EFFECT OF FINANCIAL LITERACY ON PERSONAL FINANCIAL PLANNING IN KATHMANDU VALLEY, NEPAL

A Dissertation submitted to the Office of the Dean, Faculty of

Management in partial fulfilment

of the requirements for the Master's Degree

By

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CERTIFICATION OF AUTHORSHIP

I hereby declare that this research project entitled “Effect of Financial Literacy in Personal Financial Planning in Kathmandu Valley, Nepal” that I have prepared is my own work and that to the best of my knowledge and belief, it has no materials previously published or written by another person, nor material that has been accepted in a large part for the award of any other degrees from a university or other higher education institution, with the exception of cases where appropriate acknowledgement is provided in the acknowledgements.

In addition, I declare that all the sources of information and literature that are used, have been cited in the reference section of the dissertation.

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Date of Submission: March 28, 2024

REPORT OF RESEARCH COMMITTEE

Ms. Anne Shrestha has defended research proposal entitled “Effect of Financial Literacy on Personal Financial Planning in Kathmandu Valley, Nepal” successfully. The research committee has registered the thesis for the further progress. It is recommended to carry out the work as per suggestions guidance of supervisor Mr. Keshar Singh Khati and submit the thesis for the evaluation and viva voce examination.

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APPROVAL SHEET

We have examined the dissertation entitled **"Effect of Financial Literacy in Personal Financial Planning in Kathmandu Valley, Nepal"** presented by Ms. Anne Shrestha for the degree of Master of Business Studies (MBS). We hereby certify that the dissertation is acceptable for the award of degree.

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Researcher

Anne Shrestha

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ABBREVIATIONS

FA	- Financial Awareness
FAT	- Financial Attitude
FK	- Financial Knowledge
IT	- Information Technology
NGO	- Non-Government Organization
PFP	- Personal Financial Planning
S.D.	- Standard Deviation
SEBON	- Securities Board of Nepal
SPSS	- Statistical Package for Social Sciences
VIF	- Variance Inflation Factor

ABSTRACT

Personal financial planning and financial literacy are getting more attention nowadays due to better access to credit, rapid development in marketing financial products and with deregulation of financial markets. Financial education has helped people to enhance their financial knowledge and hence can understand how financial management helps them to make their personal financial decisions. Thus, it is very important to assess whether there is link between financial literacy and personal financial planning. This study investigates the effect of financial literacy on personal financial planning if individuals residing in Kathmandu valley of Nepal.

A descriptive and causal comparative study was conducted among 384 people from Kathmandu valley that were selected using non-probability convenient sampling method. Primary data were collected by using standard questionnaire. Data analysis was done by using SPSS, descriptive statistics (frequency percentage, mean, standard deviation), inferential statistical technique like regression analysis, hypothesis testing and correlation analysis.

The result shows that there is a positive relationship between financial awareness, financial knowledge, and personal financial planning. It indicates that if people are aware and knowledgeable enough about the financial products and basic financial concepts, it leads to an increase in execution of planning for their personal finances and successfully manages their finances. In addition, there is no statistically significant relationship of financial attitude that deals with the attitude towards viewing money and saving with personal financial planning but is positively correlated with personal financial planning. The outcome illustrates that financial awareness and financial knowledge have a significant impact on personal financial planning, but financial attitude does not have significant impact on personal financial planning. From the analysis, it was found that most affecting factor was financial knowledge (literacy), which explains that personal financial planning is influenced by financial literacy.

Therefore, the concerned authority should focus on providing adequate financial education among people from different educational faculties to ensure that they can make effective financial plan for their future. Banks and financial institutions should create a higher level of awareness on financial products and basic financial concepts to ensure positive impact on personal financial planning. This study shows the importance of financial education in managing one's life successfully in terms of finances/money.

Key Words: Financial, Literacy, Personal, Planning, Awareness, Attitude, Knowledge

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In today's scenario and environment, all financial operations are growing more and more important. In addition to ensuring to have a better lives, homes, and belongings, people also need to plan for their retirement and determine whether or not to borrow money for a variety of reasons such as purchases, education, trips etc. To make a wise financial decision, one needs to possess a certain level of financial insights and understanding because these choices determine the economic performance of our country in the future. (Dumitru-Cristian & Adin, 2012).

Financial literacy involves grasping everyday concepts such as credit, insurance, savings, and investment practices. It guides individuals in managing their financial activities, including saving, investing, and borrowing. This knowledge significantly affects one's ability to enhance their wealth, income, and lifestyle decisions. Moreover. It plays a crucial role in the economy by influencing how individuals make investment choice, including assessments of risk and return. Consequently, financial literacy is pivotal in determining the distribution of resources in the economy and contributes to its long-term growth (Widowson & Hailwood, 2007).

Personal financial planning is the process of creating and executing appropriate strategies to attain financial goals. It involves an organized method of managing personal finances, which is essential for achieving both personal and financial contentment. This process is known as financial planning (Kapoor, Dlabay, Hughes, & Hart, 2012). As an individual's needs, wants, and objectives evolve over their lifetime, creating a cohesive financial plan is a continuous and adaptable process (Billingsley, Gitman, & Joehnk, 2005). Individuals are actively managing their personal income and assets to ensure financial security both during their working years and post-retirement. The growing number of older adults and longer life spans highlight the importance of comprehensive personal financial planning (Ming-Ming, 2009).

Various key aspects of financial planning, including insurance, investment, retirement, and estate planning, are essential for achieving economic satisfaction throughout one's life stages. Factors like income, age, gender, and education can influence an individual's financial planning choices. It's important to note that personal behavior and financial planning are closely linked to the significance of money and its management (Ming-Ming, 2009). To effectively handle their finances, individuals need more than just cognitive skills; financial literacy is crucial. This includes the ability to comprehend, administer, evaluate, and communicate about their own financial circumstances, as well as understanding the broader issues and challenges that impact their overall financial health (Vitt A, 2000).

Following the global financial crisis, there has been increased focus and research on financial literacy, highlighting its connection to personal finance management. The complexity of risks associated with different financial products often poses a challenge for the average individual. A certain level of financial literacy is essential to understand the risks and returns related to these products. Financially literate individuals are capable of effectively utilizing diverse financial products and services, by considering their associated risks and benefits, and choosing the options that suit them best (Chandran M.C & Chandran, 2018). Consequently, individuals with financial education are better equipped to effectively utilize financial products and services, avoiding being misled by salespeople into purchasing unsuitable products. Financial literacy not only enhances the quality of financial services but also plays a significant role in the economic growth and development of a country.

The Global Financial Literacy Survey reveals that only 33% of adults worldwide possess financial literacy, with basic financial planning primarily undertaken for future financial objectives. In terms of financial literacy, Nepal ranks low globally, positioned at 136th out of 144 countries. To boost financial knowledge among Nepalese, various initiatives are being launched by the private sector, government, and non-governmental organizations (NGOs). Financial matters are crucial in daily life as they impact not just personal and family well-being but also the nation's welfare. Despite efforts to plan financially, individuals often face challenges like unexpected income loss or investment mismanagement, which can stem from inadequate financial knowledge and insufficient financial planning.

Consequently, this study addresses the existing gap by examining financial attitudes, knowledge, and awareness, aiming to enhance personal financial management in Nepal's Kathmandu Valley. It explores the elements that affect financial literacy and personal financial planning among respondents in Nepal. The insights gained from this research are highly beneficial in tailoring financial strategies to individual needs, based on their financial knowledge, awareness, and attitudes.

1.2 Problem Statement

In today's world, the ability to manage personal finances effectively is increasingly crucial. The COVID-19 pandemic highlighted this, as many individuals struggled with their financial management, leading to widespread negative impacts on personal finances globally. This situation has underscored the lack of proper financial planning and has heightened concerns about the general level of financial literacy in society. This concern is expected to grow further in the future.

The complexity of today's financial market, which offers a wide array of products and services, has made it more challenging for people to make informed decisions. The deregulation of financial markets, easier access to credit, and the rapid evolution of financial product marketing further emphasize the importance of financial literacy. Financial experts, such as Fogarty in 2012, argue that despite having more financial resources than previous generations, people today lack adequate knowledge to manage these resources effectively (Fogarty, 2012). Individuals with limited financial literacy often face more debt issues, are less inclined to investment in stocks, less likely to select cost-effective mutual funds, and struggle with wealth accumulation and retirement planning. This scenario raises critical questions about the role of financial literacy in effective personal financial planning, a topic that this study, aims to explore. The research focuses on understanding whether financial literacy can significantly influence sound personal financial management and decision-making. (Gachango, 2014).

In Nepal, where a significant portion of the population falls between the ages of 20 and 64, the skill of personal money management has become crucial. Individuals are tasked with long-term financial planning for retirement and their children's education, as well as short-term decisions involving savings and borrowing for immediate needs like home down payments, car loans, and other major purchases. Additionally, they must navigate the complexities of risk management and insurance. In this context, financial education becomes essential, equipping people with the knowledge needed to make informed and responsible financial decisions. With a tendency to buy based on desires, acquiring financial expertise is key to using financial tools effectively and building financial skills. A positive approach to financial activities is necessary for developing sound financial plans.

Henceforth, there is a growing emphasis on conducting more research to ascertain the relationship between financial literacy and personal financial planning. The aim of this study is to explore this connection by assessing the influence of financial literacy on personal financial planning in Nepal. It seeks to bridge the gap by examining financial attitudes, knowledge, awareness, and the management of personal finances.

The primary focus of this research paper is on the following research questions:

- What is the impact of financial literacy on personal financial planning?
- What is the impact of financial awareness on personal financial planning?
- What is the impact of financial attitude on personal financial planning?

1.3 Objectives of the Study

The main objective of this research is to explore the effect of financial literacy on personal financial planning of individual inhabiting in Kathmandu valley of Nepal. Nevertheless, the specified purpose of this study are:

- To analyze the impact of financial literacy on personal financial planning.
- To analyze the impact of financial awareness on personal financial planning.
- To analyze the impact of financial knowledge on personal financial planning.

1.4 Hypothesis

Based on the research carried out by (Boon, Yee, & Ting, 2011) whose prime objective was to investigate the relationship between financial literacy and financial planning and also based on the research of (Oli, 2020) with an intents of finding out the impact of financial literacy on financial planning, the following hypothesis are generated.

H1: There is significant relationship between financial awareness and personal financial planning.

H2: There is significant relationship between financial attitude and personal financial planning.

H3: There is significant relationship between financial knowledge and personal financial planning.

1.5 Rationale of the Study

This research tries to ascertain whether individuals equipped with financial literacy are more adept at making well-informed financial choices. It explores the notion that personal financial planning services could act as an alternative for those lacking the knowledge and ability to make sound financial decisions. A deficiency in basic financial understanding often leads to inefficient investment choices. The primary objective of this paper is to examine the receptiveness of the residents of Kathmandu Valley towards personal financial planning services. By doing so, this study addresses the gaps in existing research, enhancing awareness about the significance of financial literacy and the role of personal financial planning.

Additionally, this study aims to serve as a foundational reference for other researchers, potentially sparking further in-depth analytical investigations. The insights derived from this research are expected to benefit financial service organizations and policymakers. These findings can inform the development of new initiatives geared towards aiding individuals in personal financial planning, as well as in the formulation or modification of policies related to financial instruments. By highlighting the critical connection between financial literacy and effective personal financial management, the study contributes to a broader understanding of financial decision-making processes.

1.5 Limitations of the Study

This research aims to assess the impact of financial literacy on personal financial planning. While it strives to provide accurate insights, there are several limitations that must be acknowledged. For accurate and comprehensive findings, these constraints need to be considered. The limitations of the study include:

i. The research utilizes a convenience and non-random sampling method, which may limit the representativeness of the results to a broader population. As a result, the findings may not be universally applicable or generalizable.
ii. The study considers only a limited number of factors to evaluate the financial literacy of the respondents. This narrow scope may not fully capture the complexities and nuances of financial literacy.
iii. The geographic scope of the study is restricted to the Kathmandu Valley, limiting its applicability to the wider context of Nepal. This geographical constraint means

that the findings may not accurately reflect the financial literacy and planning situations in other regions of the country.

CHAPTER II

LITERATURE REVIEW

The aim of conducting a literature review is to strengthen one's understanding in a specific field, identify potential areas of contribution, and draw inspiration for design a research plan. Each study is built on a foundation laid by existing work in the subject area. Engaging with a wide formation of resources is important, which includes books, academic journals, research papers, periodicals, articles, as well as unpublished thesis and reports. It is impossible to overlook the findings from previous research.

Moreover, the review of past investigations is essential. This chapter helps to gain knowledge by generating insights derived from these studies. It acts as a valuable source for gathering information to inform and enhance one's understanding. To organize and present this information effectively, the chapter is typically divided into two main sections:

- Theoretical Review
- Empirical Review

2.1 Theoretical Review

This section focuses on examining and blending the existing theories and conceptual frameworks relevant to the field of study. It involves a detailed exploration of the established knowledge, theories, and models that provide the conceptual foundation for the research.

In addition, financial literacy refers to the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing. It encompasses a range of knowledge and concepts, such as understanding how to manage personal finances, make informed decisions about saving, investing, borrowing, and comprehending financial concepts like interest rates, inflation, the time value of money, and risk diversification.

Having financial literacy means being equipped with the skills and knowledge necessary to make responsible financial decisions, which leads to individual financial stability and security. It enables people to navigate the financial system with confidence, understand and manage their income and expenses, save for future goals, and avoid falling into unmanageable debt. In a broader sense, financial literacy contributes to and benefit from the financial market effectively.

2.1.1 Financial Literacy and Personal Financial Planning

Financial literacy plays a vital role in the effective management of one's earnings. This task becomes even more challenging when managing the finances of others, doubles the difficulty of the whole task. The field of personal financial planning has developed in response to these challenges, offering essential guidance to individuals on investment strategies and methods to maximize their savings in the market. Personal financial planners provide advice on various aspects, including investments, mortgages, insurance, college savings, property taxes, and retirement planning. In India, a country experiencing a rise in the growth of financial services and the introduction of diverse financial products, the demand for personal financial consultation is very high (Rao, 2018).

The task of spreading financial literacy in a vast and diverse country like India, it goes beyond just the actions of regulatory agencies, financial bodies, and stock exchange and needs a more modern approach. (Subha & Priya, 2014). Several research have shown that financial literacy rates in India are generally low where even (Naidu, 2018) has shown that financial literacy rates in India are generally low, with even lower rates observed among young people and women. The European Parliament's briefing paper defines financial literacy as a combination of knowledge, awareness, skill, behavior, and attitude essential for making sound financial decisions. These components are important in empowering individuals to make effective financial choices and attain financial stability.

This understanding of financial literacy highlights its importance not only in collection of personal wealth but also in wider economic. The ability to take charge of the financial horizons, understand market trends, and make informed decisions is increasingly important in a rapidly evolving financial environment. Financial literacy, therefore, is not just about the accumulation of knowledge; it's about developing a mindset and set of behaviors that enable effective financial management and long-term financial security. This includes the ability to adapt to new financial products and changes in the market, making financial education an ongoing process rather than a one-time achievement.

2.1.2 Financial Concepts and its Application in Financial Management

(Lusardi & Mitchell, 2006) emphasized the significance of understanding fundamental financial concepts such as the time value of money, risk diversification, interest compounding, and inflation rates for effective financial planning. They argued that the ability to perform basic financial calculations is crucial for efficiently managing one’s financial situation. This type of financial acumen is particularly useful in the administration of a financial portfolio and in realizing gains in complex and challenging economic conditions. Furthermore, their research suggests that absorbing these key financial principles enables individuals to make more informed decisions about their investments and savings strategies. For example, understanding the time value of money helps in recognizing the long-term benefits of compounding interest, which can significantly increase the value of investments over time. Similarly, knowledge of risk diversification can lead to more balanced and secure investment portfolios, reducing the likelihood of substantial financial loss.

2.2 Empirical Review

Empirical review is centered on studying on previous empirical research related to the topic. It involves a critical analysis of previous studies, their methodologies, findings, and how they contribute to the current understanding of the subject. This section not only highlights what has been discovered but also identifies gaps or inconsistencies in the existing research, offering a clear rationale for the new study.

Cash flow planning, insurance planning, investment planning, and retirement planning all are the viewpoints of individual money related management. Personal financial planning endeavors were connected to three essential measures which includes: information, mindfulness, and state of mind towards monetary arranging choices, as well as extra variables affecting other angles of individual monetary arranging. The discoveries illustrate that personal financial planning is impacted by one's level of money related understanding and state of mind towards individual budgetary arranging. In Nepal, common extreme money related speculation conceivable outcomes are more well known than current money related resources. Personal understanding of protections, speculations, cash administration, and retirement plans for future monetary solidness is moving forward, but not to the degree that it is speculated to be.

(Lang'at C & Abdullah, 2019) conducted a study with the primary objective of evaluating the impact of financial literacy on personal financial management at the Kenya Airports Authority using a descriptive research design. The study sampled 398 employees of Jomo Kenyatta International Airport and distributed questionnaires to collect primary data from them. The findings of this study were that the acquisition of financial knowledge improved financial management and employee accountability to a higher level. This research shows that developing sound and strong personal finance behaviors helps people manage their money better. Furthermore, JKIA employees tried to balance their personal greed, optimism, fear, herd instinct, overconfidence, and tendencies toward their previous experiences by developing develop strong financial behavior. According to research, personal financial planning has a significant positive impact on financial management behavior.

Personal financial planning has a significant impression on financial fulfillment. Financial fulfillment is greatly influenced by income, that is subsequent to financial planning, age, financial knowledge, education level, and financial assurance. In the study, people in the tax bracket (from Rs 1,00,000 to Rs 2,50,000) did not have the required financial knowledge and hence, were not aware of the principles of financial planning (best methods of financial planning). Financial literacy is becoming more and more important to the country's economic fortunes. After financial and income planning, as examined in this study, it has a significant impact on financial satisfaction. Therefore, the study concludes that increased financial literacy improves access to personal financial planning services. (Krishna M.U, Gupta, & U.N., 2019).

(Surendar & Sarma, 2017) carried a study taking teachers from both technical and non-technical backgrounds in Warangal district as sample where they found that the financial literacy of higher education professors/teachers is satisfactory. Furthermore, there is no discernible differences in how technical and non-technical teachers see or perceive financial literacy and financial planning.

(Bhargava, Mittal, & Kushwaha, 2017) carried out the study with a purpose of analyzing the impact of financial literacy on personal financial management as per different occupation of Indian people. Financial literacy, personal financial management abilities, and their influence varies greatly between service class, business class, and self-employed professionals in India, according to their study. The study found out that people in the service class and self-employed occupation groups have a high level of financial literacy and apply what they've learned in class to their daily lives, whereas people in the business class do not have a high level of financial literacy and thus have an average personal financial management.

(Gachango, 2014) examined the impact of personal financial literacy on personal financial management practices among Kenyan financial institution personnel. In order to explain personal financial management behaviors, two factors were considered: personal financial literacy and educational level. Personal financial literacy levels, as well as, to a lesser extent, education levels, were found to have a significant impact on personal financial management practices, serving as a proxy for other cognitive characteristics affecting personal financial management practices. Despite their high exposure to financial literacy, workers of financial institutions are no better than the general public when it comes to personal financial management. The studies also found that while a high degree of education does not always equate to financial literacy, it does help to enhance personal financial management habits. Personal financial literacy, however, is the most important element determining personal financial management practices. As a result, bad personal financial management practices result from a lack of it.

(Arrondel, Debbich, & Savignac, 2013) found in their study that some sub-populations are less financially literate than others: women, young and old persons, as well as those with a lower level of education, are more likely to struggle with basic financial concepts like risk diversification, inflation, and interest compounding. Also, some disparities in financial knowledge based on the respondents' political views were detected. Finally, the study found that the differences in financial literacy are linked to differences in planning propensity: those who score better in the financial literacy questions are more likely to be involved in the creation of a well-defined financial plan.

(Boon, Yee, & Ting, 2011) linked individual's level of financial literacy with their personal financial planning participation by collecting primary data from individuals residing in Klang Valley through self-administered questionnaires survey where cross tabulation method was used to examine the relationship. The findings imply that, in contrast to their non-financially literate peers, financially literate people's readiness is reflected in their participation in a variety of facets of personal financial planning. However, further investigation into the public's perspectives indicated that, while many people recognized the importance of setting financial goals and objectives in life, there is still a knowledge gap at the individual level that prevents people from managing their finances successfully. Also, the general people were apprehensive to rely on financial professionals to help them achieve their objectives. There is still potential for the many stakeholders to put in more effort to improve the current situation and ensure that the entrenched benefits of personal financial planning are widespread. Hence, their study reveals that most people who haven't started personal financial planning have been impacted by their lack of financial knowledge.

Based on a financial advisory program in India, the study described findings about financial literacy and financial planning behavior where survey responses were looked to three standard questions that have been used in assessing financial literacy in the past. The data was then broken down and compared across different socioeconomic groupings. Finally, the study looked at how program participants invest, choose liabilities, manage risk, and use insurance. Based on their responses to questions about their interest rates, inflation, and risk/ diversification, the study found that the vast majority of respondents appear to be financially literate. However, there are differences across socioeconomic categories. Also, additional information can be acquired on the program participants' financial tendencies (such as risk tolerance, investment preferences, investment goals, and so on) and link those trends to financial literacy (Agarwal, Amromin, Ben -David, Chomsisengphet, & Evanoff, 2015).

(Sharma R & Bohara R, 2010) conducted a study with a purpose to explore the understanding of personal finance knowledge among respondents and the potential relationship between financial literacy and their day-to-day financial behavior. This study attempts to make initial contributions in these areas by surveying 56 employees and freelancers in Pokhara, Nepal. The main conclusion was that the personal finance topics surveyed were important and respondents were not fully informed about the same. The study looked at Nepalese people's knowledge and attitudes about basic money management, financial planning, and investing. Respondents understood the need of financial planning and had made some basic financial planning activities. More than half of the respondents in both categories acknowledged some form of basic financial planning. This involved putting money aside for the future, creating a retirement plan, purchasing insurance policies to cover unforeseen situations, and investing to increase their wealth.

Financial literacy among consumers has become one of the rising concerns for community groups, government agencies, educators, businesses, etc. As a result, the variety of financial education programs available to households has increased. Many of these initiatives are centered on delivering information to customers and with the underlying idea, it has increased knowledge and information that will lead to improvements in financial management techniques and behaviors. The study analyzed four financial management variables named saving, investment, cash flow management and credit management to know whether there is any relationship between knowledge i.e., what consumers know and behavior i.e., what they do. It was found in this study that increasing in knowledge of consumers has positively impacted on financial management practices of consumers and hence one strategy to elicit the needed behavioral changes in financial-management practices is to combine financial education with skill-building and audience-targeted incentive strategies (Hilgert & Hogarth, 2003).

2.3 Review On Nepalese Evidence

In order to investigate financial literacy and the effects of educational, and personality traits on financial literacy, this study surveyed 436 college students. The majority of students have a rudimentary comprehension of finance, according to the results, but they do not fully grasp credit, taxes, the stock market, financial statements, or insurance. Students' attitude towards savings is positively influenced by their parents at home. It has been determined that college students have a fundamental understanding of finances. However, certain of the students' educational and personality traits have an impact on their total financial literacy (Thapa & Nepal, 2021).

Personal financial planning is a tool that enables people to assess their present financial condition, develop plans, and put those strategies into action in order to attain their financial objectives. This paper seeks to examine the factors that influence financial planning among Nepalese business graduates. It looked at how financial attitudes, awareness, and knowledge affected financial planning. The results showed that while financial knowledge has no substantial impact on personal financial planning, financial attitudes and financial awareness did. Surprisingly, however, it was discovered that there was no significant effect on personal financial planning (Khanal, Thapa s, & Nepal R, 2022).

Table 1 Review Summary Table

S.N.	Author	Title	Objectives	Methodologies	Findings
1.	Marianne A. Hilgert (2003)	Household Financial Management: The Connection Between Knowledge and Behavior	To study the connection between knowledge and behavior regarding cash flow management, credit management, saving and investment.	Data comparison with the University of Michigan's monthly Surveys of Consumers conducted in November and December 2016 and data from the Survey data of Consumer Finances (SFC)	Households in the low investment indices group had lower overall financial and investment knowledge than those classified as medium or high on the investment index.
2.	Annamaria Lusardi Olivia S. Mitchell (2006)	Financial Literacy and Planning: Implications for Retirement Wellbeing	To know how workers make their saving decisions, their information collection methods and how financially literate they are to make these decisions.	Survey on Health and Retirement study	Financially literate individuals experiment to make more economically rational decisions regarding real estate purchase, insurance purchase, investment, saving, tax planning, retirement planning,
3.	Ming-Ming Lai Wei-Khong Tan (2009)	An Empirical Analysis of Personal Financial Planning in an Emerging Economy	To analyze attitudes towards personal financial planning. To know about factors influencing various aspects of personal financial planning decision. Frequency of managing for various aspects of personal financial planning.	A set of structured questionnaires	Employed and self-employed respondents appear to be more positive and active in money management, insurance, and investment planning. Self-employed and employed respondents showed statistically significant higher mean values as compared to unemployed respondents. Lack of active involvement in personal financial planning by individuals implies that there is a great need of awareness of well-planned and sophisticated financial planning.
4.	Lawrence J. Gitman Michael D. Joehnk	Personal Financial Planning	To explicitly learn about the detailed personal financial planning activities		Understanding financial planning process, developing the financial

	Randall S. Billingsley (2011)		important in today's age and time		statements and plans is mandatory
5.	Dumitru-Cristian Oanea (2012)	Defining and Measuring Financial Literacy. New Evidence from Romanian Students of the Master in Finance	To find aspects that must be included in the financial literacy definition. To find evidence on financial level of students from the Master in Finance, from several Romanian Faculties of Economics, identifying which categories of students are most literate and which are not.	Logistic regression modelling	Financial literacy of male students is higher than financial literacy level of female students. Most of the economist students from Romania have a medium to high level of financial literacy whereas less than average have high level of financial literacy.
6.	Luc Arrondel Majdi Debbich Frederique Saignac (2013)	Financial Literacy and Financial Planning in France	To learn about the levels of financial literacy in France To know about the knowledge of fundamental finance in French people To know the link between financial literacy and their action for retirement plan.	PATER household survey	Women, young people, elderly and less-educated people demonstrate low levels of financial literacy. Financial literacy is co related with political opinions. There is a weak retirement planning and financial literacy.
7.	Dr. M. V. Subha P. Sanmugha Priya (2014)	The Emerging Role of Financial Literacy Financial Planning	To know the importance of financial literacy in the people of India. To learn about the components of financial education To figure out which components are most and least important in achieving financial stability and success.	Descriptive study Field experiment & Survey	Financial literacy is very crucial and can be directly linked with financial behavior, financial success and sustainability. Indian people are wise savers but poor investors.
8.	Simon Broek (2016)	5 Findings About The Link Between Financial Awareness and Financial Stability	To research and find out the relationship between financial literacy, awareness, and financial stability.	Research from articles	There is a convincing and compelling relationship between financial literacy, financial awareness and financial stability. Financial literacy plays a vital role in

					the context of financial stability.
9.	G Surendar V V Subramanya Sarma (2017)	Financial Literacy and Financial Planning among Teachers of Higher Education-A Comparative Study on Select Variables	To find out the level of financial literacy, personal financial planning of technical and non-technical higher education teachers of Warangal of Telangana state.	Structured scheduled survey	The level of financial knowledge among the teacher is fair enough. No remarkable difference was found out between the knowledge level of Technical and non-technical teachers.
10.	Neha Ramnani Bhargava Dr. Sachin Mittal Dr. Vivek S. Kushwaha (2017)	Impact of Financial Literacy on Personal Financial Management Baset on Occupation	To analyze the impact of financial literacy on personal financial management with respect to different occupation groups in India	Analysis of Variance (ANOVA)	Level of financial literacy, personal financial management skills and its influence is significantly different between Service class, Business class and self-occupied professionals in India. Service class and self-occupied occupation group of population share an impressive level of financial literacy and they apply their learnings in their real life as opposite to business class individuals possess an average financial literacy and personal financial management.
11.	Sudindra V. R. Dr. J. Gajendra Naidu (2018)	Financial Behavior and Decision-Making	To find out whether the Indian population is aware of government revenues and taxes. To learn about their future security and whether their living standard is sustainable.	Structural equation modelling	Majority of the population has limited to no education of financial decision making. There is lack of investment knowledge. Introduction to retirement planning is at level zero. Financial behavior is direct impact on saving, spending, borrowing, investment, and decision-making.

12.	Vinod Krishna M. U Dr. Ruchi Gupta Dr. U.N Lakshman (2019)	Effect of Financial Literacy on Personal Financial Planning: a Study of Bengaluru City	To know if the people in Bengaluru city accept personal financial planning services.	Telephone questionnaire	Increased financial literacy will improve access to personal financial planning services.
13.	Raras Risia Yogasnumurti Isfenti Sadalia Nisrul Irawati (2019)	The Effect of Financial, Attitude and Financial Knowledge on the Personal Finance Management of College Collage Students	To know the influence of the knowledge level of a college student on personal financial management.	Primary data collection by questionnaire method. SPSS	Financial education has a positive and weighty influence on personal financial management of the students.
14.	Dina Patrisia Moni Fauziah (2019)	The Effect of Financial Literacy and Financial Management Behavior on Retirement Confidence	To explore the effect of financial literacy and financial management behavior for confidence during retirement To study the result of financial literacy of financial management behavior To observe the role of financial management behavior in relation to financial literacy and confidence during retirement	Primary data collection by questionnaire method. Structural Equation Modeling using IBM, SPSS & Amos 24	Financial literacy does not have notable impact on retirement confidence. Financial literacy has a strong effect on financial behavior management and retirement confidence. Financial behavior plays a vital role of mediator in relation to financial retirement and confidence.
15.	Sudan Kumar Oli (2020)	The Influence of Financial Literacy on A Personal Financial Planning: A Case of Nepal	To see the influence of financial literacy on Nepalese people regarding knowledge, awareness and attitude towards personal financial planning and decision making. To learn the factors affecting other aspects of personal financial planning.	Primary data collection by questionnaire method.	Personal financial planning is affected by financial awareness level and the attitude of financial planning. Demographic factors have little to no significant impression. Nepalese prefer the general final financial investment alternative in comparison to

					modern financial assets. Individual awareness is gradually increasing relating to insurance, investment, cash management and future financial security plan but not as much as it is supposed to have.
16.	Bharat Singh Thapa Surendra Raj Nepal (2021)	Financial Literacy in Nepal: A Survey Analysis from College Students	To examine the factors that influence financial planning among Nepalese business graduates. To examine the impact of financial attitudes awareness and knowledge in financial planning while controlling for factors like gender, monthly income, family structure and marital status.	Primary data collection by questionnaire method.	Financial knowledge has no substantial impact on personal financial planning but financial attitude and financial have. None of the control factors significantly affected personal financial planning.

2.3. Research Gap

Financial education is proficiency of several facets of the finance globally (Kolilah & Iramani, 2013). Financial literacy is closely tied to financial literacy and financial education and is very important to organize personal finances methodically and successfully. A lot of research has been conducted in many different countries on financial literacy and personal financial planning, the impact of financial literacy on financial management and planning, and retirement planning. etc.

(Surendar & Sarma, 2017), (Bhargava, Mittal, & Kushwaha, 2017), and (Chandran M.C & Chandran, 2018) emphasized on employees, teachers' knowledge on financial literacy and its effect on personal financial planning and retired years planning. Very little research like that of (Krishna M.U, Gupta, & U.N., 2019) revealed the client perspectives on the impact of financial literacy on financial planning. Apart from the study conducted, India has applied marginal approach of research to gather the level of financial literacy and its impact on personal financial planning of residential customers. in the city of Bengaluru in

India. This exceptional study from India depicts the connection with financial literacy and personal financial planning.

Till date, very little research on personal financial planning has been conducted in Nepal, one of which is carried out by (Oli, 2020). Hence, this paper considered the impact of financial literacy on aspects of personal financial planning that is relevant to Nepal. This research also studied the level of financial literacy and its impact on personal financial planning among the individuals in Nepal.

CHAPTER III

RESEARCH METHODOLOGY

This chapter deals with the procedure that are used in collecting data and analyzing data to achieve the objectives of the study. The major concern of this chapter is to discuss about research design, target population, sample size, nature and source of data, instruments, and techniques for data collection and data analysis tools and techniques.

3.1. Research Design

A descriptive and causal comparative research design is used to assess the effect of financial literacy on personal financial planning of Nepalese people living in Kathmandu Valley. Descriptive research includes surveys and fact findings for the description of characteristics of the variables. The causal comparative research design is used in this study to examine the relationship between dependent variables and independent variables. The study aims to measure the effects of financial literacy on personal financial planning of people of Kathmandu Valley. The major variables that are considered include financial awareness, financial attitudes, financial knowledge, and personal financial planning. The research is based on quantitative data collected by distributing self-administered questionnaires.

3.2. Population and Sample, and Sampling Design

The definition of population differs from the nature and subject matter of the study. The target population for this study is individuals of Kathmandu Valley above 20 years of age. The sample size to assess the effect of financial literacy on personal financial planning is 384 individuals from Kathmandu Valley. By using the formula as n= $\frac{z^2\,PQ}{E^2}$ that required at least the result of n=384, hence the sample size is taken as 384.

This study a non-probability convenient sampling method for time and cost effectiveness but there are chances of bias due to differenced in population. It is usually impractical for the researchers to study the whole population when doing a questionnaire survey as it consumes s lot of time and energy and is also costly. Henceforth, in order to reduce the cost and workload, convenience method of sampling technique so used under the supervision of a research guide.

3.3. Nature and Sources of Data, and the Instrument of Data Collection

This research used both primary and secondary data to derive the required conclusions from different sources. This survey basically is based on a primary source of data that are collected by distributing questionnaires. Similarly, both published and unpublished materials related to the subject matter were used as secondary data in the research while designing the questionnaire and defining the major research issues.

This research is based on primary data source. The primary sources of data are used for the quantitative research. The primary data are used to access the effect of financial literacy on personal financial planning. The first part of questionnaire comprises the questions related to socio-demographic information. This part of questionnaire is used for the descriptive analysis of the respondents.

The second part of questionnaire includes 18 statements regarding the independent variable i.e. financial awareness, financial attitudes, and financial knowledge. Each statement is measured in Likert scale. 5-point Likert scale is used for the survey of which 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree. All of the above statements are used to measure the level of literacy of the respondents regarding finances.

Similarly, the third part of the questionnaire comprises of 16 statements regarding the dependent variable i.e. personal financial planning. Each statement is measured in Likert scale. 5-point Likert scale will be used for the survey of which 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree. All the above statements are used to measure personal financial planning of the respondents.

The study used various tools for analyzing the data such as statistical package for the social sciences SPSS and Microsoft Excel. These tools are used for statistical techniques such as mean, standard deviation, regression, Pearson's correlation, etc. Different statistical tools such as mean and S.D. to analyze dependent and independent variables; correlation and regression analysis to determine the relationship between dependent and independent variables and impact of independent variables on dependent variables.

3.4. Methods of Analysis

The data are collected and checked daily for completeness. The collected data are coded and entered in Microsoft Excel. Statistical Package for Social Science (SPSS) is used for analyzing the data.

Data are analyzed using descriptive (frequency, percentage, mean, standard deviation) and inferential statistical techniques like correlation analysis and regression analysis to test the hypothesis and determine the relationship and as well as impact on dependent variables. Different tools used to inspect the data are defined below in short.

Questionnaire (Tool for Data Collection)

A handful number of basic and structured set of questions were prepared and asked to the target respondents including background questions on gender, age, education qualifications, marital status, occupation, monthly personal income likewise, a 5-point Likert scale is used for the survey of data in which 1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree.

a. Mean ($\bar{x}$)

The mean is the average calculated value in a set of numbers which is used to measure the central tendency of the data. It is also commonly known as average. Mean is a statistical concept that has a weighty importance especially in finance and as well as various business valuation fields of finance. It shows an accurate explanation of the whole data.

The formula for the calculation of mean can be shown as: $\bar{x}= \frac{\text{Sum of all data points}}{\text{Number of data points}}$

b. Standard Deviation (σ)

The degree of variation of an individual items of a frequency distribution is the Dispersion. An exact dispersion is measured by the standard deviation. The greater amount of dispersion is equal to greater standard deviation and vice versa. Smaller standard deviation means the result has high degree of uniformity of an observation and homogeneity of a series and vice versa.

The formula to calculate standard deviation σ can be shown as: $\sigma = \frac{\sqrt{\sum_{i=1}^{n}(x_i - \bar{x})^2}}{n}$

Where: x_i= Each individual data point in the given data set

$\bar{X}$= Mean, an average in the data set

n= The total number of populations in a data set

c. Co-efficient of Correlation (r)

The statistical tool that measures the degree of linear relationship between two variables is known as correlation analysis. Coefficient of correlation measures the way of relation between two sets of figures. Correlation can be either negative or be positive. A positive correlation is when both the variables are changing in the same direction. However, correlation is negative when two variables take opposite directions. It is crucial to know that causation is not implied by correlation. For instance, a strong correlation between any two variables does not always have to mean that one variable influenced the other. Strength and direction of relationship between any two variables is only measured by correlation. Its range is from -1 to 1 where:

r =1 perfect positive linear relationship

r =-1 perfect negative relationship

r =0 no linear relationship (although there is still a chance of nonlinear relationship)

X and Y based on a sample size n is shown by:

$$r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{[n\sum x^2 - (\Sigma x)^2][n\sum y^2 - (\Sigma y)^2]}}$$

Where: n= population in a sample

$\sum XY$=sum of the products of corresponding values of X and Y,

$\sum X$=sum of values of X

$\sum Y$=sum of values of Y

$\sum X^2$=sum of squared values of X

$\sum Y^2$=sum of squared values of Y

d. Coefficient of Determination (r^2)

The coefficient of determination, also denoted as R^2 and (pronounced "R-squared") is a statistical measure that represents the proportion of the variance in the dependent variable that is predictable from the independent variables. In other words, it quantifies how well the independent variables explain the variability of the dependent variable. R^2 is a number between 0 and 1. A value closer to 1 indicates a better fit of the regression model to the data, meaning that a larger proportion of the variability in the dependent variable can be explained by the independent variables. Conversely, a value closer to 0 indicates that the independent variables do not explain much of the determination R^2 depends on the context of the statistical model being used, for linear regression models, the formula for is as below:

$R^2 = \frac{explained\ variation}{total\ variation}$ $R^2 = 1 - \frac{residual\ variation}{total\ variation}$

e. Regression Analysis

Regression analysis is one of the statistical mediums that is used to estimate the relationship between a dependent variable (generally the result) and one or more than one independent variables (usually the ones to help do the predictions). It is very useful to achieve the relationship strength of variables and can shape their activity in the future.

The formula to calculate regression analysis can be shown as:

$PFP = \beta_0 + \beta_1 FA + \beta_2 FAT + \beta_3 FK$

Where,

PFP = Personal Financial Planning

FA = Financial Awareness

FAT = Financial Attitude

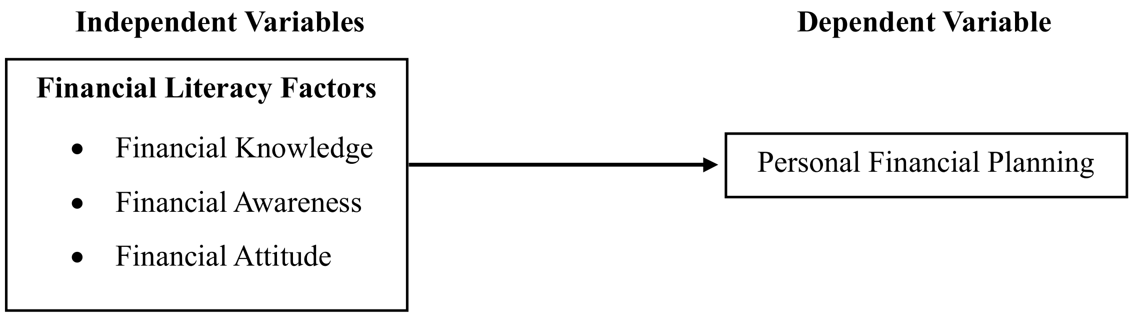
FK = Financial Knowledge

β_0 = Constant

e = Error Term

3.5. Research Framework and Definition of Variables

Theoretical framework is formulated to describe key concepts of the study. It consists of inter-related ideas about general concepts involved and provides meaningful configuration to the phenomenon related to the study. In this study personal financial planning is a dependent variable which is affected by various independent variables. The independent variables consist of financial literacy factors like financial knowledge, awareness, and attitudes. The following theoretical framework has been developed by reviewing articles of (Krishna M.U, Gupta, & U.N., 2019), (Oli, 2020) and (Khanal, Thapa s, & Nepal R, 2022).



Source: The influence of Financial Literacy on a Personal Financial Planning: A Case of Nepal

Independent Variables

The impact on dependent variables is determined by the independent variables in this study. Likert scale items are used as construct for measuring the independent variables. Most of the construct for measuring independent variables are taken from (Boon, Yee, & Ting, 2011) and (Oli, 2020).

1. **Financial Awareness**

   It is the ability to effectively manage financial resources at a personal level and throughout the lifetime using knowledge and skill (Simon, 2016). (Oli, 2020) measured the awareness of respondents towards financial products like saving accounts, shares, debentures, derivative products, money market, this study also measures the awareness of respondents that are limited only to some of the financial products. Financial awareness of respondents is measured in 5 point scale where 5 indicates that respondents are completely aware, 3 indicates moderately aware and being unaware about the alternatives of investment.

2. **Financial Attitude**

   Individual attributes that show tendencies toward a particular financial behavior or practice. It depicts a person's propensity or probability to engage in a particular action (Yogasnumurti, Sadalia, & Irawati, 2019). Financial attitudes are reflected by the concepts like obsession, effort, power, inadequacy, security, and retention that are used in the study of (Furnham & Grover, 2020). The instruments used here are taken from the study conducted by (Surendar & Sarma, 2017) where the indicators include: saving habits, difference in saving and spending, patterns of saving, short term vision and quality of savings. Financial attitude is measured in the basis of questionnaires related o financial attitudes towards saving and money management where comparison is made in the mean score.

3. **Financial Knowledge**

   Financial knowledge is a set of skills, information, attitudes, and behaviors that enable people to make financial decisions and hence achieve financial well-being. It is an understanding of financial principles and procedures, as well as the use of that knowledge to address financial issues (Patrisia & Fauziah, 2019). (Arrondel, Debbich, & Savignac, 2013) restricted their analysis to three questions to measure whether the respondents are financially knowledgeable or not. Those questions were related to the understanding of interest compounding, inflation for the assessment of basic numeracy and understanding of risk diversification. Thus, this study also implies the same thing to check the knowledge of Nepalese respondents. Also, financial knowledge is measured by preparing questions related to financial concepts. Respondents scoring 4 or more than 4 are regarded as more financially knowledgeable and having scored less than and equal to 3 are regarded as financially unknowledgeable.

Dependent Variable (Personal Financial Planning)

The dependent variable for this study is personal financial planning. Personal financial planning is a process of estimating and managing one's money/income to meet their financial goals and it usually comprises saving, investments, budgeting, insurance, retirement planning and tax planning. Likert scale items are used to measure the dependent variable which will be taken from (Surendar & Sarma, 2017). Personal financial planning is measured in terms of attitude towards various aspects of personal financial planning like investment planning, insurance planning, retirement and budgeting and control.

CHAPTER IV

RESULTS AND DISCUSSION

An organized presentation and analysis of primary data are provided in this chapter. For the achievement of primary purpose of the study, various headings and subheadings of statistical and regression models mentioned in the preceding chapter are applied. There are three sections that make up this chapter. The descriptive analysis of both dependent and independent variables is covered in first section. The examination of the regression model, including correlation analysis, is covered in the second section of this chapter.

4.1 Results

4.1.1 Demographic Analysis

This section holds forth to the primary data extracted from the questionnaires, as well as demographic analysis and interpretation. It demonstrates the socio-economic background of the research participants. The respondent's profile shows the overall personal characteristics of respondents based on factors such as gender, age group, marital status, academic qualifications, occupational status, and monthly personal income. Thus, the demographic traits of the respondents who were from Kathmandu valley are described in this section.

Table 2 Distribution by Gender

Gender	Frequency	Percentage
Male	160	41.67
Female	224	58.33
Total	384	100.00

Table 2 shows the distribution of respondents by gender where the majority of respondents are female (64.32) followed by male (35.68) respondents. This implies that in this study the respondent of female is more than that of male.

Table 3 Distribution by Age

Age Group	Frequency	Percentage
Less than 30	180	46.88
30-39	160	41.67
40 & Above	44	11.46
Total	384	100.00

Table 3 shows the distribution of respondents by age. Out of 384 respondents it was found that majority of respondents are in the age group less than 30 (46.88) followed by 30-39 years age group. Here, it shows that only 11.46 percent of respondents are 40 & above years of age group. This indicates that majority of respondents fall under the age group of less than 30 to 39 years.

Table 4 Distribution by Marital Status

Age Group	Frequency	Percentage
Married	126	32.81
Unmarried	258	67.19
Total	384	100.00

Table 4 shows the distribution of respondents according to marital status were majority of respondents i.e., 67.19 percent are found to be unmarried, and 32.81 percent of respondents are found to be married. Here in this study many respondents are unmarried.

Table 5 Distribution by Academic Qualifications

Age Group	Frequency	Percentage
Masters & Above	175	45.57
Bachelors	171	44.53
Plus Two	38	9.90
Total	384	100.00

Table 5 shows the distribution of respondents according to academic qualifications where 45.57 percent of respondents have masters degree and above, 44.53 percent have bachelors degree and 9.90 percent of respondents have plus two or intermediate academic qualifications. This implies that many of the respondents have education of masters and above and bachelors.

Table 6 Distribution by Occupation

Age Group	Frequency	Percentage
Student	108	28.13
Business/Entrepreneur	73	19.01
Government Employee	31	8.07
Private Organization Employee	148	38.54
Other	24	6.25
Total	384	100.00

Table 6 shows the distribution of 384 respondents by occupation. It shows that majority of respondents i.e., 38.54 percent work in private organizations followed by 28.13 percent of students, 19.01 percent possess business/entrepreneur occupation, 8.07 percent work in government organizations. Here, 6.25 percent of respondents have occupation like dentist, service oriented, lecturer, educator, etc. This indicates that many respondents of this study work in private organizations.

Table 7 Distribution by Monthly Personal Income

Age Group	Frequency	Percentage
Below Rs. 20,000.00	135	35.16
Rs. 21,000.00-40,000.00	153	39.84
Rs. 41,000.00-50,000.00	47	12.24
Above Rs. 50,000.00	49	12.76
Total	384	100.00

Table 7 shows the distribution of respondents as per their monthly personal income. It shows 39.84 percent of respondents monthly personal income under range of Rs. 21,000.00-40,000.00 followed by income range below Rs. 20,000.00 (35.16 percent). The table shows that least number of respondents come under income range of Rs. 41,000.00-50,000.00 and above Rs 50,000.00 respectively. Here, the highest number of respondents' monthly personal income is between Rs. 21,000.00-40,000.00

4.1.2 Descriptive Analysis

Financial Awareness

Table 8 Distribution by Level of Awareness about Financial Products

Particulars	Minimum	Maximum	Mean	SD
Saving Account	1	5	4.24	1.017
Bank Fixed Deposit	1	5	4.19	1.024
Equity Shares	1	5	3.54	1.160
Government Securities	1	5	3.30	1.223
Derivative Products	1	5	2.78	1.167
Mutual Funds	1	5	3.42	1.127
Life Insurance	1	5	3.92	1.006
Money Market	1	5	3.22	1.169

Table 8 shows the responses given by respondents regarding the awareness of financial products. They rated financial products from 1 to 5 i.e., from fully unaware to fully aware of. (1=Fully Unaware, 2= Unaware, 3=Neutral, 4=Aware and 5= Fully Aware).

From the table 4.7, it is shown that respondents show highest awareness on saving account among all financial products included, with a mean of 4.24 and a standard deviation of 1.017 which implies that people from Kathmandu valley are fully aware about the saving account. Similarly, the respondents show followed highest awareness on the bank fixed deposit with a mean of 4.19 and standard deviation of 1.024. This implies that the people are aware of bank fixed deposit. This is because banks and financial institutions frequently advertise or make people aware about their saving accounts, schemes, and fixed deposit schemes.

Likewise, the respondents are somewhat aware about life insurance, equity shares, government securities, mutual funds, and money market with mean of 3.92, 3.54, 3.30, 3.42 and 3.22 and standard deviation of 1.006, 1.160, 1.223, 1.127 and 1.169 respectively. This means that the respondents are somewhat aware about these financial products as colleges and universities provide a basic knowledge as well as banks and financial institutions promote these instruments. It is also shown that respondents have least awareness on derivative products with a mean of 2.78 and standard deviation of 1.167 which means that people of Kathmandu valley are not much aware about derivative products or instruments. This is because commodity market in Nepal is not much in practice and the SEBON has not approved the license of companies that deal with derivatives yet.

Financial Attitude

Table 9 Descriptive Analysis of Financial Attitudes

Particulars	Minimum	Maximum	Mean	SD
I find more satisfying to spend than save money for future.	1	5	3.49	1.22
Money is to be spent; saving is not important.	1	5	3.94	1.139
It does not matter how much I save as long as I do save.	1	5	3.28	1.121
I do not have to worry about how long it will take me to pay off my debts as long as I make my monthly payments.	1	5	3.46	1.046
I think it is important to establish and maintain a regular saving habit.	1	5	4.11	1.079

Table 9 illustrates descriptive analysis to which respondents agree or disagree with each of the statements intending to measure the financial attitudes. They rated the statements from 1 to 5 i.e., from strongly disagree to strongly agree (1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly Agree).

Here, the majority of respondents think that it is necessary to establish and maintain a regular saving habit with the mean of 4.11 and standard deviation of 1.079. Therefore, the respondents in this study have positive attitude towards savings. Similarly, the respondents find that money is not only to spend, rather saving is also important. They believe in long term vision and quality of savings since its mean is more than 3 (3.94, 3.49, 3.46, and 3.28 respectively) meaning that respondents have positive attitude towards savings, long term vision and quality of savings. The reason for positive attitude about saving is that people of Nepal are educated through different means like parents, institutions, advertisements, friends, etc. about the importance of saving. Also, children are made aware of saving some portion of their pocket money, money given by their elders and relatives as an expression of love and affection, to bring positive attitude towards saving and aim towards lean them towards long term planning.

Personal Financial Knowledge

Table 10 Descriptive Analysis of Financial Knowledge

Particulars	Minimum	Maximum	Mean	SD
I am safer when I invest money in several different placed rather than just one.	1	5	3.96	0.909
I know the differences among pension fund, an investment account, an insurance policy and a credit card.	1	5	3.73	0.862
If I had Rs.1,000.00 in my savings account with 2% interest rate per year then I would have more than Rs.1,100.00 after 5 years.	1	5	3.48	1.248
I know about interest charged by bank, borrowing rates charged by financial institutions, credit ratings done by companies and why it is done.	1	5	3.55	1.006
If the interest rate on my saving account was 1% per year and inflation was 2% per year then I would be able to buy less than today with the money in this account.	1	5	3.55	1.111

Table 10 depicts descriptive analysis to which respondents agree or disagree with each of the statements intending to measure the financial knowledge. They rated the statements from 1 to 5 i.e. from strongly disagree to strongly agree (1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly Agree).

The result shows that majority of respondents agree that they will be in safe position investing in multiple avenues rather than investing in single avenue with a mean of 3.96 and standard deviation of 0.909. This implies that the respondents are knowledgeable about risk diversification as people though they are from different field, they are aware about the risks and diversifying the risk mitigates it. This has been possible through expert's advice reaching each and every corner of Nepal through social media.

Similarly, mean, and standard deviation for knowing differences among pension fund, investment account, credit card and insurance policy is 3.73 and 0.862 standard deviation respectively which means that they know the features of these financial terms as marketing about these policies is done aggressively in Nepal by banks and financial institutions, insurance companies and institutions dealing with pension funds, social security funds. The statements regarding time value of money, interest rates and rate of inflation have mean of 3.48, 3.55 and 3.55 and standard deviation of 1.248, 1.006 and 1.111 respectively. This implies that respondents are somewhat knowledgeable about time value of money, interest rates and rates of inflation because people are only much more aware about those things that are relative to them and that are needed at some situations. For instance, people who deposit money in a bank will want to know about the interest rate that the bank is providing rather than the interest rate that the bank is imposing on their loan.

Personal Financial Planning

Table 11 Descriptive Analysis of Personal Financial Planning

Particulars	Minimum	Maximum	Mean	SD
My investments are appropriate to my income.	1	5	3.57	0.959
I know the differences between long term and short-term investments and its importance in personal financial planning.	1	5	3.96	0.804
I can evaluate the risk involved in each of my investments.	1	5	3.49	0.935
I review my investing portfolio frequently.	1	5	3.51	0.967
I invest my money based on the opinions of others i.e. friends and family.	1	5	3.01	1.098
I have made plans for an adequate retirement income.	1	5	3.11	1.079
I have started executing retirement plans.	1	5	2.91	1.094
I have adequate insurance protection for my life, health, and my possession.	1	5	3.08	1.121
Life, health, and property must be insured.	1	5	4.05	0.876
I can distinguish the different types of insurance policies offered in market.	1	5	3.44	0.939
My property must be protected against reasonable risks if I want to successfully manage my finances.	1	5	3.84	0.813
I have a spending plan that is appropriate for my financial situation.	1	5	3.6	0.851
A written budget is absolutely essential for successful financial management.	1	5	3.81	0.847
I make specific financial plans for achieving an improved career situation and reduce tax.	1	5	3.61	0.85
My tax situation is appropriate to my level and type of income.	1	5	3.51	0.967
Planning for spending money is essential to successfully managing my life.	1	5	4.11	0.921

Table 11 illustrates descriptive analysis to which respondents agree or disagree with each of the statements intending to measure the personal financial planning. They rated the statements from 1 to 5 i.e. from strongly disagree to strongly agree (1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly Agree).

The result shows that majority of respondents strongly agree that planning before spending money is essential to successfully manage their life as the mean and standard deviation of this are 4.11 and 0.921 respectively. This implies that planning finances play major roles in managing life. Likewise, the respondents show least agreement to the commencement of executing retirement plan with a mean of 2.91 and standard deviation of 1.094 which means that that respondents are not executing their retirement plan systematically and they do not have a rigid plan for their retirement. The reason behind this may be that before, only government organizations used to provide retirement benefit for their employees. Today, many private organizations have created their own retirement benefits for their employees. Therefore, people of Nepal have tendency to think that retirement plan should be done by their organizations itself, they are working with rather than doing it by own.

Table 4.10 also depicts that respondents somewhat agree to planning and managing their investments, budgeting and control, insurance, and tax as their mean is greater than 3. This means that people from Kathmandu valley somewhat plan their personal finances for future. The reason behind this may be that some people who do not have much knowledge about managing and controlling finances hire some other personnel to deal with it.

Correlation Analysis

Table 12 Correlation Analysis

Variables	X1	X2	X3	Y
X1	1	0.139*	0.470**	0.481**
		0.049	0.000	0.000
X2			0.125	0.031
			0.078	0.664
X3			1	0.587**
				0.000
Y				1

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

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

Table 12 illustrates that the correlation matrix between the independent variable and dependent variable, where X1 = Financial Awareness (Independent variable), X2 = Financial Attitude (Independent variable), X3 = Financial Knowledge (Independent variable), and Y = Personal Financial Planning (Dependent Variable).

According to the analysis in table 4.11, it can be concluded that financial awareness, financial attitude, and financial knowledge affects the personal financial planning. The data indicates that independent variables like financial awareness and financial knowledge have a significant positive relationship with the dependent variable i.e., personal financial planning at the level of significance (α) = 0.01. whereas there is positive correlation between financial attitude and personal financial planning, but they are not statistically significant. Hence, the independent variables like financial awareness and financial knowledge are highly correlated with dependent variable. However, the highest correlation is observed between financial knowledge and personal financial planning.

The analysis shows that higher the financial knowledge, higher would be the planning of personal finances. Similarly, financial awareness and financial attitude are positively correlated with personal financial planning. It also shows that better financial awareness about financial instruments and positive financial attitude leads to an increase in the planning about personal finances.

Regression Analysis

Table 13 Regression Analysis

Variables	Beta	t-value	p-value	VIF
Constant	1.861	8.453	0.000	
Financial Awareness	0.164	4.301	0.000	1.294
Financial Attitude	-0.055	-1.168	0.244	1.025
Financial Knowledge	0.353	7.483	0.000	1.289
R Square	0.403			
p-value	0.000			
F-value	44.136			

Table 13 shows the relationship between personal financial planning (dependent variable) and each independent variable. Here, the beta coefficient of financial awareness id 0.164 which implies that 1 unit increase in financial awareness (independent variable), the dependent variable i.e., personal financial planning increases by 0.164 unit (beta coefficient value). Similarly, the value of beta coefficient of financial knowledge is 0.353 which indicates that every 1 unit increase in financial knowledge increases personal financial planning by 0.353 units. The result shows that financial attitude is not significant statistically (0.244>0.05), thus financial attitude does not predict/impact personal financial planning significantly. Therefore, according to significant values, only financial awareness and financial knowledge have a significant impact on personal financial planning whereas, financial attitude does not have significant impact on personal financial planning.

Moreover, R-square is 0.403 which states that independent variables explain the dependent variable by 40.3%. It consists of many other factors as well that influence dependent variable. This regression coefficient explains 40.3% of the dependent variable. Similarly, the Variance Inflation Factor (VIF) is less than 10 in each variable so there is no multi-collinearity. Also, the F value and significance level are 44.136 and 0.000 which means that the overall regression model is significant i.e., there is linear relationship between personal financial planning and financial awareness, financial attitude, and financial knowledge.

Summary of Hypothesis

Table 14 Summary of Results of Hypothesis Testing

Hypotheses	p-value	Remarks
H1: There is significant relationship between financial awareness and personal financial planning.	0.000	Reject
H2: There is significant relationship between financial attitude and personal financial planning.	0.664	Do not Reject
H3: There is significant relationship between financial knowledge and personal financial planning.	0.000	Reject

4.2 Discussion

This study has mainly focused on the relationship between financial literacy factors with that of personal financial literacy among the people of Kathmandu valley, Nepal. This study has used different factors like financial awareness, financial attitude and financial knowledge to measure financial literacy. The dependent variable is the personal financial planning.

The analysis shows that people of Kathmandu valley are inclined towards moderate awareness of equity shares, mutual funds, government securities and life insurance. The awareness level is higher in saving accounts and bank fixed deposit could be because of the different schemes of saving and fixed accounts advertised by banks and financial institutions whereas the lowest in derivative products due to low or no practice in Nepalese financial markets. (Bhuyan, Singh, & Bhattacharjee, 2021) concluded that investors have s moderate level of awareness of financial services and tools. However, this study reveals that respondents' awareness of bank savings accounts and fixed deposit accounts is at its peak. The respondents' level of acquaintance with the derivative products, government securities, and mutual fund was determined to be the lowest. Contrary to the survey of (Prathap & Rajamohan, 2013), did not uncover high levels of awareness and a favorable attitude towards mutual fund.

(Oli, 2020) explained personal financial planning is significantly influenced by one's financial awareness and attitude. Previous research of (Murphy S & Yetmar, 2010) which consistently revealed a favorable association between personal financial planning and financial attitude of individuals support this finding. However, in this study personal financial planning is significantly influenced by financial awareness whereas financial attitude is not statistically significantly related with personal financial planning.

(Boon, Yee, & Ting, 2011) concluded people with good financial knowledge put more effort into personal financial planning to avoid the negative effects that population with poor financial planning might have on their lives. This further supports the idea that financial literacy (knowledge) is an important predictor of person's financial planning choices. This study also supports that financial knowledge (literacy) has a significant relationship with personal financial planning.

(Krishna M.U, Gupta, & U.N., 2019) found making poor investment judgements is the result of lacking a fundamental understanding of finance. In this study, an effort was undertaken to investigate how well-liked personal financial planning services are in Bengaluru. The people are more likely to be interested in life insurance products, but there is room for improvement when it comes to retirement planning, health insurance wise credit use. In contrast, this study found that people shoe least agreement to the commencement of executing retirement plan and somewhat agree to planning and managing their investments, budgeting and control, insurance, and tax.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

The main purpose of the study is to assess the effect of financial literacy on personal financial planning. The study investigated the different factors related to financial planning literacy that people of Kathmandu valley are supposed to have a basic understanding of finances. To assess financial literacy, the following factors were taken into account: financial attitude, financial awareness, financial knowledge. And these factors were further investigated to analyze its influence on the personal financial planning. For this purpose, quantitative research is taken into consideration. This study is based on primary sources of data. The data are used to extract information from the people of Kathmandu valley regarding their awareness on financial products, attitudes on finances, knowledge of finance and planning of personal finances. The population for the study is all the people above 18 years of age. The study is mainly concentrated within Kathmandu valley and a total of 384 questionnaires were collected. To achieve this purpose of the study, structured questionnaire was designed. The questionnaires were self-adjusted, validated, and pre-tested. Data were collected through non-probabilistic techniques i.e. convenience sampling. The collected data had been processed with the use of the SPSS statistical package. Descriptive statistics, correlation coefficient, and regression method have been applied to estimate the relationship between factors financial literacy and personal financial planning.

The descriptive analysis has been used to estimate the level of awareness about different financial products, attitude about finances/money, basic knowledge on interest, risk diversification, rate of inflation, differentiation in funds policies and practice of personal financial planning. The analysis shows that the people from Kathmandu valley are moderately aware of equity of shares, government securities, mutual funds, and life insurance. The awareness level is higher in saving account and bank fixed deposit that could be because of the habit of depositing their certain amount of income in banks and banks providing lots of information and schemes on saving account and fixed deposit account. The level of awareness in derivative products is low that could be because of less practice of derivatives in Nepal like that of shares and other securities. Similarly, again descriptive analysis had been conducted to measure financial attitude where majority of respondents strongly agree to maintain regular saving habit which implies that overall respondents have positive attitude towards saving and long-term vision. To estimate the financial knowledge of respondents from Kathmandu valley, descriptive analysis is carried out. The analysis shows that people have knowledge about risk diversification and can differentiate among funds, investment account, credit card and insurance policies. The analysis also shows that people are somewhat knowledgeable about time value of money, interest rates charged by banks and rate of inflation. The descriptive analysis was carried out for the variable personal financial planning where it is found, people strongly agree that financial planning is important in successfully managing their life and somewhat agree to planning and managing their investments, budgeting and control, insurance, and tax. Also, the analysis shows that though people agree that retirement planning is equally important in their life, they fail to execute their retirement plan. Similarly, people of Kathmandu valley less prefer the opinion of their friends and family that shows they invest by doing research in that particular investment or they take opinion from financial experts.

The independent constructs of the financial literacy i.e., financial awareness, financial attitude and financial knowledge were taken to examine its relationship with one dependent variable i.e., personal financial planning. The correlation analysis is used for fulfilling the first objective of this study that is to examine the relationship of financial awareness, financial attitude, and financial knowledge on personal financial planning. The correlation coefficient relationship of financial awareness and financial knowledge on personal financial planning is significantly positive. All the independent variables of the financial literacy like financial knowledge and financial awareness are highly correlated with the dependent variable, personal financial planning and financial attitude is positively correlated but not statistically significantly related to personal financial planning.

The regression analysis of independent variables i.e., financial awareness and financial knowledge are the factors that have a significant relationship with personal financial planning. The most affecting factor was found to be financial knowledge (literacy), which explains that personal financial planning is influenced by financial literacy. The only one independent variable, financial attitude has no significant relationship with personal financial planning. Only financial awareness and financial knowledge have a significant relationship, while the other one independent variable has no significant relationship to personal financial planning.

5.2 Conclusion

Financial literacy is crucial in this complex financial environment and is very important for the empowerment of the people. It teaches how to manage finances/money in the real economy so as to avoid unnecessary sufferings, excessive debt and potential financial exclusions. Additionally, it gives better awareness of the financial options available to them in the financial market.

The major conclusion of this study is that financial literacy factors like financial awareness and financial knowledge have a significant positive relationship and impact on the personal financial planning. This positively correlated relationship must be used to increase the awareness level on financial products and knowledge about basic finances so as to increase the execution of planning for personal finances. Financial attitude is positively related with personal financial planning, but it is not statistically significant and also it does not have significant impact on personal financial planning.

Thus, it is essential for everyone to plan and manage own finances to lead a happy life. Every person should have a personal financial plan in order to meet their financial obligations and goals, retire comfortably, become financially independent, make wise financial decisions and take advantage of every financial opportunity. Since none of us are born knowing these things, it should be everyone's job to learn how to plan and manage their own finances which will not only help on living happier life but will also overtime aid in the long-term growth of the country.

5.3 Implications

Based on the findings of the study, recommendations have been made which are as follows:

Schools and intermediate colleges shall provide education to their students earlier in life so that the habit of saving, effective money management, and investment is instilled in their thoughts from an early age. Therefore, promoting financial literacy would guarantee that people are knowledgeable and equipped to take better decisions and secure their financial stability.

Programs for financial literacy can be provided through seminars, workshops, etc. since people with diverse demographic and socioeconomic features have varying levels of financial literacy, women, low-income groups, those with less education, and those who are younger tend to have lower levels of knowledge. So, when choosing the programs of campaign's content, this should be taken into account. It is advised that financial education be given to these groups and that participation in financial planning be promoted.

Government shall make strategies for financial literacy including planning for retirement. The strategy should be developed in discussions with all relevant parties like industry, government, and non-governmental organizations with the goal of providing Nepalese with a lifetime understanding of personal financial management issues.

Educating potential investors about various financial products and the advantage of financial knowledge is one of the key factors that can assist in turning savers into investors and plan for their finances.

In an organization private or government, human resource department must help its employees develop the appropriate financial attitudes to capture and understand all the impacts of financial planning on life and make the right decision about their cash management, preventive measures, and budgeting.

The suggestion for further research could be critically evaluate other financial literacy factors like financial behavior.

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ANNEX

EFFECT OF FINANCIAL LITERACY ON PERSONAL FINANCIAL PLANNING IN KATHMANDU VALLEY, NEPAL

Dear Respondent,

Greetings!

My name is Anne Shrestha, and I am a student of MBS at Shanker Dev Campus, Putalisadak. I would like to request you to take a little amount of your valuable time to answer these questions I have prepared to collect data required for the study on a topic "Effect of Financial Literacy on Personal Financial Planning in Kathmandu Valley, Nepal". This study is a Graduate Research Project (GRP) to meet the partial fulfillment of requirements for the degree of Master's in Business Studies (MBS) The responses provided by you will be unnamed and it will only be used for the academic's purposes. Accurate information and feedback that you provided in this questionnaire will be highly appreciated while completing this research. Thank you for your kind consideration and cooperation.

Socio-Demographic Information

Direction: Please tick (√) the suitable category.

Q.1. Gender:

1. Male ☐ 2. Female ☐

Q.2. Age:

1. Less than 30 ☐ 2. 31-39 ☐
3. 40 & Above ☐

Q.3. Marital Status:

1. Married ☐ 2. Unmarried ☐
3. Divorced ☐

Q.4. Academic Qualification:

1. Masters & Above ☐ 2. Bachelors ☐
3. Plus Two ☐

Q.5. Occupation:

1. Student ☐
2. Business/Entrepreneur ☐
3. Government Employee ☐
4. Private Organization Employee ☐
5. Others ☐

Q.6. Monthly Personal Income Level:

1. Below Rs. 20,000.00 ☐
2. Rs. 21,000.00-40,000.00 ☐
3. Rs. 41,000.00-50,000.00 ☐
4. Above Rs. 50,000.00 ☐

Finance related questions

Please read the given statements carefully and tick (√) the suitable category.

<u>Financial Awareness</u>

S.N.	Statements	Fully Unaware	Unaware	Neutral	Agree	Fully Aware
Q.7	I am completely aware of the following topics: • Bank Fixed Deposit • Saving Account • Mutual Funds • Money Market • Equity Shares • Government Securities • Derivative Products					

	• Life Insurance					

Financial Attitude

S.N.	Statements	Fully Disagree	Disagree	Neutral	Agree	Fully Agree
Q.8	I find spending money more satisfying than saving money for the future.					
Q.9	Saving is not necessary at all, Money is meant to be spent.					
Q.10	As long as I am doing savings, it does not actually matter how much I save.					
Q.11	As long as I make my monthly payments, I don't need to worry about how long it will take to pay off all my debts.					
Q.12	I believe that creating and maintaining a continuous saving practice is crucial.					

Financial Knowledge

S.N.	Statements	Fully Disagree	Disagree	Neutral	Agree	Fully Agree
Q.13	I find it safer to invest money in various different areas than just investing in only one area.					
Q.14	I know the difference between an investment account, a credit card, a pension fund, an insurance policy.					
Q.15	If I had Rs. 1,000.00 in my saving account with an interest rate of 2% per annum, then I would have Rs. 1,100.00 after 5 years.					
Q.16	I have a fair knowledge about borrowing rates charged by financial institutions, interest rates charged by banks, the credit ratings carried out by a company and the reason for doing it.					
Q.17	I would not be able to buy as same way as I can buy today if the interest rate in my					

	saving account was 1% per annum and the inflation rate was 2% per annum					

Personal Financial Planning related questions

<u>Personal financial planning</u>

S.N.	Statements	Fully Disagree	Disagree	Neutral	Agree	Fully Agree
Q.18	My investments are suitable to the income I earn.					
Q.19	I know the differentiation between a short term and long-term investments and its significance in my personal financial planning.					
Q.20	I can calculate the amount of risk involved in all of my investments that I have done.					
Q.21	I regularly check and study my investment portfolio time and again.					
Q.22	I take my friends' and families' suggestions seriously and do accordingly when it comes to investing my money					
Q.23	My retirement plans include enough economic plans for my future.					
Q.24	I have started to implement the retirement plans that I have made.					
Q.25	I have enough security of insurance of my health, life and all my properties.					
Q.26	Our health, life and properties should be insured.					
Q.27	I can differentiate between the types of insurance policies given to us in the market.					
Q.28	If I require to efficiently manage all my finances, my properties should be safeguarded against any probable risks.					
Q.29	I have made an appropriate spending plan according to my financial status.					

Q.30	If I want a successful financial management for me, a written budget plan is a most important tool for me.					
Q.31	I make an effective financial planning roadmap to acquire a best career status and the one that reduces tax.					
Q.32	The tax that I pay is suitable for the level and type of income that I earn.					
Q.33	To successfully handle my life situations, doing a planned spending is very crucial.					