CHAPTER I

INTRODUCTION

1.1 Background of the Study

Financial literacy is an important component of sound financial decision-making, and many young people wish they had more financial knowledge (Lusardi, Mitchell & Curto, 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 (Dahlia, Rabitah & Zuraidah, 2009).

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 (Lusardi & Mitchell, 2011).

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 (Lusardi *et al.*, 2010). 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 prudentand 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 manages income and expenses, how and where to invests, manage financial risks effectively and most importantly avoid financial distress.

Learning how to manage money (money management) is just as important as getting it (Danes & Hira, 1987). 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” (Lee, 2005; and Hogarth & Hilgert, 2002). Financial literacy can have important implications for financial behavior. For instance, people with low financial literacy are more likely to have problems with debt (Lusardi & Turfano, 2009), less likely to participate in the stock market (Rooij et al., 2007), less likely tochoose mutual funds with lower fees, less likely to accumulate and manage wealth effectively and less likely to plan for retirement (Lusardi & Mitchell, 2006).

Pension finance literacy enables individuals to plan for retirement, make proper choices on pension products and contribute effectively in management of their pension schemes (Njuguna & Otsola, 2011). It also influences the saving behavior and member participation in pension schemes of individuals and in turn contributes to economic growth of countries (Agnew, Szykman, Utkus & Young, 2007).

Worthington (2005) defined financial literacy as the ability to make informed judgments and to take effective decisions regarding the use of management and money. Remund (2010) on the other hand defines it as a measure of understanding key financial concepts. (Lusardi & Mitchell, 2013) further defined financial literacy as peoples‟ ability to process economic information and make informed decisions about financial planning, wealth accumulation, pensions, and debt. These authors suggest that a financial literate population is able to make informed decisions and take appropriate actions in matters affecting their financial wealth and wellbeing. OECD (2005) also gave a comprehensive definition of „financial education‟ as:the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction, and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.

According to Norman (2010) financial education refers to knowledge or an understanding on the importance of money and the use of money, it answers the question, why spend on this as opposed to that. It can literally be summed up as the wise use of money. Financial literacy is the ability to understand finance. More specifically, it refers to the set of skills and knowledge that allow an individual to make informed and effective decisions through their understanding of finances.

According to Mahdzan and Tabiani (2013), increasing financial literacy and capability promotes better financial decision-making, thus, enabling better planning and management of life events such as education, housing purchase, or retirement. This is particularly more relevant for college students. Peng et al. (2007) stated that university students take on higher levels of personal financial responsibility. These students face more financial challenges in conjunction with relevant instruction. It is also more likely that college students are experiencing more challenges with finances as they pay bills, use credit cards, working, saving, budgeting monthly expenses, and manage debt. Thus, there is paramount importance of financial literacy among college students.

The awareness of the importance of financial education is gaining momentum among policy makers across the world’s economies. Again, helping young people by understand their financial issues is quite important, as younger generations are likely to face ever increasingly complex financial products and services. They are also more likely to bear more financial risks in adulthood than their parents, especially in saving, planning for retirement and covering their healthcare needs (OECD, 2011).The need of financial literacy has become increasingly significant with the deregulation of financial markets and the easier access to credit, the ready issue of credit cards and the rapid growth in marketing financial products. Recognizing the importance of financial literacy, a growing number of countries have developed and implemented national strategies for financial education in order to improve the financial literacy of their populations in general, often with a particular focus on younger generations (Grifoni & Messy, 2012).

Financial literacy equipped individuals with the necessary knowledge, ability and tools to make informed financial decisions with confidence, to manage personal wealth with high degree of competency and heighten the efficiency in the demand for best financial products (Ali, 2013). When individuals acquire knowledge about savings and apply same, funds are made available to firms by means of loans from financial institutions. These loans are used to finance productions and it does not only increase the gross domestic product (GDP) but also create employments among many others.

The term financial literacy derives its description from The President’s Advisory Council on Financial Literacy (PACFL 2008), in the U.S that was convened to “improve financial literacy among all Americans.’’ The council defined financial literacy as the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being. It emphasized the fact that financial literacy goes hand in hand with financial education which was defined as the process by which people improve their understanding of financial products, services and concepts, so they are empowered to make informed choices, avoid pitfalls, know where to go for help and take other actions to improve their present and long-term financial well-being.

Financial literacy is the major challenge faced by all countries globally. Financial literacy is the mix of one’s knowledge, skill and attitude towards financial matters. It helps to make informed decisions and well being of an individual. In today’s world which has a market with complicated products, the need for financial literacy becomes inevitable. Country like India which has high young population, the government is in a position to increase the level of financial literacy. The government and other private institutions have taken steps through financial education programs. Now financial education is included in the school and university curriculum also.

Financial literacy goes beyond the provision of financial information and advice. It is the ability to know, monitor, and effectively use financial resources to enhance the well-being and economic security of an individual, his family, and his business. The OECD defines financial literacy as –“A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well being.”

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 behaviour 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.

Greenspan (2002) argues that financial literacy helps to inculcate individuals with the financial knowledge necessary to create household budgets, initiate savings plans, and make strategic investment decisions. Proper application of that knowledge helps households to meet their financial obligations through wise planning, and resource allocation so as to derive maximum utility (Mwangi & Kihiu, 2012).

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 Chitwan District.

1.2 Statement of Problem

Our nation's economic system and society's well-being depends in part on knowledgeable consumers.One problem may be that many individuals and families do not have the knowledge or skills to handle basic, let alone complex, financial decisions (Alhabeeb, 1999; Klemme, 2002; NEFE, 2002). Many might say, "I learned how to get a job and make money, but no one ever taught me how to manage money." Learning how to manage money is as important as earning it (Danes & Hira, 1987; Lachance & Choquette-Bernier, 2004).The U.S. has the lowest individualsavings rate in the industrialized world, with rates continuing to drop.Between 1970and 2002 consumer debt among U.S. families increased by 152% whereas median family income only increased 13% (Economic Report of the President, 2006). Bankruptcies have risen by nearly 400% over the last two decades affecting 1,759,503 U.Shouseholds in 2006 (U.S. Courts Bankruptcy Filings, 2006).

Financial literacy condition in case of our country is poor. About two third of that population are literate and among literate and among literate population also, most of them are financially illiterate. 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 high that any other profession. 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 Chitwan district.

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 less. Financial literacy can be measured on the different paramount like financial knowledge, financial behavior, financial attitude, etc.The study has following research questions:

1. What is the status of financial literacy among employees?

2. What is the impact of demographic characteristics (gender, income, age) and educational characteristics (level, type, stream) in financial literacy among employees?

3. What is the relationship between personality characteristics (financial behaviour, financial attitude and financial influence) and financial literacy among employees?

1.3 Purpose of the Study

The generalobjectives of the study is to examine the level of financial knowledge of employees in Chitwan district. The specific purposes of the research are as follows:

1. To examine the status of financial literacy among employees in Chitwan district.

2. To analyze the impact of demographic characteristics (gender, income, age) and educational characteristics (level, type, stream) in financial literacy among employees.

3. To identify the relationship between personality characteristics (financial behaviour, financial attitude and financial influence) and financial literacy among employees.

1.4 Research Hypothesis

Following hypotheses has formulated for the study:

H1: There is significant difference in financial knowledge among employees of different demographic characteristics (gender, age, income).

H2: There is significant difference in financial knowledge among employees in educational characteristic (level, stream, type).

H3: There is significant relationship of financial knowledge of employees with theirpersonality characteristics (financial attitude, financial influence and financial behavior).

1.5 Significance of the Study

This study will contribute 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 analyse the status of financial literacy among employees in Chitwan district which provide good opportunity to analyse the condition of employees financial literacy in Chitwan district. Similarly, it examined the impact of demographic, educational characteristics in financial literacy. 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 Chitwan district, which may not represent the overall scenario of Nepal. Basically, the study is limited with-in the following factors:

1. The responses might not be very representatives of the population due to sample limitations, area limitations and result cannot be generalized since collected questionnaire is small.

2. The study concentrates private sectors, public services, small entrepreneurs and big enterprises employees in Chitwan district.

3. The study only considers variables such as numeracy, compound interest, inflation, money illusion, risk and return, share market, banking, insurance, taxes, credit and diversification.

4. The study covers demographics variables (gender, age, income), educational variables (level, type, stream), personal variable (financial behaviour, financial influence, financial attitude).

1.7 Organization of the Study

This study has organized into following five chapters.

Chapter I - Introduction:

This chapter deals with background of the study, statement of the problem, purpose of the study, significance of the study, research hypothesis,limitations of the study and organization of the study

Chapter II – Literature Review:

This chapter includes review of literature which incorporates the theoretical review, review of previous studies, conceptual frameworkand research gap.

Chapter III – Research Methodology:

This chapter focuses on research methodology and it contains research design, population and sample size, sources of data, data collection processing &procedures, model specification and analysis tools and technique used for this analysis along with pilot test.

Chapter IV– Results:

This chapter includes results and discussion, which focuses on data presentation and analysis and this chapter deals with the main body of the research works and deals with data presentation and analysis of data and scoring the empirical finding of the study through definite cause of research methodology.

Chapter V - Conclusions:

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

CHAPTER II

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's 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 Behavioural 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, parents' 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 Tverskyin 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 (Waweru *et al*, 2003). 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 oftheir 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 inform 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.

The Economic Importance of Financial Literacy: Theory and Evidence

Lusardi and Olivia (2014), "The Economic Importance of Financial Literacy: Theory and Evidence" This paper undertakes an assessment of a rapidly growing body of economic research on financial literacy. The study starts with an overview of theoretical research which casts financial knowledge as a form of investment in human capital. Endogenizing financial knowledge has important implications for welfare as well as policies intended to enhance levels of financial knowledge in the larger population. Next, we draw on recent surveys to establish how much (or how little) people know and identify the least financially savvy population subgroups. This is followed by an examination of the impact of financial literacy on economic decision-making in the United States and elsewhere. While the literature is still young, conclusions may be drawn about the effects and consequences of financial illiteracy and what works to remedy these gaps.

2.2 Review of Previous Studies

Thapa & Nepal (2014) Study 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, overallfinancial 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.

In Srilankan context, Heenkenda (2014), study 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.

The study revealed that the spending habit and year of study have a significant positive relationship with the financial literacy, whereby the age and gender are negatively associated with the financial literacy. The study suggested that financial literacy can prevent the university students from engaging in extensive debt especially credit card debt (Shaari *et al*., 2013).

Several studies have been done to address claim related to retirement preparedness. Recognizing that Kenya has old age dependency estimated at 56%, 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 literarcy 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 washowever 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.

The relationship between financial literacy and pension preparedness in the informal sector in Kenya is investigated by Ade (2013) using a stratified random sample of 30 traders in each of the selected markets from Nairobi. In each market, five informal sector traders were randomly selected from small scale trader categories namely second hand clothes dealers, small shops and kiosks, Jua Kali artisans, hawkers, fruits and vegetable vendors and food processing kiosks. The multivariate logic model developed from 150 responses to the questionnaires proposes that retirement preparedness is explained by financial literacy, age, income, marital status and highest education level. The study notes that there is a statistically significant positive relationship between financial literacy and retirement preparedness. It is inferred that the foregoing study has not clearly articulated how retirement preparedness is measured in the study. The choice of the sample frame from micro scale entrepreneurs leads to questions on the possibility of retirement in the informal sector in Kenya.

The results of the study suggests that financial literacy level of individuals affects the awareness as well as investment preferences of salaried individuals towards financial products (Bhushan, 2014).This clearly implies that due to low level of financial literacy, individuals invest their money in traditional financial products and are not able to take advantage of new age financial products which can offer them higher returns. Thus it becomes the need of the hour that government as well as policy makers take necessary steps to improve the level of financial literacy among the population.

The study found that financial literacy positively affect financial preparedness for retirement. However, knowledge of financial instrument was found to be insignificant while computation capability for retirement was significant. Demographic characteristics and financial factors findings revealed that they moderates the relationship between financial literacy and financial preparedness for retirement and both were as well significant. The study recommended the need to formulate policies and programs oneducation and training and as well as a well documented information in order to foster financial preparedness for retirement (Agunga, 2014). Survey shows that Malaysian consider themselves good in financial literacy but in reality they are still weak in mastering financial literacy knowledge. This study also shows that, in Malaysia context, financial literacy among young men who earn below RM1500 and certificate qualification holders need to be targeted as focus group to increase their financial literacy awareness and financial knowledge. Therefore, strategies to create awareness and improve financial literacy knowledge among Malaysian has been identified in this study (Murugiah, 2016**).** The study concluded herding effect, risk aversion, prospecting and anchoring influences the investment decision making in stock market. The study recommended that since herding effect or behavior is relevant to the individuals, market environment and atmosphere, the investment banks should give their investors the relevant information to ensure that they are well versed with the prevailing market and economic situations. The study also recommended that since risk aversion influences investment decision of the individuals in stock market, there is need for the relevant organizations to ensure that their investment in the stock market are well chosen to ensure that the interests of the investors are well taken care of (Wamae, 2013).

Fogel & Berry (2006) suggests that individual investors are consistently engaging in behavior that they have been warned can cost them money and that they regret later. Two additional experiments confirm the disposition effect and the role of regret, and offer evidence about the role of an agent (broker) in the assignment of blame and regret. The study show that investor satisfaction and regret are not simply functions of outcome, but are influenced by counterfactual alternatives and the type of action taken.

Online investors' knowledge of investments is insufficient and needs to be improved in the future. Online investors who decide their own investment decisions need to understand and be able to evaluate the appropriateness of their investments. Investors who receive guidance from brokers also need to be able to evaluate whether the recommended investments are suitable for them. As discussed previously the problem may be in the presentation of educational information. At online broker websites, educational information, if any, is located in a separate and distinct section of the website. The investor must make an effort to find the needed information. The Securities Exchange and Commissions (1999) suggests one possible way to better educate investors is through the use of popup screens that contain educational information on the specificactivity the investor is performing. At that point investors may elect to either use the educational information or indicate that they do not wish to use it. While solutions have proven difficult to find, this problem needs to be addressed for the financial health of both individual investors and society as a whole. An educated investor is a better investor, and contributes to a more efficient and effective capital market (Volpe, Kotel & Chen, 2002).

Mahdzan & Tabiani (2013) examined the influence of financial literacy on individual saving in the context of an emerging market, Malaysia. A survey was conducted on approximately 200 individuals in Klang Valley, Malaysia to study the relationship under investigation. Other determinants of individual saving were also examined, in particular, saving regularity, risk-taking behaviour, and socio- demographic characteristics. Results of a Probit regression revealed that the level of financial literacy had a significant, positive impact on individual saving. In addition, saving regularity, gender, income and educational level influenced the probability of saving positively. Results of this study suggest that it is important for policymakers to increase financial literacy of households by implementing various financial education programmes, to further influence saving rates at the national level.

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.

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 studentsfinancial knowledge, college had to provide financial knowledge education to learn about saving and financial management.

Jorgensen (2007) investigated the personal financial literacy (knowledge, attitudes and behavior) of a sample of undergraduate and graduate college students by gender, class rank, andsocioeconomic status (SES). Second,examined parental and peer influences on the levelof financial literacy of college students. Finally, examined how college students'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, andbehavior 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, studentwith 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.

Agarwal et al. (2013) 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.

Ramasawmy et al. (2013) assessed the level of awareness of financial literacy by surveying among management students at the University of Mauritius. Four fundamental aspects in financial literacy were considered: level and importance, definitions and theories, constraints and measures to improve financial literacy. The study found that management students at the University of Mauritius attached a sound level of importance to financial literacy to their subject of study. However, according to the results, most students had a medium level of knowledge and skills in financial literacy and in savings and borrowings. They did not find thesignificant difference in the financial literacy level between male and female respondents while male and female's ability to read, analyze, manage and communicate was found significantly different. Similarly, the study also stated that age, gender, language, race and income level did not have an impact on the level of financial literacy. The study recommends stakeholders, universities etc to include financial literacy education on its syllabus to both management and non-management students.

Lusardi et al. (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, financial institutions need to take an action. This study could become base to other researcher to do further research by taking other financial literacy variables.

The association between financial literacy and retirement planning in Russia is investigated by Klapper and Panos (2011). With a correlation matrix, a significant and positive association between savings for retirement and all financial literacy measures is established. Instrumental variables indicate that the three measures of financial literacy exert a positive impact on private retirement planning. Paradoxically, continuing to work after retirement is also positively correlated to correct financial literacy responses. This finding therefore suggests that financial literacy influences provate retirement planning though at the same time, financially literate individuals who have planned for retirement are not willing to retire which means that there may be other considerations for the willingness to stop actively working after retirement.

Table 2.1: Summary of Literature Review

Authors, Years	Focus on	Key Findings
Volpe *et al.*(2002)	Investment Literacy among onlineinvestors	Investors 50 years of age or older were more knowledgeable than those who are younger.Women had lower level of investment knowledge thanmen.Investors with graduate degrees were more knowledgeable than those with some high school or college education.
Fogel & Berry (2006)	disposition effect and individual investor decisions	The study suggests that individual investors are consistently engaging in behavior that they have been warned can cost them money and that they regret later.
Githui & Ngare (2014)	Investigated impact of financial literacy on retirement planning in informal factor in Kenya.	The study found that age, marital status, education, occupation, income, number of children variables are significantly associated with retirement planning. The study cited that income greatly affects retirement planning with low income earners feeling that they do not have sufficient income to save.
Ade (2013)	Effect Of Financial Literacy On Pension Preparedness Among Members Of The Informal Sector In Kenya.	The study notes that there is a statistically significant positive relationship between financial literacy and retirement preparedness.
Mahdzan & Tabiani (2013)	Impact of Financial Literacyon Individual Saving in the Malaysian Context.	The study suggests that it is important for policymakers to increase financial literacy of households by implementing various financial education programs, to further influence saving rates at the national level.
Agunga (2014)	Effect of financial literacy on financial	The study found that financial literacy positively affect financial preparedness for retirement.

	preparedness for retirement among permanent and pensionable employees in state owned corporations in Nairobi, Kenya.	However, knowledge of financial instrument was found to be in significant while computation capability for retirement was significant.
Murugiah (2016)	The Level of Understanding and Strategies to Enhance Financial Literacy among Malaysian.	The study shows that Malaysian consider themselves good in financial literacy but in reality they are still weak in mastering financial literacy knowledge. This study found that, in Malaysia context, financial literacy among young men who earn below RM1500 and certificate qualification holders need to be targeted as focus group to increase their financial literacy awareness and financial knowledge.
Wamae (2013)	Effect of behavior in investment decision making.	The study concluded herding effect, risk aversion, prospecting and anchoring influences the investment decision making in stock market.
Bhushan (2014)	Relationship between Financial Literacy and Investment Behavior of Salaried Individuals.	The study clearly implies that due to low level of financial literacy, individuals invest their money in traditional financial products and are not able to take advantage of new age financial products which can offer them higher returns. The study suggests that financial literacy level of individuals affects the awareness as well as investment preferences of salaried individuals towards financial products.
Shaari *et al*. (2013)	Financial literacy among university students.	The study revealed that the spending habit and year of study have a significant positive relationship with the financial literacy, whereby the age and gender are negatively associated with the financial literacy. The study suggested that financial literacy can prevent the university students from engaging in extensive debt especially credit card debt.
Heenkenda (2014)	Inequalities in the financial inclusion in Srilanka: an assessmentof the functional financial literacy.	The study 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.

Thapa & Nepal (2014)	Financial Literacy in Nepal: A Survey Analysis from College Students.	The study 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. 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.
Nidar & Bistari (2012)	Personal Finance Literacy in Padjadjaran University of Indonesia.	The study showed that level of education, faculty, personal income, knowledge from parents income and ownership of insurance factors have significant impact on personal financial literacy.
Britt *et.al.* (2004)	Financial Behaviour and Problems among University Students.	The study found that female students were more tended to enjoy shopping and brought items that were on sale than male, and males however, tended to hide their spending habits from their families.
Jorgensen (2007)	Financial Literacy of College Students: Parental and Peer Influences.	The study revealed that financial knowledge, attitude and behavior scores were low but they significantly increased each year from freshman to masters.
Agarwal *et.al.* (2013)	Financial Literacy among 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.
Ramasawmy *et.al.* (2013)	A study of the level of Awareness of Financial Literacy among Management Undergraduates.	The study found that most students had a medium level of knowledge and skills in financial literacy and in savings and borrowings which stated that age, gender, language, race and income level did not have an impact on the level of financial literacy.
Lusardi *et.al.* (2010)	Financial Literacy among the Young: Evidence and Implications for Consumer Policy.	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.
Klapper &	Financial Literacy and	The study suggests that financial literacy influences

Panos(2011)	Retirement Planning in View of a Growing Youth Demographic: The Russian Case	provate retirement planning though at the same time, financially literate individuals who have planned for retirement are not willing to retire which means that there may be other considerations for the willingness to stop actively working after retirement.

2.3 Conceptual Framework

The conceptual framework is an analytical tool used to make conceptual distinctions or organize ideas. Conceptual 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 2.1 financial literacy of employees in Chitwan District is the dependent variable taken for the study and independent variable aredemographic characteristics, educational characteristics and personality characteristics.

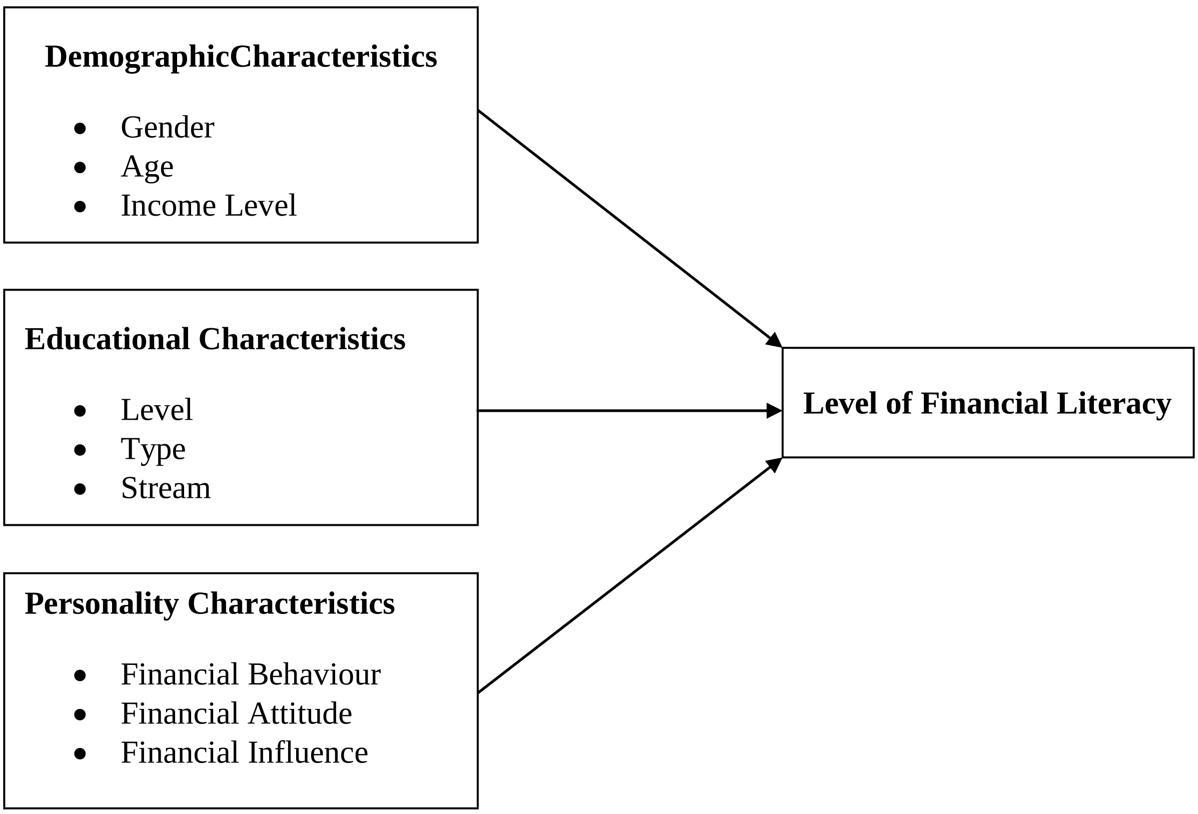

Figure 4.1: Schematic Diagram

2.3.1 Operational Variables:

Demographic Characteristics

It consists of gender, age and income level. Genders are male and female whereas employees are subdivided into four groups as per the monthly income. First, below Rs. 20000, second, Rs. 20000 – Rs. 300000, third, Rs. 30000 – Rs. 50000 and four, above Rs. 50000.Age of employees are subdivided into five groups. First, below 18, second, 18-20, third, 21-24, fourth, 25-29 and fifth, 30 and above.

Educational Characteristics

Employees, on the basis of educational level are subgroup on three parts. They are i) High School Level ii) Under Graduate Level iii) Graduate level. Similarly, employees on the basis of education stream are management and non- management. On the basis of type employees employed on private sectors, public services, small entrepreneurs and big enterprises.

Personality Characteristics

It consists of financial attitude, financial behavior and financial influence. Financial attitude of employees have an impact on level of financial knowledge or not? What is the impact of financial behavior and financial attitude of the employees towards the financial literacy?

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 financematters in an efficient manner, and, it includes the knowledge of making appropriate decisions about personal finance such as investing, insurance, real estate, paying for college, budgeting, retirement and tax planning**.**

2.4 Research Gap

A review of the literature on financial literacy shows that most of the studies 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 investors' 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, of financial decision-making, of solving financial problems and of financialplanning also taken as variables.Similarly, some research was conducted Among Working Young in Urban India.

In Nepalese context, 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 had been done about financial literacy on employees in Nepal. Likewise, this study tries to fill the gap by studying in Chitwan District for the very first time. Broadly, all independent variables are categories into three groups: Demographic, educational and personality characteristics.

CHAPTER III

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 and data analysis tools & techniques. In this study the following methodologies are adopted.

3.1 Research Design

The research employee an descriptive and analytical research design. In this study, the approach is employed to establish how variables such as gender, income, qualification, financial behavior, financial influence and financial attitude impact on financial literacy of Chitwan District employees'. 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 questionnaireis based on the study conducted by Thapa & Nepal (2007) research studyand Jorgensen (2007). Several considerations are made in the selection of questionnaire items for the study.

A full-fledged questionnaire is constructed covering five areas namely personal information of respondents, financial behavior, financial influence, financial attitude and financial knowledge with reference to Jorgensen (2007). Along with demographic information, survey participants were asked 21 questions including multiple-choice questions on their knowledge of finance, and multiple answer questions and opinion of different aspects of financial literacy. However, name was optional. The pilot test was conducted among 20 prospective respondents and opinion of two experts was taken to refine and finalize the questionnaire.

3.2 Population and Sample

The sample for this study has taken from private sector employees, Public services employees, small entrepreneur and big enterprises from Chitwan district. Chitwan district is divided into seven municipalities and twenty two “Gaupalika”. Among the seven municipalities Bharatpur, Ratnanagar, and Kalika municipalities has been selected for the study. Bottlers Nepal (Terai) Ltd., Bhatbhateni Supermarket, Honda Yamaha and Suzuki Showroom, United Beverage Pvt.Ltd., Hotel Royal Century, Food Mart, K.C. Poultry Farm, Abinash Hatchery, Chitwan Water Pvt. Ltd. and Gokarna Copy Udhyog are taken as private company. Public organizations are (Bharatpur Municipality, Ratnanagar Munipality, “Napi Karyala”, Land revenue office, Tax Revenue Office) taken for the study. Bishal Fruits Center, Street Vendor, Prakriti Furnishing Gallery, Laxmi Narayan Bhastralaya, Thapa “Kirana” Shop and Baisnav Sweets entrepreneurs and MAW enterprises are taken for the study. Total 180 employees from these organization. Out of the population, 125 employees institutions have been selected (Sekaran, 2003) conveniently altogether from private sectors, public services, small entrepreneurs and big enterprises. 125 questionnaires distributed to the employees, 108 were the respondents. So the response rate was 86.4 percent.

3.3 Sources of Data

The study is based on primary data: a convenience sample survey through questionnaire of 108 employees in Chitwan District. The questionnaire is structure into two sections. Section1 is concerned with demographic and educational profile of employees and section 2 focuseson getting information about influencing factor about financial behavior, financial attitude and financial influence. It also tries to find out the level of financial knowledge of respondents. The questionnaire includes both Likertscale questions and multiple choices question and option based questions.

3.4 Data Collection Processing Procedures

The study collects data from the respondents by approaching directly in their working place. Questionnaires were distributed to each and every individual and the researcher was present there to assist the respondents. After receiving the response, data were decoded into excel file.

3.5 Data Analysis Tools and Techniques

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 percentageis used to described result obtained and logistic regression model is used to show the relationship between dependent variables and independent variable. Data are presented table which makes easier to analyse 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 interprete by using several tools like SPSS, Ms-excel, and Ms-word etc.

3.6 Model Specification

The logistic model takes on the following form:

log [p/(1 -p)] = B_0 + B_1(Gender)+B_2(Level) + B_3(Type) + B_4(Stream) + B_5(Behavior) + B_6(Influence) + B_7(Attitude) + ei ………. (1)

Where,

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

Gender = 1 if the participant is a male, 0 otherwise.

Level = 1 if the participant is studying in bachelor level, 0 otherwise.

Type = 1 if the participant is working in private sector, 0 otherwise.

Stream = 1 if participant's stream is management, 0 otherwise.

Behavior = Financial Behavior measured in 4-point scale

Influence = Financial Influence measured in 4-point scale

Attitude = Financial Attitude measured in 4-point scale

ei = Error term

3.7 Pilot Test

A questionnaire should be piloted with a reasonable sample of respondents representing the target population. Weakness in design and instrumentation can be detected through a pilot study and it can provide proxy data for selection of suitable sample. A total of 20 respondents were chosen for the pilot test. The questionnaire were distributed among employees in Chitwan District in order to determine the reliability of the instrument that is used to measure the variable of this study prior to performing data collection in order to achieve the objectives of the study.

3.7.1 Reliability and validity

The purpose of the validity and reliability analysis is to determine whether data are trustworthy or not. The designed questionnaire is finalized before requesting the respondents to participate. For the reliability test, Cronbach's Alpha was calculated for this questionnaire. It is generally used as a measure of internal consistency or reliability. Details results are shown in table 3.1.

Table 3.1 Cronbach's Alpha of variables

S. N.	Variables	Cronbach's Alpha
1	Financial Behaviour	0.671
2	Financial Influence	0.644
3	Financial Attitude	0.682

Table 3.1 shows the Cronbach's alpha coefficients of independent variables- Financial Behavior, Financial Influence, Financial Attitude. Cronbach's Alpha coefficient less than 0.6 is considered as 'poor'; greater than 0.6 but less than 0.8 is considered 'acceptable' and greater than 0.8 is considered 'good' (Sekaran, 2000). Here, Cronbach's Alpha of all variables is greater than 0.6 but less than 0.8. The Cronbach's Alpha of all variables is acceptable. Therefore, the instruments used in this research are considered to be reliable.

CHAPTER IV

RESULTS

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 108 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 will be fulfilled with the outcomes derived from the analysis of the data.

4.1 Respondents Profile

In the table below, respondents' demographic profile such as age, gender, monthly income range and educational level, type and stream are presented.

Table 4.1 shows the characteristics of the sample. It shows 60.2 percent of the respondents are male and39.8 percent of the respondent are female. While categorizing on the basis of age, 2.8 percent respondents are from below 18 and 1.9 percent, 18.5 percent, 45.4 percent and 31.5 percent are from 18-20, 21-24, 25-29 and 30 and above respectively. While categorizing on the basis of income level, 19.4 percent respondents are from below Rs 20000 and 45.4 percent, 24.1 percent and 11.1 percent respondents are from income group Rs 20000 – Rs 30000, Rs 30000 – Rs 50000 and More than Rs 50000 respectively. On the basis of education stream, 63 percent respondents are from management and 37 percent respondents are from non-management. Similarly talking about education level, high level possessed highest percentage i.e. 37percentage while under SLC, undergraduate level and graduate level's employees are 16.7 percentage, 25.9 percentage and 20.4 percentage respectively.

Table 4.1 Respondents Profile

DemographicCharacteristics		
	Frequency	Percentage
Gender		
Male	65	60.2
Female	43	39.8
Age		
Below 18	3	2.8
18-20	2	1.9
21-24	20	18.5
25-29	49	45.4
30 and above	34	31.5
Monthly Income (NRS)		
Below 20000	21	19.4
20000-30000	49	45.4
30000-50000	26	24.1
More than 50000	12	11.1
Education Stream		
Management	68	63
Non-Management	40	37
Educational Level		
Under SLC	18	16.7
High School	40	37
Under Graduate	28	25.9
Graduate	22	20.4
Type of Institution		
Private Sector	43	39.8
Public Services	24	22.2
Small Entrepreneurs	20	18.5
Big Enterprises	21	19.4

Source: Field Survey, 2018

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 12 questions from basic to advance level of finance covering numeracy, inflation, compound interest, money illusion, risk and return, share market, banking, insurance, taxes, credit and diversification.

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

Mean percentage scores of each section of sample characteristics are categorized on basic, advance and overall and are presented in table 4.3.Chen and Volpe's (1996; 2002), developed the benchmark of financial literacy. The benchmark grouped percentage correct scores into three categories: over 80% (Highest), 60 – 79% (Medium) and below 60% (Low). The benchmark implies that correct score of 80% and beyond show a high financial knowledge whilst scores between 60 to 79% indicate fair knowledge in finance. Lastly, scores of respondents below 60% is an indication of low financial knowledge, the level that needs more financial literacy education.

Table 4.2 shows that most of the respondents (96.3%) correctly answered the question regarding share market2 followed by banking (88%), risk and return (67.6%),numeracy (63%),share market1 (60.2%) and credit (53.7%) while very few respondents were familiar with taxes (26.9%), money illusion (4.6%), diversification (22.2%), inflation (26.9%) , insurance (23.1%) and compound interest rate (27.8%).

Table 4.2 Frequency and Percentage of Components of Financial Knowledge

Concepts	Frequency	Percentage
Numeracy	68	63
Compound Interest Rate	30	27.8
Inflation	29	26.9
Money Illusions	5	4.6
Risk and Return	73	67.6
Share Market 1	65	60.2
Share Market 2	104	96.3
Banking	95	88
Insurance	25	23.1
Taxes	29	26.9
Credit	58	53.7
Diversification	24	22.2

Source: Field Survey, 2018

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

Characteristics	Basic	Advance	Overall
Gender			
Male	27.69	54.62	45.64
Female	34.88	52.62	46.71
Monthly income(NRS)			
Below 20000	34.52	47.02	42.86
20000 – 30000	30.61	53.32	45.75
30000 – 50000	32.69	52.88	46.15
More than 50000	18.75	69.79	52.78
Education Stream			
Management	38.60	55.70	50
Non-Management	16.88	50.63	39.38
Education Level			
Under SLC	9.72	40.27	30.09
High School	21.88	57.19	45.42
Under Graduate	40.18	54.46	49.70
Graduate	51.14	57.95	55.68
Type of Institution			
Private	47.09	55.81	52.91
Public services	22.92	48.96	40.28
Small Entrepreneurs	8.75	47.50	34.58
Big Enterprises	26.19	61.31	49.60

Source: Field Survey, 2018

Table 4.3 shows thatthe respondents are categorized on three bases such ason gender basis, on Monthly income basis (NRS), on Education Stream basis, Education Level basis and Employed On basis. While considering gender as the basis for categorization, female has higher knowledge on basic category and male has higher knowledge on advance category with 34.88% and 54.62% respectively. Whereas male has 27.69% on basic category and female has 52.62% on advance category. Similarly, taken monthly income as the basis for category, employees' group of below 20000 have higher knowledge in basic category with 34.52% whereas the group of more than 50000 has higher knowledge in advance category with 69.79%. Percentage of correct answer of the respondents on basic category are 30.61%, 32.69% and 18.75% of the group of 20000- 30000, 30000-50000 and More than 50000. Similarly, on advance category, employees answered47.02%, 53.32%and 52.88%from the group of below 20000, 20000-30000 and 30000-50000 respectively. On the basis of education stream group of management has higher knowledge in both basic and advance category with 38.60% and 55.70% respectively. Whereas group of non management has 16.88% on basic category and 50.63% on advance category. Similarly, on the basis of educational level, on basic category, under SLC has the correct response of 9.72%, high school has the correct response of 21.88%, under graduate has 40.18% and graduate level passed employees has 51.14%. Whereas on advance level category, under SLC level employees has 40.28% correct response, high school level employees has 57.19% correct response, under graduate level employees has 54.46% correct response and graduate level employees has high correct response i.e. 57.95 %. From the above table, it is clear that female has higher knowledge on basic and fair in advance category questions and the income group of below 20000 and more than 50000 has higher knowledge.. Whereas male has low knowledge on basic but higher in advance category followed by income group below 20000, andmore than 50000 and graduate level employees.

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 and saving behavior.

Employees are asked 13 questions and they are classified into two subgroups on the basis of median percentage of correct answers of the sample. Employees withscores higher than the sample median are classified as those with relatively moreknowledge. Employees with scores equal to or below the median are classified as employees with relatively less knowledge.

Table 4.4 shows the financial behavior of less knowledgeable, more knowledgeable and overall employees regarding spending habit, maintaining records, use of savings, managing money in problem and use of additional income. Similarly, table 4.5 shows that more, less financial knowledgeable employeesfinancial behavior regarding budgeting, planning, spending, investing etc.

Table 4.4 Frequency and percentage in financial behaviour according to level of employees financial knowledge

Financial Behaviour	Financial Knowledge					
	Less Knowledge		More Knowledge		Overall	
SpendingHabit	**Frequency**	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**
Very economical	10	13.3	2	6.1	12	11.1
Somewhat economical	32	42.7	11	33.3	43	39.8
Neither economical nor spending oriented	16	21.3	5	15.2	21	19.4
Somewhat spending oriented, rarely saving oriented	12	16	11	33.3	23	21.3
Very spending oriented, hardly ever saving money	5	6.7	4	12.1	9	8.3
Total	75	100	33	100	108	100
Maintaining Records						
Maintain adequate records	16	21.3	14	42.4	30	27.8
Maintain minimal records	46	61.3	12	36.4	58	53.7
Maintain very detailed records	13	17.3	7	21.2	20	18.5
Total	75	100	33	100	108	100
Use of Savings						
Spend it on consumers goods	0	0	4	12.1	4	3.7
Keep it in cash	19	25.3	2	6.1	21	19.4
Deposit it into bank account	46	61.3	16	48.5	62	57.4
Invest it in the capital market	0	0	5	15.2	5	4.6
Lend it to friends or relatives	1	1.3	0	0	1	0.9
Invest it in our own business	7	9.3	6	18.2	13	12
Buy gold and jewellery	2	2.7	0	0	2	1.9
Others	0	0	0	0	0	0
Total	75	100	33	100	108	100
Managing Money In Problem						
Cut down expenses and save	18	24	4	12.1	22	20.4
Borrow money from relatives, friends and acquaintances	29	38.7	10	30.3	39	36.1
Spend our savings	17	22.7	9	27.3	26	24.1
Use credit card or bank loan	9	12	7	21.2	16	14.8
Work extra hour or do additional jobs	2	2.7	3	9.1	5	4.6
Others	0	0	0	0	0	0
Use of Additional Income						
Purchase of household goods like furniture. Clothes etc.	8	10.7	1	3	9	8.3
Fixed deposit for future	21	28	5	15.2	26	24.1
Saving for meeting contingency	5	6.7	4	12.1	9	8.3
Repay earlier debts	20	26.7	5	15.2	25	23.1
Go for travel or vacation	6	8	8	24.2	14	13
Investment in own business	9	12	8	24.2	17	15.7
Buy an insurance policy	4	5.3	0	0	4	3.7
Buy shares	0	0	2	6.1	2	1.9
Others (please specify	2	2.7	0	0	2	1.9

Source: Field survey, 2018

Table 4.4 shows that despite the different level of financial knowledge that is less knowledge and more knowledge, most of the employees are somewhat economical (42.7%, 33.3%), maintain adequate records (61.3%,36.4%), deposit into bank account (61.3%,48.5%), borrow money from relatives, friends and acquaintances (38.7%,30.3%) and fixed deposit for future (28%,15.2%) while having additional money. The results also show that most of the employees do not like to buy jewelry (2.7%,0%), lend to friends or relatives (1%,0%), invest in own business (9.3%,18.2%). They also work extra hour to manage money problem (2.7%,9.1%) nor buy an insurance policy (5.3%,0%). The result shows that less knowledgeable employees are neither economical nor spending oriented with 21.3% while more knowledgeable and overall employees are spending oriented, rarely save with (33.3%,21.3%). Similarly, more knowledgeable employees maintain no records, deposit into bank account, borrow money from relatives, friends and acquaintances, investment in own business with 42.4%, 48.5%, 30.3%, and 24.2% respectively. However, less knowledgeable employees use fewer credit cards, like to borrow from friends and relatives to manage money problem, neither invest in their own business nor lend it to friends or relatives with 12%, 12%and 1.3% respectively. In overall, employees are somewhat economical (39.8%), don’t like to maintain detailed records (18.5%). They like to deposits into bank account of their savings (57.4%), borrow money from relatives and friends (36.1%), spend their savings to manage money problem (24.1%) and depositing in fixed deposits (24.1%) and paying back earlier debt (23.1%) while having additional income.

Table 4.5 Mean and Standard Deviation in Financial Behavior According to Level of Employees' Financial Knowledge

This table 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.

Items	Less Knowledgeable		More Knowledgeable		Overall	
	Mean	SD	Mean	SD	Mean	SD
I budget and track my spending	2.71	0.866	2.61	0.788	2.68	0.841
I contribute to the bank savingaccount regularly	2.73	0.759	2.94	0.864	2.80	0.794
I compare prices when shopping for purchases	2.92	0.955	3.00	1.031	2.94	0.975
I have a life insurance policy	2.36	1.322	2.70	1.311	2.46	1.321
I invest in share under IPO	2.16	1.220	3.09	1.071	2.44	1.248
I read to increase my financial knowledge	2.60	0.854	2.91	0.723	2.69	0.826
I maintain adequate financial records	2.43	0.720	2.52	0.712	2.45	0.715
I spend less than income	2.96	0.796	2.67	0.924	2.87	0.844
I maintain adequate insurance coverage	2.37	1.228	3.03	1.132	2.57	1.232
I plan and implement regular savings/investment program	2.69	0.870	2.73	0.761	2.70	0.835

Source: Field Survey, 2018

Table 4.5 shows thatemployees 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 employees give more important to spend less than income while more knowledgeable employees give more important to invest in the shares under IPO and overall employees compare prices when shopping for purchases with mean value 2.96, 3.09 and 2.94 respectively. Similarly, more knowledgeable as well as overall employees give less important to maintain adequate financial records with mean value 2.52 and 2.45 respectively, while less knowledgeable employees give less important to invest in the shares under IPO (2.16). The table also shows that both subgroups as well as overallemployees give almost equal important to maintain their financial records and have a life insurance policy with mean value 2.45 and 2.46 respectively.

4.4 Financial Influence

Financial influence means making impact on financial know how of the employees. This section shows that in what manner both more and less knowledgeable employees are influenced with parents, friends, school, books, media, job, life experience and internet. And what items regarding financial literacy have they learnt while growing up in the home.

All of the influential variables affect somehow in financial knowledge of the employees as mean value is more than 2 in 4-point scale. Table 4.6 shows that less knowledgeable, more knowledgeable as well as overall employees' financial knowledge are influenced by life experiences (3.60, 3.64 and 3.61). Impact of friends, school and internet is not much for less knowledge employees as mean values are 2.29, 2.52 and 2.59 respectively whereas parents, books, media and job have least impact as mean values are (3.48, 3.43), (2.61,2.65), (2.70,2.90) and (3.21,3.27) respectively on financial knowledge of both more knowledge and overall employees.

Table 4.6 Mean and Standard Deviation in Financial Influence According to Level of Employees' Financial Knowledge

Factors	Less Knowledgeable		More Knowledgeable		Overall	
	Mean	SD	Mean	SD	Mean	SD
Parents	3.40	0.717	3.48	0.795	3.43	0.739
Friends	2.29	0.941	2.36	0.783	2.31	0.893
School	2.52	0.811	2.52	0.667	2.52	0.767
Books	2.67	0.759	2.61	0.899	2.65	0.801
Media	2.99	0.688	2.70	0.637	2.90	0.683
Job	2.29	0.851	3.21	0.857	3.27	0.849
Life Experience	3.60	0.520	3.64	0.783	3.61	0.609
Internet	2.59	1.001	2.06	0.933	2.43	1.007

Source: Field Survey, 2018

Table 4.6.1 Frequency and Percentage in Financial Influence According to level of Employees Financial Knowledge

Learning at Home	Less Knowledgeable		More Knowledgeable		Overall	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Budgeting	22	29.3	12	36.4	34	31.5
Investing	22	29.3	20	60.6	42	38.9
Taxes	4	5.3	3	9.1	7	6.5
Insurance	16	21.3	11	33.3	27	25
Loans	18	24	7	21.2	25	23.1
Savings	50	66.7	22	66.7	72	66.7
Interest Rates	17	22.7	7	21.2	24	22.2
Keeping Records	20	26.7	13	39.4	33	30.6

Source: Field Survey, 2018

Table 4.6.1 shows that most of the employees learned about saving of both groups (66.7%,66.7%) as well as overall (66.7%). More knowledgeable and overall employees learn more about investing with 60.6% and 38.9% respectively followed by budgeting (36.4%,31.5%), keeping records (26.7%, 39.4%), loans (21.2%,23.1%), interest rate (21.2%,22.2%) and taxes(9.1%,6.5%) and insurance(33.3%,25%). However less knowledgeable employees learned least about insurance, taxes and interest rates with 21.3%,5.3% and 22.7% respectively. Keeping records and budgeting are learned by less knowledgeable employees more after about saving with 26.7% and 29.3 % respectively.

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.

Table 4.7 Mean and Standard Deviation in Financial Attitude According to Level of Employees' Financial Knowledge

Items	Less Knowledgeable		More Knowledgeable		Overall	
	Mean	SD	Mean	SD	Mean	SD
I feel in control of my financial situation	2.51	0.860	2.91	0.879	2.63	0.882
I feel capable of using my future income to achieve my financial goals	2.59	0.699	2.91	0.631	2.69	0.692
I worry to manage my finance	2.89	0.798	2.18	1.014	2.68	0.926
I am uncertain about where my money is spent	2.48	0.811	2.00	0.901	2.33	0.865
I feel credit cards are safe and risk free	2.32	1.221	2.97	1.212	2.52	1.249
I feel capable of handling my financial future (e.g. buying insurance)	2.31	1.127	2.85	1.093	2.47	1.139
I am afraid of loan	2.99	1.072	2.24	1.200	2.76	1.159
I give importance to saving money from my monthly income	2.83	0.828	2.91	0.980	2.85	0.873
I feel having life insurance is an important way to protect loved ones	3.11	0.953	2.97	1.045	3.06	0.979
I enjoy thinking about and have interest in reading about money management	2.51	0.795	2.91	0.723	2.63	0.792
I enjoy talking to my peers about money related issues (i.e. taxes)	2.53	0.794	2.64	0.895	2.56	0.823

Source: Field Survey, 2018

The table 4.7 showsall 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 feel having life insurance is an important way to protect loved ones with mean value 3.06 overall. Most of the less knowledgeable employees feel having life insurance is an important way to protect loved ones (3.11) followed by, enjoying thinking about and have interest in reading about money management (2.51), feel in control of their financial situation (2.51) , worry to manage their finance (2.89) and enjoy talking to their peers about money related issues (i.e. taxes) (2.53). However most of them don’t think credit cards are safe and risk freewith mean value 2.32.

Similarly, more knowledgeable employees feel credit cards are safe and risk free and enjoy thinking about and have interest in reading about money management (2.97, 2.91) followed by feel capable of handling their financial future (e.g. buying insurance), feel in control of their financial situation, feel capable of using their future income to achieve their financial goals and give importance to saving money from monthly income with mean value 2.91, 2.91, 2.91 and 2.91 respectively. Talking about overall, employees give importance to saving money from monthly income, afraid of loan, feel capable of using future income to achieve financial goals and worry to manage finance with mean value 2.85, 2.76, 2.69 and 2.68 respectively.

4.6 Analysis of Financial Literacy

Analysis of Variance (ANOVA)

ANOVA is used to test whether there is significant difference in financial knowledge among different incomesand education level and the result is shown in Table 4.8.

Table 4.8 Results of ANOVA

Characteristics	F-Statistics	Sig
Gender	0.003	0.953
Age (in years)	0.379	0.540
Monthly Income (NRS)	4.623	0.034
Education Level	11.514	0.001
Education Stream	7.622	0.007

Table indicates that gender and age are found to be insignificant, which means there is no significant difference in knowledge among employees. However, monthly income, education level and education stream are found significant at 10 percent and 1 percent level of significance respectively. This implies that there is significant difference in knowledge among various income, education level and education stream groups. Financial knowledge increases as monthly income increases and increases in education level and education stream.

4.7 Logistic Regression Analysis

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

Table 4.9 Omnibus Tests of Model Coefficients

		Chi-square	**D. F.**	**Sig.**
Step 1	Step	22.619	7	0.002
	Block	22.619	7	0.002
	Model	22.619	7	0.002
-2 Log likelihood		Nagelkerke R-Square		
110.329		0.267		

Table 4.9 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 as it is significant at 1% level of significance. Moreover, Nagelkerke R-Square is the evidence of explaining level ofknowledge by selected independent variables. The value of Nagelkerke R-square value as evident from table 4.9 is 0.267 which means 26.7 percent variation in financial literacy is explained byGender, Education Level, Education Stream, Type of Institution, Behavior, Influence, Attitudefactor. However, the remaining 73.3 percent (100 percent - 26.7 percent) is still unexplained in this research. In other words, there

are other additional variables are important in explaining financial literacywhich have not been considered in this research.

Table 4.10 Summary of Logistic Regression Analysis for Variables Predicting Financial Knowledge

Predictor	B	S.E.	Wald	D.F.	Sig.	Exp. (B)
Gender	0.056	0.534	0.011	1	0.916	1.058
Monthly Income	0.303	0.327	0.857	1	0.355	1.354
Education Stream	-0.835	0.687	1.478	1	0.224	0.434
Education Level	0.475	0.309	2.368	1	0.124	1.608
Behaviour	0.681	0.418	2.659	1	0.103	1.976
Influence	-1.832	1.293	2.006	1	0.157	0.160
Attitude	0.560	0.798	0.494	1	0.482	1.751
Constant	-1.080	4.807	0.051	1	0.822	0.339

To examine the impact of some demographic variables and few personal characteristics of employees on financial knowledge, logistic regression is performed and the results are shown in Table 4.10. The result indicates that gender, monthly income, education stream, education level, financial influence and financial attitude, are statistically insignificant since its significance points are 0.916, 0.355, 0.224, 0.124, 0.157 and 0.482 respectively, which means these variables have no significant impact on the financial knowledge. However, financial behavior is significant at 10 percent level (0.103). The table also shows that, when financial behaviour increases by 1 point, the odd of more financial knowledge is likely to increase by 1.976 times. Since standard error of each of independent variables is less than 2, there is no problem of multi-collinearity in this model.

4.8 Findings

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

1) Out of total samples, male percentage sample is more (60.2%) than the female (39.8%). Income group of Rs 20000- 30000 employees consists more percentage (45.4%) of total sample. Similarly, high school level employees are bigger in size (37%).

2) Most of the employees has knowledge about share market (96.3%) followed by numeracy (63%) while most of them are not familiar with money illusion (4.6%), diversification (22.2%) and insurance (23.1%).

3) The study shows that female are more knowledgeable (46.71%) in comparison to male (45.64%) and income group of more than Rs. 50000 (52.78%) and graduated employees (55.68%).

4) Both less and more knowledge employees are somewhat economical (42.7%, 33.3%), maintain minimal records (61.3%, 36.4%), deposit into bank account (61.3%, 48.5%), borrow money from relatives, friends and acquaintances (38.7%, 30.3%), fixed deposit for future (28%, 15.2%), repay earlier debts (26.7%,15.2%) and investment in own business (12%,24.2%) while having additional money.

5) Most of the employees do not like to buy jewelry (1.9%), lend to friends or relatives (0.9%), and spend on consumer goods (3.7%). They neither work extra hour to manage money problem (4.6%) nor buy an insurance policy (3.7%) and nor buy shares (1.9%) when they have additional income.

6) More knowledgeable employees maintain adequate records (42.4%), use credit cards to manage money (21.2%), invest in their own business (18.2%) and go for travel or vacation (24.2%). However, less knowledgeable employees use fewer credit cards (12%)and like to borrow from friends and relatives (38.7%) to manage moneyproblem.

7) On an average, employees are somewhat economical (39.8%), don’t like to maintain detailed records (18.5%).

8) Similarly, they like to deposits into bank account of their savings (57.4%), borrow money from relatives and friends (36.1%) to manage money problem

and like fixed deposit for future (24.1%) more as well as repaying earlier debts (23.1%) and investment in own business (15.7%) while having additional income.

9) Less knowledgeable employees give more important to spend less than income (2.96) while more knowledgeable give more important to invest in the shares under IPO (3.09) and overall employees compare prices when shopping for purchases (2.94).

10) More knowledgeable as well as overall employees give less important to maintain adequate financial records (2.52, 2.45) while less knowledgeable employees give less important to invest in the shares under IPO (2.16).

11) The employees' behavior shows that more knowledgeable, less knowledgeable as well as overall employees give almost equal important to read to increase their financial knowledge (2.60, 2.91, 2.69) and maintain their financial records (2.44).

12) Less knowledgeable, more knowledgeable as well as overall employees' financial knowledge are influenced by life experiences (3.60, 3.64 and 3.61).

13) Impact of friends, school, books and internet is not much for less knowledge employees (2.29, 2.52, 2.67 and 2.59) whereas parents, media and job have least impact on financial knowledge of both more knowledge (3.48, 2.70 and 3.21) and overall employees (3.43, 2.90 and 3.27).

14) Employees financial knowledge mainly influenced by life experiences and parents with 3.61 and 3.43 respectively.

15) Most of the less knowledgeable employees feel having life insurance is an important way to protect loved ones (3.11) followed by afraid of loans (2.99), worry to manage finance (2.89), give importance to save money from monthly income (2.83), and feel capable of using my future income to achieve financial goals (2.59). However most of them don't enjoy talking to their peers about money related issues i.e. taxes (2.53).

16) More knowledgeable employees feel having life insurance is an important way to protect loved ones (2.97) followed by feeling credit cards are safe and risk free (2.97), enjoy thinking about and have interest in reading about money management (2.91), feel in control of financial situation (2.91), feeling capable of using future income to achieve financial goals (2.91), give importance to save money from monthly income and feeling capable of handling financial future e.g. buying insurance (2.85). Talking about overall, employees feel having life insurance is an important way to protect loved ones (2.85), employees give importance to save money from monthly income (2.85) and afraid of loans (2.76).

17) ANOVA test shows that there is significant difference in knowledge among various income, education level and education stream groups at 10 percent and 1 percent significant level. Financial knowledge increases as monthly income increases and increases in education level and education stream.

18) Income, education level and education stream are significant at 10 percent and 1 percent; financial behaviour at 10 percent.

4.9 Discussions on Findings

Employees were found knowledgeable in advance level of finance. In particular, level of knowledge on share market, numeracy, banking and risk and return was found highest while it was medium in credit, compound interest, inflation, taxes and low in diversification, insurance, 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 maintain adequate records, use credit cards to manage money, invest in their own business and go for travel or vacation. 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 their own business and share and they use fewer credit cards and borrow money from friends and relatives. On gender basis, female seems more knowledgeable. Income level group of more than Rs.50000 have more knowledge in advance category. However, group below Rs.20000, Rs.20000-30000 and Rs.30000-50000 have more basic level of knowledge. May be more earning group are in top level position and dealt with executive level work.Similarly, graduated 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 two demographic variables are tested in hypothesis H1, out of them income levelis accepted. This result implies that employees with high monthly income are likely to be more knowledgeable.This result is consistent with Nidar & Bistari (2012), Thapa & Nepal (2014), Henkenda (2014). This result has come may be because with higher level knowledge, individuals get an opportunity to interact regarding financial knowledge issues, may be because individuals invest more time in education etc. However, gender of employees does not make any difference in level of financial knowledge. This result is not consistent with Shari et.al. (2013) may be because the respondents taken in the study both male and female are from private sectors, public services and big enterprises respondents have similar level of knowledge regarding financial literacy. However, financial influence and financial attitude is not consistent with Henkenda (2014). It may be because attitude of the individuals is personal aspects.Hypothesis H2, one educational variable level and stream were examined. It was also accepted, which means employees' level of knowledge dependent level.This result is also consistent with the result of Thapa and Nepal (2014).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, three personality variables (behavior, influence and attitude) were assessed in hypothesis H3. Financial behaviour is only variable accepted meaning that employee's financial knowledge can be enhanced by having behaviour towards the finance. This result is consistent with the results of Nidar & Bistari (2012), Thapa & Nepal (2014), Henkenda (2014). It may be because influenced by life experience, parents, etc. may results in enhancing the financial knowledge.

Similarly, it may be true because financial literacy program may increase the financial knowledge. Due to this result, may be, Government of Nepal and Nepal Rastra bank started Financial literacy program long before. Besides, financial knowledge of employees does not vary with how they engage in financial activities and what attitude they have.

Thus, financial knowledge is determined by income, level of education, education stream and financial behaviour. However financial literacy is not affected by gender, financial influence and financial attitude.

CHAPTER V

CONCLUSIONS

5.1 Summary

The primary purpose of this study isto examine the status of financial literacy among employees in Chitwan District, to examine the impact of demographic characteristic (Gender, age, income) in financial literacy among employees, to examine the impact of educational characteristics (level, stream, type) in financial literacy among employees, to examine the relationship between personality characteristics (Financial Behavior, Financial Attitude and Financial Influence) and 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, money illusion, risk and return, share market, banking, insurance, taxes, credit and diversification. Several considerations is made in the selection of questionnaire items for the study.

A full-fledged questionnaire is constructed covering five areas namely personal information of respondents, financial behavior, financial influence, financial attitude and financial knowledge with reference to Jorgensen (2007). Along with demographic information, survey participants are asked 21 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 125 employees. 108 were received out of 125. So the response rate is 86.4 percent. 108 entries were taken as usable entries. Data are described by frequency, percentage, mean and standard deviation and three hypothesesare tested using ANOVA and logistic regression analysis. The pilot test is conducted among ten prospective respondents and opinion of two experts is taken to refine and finalize the questionnaire. Data are put in excel file and process through SPSS.

The study found that employees are more knowledgeable in advance level of finance while they are less familiar with money illusion, diversification and insurance (4.6 percent, 22.2 percent and 23.1 percent). Most of the employees do not like to buy jewelry, lend to friends or relatives, invest in own business (1.9 percent, 0.9 percent and 12 percent). They neither work extra hour to manage money problem (4.6 percent) nor buy an insurance policy (3.7 percent) when they have additional income. Income, education level, education stream and financial behaviour are significant with financial knowledge at 10 percent and 1 percent significance level however, other variable such as gender, age, financial influence and financial attitude do not have any relationship with financial knowledge.

The study showed that most of the employees like to deposits money (57.4 percent) while they have excess money and more knowledgeable employees like to invest in their own business (24.2 percent) and go for travel and vacation (24.2 percent). They maintain adequate records (42.4 percent). Most of the employees are influenced by their life experience with mean value 3.61 and parents regarding (3.43) financial literacy however school, friends and internet don’t have more impact with mean value 2.31, 2.52 and 2.43 respectively.

5.2 Conclusions

The study finds that employees in Chitwan District has average level of knowledge on advance concept while low in Basic concept, Chen and Volpe (1987). The study shows that there is significant relationship between financial knowledge and income, education level and education stream at 10 percent level and 1 percent level and financial behavior at 10 percent level. Income, level of education and education stream is consistent with Nidar and Bistari (2012), Thapa and Nepal (2014), Henkenda (2014). Which means with the increase in income, education level, education stream and financial behaviour, the level of financial knowledge also increases and vice versa. However, it shows insignificant relationship between financial literacy and gender, consistent with Shari et al. (2013), financial influence and financial attitude. However, gender is not consistent with Henkenda (2014).

Volpe *et. al.* (2002) study found that ages of 50 or more than 50 were more knowledgeable, female had lower level knowledge than male and graduated are found more knowledgeable. The study clearly implies that due to low level of financial literacy, individuals invest their money in traditional financial products with Bhushan (2014). The study showed that most of the employees like to invest in their own business, like to deposit, go for travel and vacation and maintain adequate records. There is significant difference in knowledge among various income, education level, education stream. Financial influence and financial attitude are statistically insignificant which means these variables have no significant impact on the financial knowledge.

The study may give the conclusion that with the increase in income level, level of financial literacy is increase and vice-versa. Similarly with the increase in education level, education stream and financial behaviour, level of financial literacy is also increase. However, level of financial literacy is not affected by gender, age, financial influence and financial attitude.

5.3 Implications

1. This study can be a good reference for banking institutions and other those institutions which are working to enhance financial literacy.

2. The study has considered only nine factors. Further research can be conducted considering more factors.

3. This study is concentrated only in Chitwan District for employees, further research can be conducted considering for different areas and participantsin Nepal.

4. The study shows that significance relationship with education level, education stream and income level.Different organization working towards financial literacy can conduct the literacy program with having reference to this study.

5. The study can be useful for local Nepal Rastra Bank, stakeholders, Banking and Financial Institutions, researcher, general public.

6. Further research area may be businessman, college students, bankers, youth, employees in other areas, labors.

5.3 Recommendation for future Researchers

1. It can be increased by sample size and area.
2. It can be increased by number of respondents.
3. It can be increased by using structural equation model.
4. It can be taken as an independent variable not as only demographic characteristics but also social characteristics and economic characteristics.
5. It can be used for investment behavior.

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APPENDIX

Questionnaire on financial literacy among private and public sector, small entrepreneurs and big enterprises employees in Chitwan district.

This survey is conducted for academic research work which has to be submitted at Central Department of Management (CDM), TU, Kirtipur. I assure you that this information will be exclusively used for the academic research purpose. Thank you so much for your cooperation.

Section I: Respondents' Profile

Name (optional): ………………………………………………………..……………

Gender: Male [65] Female [43]

Age (in years):

Below 18 [3] 18-20 [2] 21-24 [20] 25-29 [49] 30 and above [34]

Monthly Income Range:

Below Rs.20,000 [12] Rs.20,000-30,000 [21]

Rs.30,000-50,000 [49] More than Rs.50,000 [26]

Education Stream: Management [68] Non-management [40]

Education Level: Under SLC [22] High School [18]

Under Graduate [43] Graduate [24]

Employed On: Private [43] Public Services [24]

Small Entrepreneurs [20] Big Enterprises [21]

Organization and designation: ……………………...

Section II: Basic Information

Financial Behavior

1. How economical/spending oriented are you? (Please select only one option)

   a. Very economical [12]

   b. Somewhat economical [43]

   c. Neither economical nor spending oriented [21]

d. Somewhat spending-oriented, rarely saving money 23

e. Very spending-oriented, hardly ever saving money 9

2. In what manner do you maintain financial records?
   a. Maintain adequate records 16
   b. Maintain minimal records 58
   c. Maintain very detailed records 20
3. If you (your family) has/have any money left right before the next income arrives, what would you usually do with it? (Select the most appropriate option).
   a. Spend it on consumer goods 4
   b. Keep it in cash 21
   c. Deposit it into bank account 62
   d. Invest it in the capital market 5
   e. Lend it to friends or relatives 1
   f. Invest it in our own business 13
   g. Buy gold and jewelry 2
   h. Others (Please specify)… 0
4. What do you usually do when you (your family) run(s) out of money before the next income arrives?
   a. Cut down expenses and save 22
   b. Borrow money from relatives, friends and acquaintances 39
   c. Spend our savings 26
   d. Use a credit card or bank loan 16
   e. Work extra hours or do additional jobs 5
   f. Other (Please specify) 5
5. Let's assume that in addition to your regular income your family got some money in the amount of Rs50,000- Rs200,000. What would you do with this money most likely?
   a. Purchasing of household goods like furniture, clothes etc. 9
   b. Fixed deposit for future saving for meeting contingency 26
   c. Repay earlier debts 9
   d. Go for travel or vacation 25
   e. Investment in own business 14
   f. Buy an insurance policy 17

g. Buy shares 4

h. Other (Please specify)… 2

6. 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	1	2	3	4
a. I budget and track my spending	8	37	45	18
b. I contribute to a bank saving account regularly	6	29	54	19
c. I compare prices when shopping for purchases	9	27	33	39
d. I have a life insurance policy	42	12	16	38
e. I invest in the shares under IPO	40	10	28	30
f. I read to increase my financial knowledge	9	31	52	16
g. I maintain adequate financial records	9	46	48	5
h. I spend less than income	6	28	48	26
i. I maintain adequate insurance coverage	33	15	25	35
j. I plan and implement a regular savings/investment program	10	28	54	16

Financial Influence

7. Rate the following items of influences on a scale of 1-4 (1, none; 2, not much; 3, some; 4, a lot). How much did you learn about managing your money from the following?

Items	1	2	3	4
a. Parents	2	10	36	60
b. Friends	22	39	38	9
c. School	8	46	44	10
d. Books	7	39	47	15
e. Media	1	28	60	19
f. Job	6	10	41	51
g. Life experiences	2	1	34	71
h. Internet	25	28	39	16

8. Which of the following items did you learn about in your home while growing up? (Check all that apply)

a. Budgeting 34

b. Investing 42

c. Taxes 7

d. Insurance 27

e. Loans 25

f. Saving 72

g. Interest rates 24

h. Keeping records 33

Financial Attitude

9. 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	**1**	**2**	**3**	**4**
a. I feel in control of my financial situation	15	24	55	14
b. I feel capable of using my future income to achieve my financial goals	2	42	52	12
c. I worry to manage my finance	15	24	50	19
d. I am uncertain about where my money is spent	18	46	34	10
e. I feel credit cards are safe and risk free	36	14	24	34
f. I feel capable of handling my financial future (e.g. buying insurance)	32	17	35	24
g. I am afraid of loan	24	16	30	38
h. I give importance to saving money from my monthly income	5	35	39	29
i. I feel having life insurance is an important way to protect loved ones	12	12	41	43
j. I enjoy thinking about and have interest in reading about money management	10	31	56	11
k. I enjoy talking to my peers about money related issues (i.e. taxes)	9	43	42	14

Financial Knowledge

Please select only one answer option for question no. 10 to question no.27.

10. Suppose you had Rs.1000 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?

    a. More than Rs.1020 [68] b. Exactly Rs.1020 [3]

    c. Less than Rs.1020 [8] d. Do not know [29]

11. 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 [30] b. Exactly Rs. 2000 [18]

    c. Less than Rs. 2000 [7] d. Do not know [53]

12. Imagine that the interest rate on your savings account was 1% 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 25 b. Exactly the same 9
   c. Less than today 29 d. Do not know 45
13. Suppose that in the year 2018, your income has doubled and prices of all goods have doubled too. In 2018, how much will you be able to buy with your income?
   a. More than today 5 b. The same 39
   c. Less than today 18 d. Do not know
14. Investing in higher return security has:
   a. Higher risk 73 b. Lower risk 12
   c. No relation between risk and return 1 d. I don't know 22
15. A company issues shares in the:
   a. Secondary markets 15 b. Primary markets 65
   c. Stock exchange 22 d. Derivative markets 6
16. Who regulates the banks and financial institutions in Nepal?
   a. Securities Board of Nepal 6 c. Insurance Board of Nepal 3
   b. Securities Exchange Commissio 4 d. Nepal Rastra Bank 95
17. In Nepal, the value of IPO is generally fixed at:
   a. Rs.10 0 b. Rs.50 4
   c. Rs.80 0 d. Rs.100 104
18. The main reason to purchase insurance is to
   a. Protect you from a loss recently incurred 39
   b. Provide you with excellent investment returns 25
   c. Protect you from sustaining a severe loss 17
   d. Protect you from small incidental losses 25
   e. Improve your standard of living by filing fraudulent claims 2
19. 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 18
   b. View of the bank office and qualifications of its personnel 11
   c. Interest rate and the other costs 58

d. Gifts and advertising campaigns 9

e. Services given by the bank along with loans 12

20. What is the general corporate tax rate in Nepal?

a. 15% 29 b. 20% 30

c. 25% 29 d. 30% 20

21. It is usually possible to reduce the risk of investing in the stock market by buying a wide range of stock and shares.

a. True 24 b. False 8 c. May be 60 d. I don't know 16