics and family financial sophistication. It is suggested that to make young financially literate, government, Reserve banks, and financial

institutions need to take an action. This study could become base to other researcherto do further research by taking other financial literacy variables.

Hassan AI-Tamimi and BIn Kali (2009) investigated the financial literacy of the UAE individual investors who invest in the local financial markets. A modified questionnaire had developed divided into three parts. The first part covers demographic variables. The second part identifies 37 factors affecting the investment decision of the UAE investors. The third part was devoted to financial literacy using exam type questions of true or false and included 18 questions. A convenient sample of 290 of UAE nation investors was used. The results indicated that the financial literacy was found to be affected by income level, education level and workplace activity. The study concluded that financial literacy of UAE investors was far from the needed level.

Jorgensen and Bryce (2007) investigated the personal financial literacy (knowledge, attitudes and behavior) of a sample of undergraduate and graduate college students by gender, class rank, and socioeconomic status (SES). Second examined parental and peer influences on the level of financial literacy of college students. Finally, examined how college student's financial knowledge and attitudes correlated with their financial behavior. The study was based on field survey. Researcher distributed questionnaire among college students. The study found that financial knowledge, attitude, and behavior scores were low but that they significantly increased each year from freshman to masters. Further, students who were financially influenced by their parents had higher financial knowledge, attitude, and behavior scores. Finally, student with higher financial knowledge also had higher financial attitude and behavior scores. The study recommended that financial topic should be discussed among family members and college also need to add some programs related to financial literacy.

Britt et al. (2004) examined financial behavior and problems among university students and its determinants factors. The study examined among 1500 students about financial behavior of university and college students. The study found that 90% were interested in learning about specific topics in financial education, where the highest percentage of them were found the need of counseling services, followed by learning about savings and investment, budgeting, how to increase their income and financial management. The study further found that those female students were more tended to enjoy shopping and

bought items that were on sale than male, and males however, tended to hide their spending habits from their families. It is suggested that to improve the student's financial knowledge, college had to provide financial knowledge education to learn about saving and financial management.

Chen and Volpe (2002) investigated the investment literacy among online investors. Investors 50 years of age or older were more knowledgeable than those who are younger women had lower level of investment knowledge than men and logistic regression and ANOVA test was used in this study. Investors with graduate degrees were more knowledgeable than with some high school college education. The recommendation of this study was that women investors need to improve the financial literacy program than male investors.

2.3 Research gap

A review of the literature on financial literacy shows that most of the studies (Kadoya and Khan 2020, Thapa and Nepal 2015, Nidar and Bestari 2012, Jorgensen and Bryce 2007 and Britt et al 2004) focused on the students. Though some of the studies dealt with the educators teaching to undergraduate and graduate students to examine the relationship between their background characteristics, financial behavior, financial awareness and financial literacy. Some studies had done among young with the demographic variables. Similarly, some research had been conducted to test the investor's knowledge then some had done the research to test the financial literacy in adult's life by taking their attitudes to saving and borrowing, their use of banks and building societies, how they managed their transaction accounts, who managed the money in family groups, and about their confidence in handling money matters as variables of the study. In addition, knowledge of financial markets and instruments, financial decision- making, solving financial problems and financial planning also taken as variables. Similarly, some research was conducted among working young in urban India.

In Nepal, studies are rarely found that have examined the financial literacy in any field except some in students. With the fact, it is rarely found any study which had been done on financial literacy on employees in Nepal. Thus, this study tries to fill the gap by studying in Ilam Municipality for the very first time. Broadly, all independent variables are categories into three groups: Demographic, educational and personality variables.

CHAPTER 3

RESEARCH METHODOLOGY

This chapter deals with methodology aspect to be used in this study. Different types of methodology is used in various types of research depending up on purposes, nature of problem and data. The study uses quantitative methods in the analysis of the data gathered. This section captures the research design, population and sample, sources of data, data collection procedure, data processing procedure, data analysis tools & techniques and research framework and definition of variables. In this study the following methodologies are adopted.

3.1 Research design

The research employed descriptive and analytical research design. In this study, the approach is employed to establish how variables such as gender, service sector income, qualification, financial behavior and financial attitude impact on financial literacy of employees in Ilam Municipality. Thus, the main research strategy use in this study is a survey which allows quantitative data collection and analyses using descriptive and inferential statistics. Quantitative research methodology is also concerned with the collection and analysis of data in numeric form.

The study employs an all-inclusive questionnaire design to cover major aspects of personal finance. It includes financial literacy on numeracy, inflation, compound interest, time value of money, money illusion, risk and return, share market, banking, insurance, taxes, credit and diversification. The research questionnaire is based on the study conducted by Thapa & Nepal (2015) research study and Jorgensen (2007). Several considerations are made in the selection of questionnaire items for the study.

A full-fledged questionnaire is constructed covering four areas namely personal information of respondents, financial behavior, financial attitude and financial knowledge with reference to Jorgensen (2007). Along with demographic information, survey participants were asked 23 questions.

Table 3.1*Variables and types of questions*

| Variables | Type of Questions |
|-----------------------------|--|
| Demographic characteristics | Dichotomous and Multiple choice |
| Educational characteristics | Dichotomous and Multiple choice |
| Personality Characteristics | Multiple Choice and 4 scale likert scale |
| Financial Knowledge | Multiple Choice |

3.2 Population, sample and sampling design

This study carried out the study of financial literacy among employees in Ilam Municipality. The total employees in Ilam Municipality is the population for this study. Researcher used convenient sampling method to collect the data. The data were collected through 230 junior level to senior levels employees from both private and public sector. Data of the employees were taken from bankers association Ilam, youth, education and sports depart of the Ilam municipality and records of the district administration office.

Table 3.2*Sample size and Division Area*

| Division | Population |
|-----------------|-------------------|
| Bankers | 98 |
| Teachers | 302 |
| Civil Servants | 184 |
| Total | 584 |

3.3 Nature and sources of data

The study is based on primary data: a convenient sample survey through questionnaire of 230 employees in Ilam Municipality. The questionnaire is structure into two sections. Section1 is concerned with demographic and educational profile of employees and section 2 focuses on getting information about influencing factor about financial behavior and financial attitude. It also tries to find out the level of financial knowledge of

respondents. The questionnaire includes both Likert scale questions and multiple choices question and option based questions.

3.4 Data collection procedure and instrument

The study collects data from the respondents by online form questionnaire. Questionnaires were distributed to each and every individual by email, messenger and viber. And the researcher assist the respondents through phone calls and social media. After receiving the responses, data were decoded into excel file.

Table 3.3:

Means of distribution and Response Rate

| Means | No of questionnaire distributed | Responses | Response Rate |
|--------------|--|------------------|----------------------|
| E- mail | 60 | 45 | 75% |
| Messenger | 200 | 157 | 78.5% |
| Viber | 40 | 28 | 70% |
| Total | 300 | 230 | 76.67% |

3.5 Data processing procedure and data analysis method

This study uses the summary of descriptive statistics associated with the primary data analysis which is carried out on the basis of responses derived from questionnaire survey. Descriptive statistical tools like mean, standard deviation and percentage is used to describe result obtained and logistic regression model is used to show the relationship between dependent variables and independent variable. Data are presented in table which makes easier to analyze and understand the data. ANOVA is tested for the reliability of model. Data analyses on the basis of percentage of the respondents responding a questionnaire.

The collected data is used for acquiring the scenario of the employees. The collected data is used for the analysis purpose. The collected data are processed, analyses and interpret by using several tools like SPSS, MS-excel, and MS-word etc.

Level of knowledge is measured by correct answers of the respondents. Answers are categorized into two parts as basic level and advance level where basic level consist of

knowledge about inflation, numeracy, compound interest and time value of money. Advance level consist of knowledge about share market, tax, credit and insurance.

Based on mean value of overall correct answer respondents scoring equal or below than mean value considered as less knowledgeable and scoring more than mean value considered as more knowledgeable. Based on category financial behavior and attitude are measured by using descriptive statistical tools. Status of financial literacy among banking sector employees and nonbanking sector employees is measured by correct answer of the respondents based on different variable.

The Logistic regression model takes on the following form:

$$\log [p/(1 -p)] = B_0 + B_1(\text{Gender}) + B_2(\text{Income}) + B_3(\text{Level}) + B_4(\text{Stream}) + B_5(\text{Behavior}) + B_6(\text{Attitude}) + e_i \dots\dots\dots (1)$$

Where,

p = the probability of an employee who is more knowledgeable about finance.

Gender = 1 if the participant is a male, 2 otherwise.

Level = 1 if the participant is studying in bachelor level, 2 otherwise.

Stream = 1 if participant's stream is management, 2 otherwise.

Behavior = Financial Behavior measured in 4-point scale

Attitude = Financial Attitude measured in 4-point scale

e_i = Error term

Source: Thapa and Nepal (2015)

3.6 Research framework and definition of variable

The research framework is an analytical tool used to make conceptual distinctions or organize ideas. Research framework of the study explains the systematic explanation of the relationship among the dependent and independent variables for the purpose of explaining the financial literacy of employees and its influencing factors on financial literacy. In the figure 3.1 financial literacy of employees in Ilam municipality is the dependent variable taken for the study and independent variable are demographic characteristics, educational characteristics and personality characteristics.

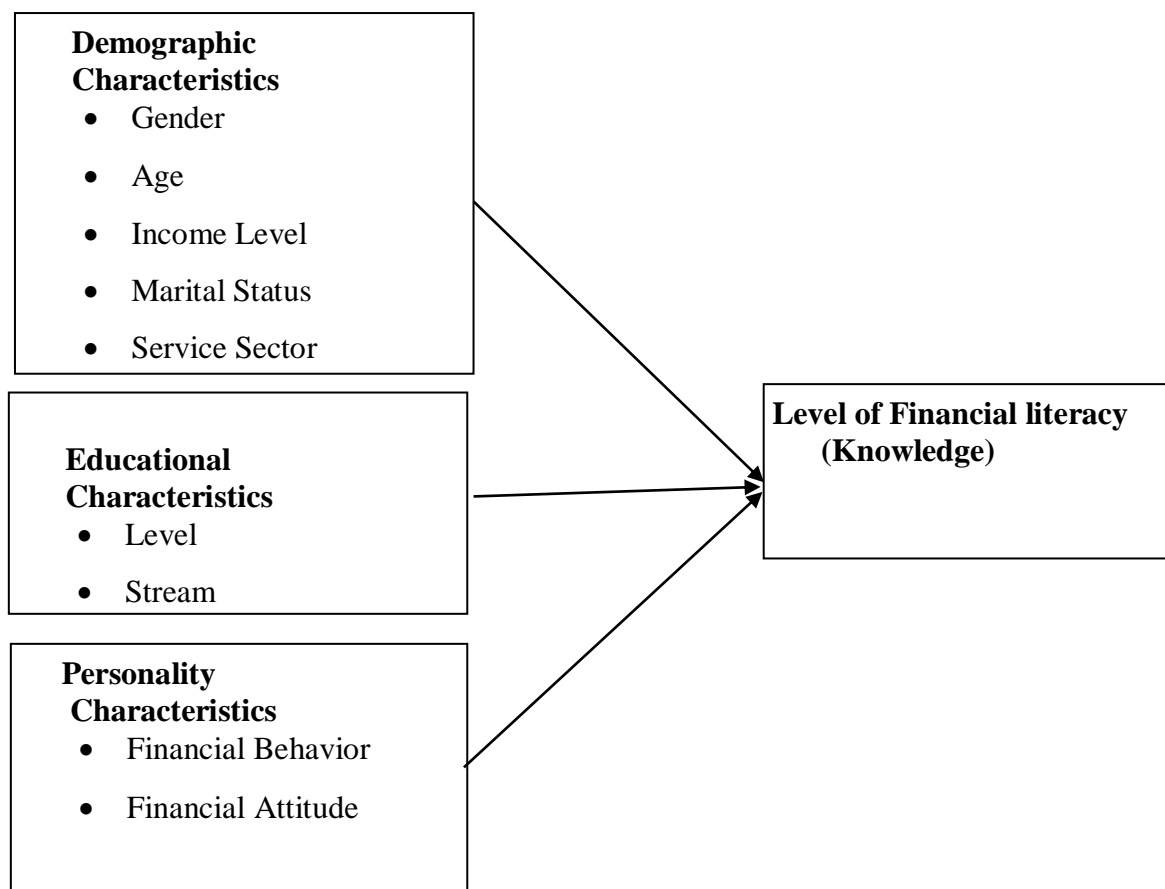


Figure 3.1: Schematic Diagram

Variables

Demographic characteristics

It consists of gender, age, marital status, service sector and income level. Genders are male and female whereas employees are subdivided into five groups as per the monthly income. First, below Rs. 25000, second, Rs. 25000 - Rs. 35000, third, Rs. 35000 - Rs. 45000, fourth, Rs. 45000 - Rs. 55000, and fifth Rs. 55000 and above. Age of employees are subdivided into four groups. First, below 25, second, 25-35, third, 35-45 and above. Family income are subdivided into five groups. First, below Rs. 25000, second Rs. 25000 - Rs. 35000, third Rs. 35000 - Rs. 45000, fourth Rs. 45000 - Rs. 55000 and fifth Rs. 55000 and above. Service sector is divided into two parts banking and non-banking.

Educational characteristics

Employees on the basis of educational level are subgroup on three parts. They are i) High School Level (+2) ii) Graduate Level (Bachelor) iii) Post Graduate level (Master). Similarly, employees on the basis of education stream are management and non-management.

Personality characteristics

It consists of financial attitude and financial behaviour. Financial behavior consist spending habit, maintaining record, use of saving, managing money in problem and use of additional income. Financial attitude consist belief and values related to various personal finance.

Financial literacy

Financial literacy involves the proficiency of financial principles and concepts such as financial planning, compound interest, managing debt, profitable saving techniques and the time value of money. The lack of financial literacy or financial illiteracy may lead to make poor financial choices that can have negative consequences on the financial wellbeing of an individual. The main steps to achieving financial includes: Learning the skills to create budgets, the ability to track spending, learning the techniques to pay off debts, and effectively planning for retirement. The topic focuses on the ability to manage personal finance matters in an efficient manner, and, itincludes the knowledge of making appropriate decisions about personal finance such as investing, insurance, real estate, paying for college, budgeting, retirement and tax planning.

CHAPTER 4

RESULTS AND DISCUSSION

This chapter describes the analysis results generated from the process of data collection. It deals with the analysis and interpretation of the primary data collected through questionnaire from 230 respondents. Data were analyzed with reference to the purpose of this research as mentioned in the earlier chapter. The primary purpose of this chapter is to analyze and interpret the collected data and present the results of the questionnaire survey. The main purpose of this research study is fulfilled with the outcomes derived from the analysis of the data.

4.1 Respondent's profile

In the table below, respondent's demographic profile such as age, gender, marital status, service sector, monthly income range and educational level and stream are presented.

Table 4.1*Respondent's profile*

| Demographic characteristics (n=230) | | |
|--|------------------|-------------------|
| Gender | Frequency | Percentage |
| Male | 135 | 58.7 |
| Female | 95 | 41.3 |
| Age(in years) | | |
| Below 25 | 66 | 28.7 |
| 25-35 | 90 | 39.1 |
| 36-45 | 56 | 24.3 |
| 46 and above | 18 | 7.8 |
| Marital Status | | |
| Married | 95 | 41.3 |
| Unmarried | 135 | 58.7 |
| Monthly income (in RS) | | |
| Below 25000 | 15 | 6.5 |
| 25000-35000 | 83 | 36.1 |
| 35000-45000 | 57 | 24.8 |
| 45000-55000 | 51 | 22.2 |
| More than 55000 | 24 | 10.4 |
| Service sector | | |
| Banking | 33 | 14.3 |
| Non-Banking | 197 | 85.7 |
| Educational level | | |
| +2 | 17 | 7.4 |
| Bachelor | 150 | 65.2 |
| Master | 63 | 27.4 |
| Educational stream | | |
| Management | 85 | 37 |
| Non- Management | 145 | 63 |

Source: Survey 2021

Table 4.1 shows the characteristics of the sample. It shows 58.7 percent of the respondents are male and 41.3 percent of the respondents are female. While

categorizing on the basis of age, 28.7 percent respondents are from below 25 and 39.1 percent, 24.3 percent and 7.8 percent are from 25-35, 36-45 and above 46 respectively. While categorizing on the basis of income level, 6.5 percent respondents are from below Rs 25000 and 36.1 percent, 24.8 percent, 22.2 percent and 10.4 percent respondents are from income group Rs 25000 – Rs 35000, Rs 35000 – Rs 45000, Rs 45000 – Rs 55000 and more than Rs 550000 respectively. On the basis of education stream, 37 percent respondents are from management and 63 percent respondents are from non- management. Whereas talking about education level, 7.4 percent respondents from +2 level, 65.2 percentage and 27.4 percentage from bachelor level and master level respectively. Similarly talking about service sector, 14.3 percent from banking sector and 85.7 percent from non-banking sector.

4.2 Financial knowledge

Financial knowledge means having basic as well as advance concept about financial terms. It is the ability to have sound decisions regarding finance related topics. In this study, respondents were asked 16 questions from basic to advance level of finance covering numeracy, compound interest , inflation, time value of money, share market, banking, insurance, taxes and credit.

Chen and Volpe's (2002), developed the benchmark of financial literacy. The benchmark grouped percentage correct scores into three categories. The first category includes the scores from 0 to 39% (Low level of knowledge), the second 40 to 59% (Medium level of knowledge) and the third 60 to 100% (Relatively high level of knowledge). The benchmark implies that correct score of above 60% show a high financial knowledge while scores between 40 to 60% indicate fair knowledge in finance. Lastly, score of respondents below 40% is an indication of low financial knowledge, the level that needs more financial literacy education.

Table 4.2*Frequency and Percentage of Components of Financial Knowledge*

| Concept | Frequency | Percentage | Level of knowledge |
|---------------------|------------------|-------------------|---------------------------|
| Tax 1 | 88 | 38.3 | Lower |
| Tax 2 | 128 | 55.7 | Medium |
| Numeracy 1 | 175 | 76.1 | High |
| Numeracy 2 | 98 | 42.6 | Medium |
| Money Illusion | 106 | 46.1 | Medium |
| Inflation | 160 | 69.6 | High |
| Share Market 1 | 79 | 34.3 | Lower |
| Share Market 2 | 147 | 63.9 | High |
| Share Market 3 | 191 | 83 | High |
| Banking | 190 | 82.6 | High |
| Credit 1 | 147 | 63.9 | High |
| Credit 2 | 190 | 82.6 | High |
| Time value of money | 197 | 85.7 | High |
| Compound Interest | 191 | 83 | High |
| Insurance | 133 | 57.8 | Medium |

Source: Survey 2021

Table 4.2 shows that most of the respondents has high knowledge regarding time value of money(85.7%), compound interest (83%), share market 3(83%) banking (82.6%) and credit (82.6%) followed by numeracy (76.1%). While 69.6% of respondents were familiar with inflation also followed by insurance 57.8%. While few respondents were less familiar with taxes (38.3%) and money illusion (46.1%).

Overall financial knowledge is divided into basic and advance categories. Basic financial literacy index is constructed by numeracy, compound interest rate, inflation, time value of money and money illusion questions (Rooij et al., 2007) and advance financial literacy index is developed by constituting questions related to net worth, share market, insurance, banking, taxes, and credit.

Mean percentage scores of each section of sample characteristics are categorized on basic, advance and overall and are presented in table 4.3.

Table 4.3
Mean Percentage of Correct Responses to Each Section by Characteristics of Sample

| Characteristics | Basic | Advance | Overall |
|-------------------------------|--------------|----------------|----------------|
| Gender | | | |
| Male | 70.37 | 61.32 | 66.02 |
| Female | 62.46 | 55.79 | 60.98 |
| Monthly income(In NPR) | | | |
| Below Rs 25000 | 67.78 | 55.56 | 60.89 |
| Rs 25000-35000 | 67.87 | 55.82 | 63.37 |
| Rs 35000-45000 | 71.35 | 67.25 | 69.71 |
| Rs 45000-55000 | 62.09 | 57.73 | 61.44 |
| More than Rs 55000 | 64.58 | 55.56 | 59.44 |
| Marital status | | | |
| Married | 69.47 | 61.05 | 65.26 |
| Unmarried | 65.43 | 57.61 | 63.01 |
| Age (In Years) | | | |
| Below 25 | 66.92 | 58.92 | 64.04 |
| 25-35 | 71.48 | 63.21 | 67.93 |
| 36-45 | 61.90 | 55.36 | 59.05 |
| 46 and above | 62.04 | 50 | 58.89 |
| Service sector | | | |
| Banking | 78.79 | 73.06 | 76.16 |
| Non-Banking | 65.14 | 56.68 | 61.90 |
| Educational stream | | | |
| Management | 70.20 | 66.27 | 68.31 |
| Non-Management | 65.29 | 54.79 | 61.38 |
| Educational level | | | |
| +2 | 59.80 | 50.98 | 58.04 |
| Bachelor | 65.89 | 58.37 | 63.24 |
| Master | 71.96 | 62.79 | 67.20 |

Source: Survey 2021

Table 4.3 shows that the respondents are categorized on seven bases as on gender basis, monthly income basis (NPR), on marital status basis, on age basis, on service sector basis, on educational stream basis and education level basis. While considering gender as the basis for categorization, male has higher knowledge on basic category and also higher knowledge on advance category with 70.37% and 61.32% respectively. Whereas, female has 62.46% on basic category and 55.79% on advance category. Similarly, employees between age 25 to 35 has highest knowledge on both basic category and advance category with 71.48% and 63.21% respectively. Moving towards monthly income as the basis for category, employees having monthly income Rs35000 to Rs45000 have higher knowledge in basic category and advance category with 71.35% and 67.25% respectively. And similarly percentage of correct answer of the respondents on basic category are 67.78%, 67.87%, 62.09 and 62.09% of group of below 25000, 25000-35000, 45000-55000 and more than 55000 respectively. Whereas on advance category respondent answered 55.56%, 55.82%, 57.73% and 55.56% from group below 25000, 25000-35000, 45000-5500 and more than 55000 respectively.

On the basis of educational stream group of management has higher knowledge in both basic and advance categories with 70.20% and 66.27% respectively. Whereas, group of non-management have 65.29% on the basic category and 54.79% on advance category. Furthermore, on the basis of education level, master level has higher knowledge in basic category and advance category with 71.96% and 62.79% respectively. Moreover employees on banking sector has higher knowledge in both basic and advance category with 78.79% and 73.06% respectively whereas, employees on non-banking sector has 65.14% on basic category and 56.68% on advance category. Similarly married employees has higher financial knowledge in both basic and advance category with 69.47% and 61.05% respectively. From the above table, it is clear that male, married, management stream and banking sector employees has higher knowledge on both basic and advance category.

4.3 Financial behavior

It is the capability to capture of overall understanding of impacts of financial decisions on one's (i.e. personal, family, community, country) circumstances and to

make the right decisions related to the cash management, precautions and opportunities for budget planning. It can be defined as any human behavior that is relevant to money management. Common financial behaviors include cash, credit, spending, investing and saving behavior. employees were asked 15 questions and they are classified into two subgroups on the basis of mean percentage of correct answers of the sample.

Table 4.4

Frequency and percentage of correct answer

| Percentage of correct answer | Frequency | Percentage |
|--|------------------|-------------------|
| 27 | 1 | 4 |
| 33 | 2 | 9 |
| 40 | 13 | 5.7 |
| 47 | 30 | 13 |
| 53 | 30 | 13 |
| 60 | 43 | 18.7 |
| 67 | 36 | 15.7 |
| 73 | 19 | 8.3 |
| 80 | 27 | 11.7 |
| 87 | 23 | 10 |
| 93 | 5 | 2.2 |
| 100 | 1 | 4 |
| Total | 230 | 100 |
| Mean percentage of correct answer | 63.94 | |

Source: Survey 2021

Employees with scores higher than the sample mean are classified as more knowledgeable. Employees with scores equal to or below the mean are classified as less knowledgeable.

Table 4.5,4.6,4.7,4.8 and 4.9 shows the financial behavior of less knowledgeable, more knowledgeable and overall of employees regarding spending habit, maintaining records, use of savings, managing money in problem and use of additional income respectively. Similarly, table 4.10 shows the financial behavior of more knowledgeable, less knowledgeable and overall of employees regarding budgeting, planning, spending, investing etc.

Table 4.5

Frequency and percentage in financial behaviour on spending habit according to level of employees' financial knowledge

| Spending habit | Financial knowledge | | | | | |
|---|---------------------|------------|----------------|------------|-----------|------------|
| | Less knowledge | | More knowledge | | Overall | |
| | Frequency | Percentage | Frequency | Percentage | Frequency | Percentage |
| Very economical | 28 | 23.52 | 26 | 23.42 | 54 | 23.48 |
| Somewhat economical | 54 | 45.37 | 64 | 57.66 | 118 | 51.30 |
| Neither economical nor Spending Oriented | 27 | 22.68 | 17 | 15.32 | 44 | 19.13 |
| Somewhat spending, Rarely saving oriented | 10 | 8.40 | 4 | 3.60 | 14 | 6.09 |
| Total | 119 | 100 | 111 | 100 | 230 | 100 |

Source: Survey 2021

Table 4.5 shows that despite the different level of financial knowledge that is less knowledge and more knowledge, most of the employees are somewhat economical (45.37%, 57.66%). The result shows that proportion of less and more knowledgeable employees on spending habit are very economical (23.52%, 23.42%), neither economical nor spending oriented (22.68%, 15.32%), somewhat spending oriented rarely saving oriented (8.40%, 3.60%) respectively. In overall 51.30% employees are somewhat economical.

Table 4.6

Frequency and percentage in financial behaviour on maintaining records according to level of employee's financial knowledge

| Maintaining records | Financial knowledge | | | | | |
|--------------------------------|---------------------|------------|----------------|------------|-----------|------------|
| | Less knowledge | | More knowledge | | Overall | |
| | Frequency | Percentage | Frequency | Percentage | Frequency | Percentage |
| Maintain no records | 26 | 21.85 | 29 | 26.13 | 55 | 23.91 |
| Maintain minimal records | 87 | 73.11 | 76 | 68.47 | 163 | 70.87 |
| Maintain very detailed records | 6 | 5.04 | 6 | 5.41 | 12 | 5.22 |
| Total | 119 | 100 | 111 | 100 | 230 | 100 |

Source: Survey 2021

Table 4.6 shows that despite the different level of financial knowledge that is less knowledge and more knowledge, most of the employees maintain minimal records (73.11%, 68.47%). The result shows that proportion of less and more knowledgeable employees on maintaining records are maintain no records (21.85%, 26.13%), maintain very detailed record (5.04%, 5.41%) respectively.

Table 4.7

Frequency and percentage in financial behavior on use of saving according to level of employee's financial knowledge

| Use of savings | Financial knowledge | | | | | |
|---------------------------------|---------------------|------------|----------------|------------|-----------|------------|
| | Less knowledge | | More knowledge | | Overall | |
| | Frequency | Percentage | Frequency | Percentage | Frequency | Percentage |
| Spend it on consumers goods | 14 | 11.76 | 3 | 2.7 | 17 | 7.39 |
| Keep it in cash | 24 | 20.17 | 36 | 32.43 | 60 | 26.09 |
| Deposit it into bank account | 33 | 27.73 | 38 | 34.23 | 71 | 30.87 |
| Invest it in the share market | 14 | 11.76 | 30 | 27.03 | 44 | 19.13 |
| Lend it to friends or relatives | 6 | 5.04 | 1 | .90 | 7 | 3.04 |
| Invest it in our own business | 14 | 11.76 | 3 | 2.70 | 17 | 7.39 |
| Buy gold and jewelry | 14 | 11.76 | 0 | 0 | 14 | 6.09 |
| Total | 119 | 100 | 111 | 100 | 230 | 100 |

Source: Survey 2021

Table 4.7 shows that despite the different level of financial knowledge that is less knowledge and more knowledge, most of the employees deposit saving into bank (27.73%, 34.23%). The result shows that proportion of less and more knowledgeable employees on use of saving are spend on consumer goods (11.76% 2.7 %), keep it on cash (20.17%, 32.43%), invest in the share market (11.76%, 27.03), Lend it to friends or relatives (5.04%, 0.90%), Buy gold and jewelry(11.76%, 0%) respectively.

Table 4.8

Frequency and percentage in financial behaviour on managing money in problem according to level of employee's financial knowledge

| Managing money in problem | Financial knowledge | | | | | |
|--|---------------------|------------|----------------|------------|-----------|------------|
| | Less knowledge | | More knowledge | | Overall | |
| | Frequency | Percentage | Frequency | Percentage | Frequency | Percentage |
| Cut down expenses and save | 23 | 19.33 | 47 | 42.34 | 70 | 30.43 |
| Borrow money from relatives, friends and acquaintances | 28 | 23.53 | 21 | 18.92 | 49 | 21.30 |
| Spend savings | 50 | 42.02 | 25 | 22.52 | 75 | 32.61 |
| Use credit card or bank loan | 8 | 6.72 | 12 | 10.81 | 20 | 8.70 |
| Work extra hour or do additional jobs | 10 | 8.40 | 6 | 5.41 | 16 | 6.96 |
| Total | 119 | 100 | 111 | 100 | 230 | 100 |

Source: Survey 2021

Table 4.8 shows that most of the less knowledgeable employees spend saving (42.02%) and most of the more knowledgeable employees cut down expenses and save (42.34%) when they are in money problem. The result shows that proportion of less and more knowledgeable employees on managing money in problem are cut down expenses and save (19.33%, 42.34%), borrow money from relatives, friends and acquaintances (23.53%, 18.92%), spend saving (42.02%, 22.52%), use credit card or bank loan (8.40%, 5.41%) and work extra hour or do additional jobs (8.40%, 5.41%) respectively.

Table 4.9

Frequency and percentage in financial behaviour on use of additional income according to level of employee's financial knowledge

| Use of additional income | Financial knowledge | | | | | |
|--|---------------------|------------|----------------|------------|-----------|------------|
| | Less knowledge | | More knowledge | | Overall | |
| | Frequency | Percentage | Frequency | Percentage | Frequency | Percentage |
| Purchase of household goods like furniture, clothes etc. | 8 | 6.72 | 14 | 12.61 | 22 | 9.57 |
| Fixed deposit for future | 44 | 36.97 | 42 | 37.842 | 86 | 37.39 |
| Saving for meeting contingency | 11 | 9.24 | 3 | 2.70 | 14 | 6.09 |
| Repay earlier debts | 18 | 15.13 | 19 | 17.12 | 37 | 16.09 |
| Go for travel or vacation | 15 | 12.61 | 12 | 10.81 | 27 | 11.74 |
| Investment in own business | 7 | 5.88 | 4 | 3.60 | 11 | 4.78 |
| Buy an insurance policy | 8 | 6.72 | 0 | 0 | 8 | 3.48 |
| Buy shares | 8 | 6.72 | 17 | 15.32 | 25 | 10.87 |
| Total | 119 | 100 | 111 | 100 | 230 | 100 |

Source: Survey, 2021

Table 4.9 shows that despite the different level of financial knowledge that is less knowledge and more knowledge, most of the employees prefer to fixed deposit for future (36.97%, 37.84%) when they have additional income. The result shows that proportion of less and more knowledgeable employees on use of additional money are purchase of household goods like furniture, clothes (6.72%, 12.61%), saving for meeting contingency (9.24%, 2.70%), repay earlier debts (15.13, 17.12), go for travel or vacation (12.61%, 10.81%), buy an insurance policy (6.72%, 0%), buy shares (6.72%, 15.32%) respectively. The results also shows that very few of the employees like to buy jewelry (11.76%, 0%),

lend to friends or relatives (5.04%, 0.90%), invest in own business (5.88%, 3.60%). They also work extra hour to manage money in problem (8.40%, 5.41%).

In overall, employees are somewhat economical 51.30% on spending habit, maintain minimal records 70.87% in case of maintaining financial records, deposit into bank account 30.87% when they have excess money , spend their saving 32.61% while they are in problem to managing money and fixed deposit for future 37.39 while having additional income.

Table 4.10

Mean and standard deviation in financial behavior according to Level of employee's financial knowledge

| Items | Less knowledgeable | | More knowledgeable | | Overall | |
|---|--------------------------------|------|--------------------|-------|---------|-------|
| | Mean | SD | Mean | SD | Mean | SD |
| | I budget and track my spending | 2.02 | 0.78 | 2.59 | 0.899 | 2.29 |
| I contribute to the bank saving account regularly | 2.23 | 0.78 | 3.15 | 0.865 | 2.67 | 0.945 |
| I compare prices when shopping for purchases | 2.34 | 1.02 | 3.43 | 0.758 | 2.87 | 0.945 |
| I have a life insurance policy | 2.39 | 1.09 | 2.88 | 1.340 | 2.63 | 1.239 |
| I invest in share under IPO | 2.50 | 0.99 | 3.44 | 0.950 | 2.95 | 1.079 |
| I read to increase my financial knowledge | 2.46 | 0.75 | 3.36 | 0.961 | 2.90 | 0.970 |
| I maintain adequate financial records | 2.40 | 0.83 | 2.95 | 0.938 | 2.67 | 0.927 |
| I spend less than income | 2.63 | 0.79 | 3.42 | 0.718 | 3.05 | 0.896 |
| I maintain adequate insurance coverage | 2.24 | 0.72 | 2.71 | 1.099 | 2.47 | 0.951 |
| I plan and implement regular savings/investment program | 2.40 | 0.93 | 3.02 | 0.904 | 2.70 | 0.967 |

Source: Survey, 2021

Table 4.10 shows how much importance gives respondents to the financial behavior related aspects included in the study. Mean value higher than 2 points in 4 Likert scale give the meaning that employees give importance to all aspects.

It shows that employees opined that all are important to them since mean value is higher than 2 points in 4 scale Likert questions. Table shows that less knowledgeable, more knowledgeable and overall employees give more important to spend less than income with mean value 2.63, 3.59 and 3.19 respectively. Similarly less knowledgeable, more knowledgeable and overall employees give less important to budget and track their spending with mean value 2.02, 2.59 and 2.29 respectively. The table also shows that more knowledgeable employees give more important to all aspects of financial behavior regarding budgeting, planning, spending and investing with higher mean value than less knowledgeable employees.

4.4 Financial attitude

Financial Knowledge refers to the understanding one has of important personal finance concepts, like budgeting and savings. Financial attitude refers to the one's beliefs and values related to various personal finance concepts, such as whether one believes is it important to save money. Table presents the results regarding financial attitude of the employees according to their level of financial knowledge.

Table 4.11

Mean and standard deviation in financial attitude according to Level of employee's financial knowledge

| Items | Less knowledgeable | | More knowledgeable | | Overall | |
|--|--------------------|-------|--------------------|-------|---------|------|
| | Mean | SD | Mean | SD | Mean | SD |
| I feel in control of my financial situation | 2.28 | 0.901 | 3.26 | 0.817 | 2.75 | 0.99 |
| I feel capable of using my future income to achieve my financial goals | 2.77 | 0.617 | 3.30 | 0.827 | 3.03 | 0.77 |
| I worry to manage my finance | 2.34 | 0.914 | 2.51 | 0.980 | 2.42 | 0.94 |
| I am uncertain about where my money is spent | 2.55 | 0.918 | 2.14 | 1.102 | 2.35 | 1.02 |
| I feel credit cards are safe and risk free | 2.41 | 0.969 | 3.23 | 0.911 | 2.80 | 1.02 |
| I feel capable of handling my financial future | 2.64 | 0.851 | 3.59 | 0.639 | 3.10 | 0.89 |
| I am afraid of loan | 2.62 | 1.025 | 2.28 | 1.138 | 2.46 | 1.09 |
| I give importance to saving money from my monthly income | 2.66 | 0.718 | 3.55 | 0.735 | 3.09 | 0.85 |
| I feel having life insurance is an important way to protect loved ones | 2.61 | 0.804 | 3.38 | 0.822 | 2.98 | 0.98 |
| I enjoy thinking about and have interest in reading about money management | 2.86 | 0.793 | 3.47 | 0.761 | 3.15 | 0.83 |
| I enjoy talking to my peers about money related issues | 2.20 | 0.889 | 3.45 | 0.795 | 2.80 | 1.04 |

Source: Survey, 2021

The table 4.11 shows all factors of financial attitude which are somehow true for them as mean values are greater than 2 in 4-point scale. Among 11 items, most of the employees opined that they enjoy thinking about and have interest in reading about money management with mean value 3.15 overall. Most of the more knowledgeable employees feel capable of handling their financial future (3.59) followed by, give

importance to saving money from their monthly income (3.55), enjoy talking to peers about money related issues(3.45),feel having insurance is an important way to protect(3.38), feel capable of using future income to achieve financial goal(3.30), feel in control of their financial situation(3.26), feel credit cards are safe and risk free(3.23), worry to manage their finance(2.51). However most of them don't think they are uncertain about where money is spent with mean value 2.14 and they are afraid of loan with mean value 2.28.

Similarly, less knowledgeable employees enjoy thinking about and have interest in reading about money management and feel capable of using future income to achieve their financial goals (2.86, 2.77) followed by give importance to saving money from their monthly income, feel capable of handling their financial future, afraid of loan, feel having insurance is an important way to protect, uncertain about where money is spent with mean value 2.66, 2.64, 2.62, 2.61and 2.55 respectively. Talking about overall, employees feel capable of handling their financial future, give importance to saving money from monthly income, feel capable of using their future income to achieve their financial goals, they feel having insurance is an important way to protect with mean value 3.10, 3.09, 3.03 and 2.98 respectively.

4.5 Analysis of financial literacy

ANOVA is used to test whether there is significant difference in financial knowledge among different age, marital status and service sector. And the result is shown in Table 4.12.

Table 4.12
Results of ANOVA

| Characteristics | F-Statistics | Sig |
|------------------------|---------------------|------------|
| Age (in years) | 7.356 | 0.000 |
| Marital Status | 0.095 | 0.759 |
| Service Sector | 18.632 | 0.00 |

Source: SPSS Result

Table 4.12 indicates that age and service sector are found significant because significance (p- value 0.00) is less than standard (5% i.e 0.05) ,which means there is significant

difference in knowledge among employees. In other word employee's financial literacy is affected by employee's age and service sector. However, employee's marital status found insignificant because significance (p- value 0.759) is higher than standard (5% i.e 0.05. This implies that there is no significant difference in financial knowledge and marital status.

4.6 Logistic regression analysis

Logistic regression is used to test whether there is significant relationship of gender, monthly income, education stream, education stream, behavior and attitude on financial knowledge. It is used because dependent variable, financial knowledge is dichotomous (categorized in two level).

Table 4.13

Omnibus Tests of Model Coefficients

| | | Chi-square | D. F. | Sig. |
|-------------------|-------|---------------------|-------|-------|
| Step 1 | Step | 125.530 | 6 | 0.000 |
| | Block | 125.530 | 6 | 0.000 |
| | Model | 125.530 | 6 | 0.000 |
| -2 Log likelihood | | Nagelkerke R-Square | | |
| 193.039 | | 0.561 | | |

Source: SPSS Result

Table 4.13 presents the result of Omnibus test of model and model summary. The model seems to fit well for developing relationship between dependent and independent variables defined in the model because statistical significance value is less than 0.05. Moreover, Nagelkerke R-Square is the evidence of explaining level of knowledge by selected independent variables. The value of Nagelkerke R-square value as evident from table 4.13 is 0.561 which means 56.1 percent variation in financial literacy is explained by Gender, Monthly income, Education Stream, Education Level, Behavior, Attitude factor. However, the remaining 43.9 percent (100 percent – 56.1 percent) is still unexplained in this research. In other words, there are other additional variables are important in explaining financial literacy which have not been considered in this research.

Table 4.14

Summary of logistic regression analysis for variables predicting financial knowledge

| Predictor | B | S.E. | Wald | D.F. | Sig. | Exp. (B) |
|------------------|----------|-------------|-------------|-------------|-------------|-----------------|
| Gender | 0.432 | 0.372 | 1.350 | 1 | 0.245 | 1.541 |
| Monthly Income | -0.40 | 0.163 | 0.061 | 1 | 0.805 | 0.960 |
| Education Stream | -0.782 | 0.376 | 4.320 | 1 | 0.038 | 0.458 |
| Education Level | 0.870 | 0.342 | 6.454 | 1 | 0.011 | 2.386 |
| Behaviour | 1.207 | 0.366 | 10.880 | 1 | 0.001 | 3.344 |
| Attitude | 2.731 | 0.558 | 23.979 | 1 | 0.000 | 15.355 |
| Constant | -11.853 | 1.831 | 41.909 | 1 | 0.000 | 0.000 |

Source: SPSS Result

To examine the impact of some demographic variables and few personality characteristics of employees on financial knowledge, logistic regression is performed and the results are shown in Table 4.14. The result indicates that gender and monthly income are statistically insignificant since its significance points are 0.245 and 0.805 respectively, which means these variables have no significant impact on the financial knowledge. However education stream, educational level, financial behavior and financial attitude are statistically significant since its significance points are 0.038, 0.011, 0.001 and 0.000 respectively, which means these variables have significant impact on the financial knowledge. The table also shows that when educational level, financial behavior and financial attitude increases by 1 point, the odd of more financial knowledge is likely to increase by 2.386, 3,344 and 15.355 times respectively.

Table 4.15

Percentage of correct responses of banking and non-banking sector employees based on different variables.

| Variables | Banking employees | Non-banking employees |
|------------------------------|--------------------------|------------------------------|
| Gender | | |
| Male | 80.33 | 63.54 |
| Female | 69.74 | 59.59 |
| Age | | |
| Below 25 | 78.75 | 59.33 |
| 25-35 | 73.73 | 66.58 |
| 36-45 | 76.86 | 59.05 |
| 46 and above | 75.83 | 58.89 |
| Educational level | | |
| +2 | 80 | 55.11 |
| Bachelor | 76.33 | 61.23 |
| Master | 75.15 | 65.51 |
| Educational stream | | |
| Management | 78.28 | 62.59 |
| Non-Management | 43.33 | 61.63 |
| Monthly income(In Rs) | | |
| Below Rs 25000 | 74.67 | 54 |
| Rs 25000-35000 | 74.29 | 62.37 |
| Rs 35000-45000 | 79.11 | 66.35 |
| Rs 45000-55000 | 73.33 | 60.69 |
| More than Rs 55000 | 71.11 | 57.78 |
| Overall | 76.16 | 61.90 |

Source: SPSS Result

Table 4.15 shows percentage of correct responses of banking and non-banking sector employees based on variables. While considering gender as the basis for categorization, both male and female of banking employees have higher knowledge with 80.33% and 69.74% respectively. Whereas, non-banking employees have 63.54% and 59.59% respectively. Based on education level all (+2, Bachelor and Master) of banking

employees have higher knowledge with 80%, 76.33% and 75.15% respectively. Whereas non-banking employees have 55.11%, 61.23% and 65.51% respectively. Similarly, management stream banking employees have higher knowledge (78.28%) than non-banking employees (62.59%) whereas non-management stream non-banking employees have higher knowledge (61.63%) than banking employees (43.33%). Moving towards monthly income as the basis for category, all income level (Below Rs 25000, Rs 25000-35000, Rs 35000-45000, Rs 45000-55000 and More than Rs 55000) of banking employees have higher knowledge with 74.67%, 74.29%, 79.11%, 73.33% and 71.11% respectively. Whereas non-banking employees have 54%, 62.37%, 66.35%, 60.69% and 57.78% respectively.

4.7 Finding

This study has been concentrated on financial literacy among employees in Ilam Municipality. The major findings of the study are as follows:

- i) Out of total samples, male percentage sample is more (58.7%) than the female (41.3%). Income group of Rs 25000- 35000 employees consists more percentage (36.1%) of total sample. Similarly, bachelor level employees are bigger in size (65.2%). Age group of 25-35 employees consists more percentage (39.1%).
- ii) Most of the employees has knowledge about time value of money (85.7%) followed by compound interest (83%) and numeracy (76.1%) while most of them are not familiar with tax (38.3%) and money illusion (46.1%).
- iii) The study shows that knowledge of income group of Rs 35000-45000 (69.71%), age group of 25-35 (67.93%), banking sector employees (76.16%), management stream employees(68.31%) and master level employees (55.68%).
- iv) Both less and more knowledgeable employees are somewhat economical (45.37%, 51.30%) on spending habit, maintain minimal records (73.11%, 68.47%) in case of maintaining financial records, deposit into bank account (27.73%, 34.23%) in case of saving, fixed deposit for future (36.97%, 37.84%) ,repay earlier debts (15.13%,17.12%) and go for travel or vacation (12.61%,10.81%) while having additional money.

v) Most of the employees do not like to buy gold and jewelry (6.09%), spend on consumer goods (7.39%) and lend to friends or relatives (3.04%). They neither work extra hour to manage money problem (6.96%) nor buy an insurance policy (3.48%) and nor investment in own business (4.78%) when they have additional income.

vi) Most of the less knowledgeable employees spend saving (42.02%) and more knowledgeable employees cut down expenses (42.34%) while they are in money problem.

vii) More knowledgeable employees use credit cards to manage money (10.81%) and buy shares (10.87%) to use of additional money. However, less knowledgeable employees use fewer credit cards (6.72%) and like to borrow from friends and relatives (23.53%) to manage money in problem and saving for meeting contingency (9.24) to use of additional money.

viii) In overall, employees are somewhat economical (51.30%), don't like to maintain detailed records (23.91%). Similarly, they like to deposits into bank account of their savings (30.87%), spend saving (32.61%) to manage money in problem and fixed deposit for future (37.39%) while they have additional money.

ix) Less knowledgeable employees give more important to spend less than income (2.63) while more knowledgeable employees give more important to invest in the shares under IPO (3.44) and overall employees give important to spend less than income (3.05).

x) Less and more knowledgeable as well as overall employees give less important to budget and track their spending (2.02, 2.59, 2.29).

xi) The employee's behavior shows that more knowledgeable employees give more important regarding budgeting, planning, spending and investing than less knowledgeable employees .

xii) Most of the less knowledgeable employees enjoy thinking about and have interest in reading about money management (2.86) followed by feel capable of using their future income to achieve their financial goal (2.77), give importance to save money from monthly income (2.66), afraid of loans (2.62), having life insurance is an important way to

protect loved ones (2.61). However most of them don't enjoy talking to their peers about money related issues (2.20).

xiii) More knowledgeable employees feel capable of handling financial future (3.59) followed by give importance to saving money from monthly income (3.55), enjoy thinking about and have interest in reading about money management (3.47), enjoy talking to peers about money related issues (3.45) having life insurance is an important way to protect loved ones (3.38), feel capable of using future income to achieve financial goals (3.30). However most of them don't think they are uncertain about where money is spent (2.14), afraid of loan (2.28) and worry to manage their finance (2.51). Talking about overall, employees enjoy thinking about and have interest in reading about money management (3.15), capable of handling financial future (3.10) and give importance to saving money from monthly income (3.09).

xiv) ANOVA test shows that there is significant difference in knowledge among various age groups and service sectors.

xv) Logistic regression shows that education stream, educational level, financial behavior and financial attitude are statistically significant which means these variables have significant impact on the financial knowledge.

4.8 Discussion

Employees were found knowledgeable in basic level of finance. In particular, level of knowledge on time value of money, compound interest, share market, numeracy, banking was found highest while it was medium in credit, inflation, insurance and low in money illusion. Instead of buying insurance policy, investing in stock markets, buying jewelry and lending friends, most of the employees are involved in bank saving. Similar to Jorgensen (2007), this is because employees are influenced by their life experience and their parents. More knowledgeable employees use credit cards to manage money, cut down expenses and save, invest in shares and repay earlier debt. However, less knowledgeable employees use fewer credit cards and like to borrow from friends and relatives to manage money problem. To use credit one must have good financial knowledge too. Investing in own business and shares are also highly risky task. May be because of lack of knowledge regarding investment, less knowledgeable employees don't

invest in the share and they use fewer credit cards and borrow money from friends and relatives. On gender basis, male seems more knowledgeable. Income level group of Rs.35000-45000 have more knowledge in both basic and advance category. Similarly, master level employees have higher level of knowledge this may be due to high level of education which have already tested by ANOVA which gave significance results.

There are five demographic variables (age, gender, marital status, service sector and income level) are tested in hypothesis H1, out of them age and service sector is accepted. This result implies that employees age and service sector influences financial knowledge. This result is consistent with Kadoya and Khan (2020), Gupta and Gupta (2018), Shiranath (2014). This result has come may be because banking sector employees more involve in finance related issues than non-banking sector employees. And the increasing of the age, individuals get an opportunity to interact regarding financial knowledge issues. However, gender of employees does not make any difference in level of financial knowledge. This result is not consistent with Garg and Singh(2018) may be because the respondents taken in the study both male and female are from private sectors and public services respondents have similar level of knowledge regarding financial literacy.

There are two educational variables (education stream and level) is tested in hypothesis 2(H₂) and both was accepted, which means employee's level of knowledge is affected by the education stream and level. This result is also consistent with the result of Thapa and Nepal (2015). It means, financial knowledge is more in higher level of education employees may be due to high level of study and may be more years they have spent than lower level educated employees. Finally, two personality variables (behavior and attitude) were assessed in hypothesis H3 and both are accepted, which means employee's financial knowledge is affected by financial behavior and attitude. This result is consistent with the results of Garge and Singh (2018). It may be because employee's positive attitude toward finance related issues and capability to capture of overall understanding of impacts of financial decisions may results in enhancing the financial knowledge. Thus, financial knowledge is determined by age, service sector, level of education, education stream, financial behavior and financial attitude. However financial literacy is not affected by gender, income and marital status.

CHAPTER 5

SUMMARY AND CONCLUSION

This is the final chapter that involves summary, conclusions and implication of research work. The fact and findings from the primary data analysis are presented in this chapter. Besides summary and conclusion of the research work, implications are made to concerned persons and organizations.

5.1 Summary

This chapter provides the brief summary of the entire study and highlights the major finding of the study. First chapter carried out background of study, objective of the overall study, rationale, problem and limitation of the study.

Second chapter carried the review of theoretical literature on financial literacy. Several international articles related to financial literacy are also reviewed in this section and gaps to be filled by the study.

Chapter three carried out research design, population, sample and sampling design, nature and sources of data, data collection procedure and data analysis method and research framework and definition of variable. The sample comprised of 230 employees from total population of 584 employees of Ilam municipality by using convenient sampling method. To achieving the objective of the study, descriptive and analytical research design has been employed.

Chapter four helped to analyze and interpret the data collect during the study. Various statistical tools is used. Structure, descriptive statistics, ANOVA and logistic regression are used to analysis the data. Major findings of the study were also pointed out in this chapter.

5.2 Conclusion

The primary purpose of this study is to examine the status of financial literacy among employees in Ilam Municipality, to examine the impact of demographic characteristic (Gender, age, income, marital status, service sector) in financial literacy among employees, to examine the impact of educational characteristics (level, stream) in financial literacy among employees, to analyze the impact of personality characteristics

(Financial Behavior and Financial Attitude) in financial literacy among employees.

The research employs a descriptive and analytical research design. The main research strategy use in this study is a survey which allows quantitative data collection and analyses using descriptive and inferential statistics. Quantitative research methodology is also concerned with the collection and analysis of data in numeric form. The study employs an all-inclusive questionnaire designed to cover major aspects of personal finance. It includes financial literacy on numeracy, inflation, compound interest, share market, banking, insurance, taxes and credit. Several considerations is made in the selection of questionnaire items for the study.

A full-fledged questionnaire is constructed covering four areas namely personal information of respondents, financial behavior, financial attitude and financial knowledge with reference to Jorgensen (2007). Along with demographic information, survey participants are asked 23 questions including multiple-choice questions on their knowledge of finance, and multiple answer questions and opinion of different aspects of financial literacy. The questionnaire is distributed among the employees. The data were collected through 230 junior levels to senior levels employees from both private and public service. 230 entries were taken as usable entries. Data are described by frequency, percentage, mean and standard deviation and three hypotheses are tested using ANOVA and logistic regression analysis. Data are put in excel file and process through SPSS.

The study found that employees are more knowledgeable in basic level of finance while they are less familiar with money, tax and insurance. Most of the employees do not like to buy jewelry, lend to friends or relatives, invest in own business. They neither work extra hour to manage money problem nor buy an insurance they have additional income. The study showed that most of the employees like to deposits money while they have excess money and more knowledgeable employees like to invest in share and repay earlier debts. However most of the employees maintain minimal financial records and they are somewhat economical.

Age, service sector, education level, education stream, financial behavior and financial attitude significantly affect the financial knowledge however, other variable such as gender, income and marital status do not have any relationship with financial knowledge.

5.3 Organizational implications

- i) This study can be a good reference for banking institutions and other those institutions which are working to enhance financial literacy.
- ii) The study shows that significance relationship with age, education level, education stream, behavior and attitude. Different organization working towards financial literacy can conduct the literacy program with having reference to this study.
- iii) The study can be useful for local, Nepal Rastra Bank, stakeholders, Banking and Financial Institutions, researcher, general public.

5.4 Implication for further studies

- i) The study has considered only nine factors. Further research can be conducted considering more factors.
- ii) This study is concentrated only in Ilam municipality for employees, further research can be conducted considering for different areas and participants in Nepal.
- iii) Further research area may be businessman, college students, bankers, youth, investors etc.

References

- Abubakar, H. A. (2015). Entrepreneurship development and financial literacy in Africa. *World journal of Entrepreneurship*, 215-245.
- Agarwalla, S. K., Barua, S., Jacob, J., & Varma, J. R. (2012). A Survey of financial literacy among students, young employees and the retired in India. *Indian Institute of management Ahmedabad*.
- Ando, A., & Modigliani, F. (1963). The "Life cycle" hypothesis of saving: aggregate implications and tests. *The American Economic Review*, 53(1), 55-84.
- Barberis, N., & Thaler, R. (2003). A survey of behavioural finance. *National Bureau of Economic Research*, 1(1), 1053-1128.
- Bhushan, P. (2014). Relationship between financial literacy and investment behaviour of salaried individuals. *Journal of Business and Social Sciences Research*, 3(5), 1-7.
- Chen, H., & Volpe, R. P. (2002). Gender differences in personal financial literacy among college students. *Financial services review*, 11(3), 289-307.
- Clercq, B. D., & Venter, J. P. (2009). Factors influencing a prospective chartered accountant's level of financial literacy: An exploratory study. *Meditari Accountancy Research*, 1(3), 47-60.
- Finke, M. S., Howe, J. S., & Huston, S. J. (2017). Old age and the decline in financial literacy. *Management Science*, 63(1), 213-230.
- Fogel, S. O., & Berry, T. (2006). The disposition effect and individual investor decisions: The role of regret and counterfactual alternatives. *Journal of Behavioural Finance*, 7(2), 107-116.
- Garg, N., & Singh, S. (2018). Financial literacy among youth. *International journal of social economics*.
- Githui, T., & Ngare, P. (2014). Financial literacy and retirement planning in the informal sector in Kenya. *International Journal of Education and Research*, 2(1), 1-16.

- Hamza, N., & Arif, I. (2019, June). Impact of financial literacy on investment decision: The mediating effect of big five personality traits model. *College of Management Sciences, (1)14*, 215-226.
- Hassan Al-Tamimi, H., & Bin Kali, A. (2009). Financial literacy and investment decisions of UAE investors. *Journal of Risk Finance, 10(5)*, 500-516.
- Illeris, K. (2004). Transformative learning in the perspective of a comprehensive learning theory. *Journal of Transformative Education, 2(2)*, 79-89.
- Jorgensen, & Bryce, L. (2007). Financial literacy of college students: Parental and peer influences. *Master Thesis submitted to the faculty of the Virginia Polytechnic Institute and State University in Masters of Science in Human Development*.
- Kadoya, Y., & Khan, M. S. (2020). What determines financial literacy in Japan ? *Journal of Pension Economics & Finance, 19(3)*, 353-371.
- Kahneman, S., & Perttunen, R. (2014). Behaviour factors influencing investment decisions in the Kenyan property market. *Afro-Asian of Finance and Accounting, 4(1)*, 26-49.
- Lusardi, A., & Michel, O. S. (2011). Financial literacy around the world: An overview. *Journal of Pension Economics and Finance, 10(4)*, 509-525.
- Lusardi, A., Mithel, O. S., & Curto, V. (2010). Financial literacy among the young. *Journal of consumer affairs, 358-380*.
- Mandell, L. (2008). Financial literacy of high school students. *Journal of financial counselling and planning, 20(1)*, 163-183.
- Mandell, L. (2008). Financial literacy of high school students. *In J.J. Xiao(Ed) Handbook of Consumer Finance Research, 163-183*.
- Mutembei, R. N., & Elly, D. (2017). Effect of financial literacy on voluntary retirement planning among employees of state corporations under the ministry of health in Nairobi Country, Kenya. *African Development Finance Journal, 1(1)*, 1-27.
- Niazi, M. K., & Malik, Q. A. (2019). Financial attitude and investment decision making-moderating role of financial literacy. *NUML International Journal of Business & Management, 14(1)*, 102-115.

- Nidar, S. R., & Bestari, S. (2012). Personal financial literacy among university students (cse study at Padjaran University students, Bandung, Indonesia). *World Journal of Sciences*, 2(4), 162-171.
- Shefrin, H., & Statman, M. (1994). Behavioural capital assets pricing theory. *Journal of Financial and Quantitative Analysis*, 29(03), 323-349.
- Shiranath, H. (2014). Inequalities in the financial inclusion in Sri Lanka: An Assesment of the functional financial literacy. *Ilorin Journal of Economic Policy*, 1(1), 1-30.
- Thapa, B. S., & Nepal, S. R. (2015). Financial literacy in Nepal: A Survey Analysis from College Students. *NRB Economic Review*, 27(1), 49-74.

APPENDIX

Dear respondents,

I am a student studying MBS at Central Department of Management, Kirtipur, and I am conducting research on “*Financial Literacy of Employees in Ilam Municipality*”. This research is done for the partial fulfilment of the MBS course.

Your expression here will only be used for the purpose of the study and will be kept confidential. I assure you that this information will be exclusively used for the academic research purpose. Thank you so much for your cooperation. Your cooperation will be very helpful for contributing a lot to the complete success of the study. I would be very grateful if you could share your opinion by filling the questionnaire.

Manoj Chapagain

Central Department of Management-TU

Section I: Respondents' Profile

Name (optional):

Gender: Male [] Female []

Age: (in Years): Below 25 [] 25-35[] 36-45[] 46 and above []

Marital Status: Married[] Unmarried[]

Family Monthly Income Range:

Below Rs.25000 [] Rs. 25,000- 35,000 [] Rs.35000-45000 []

Rs.45000-55000 []

More than Rs.55, 000 []

Service Sector Banking [] Non-banking []

Educational Stream Management [] Non-Management []

Educational level: +2 [] Bachelors [] Masters []

Section II: Basic Information***Financial Knowledge***

A. Please select only one answer option from question no. 1 to question no. 16.

1. What is the general corporate tax rate of Nepal ?
 - a. 10%
 - b. 15%
 - c. 20%
 - d. 25%
2. Suppose you deposit Rs.20000 in a savings account and bank pays 8% interest per year. How much interest would you receive after 2 years?
 - a. Rs. 1600
 - b. Rs. 3200
 - c. Rs 23200
 - d. Do not know
3. Suppose you had Rs.1000 in a savings account and the interest rate is 20% per year and you never withdraw money or interest payments. After 5 years, how much would you have on this account in total?
 - a. More than Rs. 2000
 - b. Exactly Rs. 2000
 - b. Less than Rs. 2000
4. Imagine that the interest rate on your savings account was 6% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?
 - a. More than today
 - b. Exactly the same
 - c. Less than today
 - d. Do not know
5. Suppose that in the year 2022 your income will be doubled and prices of all goods will be doubled too. In 2022, how much will you be able to buy with your income?
 - a. More than today
 - b. The same
 - c. Less than today
 - d. Do not know
6. How many D-mat accounts can a person open?
 - a. 2
 - b. 3
 - c. 1
 - d. Do not know
7. A company issues shares in the:
 - a. Secondary markets
 - b. Primary markets
 - c. Stock exchange
 - d. Derivative market

8. Who regulates the banks and financial institutions in Nepal?
- a. Security Board of Nepal
 - b. Insurance Board of Nepal
 - c. Nepal Rastra Bank
 - d. Nepal stock exchange
9. Which is the largest IPO in the history of Nepalese security market?
- a. Chandragiri Hills
 - b. Nepal Infrastructure Bank
 - c. Nepal Reinsurance Company
 - d. Do not know
10. What do you think deserves primary attention when one has to compare between the banks to choose the one where to take a loan from?
- a. Bank's reputation (fame) and its reliability
 - b. View of the bank office and qualifications of its personnel
 - c. Interest rate and the other costs
 - d. Gifts and advertising campaigns

B. Please select only one answer (True or False) from question.

11. Today's value of Rs.100 is higher than the value of tomorrow's Rs. 100.
- a. True
 - b. False
12. Remaining cash balance of the firm is its profit.
- a. True
 - b. False
13. Making payments late on your bills can make it more difficult to take out a loan.
- a. True
 - b. False
14. With compound interest, you earn interest on your interest, as well as on your principal.
- a. True
 - b. False
15. If you have a savings account at a bank, you may have to pay taxes on the interest you earn.
- a. True
 - b. False
16. After signing an insurance contract to purchase a policy, you have five days to change your mind
- a. True
 - b. False

Financial Behavior

17. How economically spending oriented are you? (please select only one option)
- Very economical
 - Somewhat economical
 - Neither economical nor spending oriented
 - Somewhat spending-oriented, rarely saving money
18. In what manner do you maintain financial records?
- Maintain no records
 - Maintain minimal records
 - Maintain very detailed records
19. If you (your family) have/has any money left right before the next income arrives, what would you usually do with it? (Select the most appropriate option).
- Spend it on consumer goods
 - Keep it in cash
 - Deposit it into bank account
 - Invest it in the share market
 - Lend it to friends or relatives
 - Invest it in our own business
 - Buy gold and jewelry
20. What do you usually do when you (your family) run(s) out of money before the next income arrives?
- Cut down expenses and save
 - Borrow money from relatives, friends and acquaintances
 - Spend savings
 - Use a credit card or bank loan
 - Work extra hours or do additional jobs

21. Let's assume that in addition to your regular income your family got some money in the amount of Rs100000- Rs300,000. What would you do with this money most likely?

- a. Purchasing of household goods like furniture, clothes etc.
- b. Fixed deposit for future
- c. Saving for meeting contingency
- d. Repay earlier debts
- e. Go for travel or vacation
- f. Investment in own business
- g. Buy an insurance policy
- h. Buy shares

22. Rate the following statements on a scale of 1-4 (1, not at all true for me; 2, somewhat not true for me; 3, somewhat true for me, 4, very true for me)

| Statements | | | | |
|--|--|--|--|--|
| a. I budget and track my spending | | | | |
| b. I contribute to a bank saving account regularly | | | | |
| c. I compare prices when shopping for purchases | | | | |
| d. I have a life insurance policy | | | | |
| e. I invest in the shares under IPO | | | | |
| f. I read to increase my financial knowledge | | | | |
| g. I maintain adequate financial records | | | | |
| h. I spend less than income | | | | |
| i. I maintain adequate insurance coverage | | | | |
| j. I plan and implement a regular savings/investment program | | | | |

Financial Attitude

23. Rate the following items on a scale of 1-4 (1, not at all true for me; 2, somewhat not true for me; 3, somewhat true for me, 4, very true for me)

| statements | | | | |
|---|--|--|--|--|
| I feel in control of my financial situation | | | | |
| I feel capable of using my future income to achieve my financial goals | | | | |
| I worry to manage my finance | | | | |
| I am uncertain about where my money is spent | | | | |
| I feel credit cards are safe and risk free | | | | |
| I feel capable of handling my financial future (e.g. buying insurance) | | | | |
| I am afraid of loan | | | | |
| I give importance to saving money from my monthly income | | | | |
| I feel having insurance is an important way to protect | | | | |
| I enjoy thinking life about and have interest in reading about money management | | | | |
| I enjoy talking to my peers about money related issues (i.e. taxes | | | | |