

**The Psychological Factors Affecting Personal Financial Management Behavior
among Young Adults**

By

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RECOMMENDATION

CERTIFICATION

DECLARATION OF AUTHENTICITY

I, Ashok Regmi declare that this GRP is my own original work and that it had fully and specifically acknowledged wherever adapted from other sources. I also understand that if at any time it is shown that I have significantly misinterpreted material presented to SOMTU, any credits awarded to me on the basis of that material may be revoked.

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ABBREVIATIONS

CB SEM	Covariance Based Structural Equation Modeling
LC	External Locus of Control
FA	Financial Attitude
FSE	Financial Self-Efficacy
FL	Fornell-Lacker Criterion
HTMT	Heterotrait- Monotrait Ratio
PFMB	Personal Financial Management Behavior
PLS SEM	Partial Least Square Structural Equation Modeling
SC	Self-Control
SPSS	Statistical Package for Social Sciences
STDEV.	Standard Deviation
SRMR	Standardized Root Mean Square Residual
Stat.	Statistic
VIF	Variance Inflation Factor

EXECUTIVE SUMMARY

Personal financial management behavior is a major concern since empirical research has shown that it is associated with favorable life outcomes, whereas failing to manage personal finance has a negative outcome. As a result, it is vital to research and determine the psychological factors underlying this behavior. Understanding and being aware of such aspects may assist people in making more responsible and prudent financial decisions.

Even though financial management behavior is not a new concept in the global context, there appears to be an upsurge in research in recent years. It could be because the consequences of poor financial management, such as debt, poor quality of life, unhappiness, and degraded retirement life, are becoming increasingly common. As a result, studies like this are necessary to raise awareness and emphasize its importance. Furthermore, there appears to be a scarcity of studies in Nepal on multiple aspects of financial management behavior.

The study employed a descriptive and causal research design to fulfill the objectives of the study. The study adopted PLS-SEM to evaluate the impact of financial attitude, financial self-efficacy, external locus of control, and self-control on the personal financial management behavior of young adults in the context of Nepal. The measurement model assessment revealed that all the construct poses reliability and validity. Furthermore, the assessment of the structural model revealed that financial attitude had the greatest positive impact on young adults' financial management behavior. Other characteristics, such as financial self-efficacy and self-control, have a significant favorable impact on young people's financial management behavior. External locus of control, on the other hand, had a considerable detrimental impact on personal financial management behavior. The study's conclusions are consistent with earlier empirical findings. The model's predictive capability for the study is 0.464, indicating that it has near moderate predictive power. Finally, the current study tried to address a gap in the Nepalese literature and has practical implications and implications for future Nepalese studies.

CHAPTER I

INTRODUCTION

1.1 Background of the study

Personal financial management behavior is a major issue in the field of financial management discipline because it plays a vital role in affecting the financial situation of individuals. In the existing literature, Personal Financial Management Behavior has been defined and assessed in a variety of ways, depending on the samples used in the study (Goyal, Kumar & Xiao, 2021). Parrotta (1996) defined financial management as planning, implementing, and evaluating financial decisions such as cash management, credit management, investments, insurance, and retirement and estate planning. This definition is similar to (Deacon & Firebaugh, 1988). According to Alfest (2004) financial management planning is a method for integrating all aspects of a person's financial interests which includes cash flow management, investment management, risk management, retirement planning, tax planning, and estate planning. According to Perry and Morris (2005) financial management behavior is the activities involving saving, spending, bill payment, planning, and the ability to provide for the family. In recent literature, Dew and Xiao (2011) described financial management behavior as the financial behavior which includes consumption, cash flow management, savings and investment, credit, and insurance. Goyal, kumar and Xiao (2021) assessed personal financial management behavior as a set of multi-dimensional behavioral indicators for cash flow, credit, savings and investments, insurance, retirement, and estate planning, as well as income and money management within a household's planning, execution, and assessment. Hence, personal financial management behavior is a concept that involves all the financial decisions and financial activities of an individual.

Several behavioral theories in literature explain the behavior and the factors responsible for the cause of the behavior of a person. Financial management behavior is linked with many theories such as the theory of planned behavior (Ajzen, 1991), social cognitive theory (Bandura, 1986), social learning theory (Rotter, 1966), and behavior life cycle hypothesis (Shefrin & Thaler, 1988). This study aims at exploring the relationship between financial attitude, financial self-efficacy, external locus of control, and self-control with personal financial management behavior. The relationship between financial attitude and personal financial management behavior can be supported by the theory of planned behavior. Likewise, the relationship between financial self-efficacy, locus of control, and self-control

with personal financial management behavior can be supported by social cognitive theory, social learning theory, and behavioral life cycle hypothesis respectively.

Even though financial management behavior is not a new concept in the global context, there appears to be an upsurge in research in recent years. It could be because the consequences of poor financial management, such as debt, poor quality of life, unhappiness, and degraded retirement life, are becoming increasingly common. Bapat (2020) attempted to determine the antecedents to financial management behavior and revealed that financial attitude, locus of control, financial knowledge are the antecedents to financial management behavior. Likewise, Mien and Thao (2015) also attempted to identify factors affecting personal financial management of young adults and revealed that financial attitude, financial knowledge and external locus of control significantly influence personal financial management behavior. Furthermore, Strömbäck et al. (2017) attempted to evaluate the influence of self-control on a general form of financial management behavior and found that self-control had a positive significant impact on financial management behavior. Likewise, the influence of financial self-efficacy on financial management behavior can be observed. Farrell et al. (2016) revealed that financial self-efficacy has an impact on women's financial management behavior. Likewise, Palmer et al. (2021) also found that financial self-efficacy is positively associated with financial management behavior. Although, there are several studies on general financial management behavior in the global context, such studies are scarce in the Nepalese context.

1.2 Problem Statement

The purpose of personal financial management is to manage finance for prosperity. As per Joo (2008) Personal financial conduct that is efficient is linked to financial well-being while failing to manage personal resources can have serious long-term implications. Therefore, there becomes a great need for adequate financial management behavior and to identify the factors affecting them to avoid bankruptcy and chronic debt, low savings, and have a better retirement life and a healthy relationship with the family. This is true especially for young adults because they are growing up facilitated by expensive lifestyles, and easy credit which has led them to grow in a culture of debt (Dugas, 2001). In today's challenging environment, young adults, especially students and those who join the working class, face difficult financial decisions as they are faced with increasing debt (Bapat, 2020). The study of Birai and Patil (2014) revealed that the young generation rarely practiced basic financial skills,

such as budgeting, developing a regular savings plan, or planning for long-term requirements. Bapat (2020) stated that since young adults make up the majority of the population and that there are rising concerns about responsible financial management conduct, understanding the antecedents to responsible financial management behavior is essential.

In the existing literature, some of the psychological antecedents of PFMB have been explored. It was revealed that Financial attitude (Ameliawati & Setiyani, 2018; Kidwell & Turrisi, 2004; Gunay et.al, 2014; Barbic et.al, 2019; Ho & Lee, 2020), Locus of control (McNair et.al, 2016; Arifin, 2017; Perry & Morris, 2005), Financial Self Efficacy (Farrell et al., 2016; Asandimitra & Kautsar, 2020; Lown et al., 2015) influenced the financial management behavior. Furthermore, was also found that self-control is linked with financial management behavior (Strömbäck et al., 2017; Miotto & Parente, 2015).

Moreover, numerous studies have taken place in developed economies where the rate of access to financial institutions and technology is higher. The antecedents to Personal Financial Management Behavior of people based in developed countries with better access to financial institutions, technologies (Digitalization), penetration of credit cards, and better lifestyles can differ in those countries that are still in the development stage. The recent annual report by Nepal Rastra Bank (2021), showed that only 67.3 percent population have at least one bank account. Although it is quite smaller compared to other developed economies, the access to the financial institution in Nepal has increased over the past few years due to the government's policy of opening bank account campaigns, the requirement of a deposit account at banks to receive social security allowance, expansion of branches of banks to the local level and increasing participation of people in the stock market through online purchase and trading mechanism which requires bank accounts. Therefore, the increase in financial access has led to an increase in financial management behavior such as consumption, savings, deposits, credits, and investment of people. And according to Dew and Xiao (2011), they are all important components of personal financial management behavior.

Hence, it becomes a necessity to evaluate the impact of such factors on the financial management behavior of young adults and to identify which factor influences it the most. The need for this study has also surged as there is a dearth of studies concerning Personal Financial Management Behavior in the context of Nepal.

The study deals with the following issue;

- What is the impact of financial attitude on personal financial management behavior?
- What is the impact of financial self-efficacy on personal financial management behavior?
- What is the impact of external locus of control on personal financial management behavior?
- What is the impact of self-control on personal financial management behavior?
- Which factor influences personal financial management behavior the most?

1.3 Objectives of the study

The general objective of the study is to evaluate the impact of psychological factors on the personal financial management behavior of young adults. The specific objectives are listed below;

- To evaluate the impact of financial attitude impact on personal financial management behavior
- To evaluate the impact of financial self-efficacy on personal financial management behavior
- To evaluate the association of external locus of control on personal financial management behavior
- To evaluate the influence of self-control on personal financial management behavior
- To evaluate the most influencing factor affecting personal financial management behavior

1.4 Hypothesis

Ajzen (1991) developed the theory of planned behavior which states that financial attitude is one of the variables that influences the behavior of a person. This theory defines attitude as a person's favorable or negative assessment of a relevant behavior, and it is made up of a person's key beliefs about the expected effects of that behavior. The empirical research also supports this theory as it is found that there is a positive relationship between financial attitude and personal financial management behavior. (Siswanti & Halida, 2020; Ameliawati & Setiyani, 2018; Mien & Thao, 2015; Dwiastani, 2017; Adiputra & Patricia, 2019; Parrotta & Johnson, 1998).

Likewise, self-efficacy which is one of the key components of social cognitive theory is used to explain how one's perception of financial self-efficacy influences financial management behavior (Asandimitra & Kautsar, 2020). Empirical studies have revealed that financial self-efficacy is positively associated with financial management behavior (Farrell et al., 2016; Asandimitra & Kautsar, 2020; Lown et al., 2015; Asmin et al., 2021; Palmer et al., 2021).

Furthermore, locus of control is a theoretical construct based on Rotter's theory of social learning (Rotter, 1954). The locus of control has been linked by researchers with the behavior of a person. The study from Arifin (2017) suggested that an individual having an external locus of control will have worsened financial behavior. This finding is similar to Perry and Morris, (2005) who argued that there is a negative relationship between external locus of control and financially responsible management behavior. As a result, people with an external locus of control are less likely to engage in responsible financial management behavior. Similarly, Mien and Thao, (2015) also revealed that a person with a more external locus of control had worse financial management behavior. Likewise, other empirical studies have also revealed a significant relationship between locus of control and financial management behavior (Dwiastanti, 2020; Bapat, 2020).

Finally, self-control which is based on the behavioral life cycle hypothesis is found to have a relationship with financial management behavior. According to Strömbäck et al. (2017) self-control has an impact on people's financial decisions. Respondents with high self-control were more likely to save money from their paychecks regularly, indicating that they are better prepared to deal with unexpected expenses and are more likely to have enough money for retirement. Self-control and financial management behavior have been studied concerning particular financial decisions. According to Ahtziger et al. (2015) people with low self-reported self-control are more likely to engage in compulsive shopping. Likewise, as per Gathergood (2012), people with financial self-control issues are more likely to experience credit withdrawals and unforeseen expenses on durables, leading to over-indebtedness. Self-control has also been shown to have an impact on people's saving habits. According to Biljanovska and Palligkinis (2015), households with poor self-control owing to a lack of planning, monitoring, or dedication, accumulate less wealth. A broader study of financial management behavior from Miotto and Parente, (2015) has also shown that self-control can be significantly linked with financial management behavior. According to their study, individuals with higher self-control and tendencies to plan for the future manage their finances better.

The following hypothesis is formulated for the study:

H1: There is a significant positive impact of Financial Attitude and Personal Financial Management Behavior

H2: There is a significant positive impact between Financial Self- Efficacy and Personal Financial Management Behavior.

H3: There is a significant negative impact of External Locus of Control and Personal Financial Management Behavior.

H4: There is a significant positive impact of Self Control and Personal Financial Management Behavior

1.5 Scope and Significance

The topic “The Psychological Factors Affecting Personal Financial Management Behavior of young adults” will be focused on exploring the cognitive or psychological factors that affect the financial management behavior of young adults in the context of Nepal. The study has taken psychological factors such as financial attitude, financial self-efficacy, external locus of control, and self-control for the study based on previous empirical studies.

If an adult in his/her early phase of life does not manage their financial matters then it can lead to serious long-term implications (Joo, 2008). Mien and Thao (2015) mention that poor financial behavior will have a consequential, detrimental, and negative impact on their lives at work or home. The existing empirical studies have shown that financial management behavior links with financial satisfaction (Xiao et al., 2014), quality of life (Dew et al., 2020), happiness (Spuhlera & Dew, 2019), financial access (Birkenmaier & Fu, 2019), and financial resilience (Lusardi et al., 2020). Therefore, it can be implied that personal financial management behavior is an important issue and there comes a need to explore and identify the cognitive antecedents of personal financial management behavior. Understanding and awareness of such antecedents can prepare them for responsible and better financial behavior and decisions.

In the context of Nepal there exist very few studies on this topic, therefore signaling the presence of a huge research gap. Therefore, this study will also contribute to the literature in some way. The study is also important for educators, young adults, governments, parents, and students. Young individuals and students may analyze their current financial management behavior and determine if they need to improve, change, or stay the same

depending on the results. For instance, this study can help them be more proactive in resolving their financial difficulties by taking financial management classes. Furthermore, the finding of the study can also be useful for parents as they can monitor the financial management and behavioral tendencies of their children and if needed can always help. A study from Dangol and Maharjan, (2018) suggested that parental financial teaching has a significant positive relationship with the saving behavior of the Youth. Moreover, the educators or teachers can use this study to aware and guide their students to adopt better financial management behavior. Finally, the findings of the study can also be of great importance to the government. Sachitra et al., (2019) argued that youths are expected to be future leaders responsible for business and the nation and it is important to understand their financial management behavior. The consequences of poor financial management behavior such as chronic debt, bankruptcy, low quality of life, and inadequate retirement plans can be a great subject of concern for the nation. Therefore, the result of this study might interest the government to increase financial education funding and other related programs to improve its youth's financial management behavior.

1.6 Limitation

Although this study has a valuable contribution, it does have some limitations as follows;

- This study has taken young adults of a specific age group as the only sample. A similar study can be carried out by taking other age groups as the sample.
- This study is not specific to the profession of young adults. Any young adults including students or employed are taken for the study.
- This study has solely focused on the psychological factors, ignoring other possible factors. In addition, demographic factors are also not considered moderating or mediating variables.

1.7 Outline/Structure of Study

This study comprises three sections that include the preliminary section, the body of the report, and the supplementary section. The preliminary section of the report comprises of title page, certification, declaration of authenticity, acknowledgment, table of contents, list of figures, list of tables, abbreviations, and executive summary. The supplementary section consists of references and appendixes. The body of the report consists of a total of five chapters according to the standard format prescribed by Tribhuvan University. Chapter one involves the introduction part. It includes the background of the study, statement of the

problem, objective of this study, hypotheses, significance of the study, definition of terms, limitation of the study, and structure of the study. Chapter two involves a literature review of concepts and related studies. Based on the literature review, the conceptual framework is developed and presented. Chapter three involves the research methodologies that this study is based on. It comprises research design, population and sample, sampling technique, instrumentation, sources and methods of data collection, pilot study, data analysis technique, and ethical consideration. Chapter four includes data analysis. It is mainly focused on the systematic representation of the data that has been collected. Information is presented in tabular form and diagrams to interpret effectively. After systematic representation, the analysis and inferences are made. Chapter five includes three sections. The first one is the discussion. The second part is the conclusion and the last one is the implication.

CHAPTER II

RELATED LITERATURE AND CONCEPTUAL FRAMEWORK

The goal of this graduate research project, titled “The Psychological Factors Affecting Personal Financial Management Behavior among Young Adults,” is to evaluate the impact of the cognitive or psychological factors that influence young adult financial management behavior in Nepal. This chapter includes the behavioral theories in the literature that explain the behavior and the factors responsible for the cause of the behavior of a person. In addition, the concepts relevant to the study are described. Furthermore, the empirical review is presented with a Literature matrix prepared to summarize the past empirical work on this topic. Finally, the conceptual framework for this study is included in this chapter.

2.1 Theoretical Review

Several behavioral theories in literature explain the behavior and the factors responsible for the cause of the behavior of a person. This study aims at exploring the relationship between financial attitude, financial self-efficacy, external locus of control, and self-control with personal financial management behavior. Financial management behavior is related to many theories such as the theory of planned behavior, social cognitive theory, social learning theory, and behavior life cycle hypothesis.

2.1.1 Theory of Planned Behavior

Ajzen (1991) developed the theory of planned behavior which assumes that an individual’s behavior is influenced by elements such as attitude, subjective norm, and perceived behavioral control, all of which are referred to as behavioral intentions. This theory defines attitude as a person’s favorable or negative assessment of a relevant behavior, and it is made up of a person’s key beliefs about the expected effects of that behavior. For example, if a person believes that the consequence of a particular action is good, desirable, useful, or advantageous, he or she will act favorably. An unfavorable attitude, on the other hand, refers to a situation in which a person believes the outcome is unfavorable. Subjective norms impact intention in addition to attitude. The word “subjective norm” refers to the societal pressure to engage in or refrain from engaging in a certain behavior, which is defined by normative views. As a result, subjective norms refer to the behaviors that we believe are expected of us by key individuals in our life. Furthermore, the perceived behavioral control is the level of confidence we have in our ability to manage our actions. It is determined by our perceptions

of internal elements such as our talent and determination, as well as external factors such as resources and assistance.

2.1.2 Social Cognitive Theory

Bandura (1986) developed the social cognitive theory which describes the influence of individual experiences, the action of others, and environmental factors on the behavior of an individual. Self-efficacy is one of the key components of social cognitive theory. The theory provides a framework for understanding how people actively shape and are influenced by their environment. The theory goes into great depth on the processes of observational learning and modeling, as well as the impact of self-efficacy on behavior production. According to the theory, learning takes place in a social setting through the dynamic and reciprocal interplay of the person, environment, and behavior. The emphasis on social impact, as well as the emphasis on external and internal social reinforcement, distinguishes Social Cognitive Theory from others. The theory takes into account the particular method in which individuals learn and retain behavior, as well as the social setting in which the behavior is performed. The hypothesis considers a person's previous experiences, which influence whether or not behavioral activity will occur. These prior experiences form reinforcing, expectations, and expectancies, all of which determine whether a person will participate in a given activity and the reasons for that conduct. The social cognitive theory is used to explain how one's perception of financial self-efficacy influences financial management behavior (Asandimitra & Kautsar, 2020).

2.1.3 Social Learning Theory

The Locus of Control is derived from Rotter's social learning theory. Rotter (1954) social learning theory model for predicting behavior consists of four major components. There are four of them: behavior potential, expectation, reinforcement value, and psychological situation. The possibility of participating in a specific activity in a given environment is referred to as behavior potential. There are several behaviors that may be engaged in in each given setting. Each feasible conduct has a behavioral potential. The individual will display whatever behavior has the greatest potential. Furthermore, Expectancy is the perceived possibility that a certain activity will result in a specific outcome. Low expectancies indicate that the individual feels it is improbable that his or her behavior would result in reinforcement. If the outcomes are both desired, we will participate in the activity that has the best chance of paying off (i.e., has the highest expectancy). To get a high expectancy,

people must think (a) that they have the ability to carry out the activity efficiently and (b) that the conduct will result in reinforcement. Furthermore, the results of our conduct are referred to as reinforcement. The attractiveness of these consequences is referred to as reinforcement value. Things that we desire to happen or are drawn to have a high reinforcement value. Things we don't want to happen, or avoid, have a poor reinforcement value. In addition, the psychological situation illustrates the fact that each person's experience of the world is distinct. It is crucial to remember that various people interpret the same scenario in different ways. In the same circumstance, various persons will have different expectations and reinforcement values. Thus, rather than an objective array of inputs, it is people's subjective perception of the world that is significant to them and influences how they respond.

Moreover, Rotter (1954) developed his social learning theory and determined behavior not just by the type or relevance of objectives or reinforcements, but also by the person's expectation that these goals will be met. He asserted that such expectations are the result of past behavior and can be quantified. Carton et al. (2021) mention that with time such expectancies generalize across contexts, resulting in generalized expectancies like LOC.

2.1.4 Behavioral Life-Cycle Hypothesis

The Behavioral Life-Cycle hypothesis is an extension of the traditional life-cycle model, which posits that individuals view money as totally fungible and that a foresighted individual rationally organizes his or her lifetime consumption (Modigliani and Brumberg, 1954). Shefrin and Thaler (1988) formalized the Behavioral Life-Cycle Hypothesis which states that people act as though there is a continuous battle within each individual between a "planner" who thinks about the long-term and a "doer" who is more worried about the present situation. The BLC theory goes on to say that people's financial behavior is determined throughout their courses of lives, by their capacity to manage impulses and the costs associated with practicing such self-control. It costs people more or less to save for the future, depending on their mental accounts and how they classify money. The theory also explains that a person's ability to save money is determined by their ability to resist impulses. Moreover, Strömbäck et al. (2017) mentions that although the BLC hypothesis has proved useful in explaining saving behavior, there is presently little study on how well it applies to other forms of financial behavior.

2.2 Empirical Review

This section is concerned with the previous research work done by the different scholars. This section mostly covers international work as there is a dearth of studies available in the national context. The empirical review is arranged chronologically.

2.2.1 Financial Attitude and Financial Management Behavior

Financial Attitude, according to Parrota and Johnson (1998) is the psychological tendencies shown while evaluating recommended financial management strategies with varying degrees of agreement or dissatisfaction. Ameliawati and Setiyani (2018) defined a person's financial attitude as their state of mind, opinion, and judgment about money. Likewise, Bapat (2020) mentioned that attitude is a way of evaluating ideas, events, items, or people, and it can help anticipate consumer behavior in a variety of situations. According to Rai et al. (2019) a financial attitude is a person's proclivity toward financial concerns.

Parrotta and Johnson (1998) studied the impact of financial attitudes and knowledge on financial management and satisfaction of recently married individuals using hierarchical regression analysis and found that financial management was influenced by positive attitudes. The authors argued that financial management is predicted better by financial attitudes than financial knowledge. The study also revealed that financial attitude and financial management were not moderated by financial knowledge. Furthermore, Mien and Thao (2015) also studied the factors affecting personal financial management behavior by employing the covariance-based structural equation modeling and found that financial attitude significantly affects personal financial management behavior positively. The authors also revealed that financial knowledge did not moderate the relationship between financial attitude and personal financial management behavior.

Dwiastani (2017) argued that financial attitude has a significant positive relationship with financial management behavior. He asserted that the activities a person does will be determined by his or her ideas, beliefs, and judgments regarding his or her financial situation. He further stated that if the attitude persists over a period, it becomes a habit.

Ameliawati and Setiyani, (2018) argued that financial attitude affects financial management behavior significantly and positively. As per the author, a good financial attitude leads to the initiation of appropriate financial management practices.

Adiputra and Patricia (2019) mentioned that financial attitudes are concerned with the application of one's state of mind and ideas to attitudes when making financial decisions. The findings of the study suggested that financial attitude significantly affects financial management behavior positively.

Abeyrathna (2020) conducted a study on factors affecting the personal financial management behavior of government employees and revealed that financial attitude significantly affects personal financial management behavior positively. The author also asserted that individuals having good financial attitudes are managing their finances well.

Bapat (2020) studied the antecedents to responsible financial management behavior among young adults through PLS-SEM and suggested that financial attitude directly affects financial management behavior.

Siswanti and Halida (2020) also conducted a similar study and revealed that financial attitude significantly affects financial management behavior positively. As per the author, a person's financial attitude affects their financial management. A positive financial attitude can help a person manage a variety of financial activities. Individuals with positive financial views are more likely to manage their family's money.

Khanal, Thapa, and Nepal, (2022) conducted a study in the Nepalese context and found that financial attitude has a significant positive relationship with personal financial planning.

2.2.2 Financial Self-Efficacy and Financial Management Behavior

Self-efficacy, according to Bandura (1994) is people's conviction in their ability to achieve specific levels of performance and exert control over events in their life. How people feel, think, motivate themselves, and act is determined by their self-efficacy beliefs. Farrell et al. (2016) mentioned that by using the concept of self-efficacy in the context of personal finance management, it could be reasoned that people who are more confident in their financial management abilities are more likely to view any financial difficulties they face as challenges to be mastered, rather than threats to be avoided.

According to Qamar, Khemta, and Jamil (2016), financial self-efficacy has a positive impact on personal financial management behavior. Furthermore, it also has a positive moderating impact on the relationship between money attitudes & personal financial management behavior.

According to Farrell, Fry, and Risse (2016), a statistically significant relationship has emerged between a woman's level of financial self-efficacy and elements of her finance behavior, namely, the types and number of financial products that she holds while simultaneously controlling for a range of other key characteristics, including a woman's personal financial risk preferences and factors contributing to her financial literacy. In addition, the multivariate probit model showed that women who have higher levels of financial Self-efficacy are more likely to have an investment, mortgage, or savings account while being less likely to have a credit card or loan.

As per Asandimitra & Kautsar (2020) there is a significant positive relationship between financial self-efficacy and financial management behavior of female lecturers at state universities. The author asserted that the higher the financial self-efficacy the more responsible individuals will be in managing their financial behaviors.

According to Asmin et al. (2021) Financial Self efficacy and financial knowledge have a significant positive effect on the financial management behavior of young entrepreneurs which indicates that the higher an entrepreneur's financial self-efficacy is when beginning a firm, the better the company's financial management behavior.

According to Chong et al. (2021) self-efficacy is the strongest determinant in explaining the financial behavior of emerging adults. Likewise, as per palmer (2021) financial self-efficacy is positively associated with financial management behavior.

2.2.3 External Locus of Control and Financial Management Behavior

The LOC construct is described as a broad, relatively consistent propensity to perceive the world in a certain way, capturing basic ideas about the sources of rewards and punishments (Rotter 1966). The LOC has two extremes; Internal and External. A person with internal LOC believes they have the skills, talents, and knowledge to control the results of their life. Whereas, a person with external LOC perceives that their actions, decisions, and behavior are dictated by external forces and events such as fate, luck, and chances. As per Grable, Park, and Joo (2009) those who have an external perspective are more inclined to believe that powerful others—both anonymous and well-known—erect barriers that limit their achievements.

Perry and Morris (2005) argued that the external locus of control negatively affects the financial management behavior of consumers in the American context. The authors asserted

that those who feel that financial results are determined by chance or powerful outsiders, i.e., externals, are less inclined to adopt financial management activities. However, a similar study by Grable, Park, and Joo (2009) revealed that the external locus of control was not significant towards financial management behavior in a Korean cultural context. According to Mien & Thao (2015), the external locus of control negatively affects the personal financial management behavior of young adults. The authors asserted that individuals who have a more external locus of control lead to worse financial management behavior. Furthermore, Bapat (2020) studied the antecedents to financial management behavior and found internal locus of control to be a positive significant antecedent to financial management behavior. Sovitha and Thavakumar (2020) argued that the external locus of control negatively affects the personal financial management behavior of lower-income people. Similarly, Mutlu and Özer (2021) argued that individuals with an internal locus of control exhibit better financial behavior.

2.2.4 Self-Control and Financial Management Behavior

Self-control is an ability of a person to break bad habits, resist temptations, and overcome first impulses (Baumeister, 2002). According to Strömbäck et al. (2017), self-control may be defined as our future selves' ability to regulate our current selves. Self-control, particularly, helps us to govern our behavior, thoughts, and emotions by resisting dominating impulses or reaction tendencies, and it is connected to many facets of life achievement, including personal economics (Gathergood, 2012).

In the existing literature, there is a dearth of studies on a broader form of financial management behavior and self-control. According to Achziger et al. (2015) people with low self-reported self-control are more likely to engage in compulsive shopping. Likewise, as per Gathergood (2012), people with financial self-control issues are more likely to experience credit withdrawals and unforeseen expenses on durables, leading to over-indebtedness. Self-control has also been shown to have an impact on people's saving habits. According to Biljanovska and Palligkinis (2015), households with poor self-control owing to a lack of planning, monitoring, or dedication, accumulate less wealth. The study of Miotto and Parente (2015) argued that the behavior of consumer widely varies and self-control influences the purchasing behavior of households, and affect their ability to pay and/or save. Strömbäck et al. (2017) studied a more general form of financial management behavior with self-control and found that self-control has a significant positive relationship with financial

management behavior. The authors asserted that respondents with high self-control were more likely to save money from their paychecks regularly, indicating that they are better prepared to deal with unexpected expenses and are more likely to have enough money for retirement. The Findings extend the application of the behavioral lifecycle hypothesis beyond savings behavior, to include general financial behavior. Furthermore, Siswanti and Halida (2020) also argued that self-control has a significant relationship with financial management behavior.

Table 1

Summary of Empirical Reviews

Author(s) Year	Variables Used	Methodology	Major Finding
Parrotta, and Johnson (1998)	Dependent Variable: Financial management, and Satisfaction with financial status Independent Variable: Financial Attitude, Financial Knowledge Demographic Variable: Income, Age and others	Sample: recently married individuals Sample size: 194 Methods: Hierarchical Regression Analysis	Financial attitude has a significant positive effect on financial management behavior
Perry and Morris (2005)	Dependent Variable: Financial Behavior Independent Variable: Consumer Financial Knowledge, income, locus of control Moderating Variable: Ethnicity	Sample: 10,997; 20 to 40 years of age with income less than \$75,000 Methods: Correlation & regression analysis	There is a negative relationship between external LOC and financial management behavior
Mien & Thao (2015)	Dependent Variable: Personal Financial Management Behavior Independent Variable: Financial Attitude, Financial Knowledge, External locus of control	Sample: 307 respondents aged 19 to 30 years Methods: Cronbach alpha, CFA, EFA, SEM	Financial attitude significantly positive relates to financial management behaviors. Whereas, there is a significant negative relationship with external locus of control and financial management behavior

(Continued)

Table 1 (Continued)

Summary of Empirical Reviews

Author(s) Year	Variables Used	Methodology	Major Finding
Miotto and Parente (2015)	Self-control, preference for credit, propensity to plan, age, life cycle, education level, critical events mental budget, financial management, savings and defaults	Sample: 165 lower middle class female consumers for quantitative analysis, 22 females for qualitative analysis Methods: In depth interview based on template technique, CFA, linear and binary logistic regression	The qualitative study revealed a wide variety of consumer behaviors, and showed that different levels of control influence the purchasing behavior of households, and affect their ability to pay and/or save.
Achtziger et al. (2015)	Self-control, compulsive buying, and real debts	Sample: 946 respondents Method: Regression Analysis	It was observed that self-control was negatively related to debts while compulsive buying was positively related to debts.
Qamar, khemta, and Jamil (2016)	Dependent Variable: Financial Management Behavior Independent Variable: Money Attitudes Moderating Variable: Financial Knowledge and Financial Self-Efficacy	Sample: 500 respondents Methods: Hierarchical regression and factor analysis	Money attitudes and financial self-efficacy has a significant positive impact on the personal financial management behavior of young adults
Farrell, Fry, and Risse (2016)	Dependent Variable: Individual financial product, and grouped financial product Independent Variable: Financial Self-Efficacy, Financial literacy, Financial risk preference	Sample: 1542 Australian Women Methods: Regression Analysis	There is a positive relationship between financial self-efficacy and financial management behavior
Arifin (2017)	Dependent Variable: Financial Behavior Independent Variable: Financial Knowledge, point of control and Income	Sample: 503 respondents Methods: PLS-SEM	Locus of Control significantly positively affect Financial Behavior

(Continued)

Table 1 (Continued)

Summary of Empirical Reviews

Author(s) , Year	Variables Used	Methodology	Major Finding
Dwiastan i (2017)	Dependent Variable: Locus of Control and Financial Management Behavior Independent Variable: Financial Knowledge and Financial Attitude	Sample size: 766 students Method: Path Analysis	Financial attitude has a significant positive effect on the financial management behavior. The study also found a significant influence between locus of control with financial management behavior of students
Strömbäc k et al. (2017)	Dependent Variable: Financial Behavior and Financial Well-being Independent Variable: Self- Control	Sample: 2063 individuals Data Analysis Method: OLS regression	There is a significant positive relationship between self- control and financial management behavior
Ameliaw ati and Setiyani (2018)	Dependent Variable: Financial Management Behavior Independent Variable: Financial Attitude, Financial Socialization, Financial Experience Mediation Variable: Financial Literacy	Sample: 278 students Methods: Path Analysis	There is a positive influence of financial attitude toward financial management behavior
Adiputra, and Patricia (2019)	Dependent Variable: Financial Management Behavior Independent Variable: Financial Attitude, Financial Knowledge, and Income	Sample size: 160 Method: SEM	Financial attitude significantly have positive affect on financial management behavior
Aghabab aei, and Khademi (2019)	Dependent Variable: Personal Financial Management Behavior Independent Variable: Financial attitude, financial knowledge and external locus of control	Method: PLS-SEM	Financial attitude has a statistically significant and positive effects on financial management behaviors. However, the results do not support for the relationship between external locus of control and financial management behaviors

(Continued)

Table 1 (Continued)

Summary of Empirical Reviews

Author(s), Year	Variables Used	Methodology	Major Finding
Abeyrathna, (2020)	Dependent Variable: Personal Financial Management Behavior Independent Variable: Financial Attitude, Financial Knowledge and Locus of Control	Sample: 180 government employees Methods: Pearson correlation, regression analysis	Financial attitudes relates positively to financial management behavior besides locus of control relates negatively to financial management behavior.
Asandimitra & Kautsar 2020	Dependent Variable: Financial management behavior Independent Variable: Financial attitude, financial knowledge, Financial literacy, Financial self- Efficacy, Emotional Intelligence	Sample: 210 female lecturers Methods: Cronbach Alpha, Multiple linear regression analysis	There is an influence of financial self-efficacy to the financial management behavior of female lecturers at state universities
Bapat (2020)	Dependent Variable: Financial Management Behavior Independent Variable: Financial Attitude, Financial Knowledge, and Internal Locus of Control Mediating Variable: Financial Risk Tolerance	Sample: 584 Young adults aged 18-35 Methods: PLS- SEM and OLS regression	Financial Attitude and internal locus of control has a significant positive relationship with financial management behavior
Siswanti, and Halida (2020)	Dependent Variable: Financial Management Behavior Independent Variable: Financial Attitude, Financial Knowledge Mediating Variable: Self- Control	Sample: 81 employees out of total population 305 Method: PLS- SEM	Financial attitude and self- control have a significant effect on financial management behavior
Sovitha and Thavakumar (2020)	Dependent Variable: Personal Financial Management Behavior Independent Variable: Financial knowledge, financial attitude, external locus of control	Sample: 360 lower income people Method: Cronbach alpha, Multiple regression analysis	Financial attitude has a significant and positive effect on lower income peoples' personal financial management behavior whereas external locus of control significantly and negatively affects personal financial management behavior

(Continued)

Table 1 (Continued)

Summary of Empirical Reviews

Author(s) , Year	Variables Used	Methodology	Major Finding
Asmin et al. (2021)	Dependent Variable: Financial Management Behavior Independent Variable: Financial Self-Efficacy and Financial Knowledge	Sample: 85 young entrepreneurs Method: Multiple Regression	Financial Self efficacy has a significant positive effect on financial management behavior
Mutlu and Özer (2021)	Dependent Variable: Financial Behavior Independent Variable: Locus of control and financial literacy Moderating Variable: Financial literacy	Sample: 1347 individual investors Method: EFA, CFA, SEM	Internal locus of control has a positive effect on financial behavior
Palmer et al. (2021)	Dependent Variable: Financial Management Behavior Independent Variable: General self-regulation, financial self-efficacy	Sample: 693 couples	1) The financial self-efficacy was positively associated with financial management behavior

Upon review of the empirical studies, it can be noted that financial management behavior has been assessed in a variety of ways based on the sample used. The previous study has attempted to assess and analyze the financial management behavior of individuals, married couples, individual investors, young adults, young entrepreneurs, individuals of certain regions and races, and students for their study.

Although financial management behavior is not a novel concept there seems to be an increasing trend of studies in recent years. It might be due to the increasing importance of financial behavior as the problems caused by irresponsible financial management behavior such as debt, low quality of life, dissatisfaction, worsened retirement life, etc. are increasing. Therefore, to increase awareness and highlight its importance such studies are essential.

Furthermore, there seems to be a dearth of studies on the broader aspect of financial management behavior in the Nepalese context. However, a handful of studies are found in some of the South Asian contexts such as Srilanka and India. The increasing study by

researchers especially in the Srilankan context is relevant as it is facing economic and financial problems for quite a long time.

From the methodological perspective, most of the old studies were carried out through first-generation regression analysis. However, most of the recent studies have employed second-generation data analysis methods such as CB-SEM, and PLS-SEM. Furthermore, there do not seem to be adequate studies examining the relationship between financial self-efficacy and financial management behavior. Similarly, few studies are available that examined the relationship between self-control and broader aspect of financial management behavior.

2.3 Research Gap

Upon extensive literature review some of the research gaps were identified as follows;

- 1) It was found that there is a dearth of studies in the context of Nepal
- 2) Most of the previous works of literature covered only a single or few components of financial management behavior. Only a handful of studies carried a study including broader aspects of financial management behavior.
- 3) There do not seem to be adequate studies evaluating the relationship between financial self-efficacy and financial management behavior.

2.4 Conceptual Framework

Based on the above-mentioned literature reviews the conceptual framework for this study is developed.

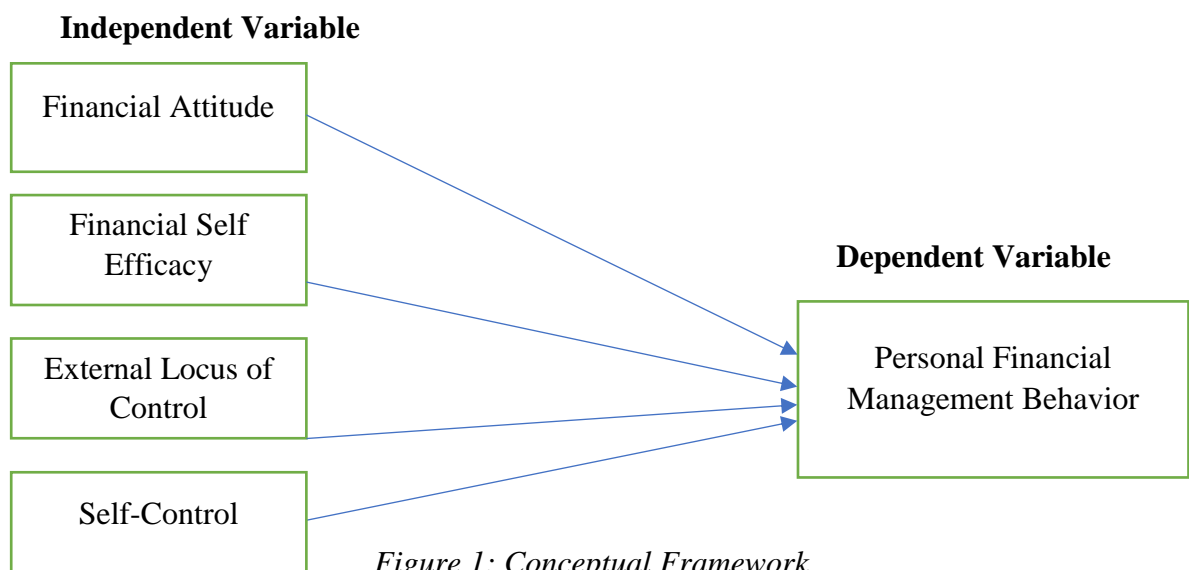


Figure 1: Conceptual Framework

(Source: Bapat, 2020; Farrell, Fry, and Risse, 2016; Mien & Thao, 2015; Strömbäck et al., 2017)

Figure 1 depicts the conceptual framework for this study. The dependent variable for the study is personal financial management behavior and the independent variables are financial attitude, financial self-efficacy, external locus of control, and self-control. The study aims to explore the relationship between dependent and independent variables.

2.5 Operational Definition

Personal Financial Management Behavior

Personal financial management behavior is taken as the dependent variable of the current study. The dependent variable of the study is measured by cash management and saving and investment aspects of financial management behavior. For instance, the dependent variable is measured in terms of price comparison while purchasing, bill payment on time, record of monthly expenses, budget or spending plan, maintaining an emergency saving fund, saving money from every paycheck or allowances, saving for long-term goals, and investing on securities.

Financial Attitude

The financial attitude is taken as one of the independent variables for the study. The financial attitude of young adults is measured in terms of beliefs, values, judgment, and feelings regarding financial management. For instance, feeling important to develop a regular pattern of saving, feeling beneficial to keep records of financial matters, judgment on financial planning, feeling beneficial to insure against reasonable risks, having financial goals, and belief about financial planning in the future.

Financial Self-Efficacy

Financial self-efficacy is taken as another independent variable to predict personal financial management behavior. Financial self-efficacy is measured in terms of how much respondents are confident in their ability to manage their finances and face financial risk. For instance, feeling difficult to stick to spending when unexpected expenses arise, feeling challenged reaching financial goals, using credit when unexpected expenses occur, having a hard time finding a solution to financial challenges, lacking confidence in the ability to manage finances, and worrying about running out of money in retirement.

External Locus of Control

The external locus of control is taken as another independent variable to predict personal financial management behavior. The external locus of control is measured in terms of the

respondent's beliefs that the events of their lives are influenced by external factors. For instance, external locus of control is measured in terms of having a belief that the problems cannot be solved by themselves, being pushed by someone else, changing important things in life, doing anything that is set in mind, taking responsibility for the future, feeling helpless with the problems of life, having little control of oneself over the events of life.

Self-Control

Self-control is taken as another independent variable to predict personal financial management behavior. Self-control is measured in terms of the respondents' ability to resist temptation, break bad habits, and overcome first impulses. For instance, the ability to break bad habits, resist temptation, overcome distractions, and the ability to act while thinking through all the alternatives.

CHAPTER III

RESEARCH METHODS

This chapter introduces the methodologies used in this research to meet the objectives of the study. It shows the overall research design in detail that has been adopted by the researcher. This chapter also includes details about the population, sample size, sampling techniques, instruments used for the study, sources of data collection, and data management and analysis tools.

3.1 Research Design

To evaluate the relationship between psychological factors and personal financial management behavior, the researcher has carried out a quantitative research design approach. The research is based on a Quantitative research approach to test the hypothesis of the study and perform an empirical investigation of quantitative properties. A descriptive study is also conducted for looking at the respondents' profiles with the focus on who, what, and how much types of questions to study the personal financial management behavior of young adults. The study has also used causal research design as it attempts to establish cause and effect relationships between independent and dependent variables. Data collection is done with the application of a close-ended questionnaire.

3.2 Population and Sample

The government of Nepal defines youth as those individuals who are between 16 and 40 years of age. However, in a similar study, Bapat (2020) defined young adults as those whose age ranges from 18 to 35. Following Bapat (2020), the study considers individuals aged 18 to 35 as the sample of the study. Hence, the population of the study is all the young adults of Nepal whose age ranges from 18 to 35. For this study, non-probability sampling was used. Under the non-probability sampling method, a convenient sampling technique was used. Since, the population of the study and the degree of variability is unknown sample size formula by (Cochran, 1977) was used to determine the minimum sample size. Since the degree of variability is not known, the maximum variability is assumed which is 0.5 ($p = 0.5$). Moreover, a 95 % confidence interval with $\pm 5\%$ precision is taken for determining the minimum sample size for the study.

$$n = \frac{Z^2 * p * q}{e^2}$$

Where,

n= sample size for unknown population

Z= Z value (e.g. 1.96 for 95 percent confidence level)

p = Population proportion (assumed to be 0.5 or 50%)

e = desired level of precision

q =1-p

Using this sample size determination formula for the unknown population, the minimum sample size needed for the study is 384.16 samples. 550 questionnaires were sent to young adults via email and paper. Out of 550 questionnaires, 402 response were returned. Hence, the response rate of 73% was achieved. However, 17 responses had missing data the study was left with 385 responses.

3.3 Instruments

The questionnaire was divided into two parts. The first part recorded the demographic details of the respondents. The demographic details included an optional name, age ranging from 18 to 35, marital status, academic attainment, academic background which was categorized as business and management and non-business and management, and monthly income. A dichotomous scale was used to measure marital status (Married and Unmarried), academic background (Business and Management, and Non- Business and Management), and Employment Status (Students, employed). Furthermore, the respondent's academic attainment (Intermediate or below, Bachelor's degree, Master's degree, and above) was also included in the questionnaire. Considering the possibility that the respondents of the questionnaire might be young adults working as a student, monthly income was asked as "How much income do you receive from family or employment (per month in Rs.)" and the options were categorized into five groups (Below Rs.20000, Rs.20000-Rs.30000, Rs.30001-Rs.40000, Rs.40001- Rs. 50000, and 50,000 and above). And finally, since the study concerns young adults, individuals with ages ranging from 18 to 35 were only taken for the study. Hence, age was categorized into three groups i.e. 18-23, 24-29, and 30-35.

The second part of the questionnaire comprised of Likert scale items of five variables used in the study. The extensive literature review has provided that PFMB and other variables

used in the study can be measured in many ways. The dependent variable of the study is Personal financial management behavior. Drew and Xiao (2011) developed and validated the scale to measure PFMB. The scale was extensive, embracing all areas of cash management, credit management, as well as savings, and investment. However, some of the items in the scale were not applicable in the Nepalese context. For instance, items related to credit card usage was mostly not applicable because of the low penetration of credit card in the market. Upon item review, few of the items were dropped and only those items suitable in the Nepalese context for young adults were taken into account. Hence, the PFMB variable was measured through eight items. Furthermore, a six-item financial attitude scale was also adopted from Bapat (2020). Furthermore, financial self-efficacy was adapted from Farrell et al. (2016) which was based on the financial self-efficacy scale developed and validated by (Lown, 2011). All the items on the financial self-efficacy scale are reverse scored. Moreover, the seven-item locus of control scale is adapted from Mien and Thao, (2015). Items 3, 4, and 5 of the scale are reverse scored. Finally, the five-item self-control scale was adapted from Strömbäck et al. (2017), which was originally based on Tangney et al., (2004). Item 1, 2, 4, and 5 of the scale are reverse scored. The total number of items for the second part questions was 32 items. All the scales used in the study were measured on a Likert scale ranging from strongly disagree (1) to strongly agree (5).

Table 2

Sources of Instruments

Instruments	Source
Financial Attitude	Bapat (2020)
Financial Self-Efficacy	Farrell et al. (2016)
External Locus of Control	Mien & Thao (2015)
Self-Control	Tangney et al. (2004)
Personal Financial Management Behavior	Dew & Xiao (2011)

3.4 Pilot Study/Testing

A pilot study is a small-scale preliminary study undertaken before any large-scale quantitative research to evaluate the accuracy and consistency of the scale. As per Srinivasan & Lohith (2017), a pilot survey is an imitation and trail of the actual survey. The goal of doing a pilot study is to identify any flaws in the measurement device. Extant literature

implies that the sample size for pilot research should be 10% of the sample size expected for the bigger parent study (Connelly, 2008). Treece and Treece (1982) recommended a ten percent sample size for the study. The current study carried out a pilot test to examine the reliability of the scale. Cronbach alpha was assessed to check the reliability of the scale. Hence, a pilot study of 40 samples was conducted and it was found that all the variables had Cronbach alpha value greater than 0.7. Likewise, positive feedback was received from the respondents regarding the questionnaire. Furthermore, the content validity of the scale was approved by the supervisor of the researcher. And finally, the questionnaire was distributed to the young adults thoroughly.

3.5 Data Management and Analysis Tools

The data is analyzed through IBM SPSS and Smart PLS. The study uses IBM SPSS to assess the personal financial management behavior of young adults. In addition, the descriptive analysis, and common method bias assessment has been performed through IBM SPSS. Moreover, the current study uses structural equation modeling as it is a powerful multivariate approach that is increasingly being used in scientific research to investigate and assess multivariate causal relationships (Fan et al., 2016). The study chose PLS-SEM over CB-SEM because partial least square (PLS-SEM) has minimal restrictions on measurement scales, sample size, and residual distributions. PLS analysis does not assume that the variables are truly independent, leading to more reliable results. PLS is robust against data skewness. (Hair et al., 2012). PLS-SEM provides researchers with greater statistical power than CB-SEM (Reinartz et al., 2009; Hair et al., 2017). PLS-SEM has better statistical power, which implies it is more likely to detect relationships as significant when they indeed exist in the population (Sarstedt and Mooi, 2019). Furthermore, the application of PLS is relevant at a time when the objective is to advance theoretical arguments and the study is intended to predict (Hair et al., 2012). Therefore, this study uses PLS-SEM to fulfill the objectives of the study.

The PLS-SEM is performed by examining the measurement models, assessing the structural models, and finally assessing the path models (Hair et al., 2019; Hair et al, 2014b). First, internal consistency reliability was assessed through Cronbach alpha (lower bound) and composite reliability (upper bound). The indicator reliability is assessed through item loadings and convergent validity is measured through Average Variance Extracted (AVE).

Moreover, the discriminant validity is assessed through the FL criterion, cross-loadings, and HTMT ratio.

The next step in evaluating PLS-SEM was the assessment of the structural model. According to Hair et al. (2019) while assessing the structural model the standard assessment criteria should be considered which include the coefficient of determination (R^2) as well as the statistical significance and relevance of the path coefficients. Since the coefficients of structural models for relationships between constructs are produced by estimating a series of regression equations collinearity must be investigated to ensure that it does not influence the regression results before assessing the structural relationships. Ideally, the VIF values should be close to 3 or lower. Furthermore, the model's predictive capability was assessed by the coefficient of determination (R^2). The R^2 measures the variation explained by each endogenous construct and hence represents the model's explanatory strength (Shmueli & Koppius, 2011). The R^2 is also referred to as in-sample predictive power (Rigdon, 2012). The final step for PLS-SEM is the assessment of the statistical significance and relevance of the path coefficients (Hair et al., 2019). The bootstrapping process was performed to assess the path coefficients' significance and evaluate their values.

CHAPTER IV

ANALYSIS AND RESULT

This chapter presents the data analysis and discusses the results and findings from a survey of 385 young adults. The study uses statistical software such as MS-EXCEL, IBM SPSS, and Smart PLS to assess and analyze the collected data. MS EXCEL was used to organize the data. Likewise, IBM SPSS was used for descriptive statistics and assessment of common method bias. And, Smart PLS was used to assess the measurement model and structural model. Since, the data was not normally distributed, the use of PLS-SEM is justified as it is a non-parametric data analysis method. This chapter includes the socio-demographic profile of the respondents, descriptive statistics of latent variables, measurement model assessment, and structural model assessment, common method bias assessment and discusses the major findings of the study.

4.1 Socio-Demographic Profile of the Respondents

A structured questionnaire was prepared for data collection. The data was collected by distributing printed questionnaires and online responses. The questionnaire comprised of two parts i.e. socio-demographic questions and Likert scale questions. Table 3 depicts the socio-demographic profile of the respondents.

As observed, the participation of males is greater than females in the survey. However, there is not a big difference in the participation of respondents based on gender. Furthermore, the study specifically focused on the personal financial management behavior of young adults ranged 18 to 30. The results showed that a higher majority of participants were from the age group 24-29. The age group 18-23 and 30-35 had fewer participants. Moreover, the majority of the respondents were unmarried. This is justifiable because a large portion of the respondents falls in the age group of 24-29 followed by 18-23 and 30-35. Furthermore, the majority of the respondents were students. This result is also justifiable because, in the Nepalese context, many young adults only start their careers at a later stage of their life after completing their bachelor's/Master's degree. Likewise, the academic attainment of a Master's degree or above was the highest among respondents which were followed by Bachelor's degree and intermediate or below. This indicates that there is a strong presence of academically sound and literate respondents. Moreover, a large number of respondents had an academic background in business and management and comparatively few

respondents belonged to a different academic background. This finding reveals that a large portion of the respondents had studied business and management. It also indicates that a large portion of the respondents is aware of the basic financial management principles and practices. And finally, when asked about the monthly money received either from employment or family, the maximum responses belonged to below Rs. 20,000 followed by above Rs. 50,000, Rs. 20,000 to Rs,30,000, Rs.40,001 to Rs.50,000, and 30,001 to Rs.40,000. .This result is justifiable because the majority of respondents are students and have yet to begin their careers.

Table 3

Respondent Profile of the Study

Demographic Variables		Frequency	Percent
Gender	Male	207	53.8
	Female	178	46.2
Age	18-23	45	11.7
	24-29	309	80.3
	30-35	31	8.1
Marital Status	Married	67	17.4
	Unmarried	318	82.6
Employment Status	Employed	156	40.5
	Student	229	59.5
Academic Attainment	Intermediate or below	27	7
	Bachelor's degree	138	35.8
	Master's degree or above	220	57.1
Academic Background	Business and Management	269	69.9
	Non-Business and Management	116	30.1
How much money you receive from your family or employment?	Below 20,000	184	47.8
	20,000-30,000	66	17.1
	30,001-40,000	22	5.7
	40,001-50,000	45	11.7
	Above 50,000	68	17.7

4.2 Descriptive Statistics

A descriptive statistic quantifies and describes the characteristics of the data collected. Instead of learning about the population represented by the sample data, its goal is to summarize the sample. The descriptive analysis includes the computation of statistical measures such as mean and standard deviation, as well as maximum and minimum values. This part deals with the descriptive analysis of the data acquired through the questionnaire during the research phase.

4.2.1 Descriptive Statistics of Financial Attitude

Table 4

Descriptive statistics of Financial Attitude

Code	Item	N	Min	Max	Mean	S.D
FA1	It is important for me to develop a regular pattern of saving	385	1	5	3.86	0.869
FA2	Keeping records of financial matters is beneficial	385	1	5	3.95	0.871
FA3	Financial planning for retirement is necessary for one's security during old age	385	1	5	4.10	1.062
FA4	It is beneficial to insure against reasonable risks	385	1	5	3.90	0.856
FA5	I have clear financial goals that help me determine priorities in spending	385	1	5	3.62	0.801
FA6	I believe that financial planning for 5 or 10 years in the future is essential for financial success	385	1	5	3.89	0.905

Table 4 depicts descriptive statistics of the items for financial attitude. Six items were used to measure the financial attitude of young adults. As it can be seen, the responses ranged from strongly disagree to strongly agree. Furthermore, the mean of all the items is inclined towards an agreement with the statement. It indicates that the average number of respondents have a positive attitude towards finance and financial activities. The maximum mean was recorded for the FA3 item i.e. 4.1 indicating the highest level of agreement of statement from average respondents. Likewise, FA3 has the highest standard deviation i.e. 1.062 indicating the maximum deviation of responses from the respondents. Whereas, FA5 has the lowest

standard deviation i.e. 0.801 indicating the lowest variation of responses from the respondents.

4.2.2 Descriptive Statistics of Financial Self-Efficacy

Table 5

Descriptive statistics of Financial Self-Efficacy

Code	Item	N	Min	Max	Mean	S.D
FSE1*	It is hard to stick to my spending when unexpected expenses arise	385	1	5	3.36	0.860
FSE2*	It is challenging to make progress towards my financial goals	385	1	5	3.15	0.930
FSE3*	When unexpected expenses occur, I usually have to use credit	385	1	5	3.41	0.837
FSE4*	It is hard to stick to my spending when unexpected expenses arise	385	1	5	3.26	0.867
FSE5*	It is challenging to make progress towards my financial goals	385	1	5	3.57	0.867
FSE6*	When unexpected expenses occur, I usually have to use credit	385	1	5	3.59	0.897

*Items are reverse coded

Table 5 depicts descriptive statistics of the items for financial self-efficacy. Six items were used to measure the financial self-efficacy of young adults. It is important to note that all the six items of financial self-efficacy are negative and need to be reverse coded. Upon reverse coding of the items, it was revealed that all the responses range from strongly disagree to strongly agree. Furthermore, the mean of all the items is greater than 3 indicating the respondent's inclination towards higher financial self-efficacy. The maximum mean was recorded for the FSE6 item i.e. 3.59 indicating the highest level of disagreement of statements on average from respondents. Although the mean value of FSE2 is the lowest i.e. 3.15, it still indicates that respondents disagree with the statement. Moreover, FSE2 has the highest standard deviation i.e. 0.930 indicating the maximum deviation of responses from

the respondents. Whereas, FSE3 has the lowest standard deviation i.e. 0.837 indicating the lowest variation of responses from the respondents.

4.2.3 Descriptive Statistics of External Locus of Control

Table 6

Descriptive statistics of External Locus of Control

Code	Item	N	Min	Max	Mean	S.D
LC1	There is really no way I can solve some of my problems	385	1	5	2.44	1.040
LC2	I am being pushed around in my life	385	1	5	2.71	0.833
LC3*	I can change the important things in my life by myself	385	1	5	2.58	1.058
LC4*	I can do anything I set my mind on	385	1	5	2.58	0.907
LC5*	What happens to me in the future depends on me	385	1	5	2.26	1.006
LC6	I'm helpless in dealing with the problems of life	385	1	5	2.35	0.918
LC7	I have little control over the things that happen to me	385	1	5	2.86	0.865

*Items are reverse coded

Table 6 depicts descriptive statistics of the items for the external locus of control. Seven items were used to measure the external locus of control of young adults. It is important to note items LC3, LC4, and LC5 are reverse coded. As it can be seen, the responses ranged from strongly disagree to strongly agree for all the items. Furthermore, the mean value of all the items is less than 3 indicating the respondent's inclination toward a lower external locus of control. It indicates that the average number of respondents are less influenced by the external factors in their life. The maximum mean value was recorded for the LC7 item i.e. 2.86 indicating the highest level of agreement of statement from average respondents. The item LC3 has the highest standard deviation i.e. 1.058 indicating the maximum deviation of responses from the respondents. Whereas, LC2 has the lowest standard deviation i.e. 0.833 indicating the lowest variation in responses from the respondents.

4.2.4 Descriptive Statistics of Self-Control

Table 7

Descriptive statistics of Self Control

Code	Item	N	Min	Max	Mean	S.D
SC1*	I have a hard time breaking bad habits	385	1	5	3.29	0.910
SC2*	I get distracted easily	385	1	5	3.13	0.862
SC3	I'm good at resisting temptation	385	2	5	3.39	0.657
SC4*	I do things that feel good in the moment but regret later on	385	2	5	3.28	0.884
SC5*	I often act without thinking through all the alternatives	385	1	5	3.45	0.828

*Items are reverse coded

Table 7 depicts descriptive statistics of the items for self-control. Five items were used to measure the self-control of young adults. It is important to note that the items SC1, SC2, SC4, and SC5 of self-control are negative and need to be reverse coded. As it can be seen, the responses of the items SC1, SC2, and SC5 range from strongly disagree to strongly agree. However, responses from the items SC3 and SC4 range from disagree to strongly agree. Furthermore, the mean of all the items is greater than 3 indicating the respondent's inclination towards higher self-control. The maximum mean was recorded for the SC5 item i.e. 0.828 indicating the highest level of disagreement of statements on average from respondents. Although the mean value of SC2 is the lowest i.e. 3.13, it still indicates that respondents disagree with the statement. Moreover, SC1 has the highest standard deviation i.e. 0.910 indicating the maximum deviation of responses from the respondents. Whereas, SC3 has the lowest standard deviation i.e. 0.657 indicating the lowest variation in responses from the respondents.

4.2.5 Descriptive Statistics of Personal Financial Management Behavior

Table 8

Descriptive statistics of Personal Financial Management Behavior

Code	Item	N	Min	Max	Mean	S.D
Cash Management						
PFMB1	I compare prices when I purchase a product or service	385	1	5	3.95	0.812
PFMB2	I pay my bills on time	385	2	5	4.05	0.829
PFMB3	I keep a record of my monthly expenses	385	1	5	3.77	0.951
PFMB4	I stay within budget or spending plan	385	1	5	3.81	0.952
Saving and Investment						
PFMB5	I maintain an emergency savings fund	385	2	5	3.60	0.996
PFMB6	I save money from every paycheck or allowance	385	2	5	3.76	0.867
PFMB7	I save for a long-term goal, such as a mobile, car, education, home, etc.	385	1	5	3.73	0.902
PFMB8	I have bought bonds, stocks, or mutual funds	385	2	5	4.08	0.850

As we can see the personal financial management behavior comprises cash management, and saving and investment aspects of finance. Cash management is measured by items PFMB1, PFMB2, PFMB3, and PFMB4. Likewise, saving and investment is measured by PFMB5, PFMB6, PFMB7, and PFMB8.

As seen in table 8 the descriptive statistics of the items for personal financial management behavior is depicted. Eight items were used to measure the financial attitude of young adults. As it can be seen, the response of items PFMB1, PFMB3, PFMB4, and PFMB7 ranges from strongly disagree to strongly agree. However, the responses of items PFMB2, PFMB5, and PFMB8 range from disagree to strongly agree. Furthermore, the mean of all the items is inclined towards agreement with the statement. It indicates that the average number of respondents manage their finances responsibly. The maximum mean was recorded for the

PFMB8 item i.e. 4.1 indicating the highest level of agreement of statement from average respondents. Although the mean value of item PFMB5 is the lowest among other personal financial management behavior items, it still indicates agreement with the statement. Likewise, PFMB5 has the highest standard deviation i.e. 0.996 indicating the maximum deviation of responses from the respondents. Whereas, PFMB1 has the lowest standard deviation i.e. 0.812 indicating the lowest variation of responses from the respondents.

4.2.6 Descriptive Statistics of Latent Variables

Table 9

Descriptive statistics of latent variables

L.V	N	Min.	Max.	Mean	S.D.	Skewness	Kurtosis
FA	385	1.5	4.83	3.8879	0.719	-1.57	2.49
FSE	385	1.33	4.67	3.3892	0.668	-0.82	-0.05
LC	385	1.29	4.43	2.5414	0.700	0.42	-0.74
SC	385	1.6	4.6	3.3106	0.644	-0.70	-0.12
PFMB	385	2	5	3.8422	0.665	-0.79	0.58

Table 9 depicts the descriptive statistic of the latent variables. The mean value of the financial attitude scale is 3.8879. It indicates that average respondents agree with the statements and have a positive attitude towards finance and financial activities. Likewise, the mean value of the financial self-efficacy scale is 3.38 indicating that average respondents are self-motivated to deal with financial activities and have self-confidence in mastering financial challenges. Furthermore, the mean value of the external locus of control is 2.54 which reveals that average respondents are less influenced by external factors in their life. In addition, the mean value of self-control is 3.31 which indicates that average young adults have higher self-control over things. And finally, the mean value of personal financial management behavior is 3.84 revealing that average respondents manage their finances responsibly. It also reveals that average young adults practice cash management activities and saving activities responsibly. As also depicted in table 9, the financial attitude scale has obtained the highest standard deviation i.e. 0.719. It implies that among other scales, responses in financial attitude have the highest variation. Whereas, the self-control scale has the lowest standard

deviation compared to other scales, indicating that responses to self-control have the lowest variation. Table 9 also depicts skewness and kurtosis. As per Hair et al. (2014a), the general guideline is that skewness and kurtosis values should not be greater than +1 and lower than -1 to be normally distributed. The skewness of financial attitude is -1.57 indicating the tail of the left side of the distribution to be longer. Likewise, the kurtosis value of financial attitude is 2.49 indicating narrow distribution. Furthermore, the skewness of financial self-efficacy is -0.82 indicating the tail of the left side of the distribution to be longer. Likewise, the kurtosis value of financial attitude is -0.05 indicating flat distribution. Moreover, the skewness of the external locus of control is 0.42 indicating the tail of the right side of the distribution to be longer. Likewise, the kurtosis value of the external locus of control is -0.74 indicating flat distribution. Moreover, the skewness of financial self-control is -0.70 indicating the tail of the left side of the distribution to be longer. Likewise, the kurtosis value of self-control is -0.05 indicating flat distribution. And finally, the skewness of personal financial management behavior is -0.79 indicating the tail of the left side of the distribution to be longer. Likewise, the kurtosis value of personal financial management behavior is 0.58 indicating narrow distribution. Since, the skewness and kurtosis of financial self-efficacy, external locus of control, self-control, and personal financial management behavior are within the guidelines the data is normally distributed. However, the skewness and kurtosis of financial attitude exceed the guidelines indicating that the data is not normally distributed.

4.3 Normality Test

Table 10

Test of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df.	Sig.	Statistic	df.	Sig.
FA	0.161	385	0.000	0.841	385	0.000
FSE	0.174	385	0.000	0.92	385	0.000
LC	0.118	385	0.000	0.955	385	0.000
SC	0.174	385	0.000	0.937	385	0.000
PFMB	0.112	385	0.000	0.948	385	0.000

^a Lilliefors Significance Correction

As depicted in table 10, the normality of the obtained data was assessed through the Kolmogorov-Smirnov test and Shapiro-Wilk test. Since the p-value of all the scales used in

the study is less than 0.05, the null hypothesis of data normality is rejected. Hence, the latent variables are not normally distributed. Since the data are not normally distributed the use of PLS-SEM is even more justifiable.

4.4 Measurement Model

The measurement models are the outer models that are used to assess the relationships between the indicator variables and the constructs they represent (Hair et al., 2014a). In the measurement model construct reliability, convergent validity, and discriminant validity are evaluated.

4.4.1 Construct Reliability and Validity

The first criterion to be evaluated in the measurement model is the internal consistency reliability (Hair et al., 2014a). The composite reliability varies from 0 to 1 with higher values indicating higher reliability. Both Cronbach's alpha and composite reliability are interpreted in a similar way (Hair et al., 2014a). The internal Consistency reliability should be assessed through Cronbach alpha (lower bound) and composite reliability (upper bound). The internal consistency reliability should be greater than 0.70 and should not exceed 0.95 (Hair et al., 2019). As can be seen in Table 11, the Cronbach alpha and the composite reliability of the latent variables are all above the required threshold. Hence, the construct reliability is established.

Furthermore, it is important to assess the convergent validity of the construct. Convergent validity refers to how well a measure correlates positively with other measures of the same construct. The items that are measures of a specific construct should converge or share a high proportion of variance. (Hair et al., 2014a). To establish convergent validity, researchers consider the outer loadings of the indicators, as well as the AVE. The factor loadings can range from -1.0 to +1.0, with higher absolute values indicating a higher correlation of the items with the underlying factor (Pett et al., 2003). Since the construct reliability and convergent validity were within the acceptable value, item loadings less than 0.701 such as FSE3 (0.699), LC1 (0.65), LC6 (0.651), PFMB2 (0.653), SC1 (0.69) were retained. As can be seen in table 11, the outer loadings of all the items are greater than 0.5. Hence, the indicator reliability is established. Moreover, the average variance extracted (AVE) needs to be assessed which is the grand mean value of the squared loadings of the indicators related to the construct (i.e., the total of the squared loadings divided by the number of indicators

(Hair et al., 2014a). As per Hair et al. (2019) the value of AVE should be greater than 0.5. As can be seen in table 11, the AVE of all the latent variables is above the required threshold.

Table 11

Construct reliability and validity

Latent Variable	Items	Loadings	Cronbach's Alpha	CR	AVE
Financial Attitude	FA1	0.801	0.888	0.915	0.643
	FA2	0.761			
	FA3	0.872			
	FA4	0.824			
	FA5	0.712			
	FA6	0.834			
Financial Self-Efficacy	FSE1	0.780	0.856	0.893	0.581
	FSE2	0.738			
	FSE3	0.699			
	FSE4	0.761			
	FSE5	0.832			
	FSE6	0.758			
External Locus of Control	LC1	0.65	0.862	0.893	0.546
	LC2	0.747			
	LC3	0.815			
	LC4	0.794			
	LC5	0.795			
	LC6	0.651			
	LC7	0.702			
Personal Financial Management Behavior	PFMB1	0.758	0.884	0.908	0.554
	PFMB2	0.653			
	PFMB3	0.785			
	PFMB4	0.704			
	PFMB5	0.703			
	PFMB6	0.775			
	PFMB7	0.816			
	PFMB8	0.749			
Self-Control	SC1	0.69	0.837	0.883	0.604
	SC2	0.782			
	SC3	0.798			
	SC4	0.744			
	SC5	0.86			

4.4.2 Discriminant Validity

The amount to which a construct is different from other constructs according to empirical standards is referred to as discriminant validity (Hair et al., 2014a). The purpose of the discriminant validity assessment is to guarantee that a reflective construct in the PLS path model has the strongest connections with its indicators (e.g., in comparison to any other construct) (Hair et al., 2022). The Discriminant validity of a construct can be assessed through FL criterion, Cross Loadings, and HTMT.

Fornell-Lacker Criterion

To measure discriminant validity, Fornell and Larcker (1981) proposed the Fornell Larcker criteria. According to Hair et al. (2014a), the FL criterion compares the square root of the AVE with the latent variable correlations. The square root of each construct's AVE should, in particular, be bigger than its greatest correlation with any other construct. As seen in table 12, the square root of AVE is highlighted in bold letters and is greater than the correlation with other constructs.

Table 12

Fornell-Lacker Criterion

	LC	FSE	FA	PFMB	SC
LC	0.739				
FSE	-0.295	0.762			
FA	-0.244	0.194	0.802		
PFMB	-0.419	0.441	0.462	0.745	
SC	-0.209	0.250	0.138	0.426	0.777

Cross Loadings

The discriminant validity can also be assessed through cross-loadings of the construct. As per Hair et al. (2014a) when an indicator's loading on a construct is larger than all of its cross-loadings with other constructs, discriminant validity is established. Table 13 depicts the loadings of the items with their construct and other constructs. As seen, the item loadings of the same construct are higher than other constructs. Hence, it can be established that discriminant validity exists in the model.

Table 13

Cross Loadings

	LC	FSE	FA	PFMB	SC
FA1	-0.095	0.153	0.801	0.395	0.155
FA2	-0.238	0.171	0.761	0.33	0.172
FA3	-0.238	0.109	0.872	0.451	0.156
FA4	-0.209	0.12	0.824	0.337	-0.032
FA5	-0.242	0.225	0.712	0.364	0.141
FA6	-0.148	0.166	0.834	0.315	0.045
FSE1	-0.239	0.78	0.109	0.276	0.154
FSE2	-0.247	0.738	0.032	0.314	0.21
FSE3	-0.065	0.699	0.295	0.398	0.235
FSE4	-0.309	0.761	0.145	0.304	0.159
FSE5	-0.281	0.832	0.13	0.357	0.178
FSE6	-0.242	0.758	0.13	0.333	0.19
LC1	0.65	-0.231	-0.052	-0.246	-0.142
LC2	0.747	-0.302	-0.014	-0.318	-0.201
LC3	0.815	-0.143	-0.25	-0.291	-0.093
LC4	0.794	-0.121	-0.311	-0.378	-0.215
LC5	0.795	-0.208	-0.352	-0.379	-0.155
LC6	0.651	-0.316	-0.019	-0.293	-0.157
LC7	0.702	-0.262	-0.181	-0.166	-0.068
PFMB1	-0.402	0.224	0.303	0.758	0.34
PFMB2	-0.261	0.424	0.279	0.653	0.326
PFMB3	-0.365	0.264	0.193	0.785	0.314
PFMB4	-0.269	0.304	0.424	0.704	0.359
PFMB5	-0.349	0.308	0.319	0.703	0.324
PFMB6	-0.285	0.329	0.303	0.775	0.304
PFMB7	-0.235	0.262	0.431	0.816	0.323
PFMB8	-0.328	0.468	0.443	0.749	0.247
SC1	-0.152	0.243	0.029	0.241	0.69
SC2	-0.202	0.182	0.194	0.351	0.782
SC3	-0.099	0.167	0.155	0.359	0.798
SC4	-0.125	0.217	-0.027	0.244	0.744
SC5	-0.221	0.196	0.121	0.410	0.860

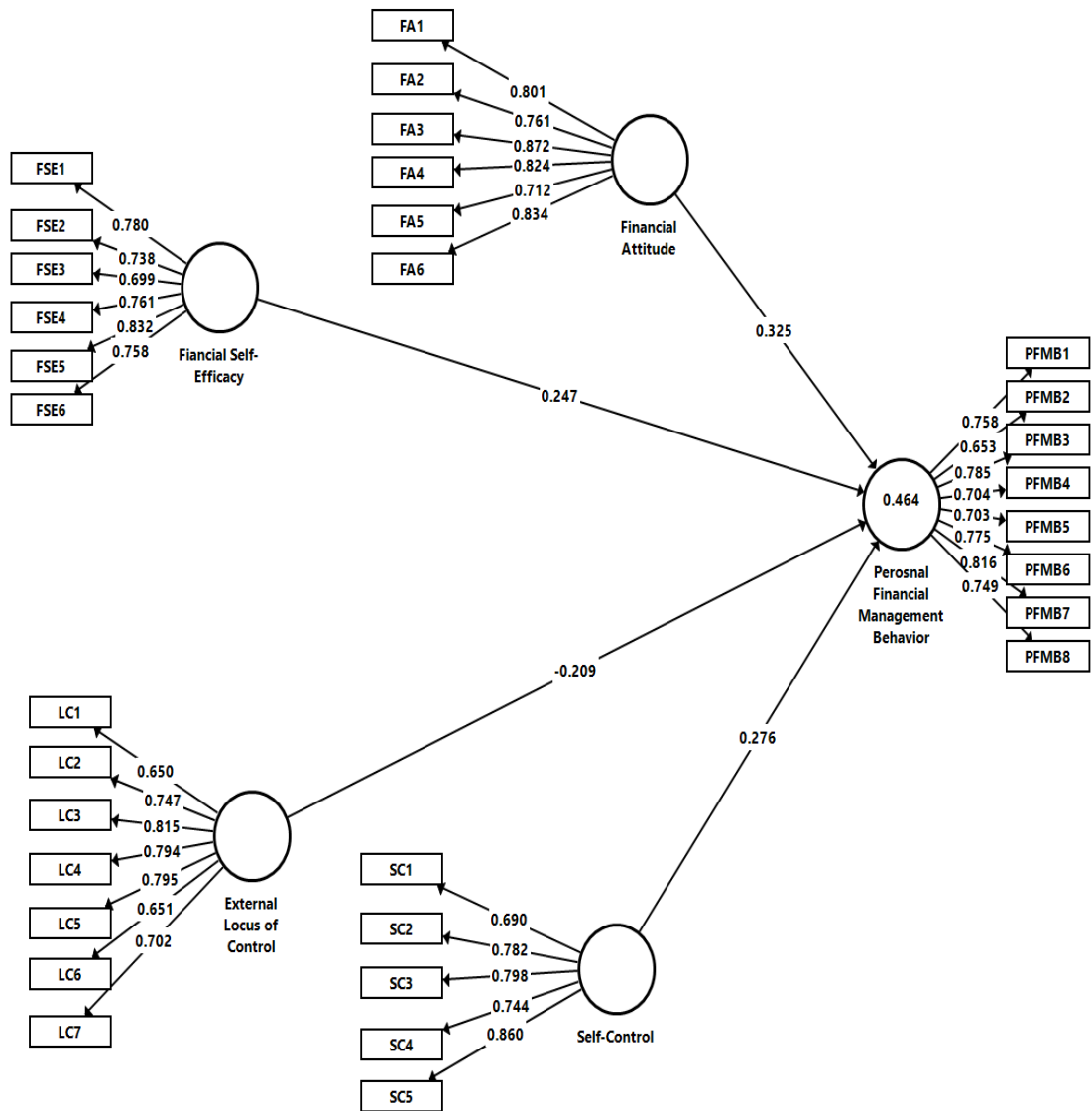


Figure 2: *Measurement Model*

Figure 2 depicts the figure of measurement model of the study. As it can be seen, the inner model consists of values of path coefficients. The outer model consists of values of outer loadings. And, the value inside the personal financial management behavior represents coefficient of determination.

Heterotrait- Monotrait Ratio

According to Henseler et al. (2015), the most cautious HTMT ratio threshold values are less than or equal to 0.90 to check for discriminant validity. Hair et al (2019) mentioned that for conceptually similar constructs HTMT should be less than 0.90 and for conceptually

different constructs HTMT should be less than 0.85. Since all the values of the HTMT ratio are way below the required threshold discriminant validity is established.

Table 14

Heterotrait-Monotrait Ratio

	Original Sample (O)	Sample Mean (M)	Bias	5.00%	95.00%
FSE -> LC	0.372	0.376	0.003	0.288	0.452
FA -> LC	0.283	0.296	0.013	0.22	0.33
FA -> FSE	0.218	0.226	0.008	0.151	0.292
PFMB -> LC	0.459	0.46	0.001	0.371	0.54
PFMB -> FSE	0.491	0.492	0.001	0.401	0.57
PFMB -> FA	0.504	0.504	0	0.408	0.593
SC-> LC	0.234	0.246	0.012	0.156	0.311
SC-> FSE	0.3	0.301	0.001	0.197	0.397
SC-> FA	0.183	0.197	0.014	0.137	0.225
SC-> PFMB	0.48	0.481	0.001	0.405	0.552

4.5 Structural Model Assessment

After the construct measures are established as reliable and valid, the next step should address the structural model results (Hair et al., 2014a). The first step in structural model assessment is to assess structural models for collinearity issues. After confirming there are no collinearity issues the next step is to assess the significance and relevance of the structural model relationship. And finally, the study assesses the level of R².

4.5.1 Collinearity Test

According to Hair, Ringle, and Sarstedt (2011), in the context of PLS-SEM, the VIF value of 5 or greater indicates the presence of collinearity.

Table 15

Inner VIF

	LC	FSE	FA	PFMB	SC
LC				1.160	
FSE				1.157	
FA				1.087	
PFMB					
SC					1.095

Table 15 depicts the collinearity assessment of inner VIF values. As seen in Table 15, all the VIF values are below 5, indicating the absence of collinearity among predictors.

4.5.2 Path Coefficients

After the confirmation that there are no collinearity issues, the next step in structural model assessment is to assess the path coefficients. Path coefficient values are standardized on a range from -1 to +1, with coefficients closer to + 1 representing strong positive relationships and coefficients closer to -1 indicating strong negative relationships (Hair et al., 2014b). The 10,000 bootstrapping procedure was used to assess the significance of path coefficients as seen in table 16. Bootstrapping is a nonparametric approach for determining the statistical significance of PLS-SEM outcomes such as path coefficients, Cronbach’s alpha, HTMT, and R2 values. As depicted in table 16, all the path coefficients are significant at 95% confidence interval, as the p-values obtained are less than 0.005. As explained in table 16, the financial attitude has the strongest positive relationship with personal financial management behavior i.e. 0.325. It means that young adults with a positive financial attitude manage their finances responsibly. Similarly, financial self-efficacy and Self-control also have a positive relationship with personal financial management behavior i.e. 0.247 and 0.276 respectively. It indicates that young adults with higher financial self-efficacy and strong self-control have responsible financial management behavior. However, external locus of control was found to have a negative relationship with personal financial management behavior. It indicates that young adults who believe their fate is determined by external forces are determined to have worsened financial behavior.

Table 16

Path Coefficients Assessment

	Beta	Sample Mean	STDEV.	T stat.	Bias	5%	95%	P Values
LC -> PFMB	-0.209	-0.21	0.046	4.591	-0.001	-0.284	-0.133	0.000
FSE -> PFMB	0.247	0.249	0.045	5.479	0.002	0.171	0.32	0.000
FA -> PFMB	0.325	0.325	0.046	7.131	-0.001	0.251	0.4	0.000
SC-> PFMB	0.276	0.276	0.036	7.623	0.001	0.215	0.335	0.000

4.5.3 Hypothesis Testing

H1: There is a significant positive impact between Financial Attitude and Personal Financial Management Behavior

The table 16 reveals that financial attitude has a significant positive impact with personal financial management behavior ($b = 0.325$, $t = 7.131$, $p = 0.000$). Thus, the hypothesis is supported by the study.

H2: There is a significant positive impact between Financial Self- Efficacy and Personal Financial Management Behavior

The table 16 reveals that financial self-efficacy has a significant positive impact with personal financial management behavior ($b = 0.247$, $t = 5.479$, $p = 0.000$). Thus, the hypothesis is supported by the study.

H3: There is a significant negative impact between External Locus of Control and Personal Financial Management Behavior

The table 4.14 reveals that external locus of control has a significant negative impact with personal financial management behavior ($b = -0.209$, $t = 4.591$, $p = 0.000$). Thus, the hypothesis is supported by the study.

H4: There is a significant positive impact between Self Control and Personal Financial Management Behavior

The table 4.14 reveals that self-control has a significant positive impact with personal financial management behavior ($b = 0.276$, $t = 7.623$, $p = 0.000$). Thus, the hypothesis is supported by the study.

4.5.4 Model's Predictive Capability

To ascertain the model's predictive capability the coefficient of determination (R^2) was ascertained. According to Hair et al. (2014a), the R^2 is the measure of the model's predictive accuracy. As per Hair et al., (2011), the R^2 values of 0.75, 0.50, and 0.25 are considered substantial, moderate, and weak. R^2 values of 0.90 and higher are typically indicative of overfitting. With the PLS Algorithm, R^2 of 0.464 was obtained. The 0.464 represent the combined effect of financial attitude, financial self-efficacy, external locus of control, and self-control on personal financial management behavior. It also means that 0.464 of the variance in personal financial management behavior is explained by financial attitude, financial self-efficacy, external locus of control, and self-control.

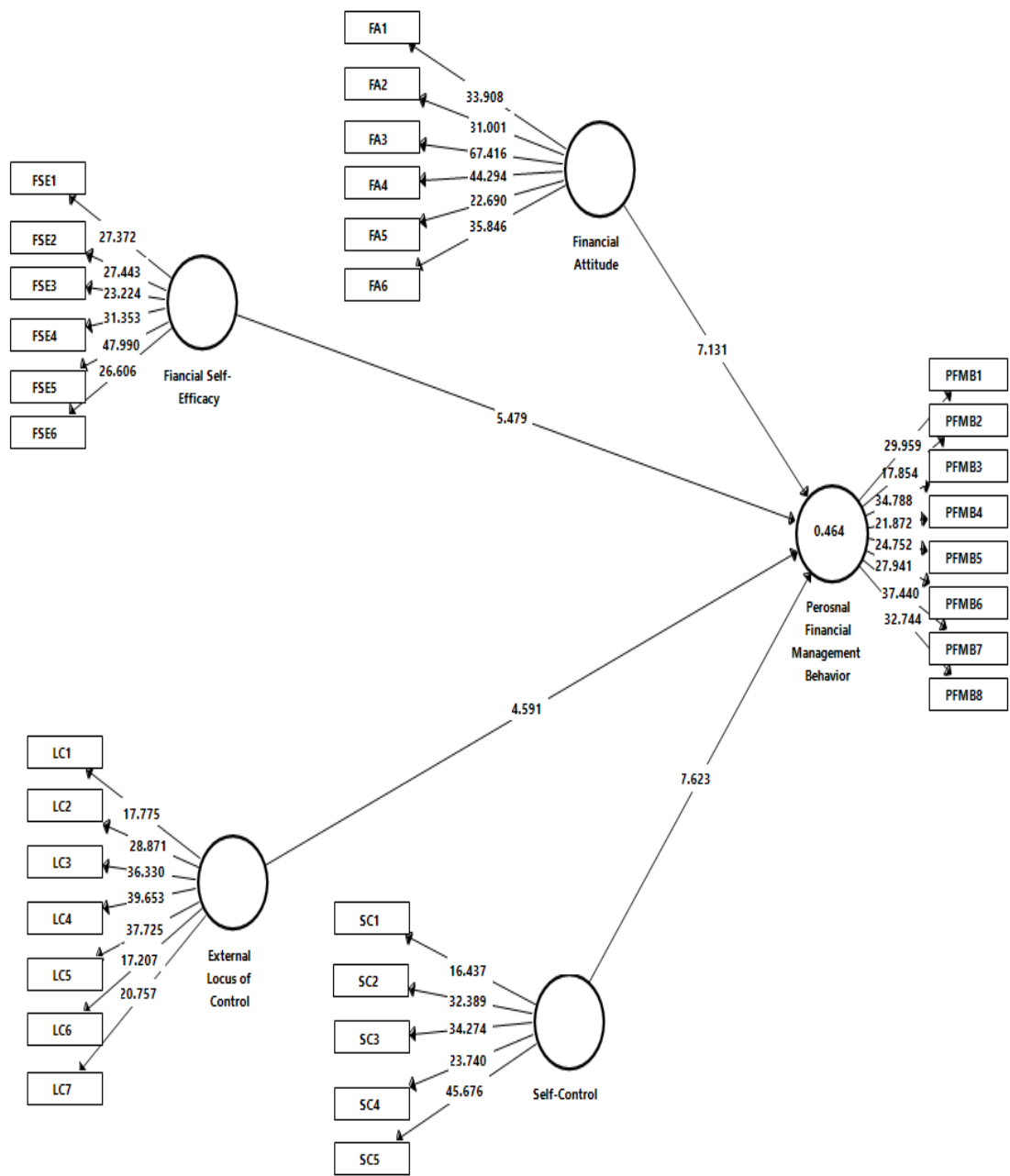


Figure 3: *Bootstrapping Diagram*

Figure 2 depicts the bootstrapping diagram which reveals the direct effect of financial attitude, financial self-efficacy, external locus of control, and self-control on personal financial management behavior. Furthermore, indicators of the construct and the t-values can be observed in the inner and the outer model. Moreover, the value inside the personal financial management behavior construct is the coefficient of determination (R^2). The figure further provides that all the constructs used in the model are reflective.

4.6 Model Fit Assessment

The standardized Root Mean Square Residual (SRMR) is used to assess the fitness of the model. The SRMR is defined as the difference between the observed correlation and the model implied correlation matrix. The SRMR is a goodness of fit metric for PLS-SEM introduced by Henseler et al. (2015) that may be used to avoid model misspecification. The obtained SRMR was 0.081 which is an acceptable value as per (“Model Fit – SmartPLS”, 2022)

4.7 Common Method Bias Assessment

Method biases are problematic since they are a major source of measurement inaccuracy. Measurement error, which has both a random and a systematic component, jeopardizes the validity of findings concerning the correlations between measurements (Podsakoff et al., 2003). According to Chang et al. (2010), the measurement error that is amplified by the sociability of respondents who want to deliver a favorable answer is known as common method bias. A variety of factors are known to contribute to method bias. The response patterns that participants might apply equally across assessments are one of the main causes. This might be related to social desirability tendencies, dispositional mood states, and responder tendencies to acquiesce or respond in a mild, moderate, or extreme manner (Podsakoff et al., 2012; Spector, 2006). The common method bias was assessed by Harmer’s one-factor test. In the Harman, one-factor test, all items (testing latent variables) are put into a single common factor. The general rule of thumb is that if the overall variation for a single factor is less than 50%, CMB is unlikely to affect your data and the findings. Since the total variance explained by a single factor was 27.045 %, common method bias is not present in the current study.

4.8 Major Findings

The major findings of the study are as follows;

- The mean value of the financial attitude scale is 3.8879. It indicates that the average number of respondents had a positive attitude towards finance and financial activities.
- Likewise, the mean value of the financial self-efficacy scale is 3.38 indicating that average respondents are self-motivated to deal with financial activities and have self-confidence in mastering financial challenges.

- Furthermore, the mean value of the external locus of control is 2.54 which reveals that the average number of respondents are less influenced by external factors in their life.
- In addition, the mean value of self-control is 3.31 which indicates that average respondents have higher self-control over things.
- Furthermore, the mean value of personal financial management behavior is 3.84 revealing that average respondents manage their finances responsibly. It also reveals that average respondents practice cash management activities and saving activities responsibly.
- The Financial attitude variable has obtained the highest standard deviation i.e. 0.719. It implies that among other scales, responses in financial attitude have the highest variation. Whereas, the self-control scale has the lowest standard deviation compared to other scales, indicating that responses to self-control have the lowest variation.
- The normality of the obtained data was also assessed through the Kolmogorov-Smirnov test and Shapiro-Wilk test. Since the p-value of all the scales used in the study is less than 0.05, the null hypothesis of data normality is rejected. Hence, the latent variables are not normally distributed
- The measurement model assessment revealed that the construct is reliable and valid.
- The structural model assessment showed that there is no presence of collinearity in the model. In addition, all the path coefficients were significant
- The path coefficient assessment revealed that financial attitude, financial self-efficacy, and self-control have a significant positive impact on personal financial management behavior
- However, external locus of control was found to have a negative significant impact on personal financial management behavior
- The financial attitude (b= 0.325) had the strongest impact on personal financial management behavior, followed by self-control (b=0.276), financial self-efficacy (b=0.247), and external locus of control (b=-0.209)
- The model's predictive capability (R^2) obtained was 0.464

CHAPTER V

DISCUSSION, CONCLUSION, AND IMPLICATIONS

This chapter includes a discussion, conclusion, and implication of the study. First, it compares the findings of this study with those of other studies, emphasizing similarities and differences. In addition, the research's conclusions and implications are drawn based on the findings and discussion.

5.1 Discussion

There becomes a great need for responsible financial management behavior and to identify the factors affecting them to avoid bankruptcy and chronic debt, low savings, and have a better retirement life and a healthy relationship with the family. Several studies have suggested that responsible financial management behavior is linked with financial satisfaction (Xiao et al., 2014), quality of life (Dew et al., 2020), happiness (Spuhler & Dew, 2019), financial access (Birkenmaier & Fu, 2019), and financial resilience (Lusardi et al., 2020). Furthermore, as per Joo (2008), Personal financial conduct that is efficient is linked to financial well-being while failing to manage personal resources can have serious long-term implications. The study selected young adults as a sample because if an adult in his/her early phase of life does not manage their financial matters then it can lead to serious long-term implications (Joo, 2008). Furthermore, as per Bapat (2020) in today's challenging environment, young adults, especially students and those who join the working class, face difficult financial decisions. Therefore, it can be implied that personal financial management behavior is an important issue and there comes a need to assess the financial management behavior of young adults and the factors affecting personal financial management behavior. The study examined the relationship between the psychological factors such as financial attitude, financial self-efficacy, external locus of control, self-control, and personal financial management behavior of young adults.

The descriptive analysis of the study revealed that the average young adults have a positive attitude toward finance and financial activities. Likewise, average young adults are self-motivated to deal with financial activities and have self-confidence in mastering financial challenges. It was also found that average young adults are less influenced by external factors in their life and have higher self-control over things. Moreover, the descriptive analysis of personal financial management behavior found that average young adults manage their

finances responsibly. It also reveals that average young adults practice cash management activities and saving activities responsibly.

The empirical findings of the current study revealed that financial attitude has a significant positive relationship with personal financial management behavior. It means that financial attitude is one of the factors that positively influence the financial management behavior of young adults. It also implies that a person with a positive financial attitude manages their financial behavior more responsibly. The finding is similar to Parrotta, and Johnson (1998), Mien and Thao (2015), Dwiastani (2017), Ameliawati and Setiyani, (2018), Adiputra and Patricia (2019), Abeyrathna (2020), Bapat (2020), and Siswanti, and Halida (2020).

The study also found that financial self-efficacy has a significant positive relationship with personal financial management behavior. It means that financial self-efficacy is also a factor that influences a financial management behavior of a person. It also implies that a person who is confident in his/her financial management abilities manages his/her financial behavior responsibly. The current finding supports the findings from Qamar, Khemta, and Jamil (2016), Farrell, Fry, and Risse (2016), Asandimitra & Kautsar (2020), Asmin et al. (2021), and Chong et al. (2021).

The study also found that external locus of control has a significant negative relationship with personal financial management behavior. It means that the external locus of control is also a factor that influences the financial management behavior of a person. It also implies that a person who has an external perspective does not manage their finances responsibly. The current finding supports the findings from Perry and Morris, (2005), Mien & Thao (2015), Bapat (2020), Sovitha and Thavakumar (2020), and Mutlu and Özer (2021).

Another finding of the study revealed that self-control has a significant positive relationship with personal financial management behavior. It implies that a person with self-control can manage his/her finances responsibly. In other words, self-control has a positive influence on the financial management behavior of a person. The current findings also supports the findings from Miotto and Parente (2015), Strömbäck et al. (2017), and Siswanti and Halida (2020).

Hence, all the findings are in line with the previous empirical studies. Furthermore, all the hypothesis formulated for the study is supported by the study. Consistence with the theory of planned behavior (Ajzen, 1991), the study has highlighted the attitude-behavior relationship. Likewise, consistent with social cognitive theory (Bandura, 1984) the study has

highlighted self-efficacy and behavior relationship. Similarly, the role of external locus of control playing a crucial role in behavioral change is consistent with social learning theory (Rotter, 1966). Moreover, the behavioral life-cycle hypothesis states that self-control has a positive effect on saving behavior. This finding was extended by Strömbäck et al. (2017) and revealed that self-control has a positive effect on general financial behavior. Similarly, the current study also reveals that self-control has a significant positive impact on general financial management behavior.

5.2 Conclusion

Personal financial management behavior is an important concern because empirical studies have shown that it is linked with positive outcomes in life while failure to manage personal finances will have a negative outcome.

Young adults are growing up in a culture of debt because of their access to costly lifestyles and cheap borrowing (Dugas, 2001). Birai and Patil (2014) discovered that the youthful generation seldom practices fundamental financial skills such as budgeting, setting a regular savings plan, or preparing for long-term needs. According to Bapat (2020), knowing the antecedents of responsible financial management behavior is critical since young adults constitute the majority of the population and there are growing concerns about responsible financial management conduct. Psychological aspects of PFMB have been addressed in the current literature. Financial attitude, financial self-efficacy, external locus of control, and self-control were discovered to be some of the characteristics impacting financial management behavior. Furthermore, several research have been conducted in developed economies, however there are very few studies in the Nepalese context. In recent years, access to financial institutions in Nepal has grown, leading to a rise in financial management behavior. As a result, it is important to research and determine the psychological factors underlying this behavior. Understanding and being aware of such aspects may assist people in making more responsible and prudent financial decisions.

The main objective of the study was to evaluate the impact of psychological factors such as financial attitude, financial self-efficacy, external locus of control and self-control on personal financial management behavior. Since, the data did not have a normal distribution, a non-parametric method PLS-SEM was used for data analysis. The findings revealed that financial attitude has the strongest positive impact on the personal financial management behavior of young adults. Other variables such as financial self-efficacy and self-control also

possess a significant positive impact on the personal financial management behavior of young adults. However, external locus of control possessed a significant negative impact on personal financial management behavior. All the findings of the study are in line with the previous empirical findings. The predictive capability of the model for the study is 0.464, which indicates a near moderate predictive power of the model. Finally, the current study has attempted to fulfill a gap in the Nepalese literature and has a practical implication and implication for future studies in the context of Nepal. The study will be beneficial to students, financial counsellors,

5.3 Implication

5.3.1 Practical Implications

The findings of the study have suggested that personal financial management behavior is impacted by financial attitude, financial self-efficacy, external locus of control, and self-control. The findings of the study have practical implications for, educational institutions, financial counselors, parents, students, and the youths themselves.

The current study revealed that financial attitude is the strongest factor that affects the financial management behavior of young adults. Hence to improve the way young adults view and judge financial practices, financial counselors, and educational institutions should be more aware of the financial attitude role in financial management behavior. Financial counselors, and educational institutions, must ensure that young adults are convinced of the need for effective financial management to boost the usage of responsible financial management practices. This can be done through finance-related seminars, counseling financial counselors, motivational programs, mental health programs, financial awareness programs, etc. The other findings also revealed that financial self-efficacy has a significant positive impact on personal financial management behavior. It means that a person with a higher financial self-efficacy can confidently face financial issues and manage their finances responsibly. Hence, it is important for young adults at an early stage of their life to build confidence in financial matters. Although an individual can be academically sound and possess good financial knowledge, the person still may not have the confidence to apply it in practical life indicating low financial self-efficacy. Hence, educational institutions, as well as financial counselors, need to engage in improving the financial self-efficacies of individuals at an early stage of their lives. Likewise, the other finding suggested that good self-control leads to good practice of financial management. Hence, young adults need to

reduce their temptations and be more disciplined in life to have greater self-control. The other finding also suggests that external locus of control has a significant negative impact on personal financial management behavior. It means that young adults who believe that the achievement of their life depends upon external forces are prone to worsen financial management behavior. Hence, young adults must believe in themselves, be less dependent on others, and look for solutions themselves to decrease external locus of control.

Furthermore, the study's findings can be beneficial to parents since they can monitor their children's money management behavioral patterns and, if necessary, provide assistance. They should also be aware that their children's financial management behavior depends on factors such as financial attitude, financial self-efficacy, locus of control, and self-control. Parents or families should encourage their children to save, invest, and spend their money wisely. They should also help in improving their children's self-confidence to improve their self-efficacy and locus of control. Likewise, the utmost responsibility for improving financial behavior and its factors lie on the persons themselves. The young adults can participate in motivational programs, stress management programs, and financial seminars and visit financial counselors, to improve their financial management behavior and the factors impacting it.

5.3.2 Implications for further Studies

Although, financial management behavior is not a novel study in the global context it is still a novel study in the context of Nepal. The increasing importance of finances in recent years has increased the trend for such studies in the global context. Although studies related to single components of financial management behavior such as saving, and debt can be found in the Nepalese literature, a more comprehensive study is difficult to find. Since, there is a vast gap to be fulfilled in the Nepalese context, the following implications for further studies are suggested;

A suitable scale for measuring financial management behavior in the Nepalese context is not available. In the current study, one aspect of the financial management behavior scale i.e. credit management had to be dropped because it was not suitable in the Nepalese context. For instance, all the questions of that component were related to credit card usage. Since there was minimum penetration of credit cards in the Nepalese market, the credit management component was dropped. Hence, it is suggested to researchers develop and validate a comprehensive suitable financial management behavior scale in the context of

Nepal. Furthermore, the current study is limited to the personal financial management behavior of young adults only. Future research can be done on other age groups such as middle-aged adults, old individuals, etc. Furthermore, the current study does not take the factor of income into account. For instance, the financial management behavior of the higher income group and the lower-income group can be different. Hence, research in the future can take into account the income factor. Furthermore, this study has tried to explain the direct effect of psychological factors such as financial attitude, financial self-efficacy, external locus of control, and self-control on personal financial management behavior. However, the current study does not consider moderating and mediating variables. Hence, research in the future should try to explain the indirect effect of mediating or moderating variables on financial management behavior. Furthermore, the current study's model predictive capability (R^2) was only 0.464 indicating that many other variables influence the financial management behavior. Hence, other psychological or cognitive factors need to be explored in the Nepalese context. Finally, the current study only focuses on the factors affecting the personal financial management behavior of young adults in the Nepalese context. Hence, in the future researchers can also examine the consequences of personal financial management behavior in the Nepalese context.

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APPENDIX

Dear Respondent(s),

I am Ashok Regmi, an MBA student at the School of Management, Tribhuvan University. In Partial fulfillment of the requirements to the award of the MBA degree, I am required to carry out a study on "The Psychological Factors Affecting Personal Financial Management Behavior among Young Adults". This study specifically aims at identifying the psychological antecedents to personal financial management behavior among 'Young Adults' whose age ranges from 18 to 35 only. Therefore, if you fall under this criterion, I kindly request your assistance by responding to the questionnaire. The Information given will be treated with utmost confidentiality for the purpose of this study only. Your response will be highly appreciated.

Thank you!

Ashok Regmi,

A. Demographic Questions:

Part A: Demographic and Personal Questions

Please select the appropriate option

1. Age * *Mark (✓) only one option.*
 - 18-23
 - 24-29
 - 30-35

2. Gender * *Mark (✓) only one option.*
 - Male
 - Female

3. Marital Status * *Mark (✓) only one option.*
 - Married
 - Unmarried

4. Employment Status * *Mark (✓) only one option.*

Employed

Student

5. Academic Attainment * *Mark (✓) only one option.*

Intermediate or below

Bachelor's degree

Master's degree or above

6. Academic Background * *Mark (✓) only one option.*

Business & Management

Non- Business & Management

7. How much money you receive from your family or employment? (Per month in Rs.)

**Mark (✓) only one option.*

Below 20,000

20,000-30,000

30,001-40,000

40,001-50,000

Above 50,000

B. Likert Scale Questions

To what extent do you agree on the following questions? Please mark (✓) any one of the appropriate numbers in each row.

1 = Strongly Disagree

2 = Disagree

3 = Neutral

4 = Agree

5 = Strongly Agree

Code	Questions	1	2	3	4	5
	Financial Attitude					
FA1	It is important for me to develop a regular pattern of saving.					
FA2	Keeping records of financial matters is beneficial.					
FA3	Financial planning for retirement is necessary for one's security during old age.					
FA4	It is beneficial to insure against reasonable risks.					
FA5	I have clear financial goals that help me determine priorities in spending.					
FA6	I believe that financial planning for 5 or 10 years in the future is essential for financial success.					
	Financial Self-Efficacy					
FSE1*	It is hard to stick to my spending when unexpected expenses arise					
FSE2*	It is challenging to make progress towards my financial goals					
FSE3*	When unexpected expenses occur, I usually have to use credit					
FSE4*	When faced with a financial challenge, I have a hard time figuring out a solution					
FSE5*	I lack confidence in my ability to manage my finances					
FSE6*	I worry about running out of money in retirement					
	External Locus of Control					
LC1	There is really no way I can solve some of my problems					
LC2	I am being pushed around in my life					
LC3*	I can change the important things in my life by myself					
LC4*	I can do anything I set my mind on					
LC5*	What happens to me in the future depends on me					
LC6	I'm helpless in dealing with the problems of life					
LC7	I have little control over the things that happen to me					
	Self-Control					
SC1*	I have a hard time breaking bad habits					
SC2*	I get distracted easily					
SC3	I'm good at resisting temptation					
SC4*	I do things that feel good in the moment but regret later on					

SC5*	I often act without thinking through all the alternatives					
	Personal Financial Management Behavior					
PFMB1	I compare prices when I purchase a product or service					
PFMB2	I pay my bills on time					
PFMB3	I keep a record of my monthly expenses					
PFMB4	I stay within budget or spending plan					
PFMB5	I maintain an emergency savings fund					
PFMB6	I save money from every paycheck or allowance					
PFMB7	I save for a long-term goal, such as a mobile, car, education, home, etc.					
PFMB8	I have Bought bonds, stocks, or mutual funds					

The Psychological factors affecting Personal Financial Management Among Young Adults Behaviour

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