

Influence of Financial Literacy Programs on Personal Financial Planning Behaviour among Nepalese Youth

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Abstract

Growing attention has been given to financial literacy as a key element in improving financial behaviour among young populations. In Nepal, youth aged 16 to 35 are increasingly exposed to formal financial systems, yet structured financial planning remains uneven. This study, guided by Human Capital Theory, examines how such programs influence personal financial planning behaviour and whether age changes this relationship. A quantitative cross-sectional design was used for the analysis. Data were collected from 384 youths using a structured questionnaire. The instrument measured financial literacy program exposure, financial planning behaviour, and selected demographic variables. Regression results indicate that financial literacy programs have a significant positive effect on financial planning behaviour ($\beta = 0.451, p < .001$). When age was introduced as a moderating variable, the explanatory power of the model improved. The interaction effect was statistically significant, showing that age strengthens the relationship. In particular, respondents above 25 years demonstrated better application of financial knowledge in planning activities. The findings suggest that financial literacy initiatives are useful, but their effectiveness varies across age groups. This study highlights the need for age sensitive program design. Policy makers and program developers should focus on behaviour oriented strategies rather than only knowledge delivery.

Keywords: financial literacy programs, personal financial planning, youth financial behavior, socio-economic factors, financial inclusion in Nepal

Introduction

Changes in financial systems have made everyday money decisions more complex than before. Individuals are now expected to deal with banking products, digital payments, and different financial services in a more informed way. In such a situation, financial literacy becomes important. It refers to the ability to understand financial concepts and

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use them in daily life decisions (Lusardi & Mitchell, 2014). Without this knowledge, individuals may struggle to manage income, control expenses, or plan for the future.

Many previous studies have examined the relationship between financial literacy and financial behaviour. Research by Lusardi and Mitchell (2014) showed a strong link between financial literacy and long-term financial outcomes such as retirement planning and wealth accumulation. Atkinson and Messy (2012) found that financial literacy levels are generally lower in developing countries, and young people often lack basic financial habits like saving and budgeting. In the Nepalese context, Bhattarai and Joshi (2020) reported that financial education has a positive effect on saving behaviour among college students. At the same time, Sharma (2023) highlighted that even urban youth face difficulty in managing debt and planning finances, despite having exposure to financial knowledge. Studies from OECD (2020) also suggest that gaining knowledge does not always lead to behaviour change, as other behavioural and contextual factors play a role. Similarly, Acharya and Shrestha (2022) found that financial literacy campaigns in rural Nepal did not produce strong long-term effects due to lack of continuous support and follow up.

On the other hand, across many countries, low financial literacy has been linked with poor financial behaviour. People with limited understanding often make weak financial choices, which can lead to instability at both personal and household level (OECD, 2020). This issue is more visible in developing economies, where financial systems are expanding quickly but education on financial matters is not growing at the same pace.

Looking at Nepal, the financial sector has seen rapid development in recent years. Digital banking, mobile wallets, and online transactions have become more common, especially after 2020. Access to financial services has improved, supported by policies of Nepal Rastra Bank and other institutions (NRB, 2022). Even then, many citizens still lack the skills needed to use these services properly. This creates a gap between access and actual use.

Significant resources have been invested in financial literacy initiatives across Nepal in recent years. Banks and financial institutions, along with government bodies, have conducted various awareness programs, training sessions, and campaigns targeting different population groups (NRB, 2022). Public events such as Financial Literacy Week also show strong commitment toward improving financial knowledge, especially among young people. Some programs are also integrated into schools and universities. These initiatives aim to build financial knowledge among the general public, with a strong focus on young people.

Despite those institutional efforts, improvement in actual financial behaviour appears limited. Many young individuals still show weak financial planning practices. Saving habits are not consistent. Debt is often not managed properly. Long term financial thinking is also missing in many cases (Lusardi, 2019; Sharma, 2023). This creates concern about the real effectiveness of such programs. Individuals aged 16 to 35 are entering financial life earlier than before. They deal with income, spending, and digital payments at a young age. However, many of them face difficulty in managing personal finance. Saving regularly, preparing a budget, or handling debt are still weak areas among youth (Ghimire & Shrestha, 2021).

In addition, a large number of young people today are digitally active and have access to financial information. They can use mobile banking and online services easily. However, practical use of financial knowledge remains low. This suggests that having information does not always lead to better financial decisions.

Previous studies also support this concern. It has been shown that knowledge alone is not enough to change behaviour. Individuals may understand financial concepts but still fail to apply them in daily life (Lusardi & Mitchell, 2014; Remund, 2010). Behavioural patterns are influenced by other factors such as habits, environment, and personal situation.

This situation raises an important concern. Even after exposure to financial literacy programs, financial planning behaviour among youth is not very strong. This study gives attention to personal financial planning behaviour as the main outcome. It examines whether participation in financial literacy programs can improve such behaviour among Nepalese youth.

Understanding financial behaviour often begins from a theoretical base, and Human Capital Theory provides a useful starting point. This theory explains that knowledge and skills gained through education improve individual ability and productivity (Becker, 1964). When applied to financial context, financial literacy can be treated as a form of human capital. It helps individuals to take better financial decisions in daily life (Lusardi, 2019). People who receive financial education are expected to manage money more carefully, including saving, budgeting, and planning for future needs (OECD, 2020). This becomes more relevant for youth, as early learning can shape long term attitudes and habits related to money (Lusardi & Mitchell, 2014). This study has used Human Capital Theory to examine whether financial literacy programs improve financial planning behaviour among Nepalese youth.

Looking at the main concepts, personal financial planning is taken as the key outcome variable in this study. It refers to how individuals manage income, expenses, savings, and investments to achieve financial goals (Garman & Forgue, 2018). Activities such as budgeting, regular saving, managing debt, and planning for future needs are included under this concept. On the other side, financial literacy programs represent structured efforts designed to improve financial knowledge and decision making. These programs include training sessions, awareness campaigns, and workshops (Remund, 2010).

Recent studies from developing economies show that digital financial inclusion is growing quickly, especially among younger people, but this alone does not ensure effective financial planning. Karki et al. (2024) argued that targeted behavioral interventions are needed to help individuals move from basic financial knowledge to disciplined financial management. Although many young people are familiar with digital financial services, they often face difficulties in maintaining structured budgeting, managing debt, and preparing for retirement without regular guidance (Pokharel & Maharjan, 2024). In addition, Ranabhat (2023) found important role of age, income level, and locally designed financial training programs in determining how well financial literacy develops into consistent and long-term personal financial management practices.

In Nepal, such programs are mainly conducted by Nepal Rastra Bank, banks and financial institutions, and some non-government organisations (NRB, 2022). Along with these, demographic factors like income, education, and employment are also important, as they influence how knowledge is gained and applied (OECD, 2020). Taking the note of Lusardi (2019) as older youth may show more practical application compared to younger individuals, this study considered as a moderating factor to test whether it changes the way financial knowledge is converted into actual behavior.

Methods

To examine the issue in a structured way, a quantitative approach was selected for this study. The research followed a cross sectional survey design, which helps to observe current financial behaviour of youth at one point in time (Creswell, 2014). This design is useful when the aim is to test relationships between variables using statistical methods. It also allows inclusion of control and moderating variables such as demographic factors and age, which are important in this study (Zikmund et al., 2013).

The focus of the study remains on youth population within Nepal. A sample size of 384 respondents was determined using Cochran's formula, keeping a 95 percent confidence level and 5 percent margin of error (Cochran, 1977). Simple random sampling technique was applied to reduce selection bias and to maintain representation from different

backgrounds. The sample includes individuals aged between 16 and 35 years and maintains variation in terms of gender, education, income level, and geographic location.

A structured questionnaire was used for the collection of data. The instrument included both demographic questions and statements measuring behavioral aspects. Responses were collected through online mode using Google Forms. Financial literacy program exposure was measured as the independent variable, while personal financial planning behaviour was taken as the dependent variable. The behavioural aspect included activities like budgeting, saving, investment, and debt handling. A five-point Likert scale was used, ranging from strongly disagree to strongly agree (Likert, 1932). Statistical analysis was carried out in different stages. At the beginning, descriptive statistics such as frequency, mean, and standard deviation were used to understand the profile of respondents. Then, correlation analysis was applied to observe the relationships among variables. Further, multiple regression analysis was conducted to test the impact of financial literacy programs on financial planning behaviour while controlling demographic factors (Hair et al., 2019). To examine the moderating role of age, an interaction term was introduced in the regression model. Along with this, several diagnostic tests were performed to check the validity of the model. These included tests for normality, multicollinearity using VIF values, and heteroscedasticity (Field, 2013).

Attention was also given to ethical aspects during the research process. Participants were informed about the purpose of the study before responding. Consent was taken in a voluntary manner, and respondents were free to skip any question if they wished. Privacy of information was maintained, and no personal identification was recorded. Data were stored securely and used only for academic purpose, following standard ethical practices in social research (Babbie, 2015).

Results

Looking at the overall pattern (Table 1), financial behaviour among respondents appears to be moderate. The average score for personal financial planning behaviour is 3.60 with a standard deviation of 0.78. This indicates that many youths are somewhat involved in activities like saving and budgeting, but the practice is not strong in all cases. A similar trend can be seen for financial literacy program exposure. The mean value is 3.65 with a standard deviation of 0.75, showing that respondents have some level of participation and understanding, but not very high. These results suggest that knowledge and behaviour both exist at a moderate level.

Table 1
Descriptive Statistics of Key Variables

Variable	Mean	Standard Deviation
Financial Planning Behaviour	3.60	0.78
Financial Literacy Program	3.65	0.75

Attention is then given to the relationship between variables. Correlation analysis (Table 2) shows that financial literacy is positively related to financial planning behaviour. The coefficient value ($r = .482$, $p < .01$) indicates a moderate and statistically significant association. This means that individuals who have more exposure to financial literacy programs tend to show better financial planning. Age also shows a positive link with both financial literacy and planning behaviour. In addition, education level and income display meaningful associations, suggesting that demographic conditions have some influence on financial practices.

Table 2
Correlation Matrix

Variable	Financial Planning	Financial Literacy	Age	Education	Monthly Income
Financial Planning	1				
Financial Literacy	.482**	1			
Age	.414**	.285**	1		
Education	.295**	.331**	.213	1	
Monthly Income	.347**	.308**	.265**	.392**	1

** $p < .001$

Further analysis was conducted using multiple regression to examine the direct effect of financial literacy programs. The results (Table 3) indicate a clear positive influence. Financial literacy program exposure significantly predicts financial planning behaviour ($\beta = .451$, $p < .001$). This suggests that participation in such programs increases the likelihood of engaging in better financial practices.

At the same time, some control variables also seem to be significant. Age, education level, and monthly income have significant effects, which means these factors contribute to financial behaviour. Gender, however, does not show statistical significance, indicating similar patterns across male and female respondents. The model explains 37.3 percent of the variation in financial planning behaviour, which is acceptable in behavioural research.

Table 3*Regression Results (Model 1: Direct Effect)*

Predictor Variables	Beta (β)	t-value	Sig.
Financial Literacy Program	.451	7.77	<.001
Age	.215	3.69	<.001
Education Level	.123	2.23	.026
Monthly Income	.142	2.92	.004
Gender	-.021	-0.53	.597

Note. Adjusted $R^2 = .373$

After examining the direct relationship, the analysis moved to test the moderating role of age. For this purpose, an interaction term between financial literacy and age was included in the model. The results (Table 4) show that this interaction is statistically significant ($\beta = .231$, $p < .001$). This means that the effect of financial literacy on financial planning changes depending on age.

An increase in model strength can also be observed. The adjusted R^2 rises from .373 to .462, indicating better explanation of the dependent variable when moderation is considered. The findings suggest that older youth are more effective in applying financial knowledge in practical situations. Younger individuals, even with similar knowledge, may not show the same level of behavioral response.

Table 4*Regression Results (Model 2: Moderation Effect)*

Predictor Variables	Beta (β)	t-value	Sig.
Financial Literacy Program	.372	5.59	<.001
Age	.197	3.58	<.001
FLP $\times$ Age	.231	4.14	<.001
Education Level	.108	1.98	.049
Monthly Income	.134	2.89	.004
Gender	-.019	-0.49	.625

Note. Adjusted $R^2 = .462$

At the final stage of analysis, additional statistical checks were carried out to confirm the reliability and validity of the measures. Internal consistency of the measurement scales was first examined using Cronbach's alpha. The financial literacy scale, consisting of six items, shows an alpha value of 0.812. Similarly, the personal financial planning scale with seven items reports an alpha value of 0.846. Both values are above the recommended threshold of 0.70, which indicates acceptable reliability (Nunnally, 1978).

This suggests that the items used in the questionnaire are consistent in measuring their respective constructs.

Another important aspect relates to multicollinearity among independent variables. This was tested using tolerance and variance inflation factor (VIF) values. The results show that tolerance values range from 0.592 to 0.922, while VIF values lie between 1.084 and 1.688. These values fall within acceptable limits, indicating that there is no serious multicollinearity problem in the model (Hair et al., 2010). This means that the independent variables are not highly correlated with each other. Attention was also given to the issue of autocorrelation in residuals. The Durbin–Watson statistic is found to be 1.871, which is close to the standard value of 2. This suggests that there is no significant autocorrelation in the residual terms, and the independence assumption is satisfied (Field, 2013).

Further checks were performed to assess heteroskedasticity. The Breusch–Pagan test reports a chi square value of 2.473 with a significance level of 0.116. Since the p value is greater than 0.05, the assumption of homoscedasticity is not violated. This indicates that the variance of residuals remains constant across different levels of predicted values. Normality of residuals was examined using the Shapiro–Wilk test. The test statistic is 0.978 with a significance value of 0.064. As the p value is above the acceptable threshold, the residuals can be considered normally distributed. This supports the suitability of regression analysis in this study. Taken together, these diagnostic results confirm that the data meet the key assumptions required for regression analysis. Therefore, the findings presented in this study is considered statistically reliable and appropriate for further interpretation.

Discussion

Looking at the demographic profile, a large share of respondents fall within the 21–25 age group. This stage is often a transition period where individuals begin to manage their own income and expenses. Such a situation may influence how they approach financial decisions. Even though many respondents have completed bachelor level education, financial planning behaviour does not appear uniform. Some show good practices, while others still struggle. Income level also seems to play a role, as most respondents belong to moderate income groups, which can affect both access to financial tools and the way knowledge is applied in daily life.

When focusing on the main relationship, financial literacy shows a clear positive effect on personal financial planning behaviour. The regression result ($\beta = 0.451$, $p < .001$) indicates that individuals with higher exposure to financial literacy programs are more

likely to engage in activities such as saving, budgeting, and managing debt. This finding is consistent with earlier studies which suggest that financial knowledge supports better financial decisions (Lusardi & Mitchell, 2014). However, the effect is not complete. Some variation still remains unexplained, which means other factors are also influencing behaviour.

In addition to financial literacy, certain demographic variables also contribute to financial planning outcomes. Education level and monthly income show significant positive effects. Individuals with higher education or better income tend to perform better in financial planning. This may be because they have more exposure and practical experience. Gender, on the other hand, does not show any significant influence. This suggests that both male and female youth respond in a similar way to financial literacy programs in the Nepalese context.

A more detailed observation comes from the moderation analysis. Age plays an important role in shaping the relationship between financial literacy and financial behaviour. The interaction effect is statistically significant, which means that the strength of the relationship changes across different age groups. Older youth appear to use financial knowledge more effectively in real situations. Younger individuals, although they may understand financial concepts, do not always apply them in practice. This may be linked with life stage differences, where responsibility and experience gradually increase with age (Lusardi, 2019).

Considering the overall model, the explanatory power is reasonably strong. The regression model explains a large portion of variation in financial planning behaviour, which indicates that the selected variables are meaningful in this context. The inclusion of the interaction term also improves the model, helping to better capture differences among age groups. This strengthens the argument that financial behaviour cannot be explained by a single factor alone.

Taking these findings together, it becomes clear that financial literacy programs do have a positive impact, but the effect is not equal for all groups. Age makes a noticeable difference. Younger participants may need more practical and guided approaches, while older youth can benefit from more advanced financial tools. This suggests that a uniform program design may not be effective. Instead, targeted and age sensitive strategies are needed to improve financial behaviour among Nepalese youth.

Conclusion

The findings of this study suggest that financial literacy has a meaningful role in shaping personal financial planning behaviour among Nepalese youth. The results indicate a

positive relationship, where individuals with higher exposure to financial literacy programs show better engagement in budgeting, saving, and managing expenses. This supports the general idea that financial knowledge contributes to improved financial practices (Lusardi & Mitchell, 2014).

At the same time, the effect of financial literacy is not uniform across all groups. Age appears as an important factor in this relationship. Older youth tend to apply financial knowledge more effectively, while younger individuals often show limited practical use. This difference may be linked with life experience and level of responsibility. In addition, education and income also influence financial planning behaviour, whereas gender does not show any noticeable effect.

Despite increased efforts by government and financial institutions, the overall behavioural outcome remains moderate. Many programs still focus more on awareness rather than actual behaviour change. This study therefore suggests that financial literacy initiatives should not follow a single uniform approach. Instead, they need to consider differences in age, socio economic background, and real-life conditions to become more effective.

From a policy viewpoint, there is a need to design financial literacy programs based on different age groups. Younger individuals may require basic financial habit building, while older youth can benefit from more practical and advanced financial planning skills. Including financial education in school and university curricula may help in creating long term impact. Government programs can also be improved by using evidence-based evaluation methods.

Existing practices of banks and financial institutions also need some change. Awareness programs alone may not be sufficient. More focus should be given to practical learning methods, such as simulation exercises and guided financial planning sessions. Collaboration with educational institutions can also improve outreach and effectiveness. Monitoring long term behavioural changes among participants is equally important.

From an educational and social perspective, interactive tools can play a useful role. Budgeting apps, financial games, and real-life examples may increase engagement and understanding. Confidence building should also be part of financial education. Regular follow up activities, such as mentoring or refresher sessions, can help individuals maintain good financial habits over time.

Further research can explore additional factors that may influence financial behaviour. Variables such as financial self-efficacy or digital access may provide deeper insight. Long term studies are also needed to observe changes in behaviour over time.

Comparing rural and urban youth may also help in understanding regional differences. Overall, a more flexible and context-based approach is required to improve financial planning behaviour in Nepal.

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