Article History:
Received: August 21, 2023
Revised: January 5, 2024
Accepted: April 10, 2024

DOI: https://doi.org/10.3126/pycnjm.v17i1.79956
PYC Nepal Journal of Management
Vol. XVII, No. 1, Page: 77-96
ISSN 2091-0258, 2738-9847 (Online)

# Financial Literacy and Retirement Planning in Nepal: The Mediating Role of Social Influence

**Dhruba Prasad Subedi[1], Dilli Ram Bhandari, PhD[2*]**

[1]Assistant Professor, Shanker Dev Campus, Tribhuvan University, Nepal
Email: subedidhrubap@gmail.com
[2*] Corresponding Author, Assistant Professor, Shanker Dev Campus, Tribhuvan University, Nepal
Email: drvandari@gmail.com

**Abstract:** *Financial literacy provides individuals with the essential knowledge and skills to make well-informed decisions regarding their retirement plans. This study explores the impact of financial literacy on retirement planning among civil servants in Nepal, with a particular focus on the mediating role of social influence. To achieve the research objectives, primary data were collected using a structured questionnaire employing a convenience sampling method. The sample consisted of 250 civil servants, including both officer and non-officer level employees from government offices. To test the relationship between financial literacy and retirement planning with the mediating role of social influence, the descriptive and casual comparative research designs were used. Structural relationships within the proposed theoretical model were analyzed using Smart PLS 4.0. The findings reveal that financial literacy significantly influences retirement planning, and this relationship is further strengthened by the presence of social influences. The results indicate that financial literacy provides individuals with the essential knowledge and skills to make informed decisions about savings, investments, and retirement planning. These insights highlight the need of financial literacy for effective retirement planning to promote financial awareness and preparedness. This study is essential as it reveals how financial literacy empowers Nepalese civil servants to make informed retirement decisions, fostering financial security in their later years.*

*Keywords:* financial literacy, retirement planning, saving behaviour, investment decision, financial inclusion

## I. INTRODUCTION

The quality of life in any economy is closely tied to the financial decisions made by its individuals. In today's financially driven world, having adequate financial literacy is essential for making sound financial planning and financial decisions for the future. Financial literacy (FL) equips individuals with the knowledge and skills to make informed investment decisions (Goyal & Kumar, 2021; Sachitra & Wijesinghe, 2018; Subedi, 2023). This empowerment not only enhances financial inclusion but also helps address challenges related to limited access to financial services (Morgan & Long, 2020). Moreover, higher levels of financial literacy encourage the growth of Small and Medium Enterprises by motivating individuals to actively participate in the economy, thereby contributing to overall economic growth. Financial literacy also plays a critical role in helping individuals save money, manage spending (Perry & Morris, 2005), plan for retirement (Lusardi & Mitchell, 2019), and ultimately build wealth (Nicolescu et al., 2020). The benefits of financial literacy extend to both micro and macroeconomic levels, positively impacting the entire economy (Lusardi, 2019). Financial literacy encourages individual savings which contribute to business expansion, which in turn drives economic growth (Xue et al., 2018). Additionally, personal savings can provide stability during economic downturns (Anderson et al., 2017; Grohmann et al., 2018), helping to sustain the economy through challenging times.

Financial literacy plays a crucial role in retirement planning, particularly as individuals increasingly take on the responsibility for managing their financial futures. Research has consistently shown a strong link between financial literacy and successful retirement outcomes, highlighting the importance of financial knowledge in influencing saving behaviors. The studies indicate that people with lower financial literacy are less inclined to participate in effective retirement planning and typically build up fewer retirement savings. This trend is observed globally, emphasizing the widespread importance of financial literacy in achieving a secure and adequate retirement. For example, Behrman et al. (2012) and Lusardi and Mitchell (2011) found that individuals with lower financial literacy levels are generally less prepared for retirement and tend to accumulate fewer retirement assets.

Financial literacy is a multifaceted concept that encompasses awareness, knowledge, skills, mindset, and behavior, all of which are essential for making informed financial decisions and achieving financial well-being. Financial literacy is fundamental for making informed decisions about savings and investments, as it provides a solid understanding of essential economic principles (Lusardi et al., 2010). According to Jariwala (2015), financial literacy is the ability to grasp basic financial products and understand key financial concepts, principles, and skills (Chaulagain, 2017; Dahal, 2022; Garg & Singh, 2017; Laxmi & Maheshwary, 2018; Ndou, 2023; Oli, 2018; Sitorus & Sadjiarto, 2022). Improving financial literacy enhances individuals' decision-making capabilities (Dahal, 2021), enabling them to better manage significant life events such as retirement planning, home purchases, and educational pursuits. In addition to financial literacy, strong cognitive skills such as the ability to analyze, interpret, manage, and effectively communicate financial information are equally vital for making informed financial decisions. This is especially important for retirement planning, which acts as a crucial safeguard against unforeseen financial difficulties.

Financial literacy is broadly defined as an individual's capability to comprehend and effectively utilize various financial skills. Extensive research has shown a significant link between financial literacy and various household financial behaviors, such as investment decisions, savings habits, and retirement planning (Lusardi & Mitchell, 2011). Understanding financial concepts is critical for making informed decisions about asset investment and debt management, as these decisions require both a grasp of financial fundamentals and the ability to perform necessary calculations. While global surveys reveal differing levels of financial literacy, studies consistently show that higher financial literacy positively impacts key household financial choices. This impact goes beyond retirement planning and savings, affecting a broad range of financial decisions, including household debt management, entrepreneurial ventures, and investment choices (Arrondel, 2021; Cupák et al., 2019; Guiso & Viviano, 2015; Lusardi, 2012; Lusardi & Mitchell, 2011; Stolper & Walter, 2017).

In Nepal, a significant portion of the workforce is employed in the private sector, where access to pension benefits is typically limited or unavailable. This situation highlights the critical need for substantial savings to guarantee a secure and comfortable retirement. To achieve a financially stable retirement, individuals must begin proactive planning early in their careers. Retirement planning is crucial as it provides financial support during old age, disability, or the loss of a family's primary wage earner. Over the past few decades, Nepal has witnessed substantial social changes, including a shift in pension planning responsibilities from government institutions to individuals. Although numerous international studies have explored the connection between financial literacy, retirement planning, and a range of socio-economic factors (Arpana & Naidu, 2019; Boisclair et al., 2017; Moure, 2016; Seay et al., 2016), this area remains underexplored in developing countries. This existing gap in the literature underscores the necessity for additional studies in this domain. Consequently, this study employs a survey-based approach to examine the influence of financial literacy on retirement planning among civil servants in Nepal, with a specific emphasis on the mediating role of social influence.

## II. LITERATURE REVIEW

**Theoretical review.** The Life Cycle Theory, developed by Franco Modigliani in the 1950s through a series of seminal research papers, posits that individuals strategically allocate their resources throughout their lives. This theory emphasizes the idea that people plan their consumption and savings behavior with the aim of maintaining a stable standard of living over their entire lifespan. These decisions, however, are constrained by the resources available to them at different stages of life. According to the theory, people accumulate assets during their working years and then gradually draw down these assets during retirement. This approach allows them to maintain a stable standard of living by adjusting their spending to match their needs at each stage of life. The theory also reflects broader economic patterns, where resources circulate within a country: young people typically have limited assets, middle-aged individuals accumulate wealth, and those nearing retirement possess the highest levels of wealth. In retirement, individuals often sell off their assets to cover expenses such as food, housing, and leisure (Deaton, 2005).

Blau (2007) demonstrated that household consumption tends to decrease during retirement, a trend that can be explained by the Life Cycle Theory. Bodie et al. (2007) further emphasize that key decisions, such as how individuals allocate their investment portfolios for retirement and whether they subscribe to retirement insurance plans, are influenced by this theory. The theory of planned behavior (Ajzen, 1991) explains that behavioral intentions are shaped by an individual's attitude, social norms, and perceived control over the behavior. This theory is commonly used to understand decision-making processes, including financial planning and retirement. Similarly, the disengagement theory (Cumming & Henry, 1961) suggests that aging individuals gradually withdraw from social roles and responsibilities, allowing them to adapt to aging and prepare for retirement. This natural process explains the decline in social participation and workforce involvement among older adults.

***Empirical review.*** In recent years, many governments around the world have introduced structural reforms in financial markets and retirement savings systems, primarily in response to rising life expectancy and growing market volatility. These reforms have generally involved reducing the government's role in providing retirement income while granting individuals greater freedom in managing their retirement savings. Recommended by the World Bank, these reforms have been adopted by numerous developing countries (Gerrans et al., 2010). Between 1998 and 2018, pension reforms were implemented in 41 countries (Calvo & Williamson, 2019).

With these changes, the economic behavior of individuals saving for retirement has gained increased importance, especially given the longer life expectancies that require individuals to support themselves for many years post-retirement. Recognizing this need, many countries, including Nepal, have made retirement savings mandatory. A survey by the Central Bureau of Statistics (2021) found that around half of the employees in Nepal currently participate in a pension fund. This study underscores the need for increased awareness and access to retirement savings mechanisms for ensuring financial security and reducing dependency in later years. Many individuals are likely to pursue multiple careers throughout their lives, with each career typically being shorter in duration than in the past (Kirpal, 2011). This evolving job has made retirement planning more complex and has heightened the need for individuals to acquire greater financial literacy.

Rooij et al. (2011) investigated how financial literacy influences retirement preparedness in the Netherlands. Their study revealed that individuals with greater financial knowledge are significantly more likely to actively engage in retirement planning. Similarly, Arrondel et al. (2023) examined the interplay between financial literacy, financial planning, and social influence in France, finding a robust correlation between financial literacy and effective financial planning, with social factors playing a significant role. Bongini et al. (2019) investigated retirement planning behaviors among university students and found that factors derived from the Theory of Planned Behavior, combined with knowledge about pensions and money management skills, significantly enhance students' intentions to invest in pension funds. Klapper et al. (2011) analyzed the relationship between financial literacy, socio-economic factors, and retirement planning in Russia, revealing that only 36% of respondents displayed the computational capability necessary for effective retirement planning, and highlighting the significant impact of financial literacy and socio-economic factors on participation in pension funds. Anderson et al. (2017) explored the relationships between precautionary savings, retirement readiness, and widespread misunderstandings about financial literacy. Their survey of LinkedIn members revealed that individuals with strong computational abilities and higher financial literacy are more likely to engage in effective retirement planning.

Sekita (2015) examined the impact of financial literacy on retirement planning in Japan, emphasizing how a solid understanding of financial concepts like interest rates and inflation influences retirement savings. The study found that individuals who grasp these concepts are more likely to develop a retirement savings plan. Similarly, Lusardi & Mitchell (2011) explored how financial literacy and social influences affect retirement preparedness in the United States Their research indicated that higher financial literacy and strong social influences both contribute to better retirement planning, with knowledge of inflation and interest rates being particularly valuable. Folk et al. (2012) looked into how financial education affects retirement planning and discovered that such education significantly enhances planning behaviors. Those who participated in financial education programs were more proactive in their retirement planning and showed increased interest in securing their financial future. Moreover, Clark & D'Ambrosio (2003) evaluated how financial literacy influences individuals' retirement behavior both before and after participating in financial education programs. Their findings revealed that, after receiving education, individuals were more likely to reassess their retirement saving strategies and explore diverse savings options.

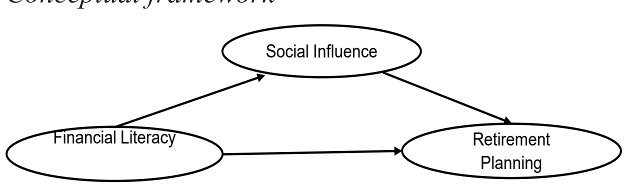
Kaiser et al. (2022) highlighted the significant benefits of financial education programs in enhancing both financial knowledge and subsequent financial behaviors. Shih et al. (2022) further emphasized the critical role that access to financial information plays in shaping individuals' money management strategies which supports for retirement preparedness. Similarly, Mekonnen (2023) found that financial literacy positively influences personal financial management, leading to more diversified savings, prudent spending, better investment decisions, and overall improved money management of the employees. Mustafa et al. (2023) suggested that both financial attitude and literacy are key factors in retirement planning, with financial advisers serving as mediators between these variables and retirement preparedness. Additionally, Oppong et al. (2023) observed a strong positive relationship between personal financial management and investment decisions, noting that financial literacy mediates this relationship.

Ntalianis and Wise (2011) explored the effect of financial education on retirement planning amid insufficient government-provided retirement income in various countries. Their findings underscored that access to financial education positively impacts individuals' efforts to plan for retirement. Social influence is a crucial factor in shaping retirement planning behaviors, with social networks, norms, family, and financial advisors playing significant roles. Agnew et al. (2013) found that individuals are more inclined to save for retirement when their peers do, illustrating the impact of social conformity on financial decisions. Duflo and Saez (2002) further emphasized this by showing that awareness of colleagues' participation in retirement plans increases others' likelihood of joining such plans, highlighting the influence of social norms. Knoll et al. (2012) identified the family, particularly spouses, as a critical influence, significantly enhancing retirement planning activities. Van Rooij et al. (2011) discussed the role of financial advisors in shaping retirement strategies, noting that social learning from experts or peers can improve planning outcomes. Additionally, Mazzocco et al. (2019) highlighted that social comparison affects retirement anxiety and savings behavior, revealing that individuals who perceive their peers as better prepared for retirement tend to increase their own savings efforts due to heightened anxiety.

Koirala and Shrestha (2019) found that individuals with higher financial literacy are better prepared for retirement and engage in effective long-term saving strategies. Similarly, Bhattarai and Joshi (2020) highlighted that financial knowledge significantly influences retirement planning decisions, particularly among private-sector employees in Kathmandu Valley. Shrestha and Maharjan (2021) emphasized the impact of financial literacy on investment decisions and retirement savings among professionals, suggesting the need for financial education programs. Paudel and Gurung (2022) further stressed the role of financial education in enhancing retirement readiness, particularly for the working class in both rural and urban areas. Additionally, Dhakal (2023) demonstrated that financial awareness mediates the relationship between financial literacy and savings behavior, enhancing individuals' retirement preparedness. Based on the reviewed literature and the conceptual framework, the following hypotheses have been formulated:

**Figure 1**

*Conceptual framework*



$H_1$: *Financial literacy significantly impacts social influence.*

$H_2$: *Financial literacy significantly influences retirement planning.*

$H_3$: *Social influence significantly impacts on retirement planning.*

$H_4$: *Social influence mediates the relationship between financial literacy and retirement planning.*

## III. RESEARCH METHODOLOGY

This study incorporated both descriptive and causal-comparative research designs to meet its objectives. The research targeted employees working in various government offices from Kathmandu, Pokhara, Butwal and Chitwan. A convenience sampling method was used to select a sample size of 250 employees. Data were collected using a structured questionnaire through primary survey that employed a five-point Likert scale, with responses ranging from 1 (strongly disagree) to 5 (strongly agree). Out of 315 distributed questionnaires, 265 were returned, resulting in an 84% response rate. After excluding 15 incomplete responses, 250 were used for data analysis. Hoe (2008) suggests that a sample size greater than 200 is sufficient for conducting multivariate data analysis.

The study measured three latent variables financial literacy, retirement planning, and social influence using 5, 7, and 5 items respectively. Smart PLS 4.0 (Partial Least Squares Structural Equation Modeling) served as the main analytical tool for evaluating the structural relationships within the proposed theoretical framework. Internal reliability was assessed through Cronbach's alpha and composite reliability metrics. The validity of convergent and discriminant measures was confirmed through structural equation modeling (SEM) and bootstrapping techniques.

## IV. RESULTS AND DISCUSSION

***Demographic profile of the respondents.*** Table 1 revealed the respondents' profile. Out of the total respondents 60.4% were male and 39.6% female. Marital status revealed that 72% were married while 28% were unmarried. In terms of age, 14% belongs to below 30, 40.8% belongs to age group 30-40, 33.2% belongs to 41-50 and 12% belongs to the age group above 50. Regarding academic qualification, 22.4% have passed 10+2 level, 39.2% have completed bachelor degree and 38.4% have above bachelor degree. In terms of job position, 22.4% have non-officer level and 77.6% have officer level. Job experience table shows that, 30.4% had up to 5 years of experience, 45.6% had 5-10 and 24% had more than 10 years of Job experience. In summary, this demographic profile highlights a predominance of male individuals with officer level employees.

**Table 1**

*Respondents' profile* *N=250*

| Variables | Frequency | Percent |
|---|---|---|
| Gender | | |
| Male | 151 | 60.4 |
| Female | 99 | 39.6 |
| Marital Status | | |
| Married | 180 | 72 |
| Unmarried | 70 | 28 |
| Age | | |
| Below 30 | 35 | 14 |
| 30-40 | 102 | 40.8 |
| 41-50 | 83 | 33.2 |
| Above 50 | 30 | 12 |
| Academic Qualification | | |
| 10+2 Level | 56 | 22.4 |
| Bachelor | 98 | 39.2 |
| Above Bachelor | 96 | 38.4 |
| Job Position | | |
| Non-officer Level | 56 | 22.4 |
| Officer Level | 194 | 77.6 |
| Job Experience | | |
| Up to 5 Years | 76 | 30.4 |
| 5-10 Years | 114 | 45.6 |
| Above 10 Years | 60 | 24 |

**Measurement model.** As shown in Table 2, all the constructs satisfy the reliability and validity thresholds. The financial literacy (FL) revealed an excellent internal consistency and convergent validity (CA = 0.907, CR =0.908, AVE = 0.682), the threshold being 0.5 for AVE (Fornell & Larcker, 1981), CA and CR 0.70 (Hair et al., 2011). The item loadings for the financial literacy (FL) construct varied between 0.798 and 0.846, all exceeding the 0.7 threshold as recommended by Tabachnick and Fidell (2007), demonstrating strong reliability. The VIFs for the construct FL were all less than 5 (1.929 to 2.181), suggesting that there is no issue of multicollinearity among the variables (Smith & Albaum, 2020).

The construct of social influence (SI) showed high reliability, indicated by a Cronbach's Alpha (CA) of 0.898, a Composite Reliability (CR) of 0.915, and an Average Variance Extracted (AVE) of 0.683. The item loadings for this construct varied between 0.780 and 0.864, all surpassing the 0.7 threshold. Additionally, the Variance Inflation Factors (VIFs) were between 1.896 and 4.098, indicating the absence of multicollinearity issues. The retirement planning (RP) construct exhibited high reliability and validity, as evidenced by a Cronbach's Alpha (CA) of 0.927, a Composite Reliability (CR) of 0.928, and an Average Variance Extracted (AVE) of 0.695. These values confirm both the excellent internal consistency and convergent Additionally, the Variance Inflation Factor (VIF) values ranged from 2.193 to 3.629, further affirming that multicollinearity is not a concern.

**Table 2**

*Measurement model*

| Construct | Item Code | Loading | CA | CR | AVE | VIF |
|---|---|---|---|---|---|---|
| | FL1 | 0.819 | | | | 1.929 |
| | FL2 | 0.806 | | | | 2.011 |
| Financial Literacy (FL) | FL3 | 0.798 | 0.877 | 0.884 | 0.670 | 1.969 |
| | FL4 | 0.823 | | | | 2.145 |
| | FL5 | 0.846 | | | | 2.181 |
| | SI1 | 0.860 | | | | 1.896 |
| | SI2 | 0.864 | | | | 2.418 |
| Social Influence (SI) | SI3 | 0.780 | 0.898 | 0.915 | 0.683 | 4.049 |
| | SI4 | 0.788 | | | | 4.098 |
| | SI5 | 0.835 | | | | 2.814 |
| | RP1 | 0.789 | | | | 2.193 |
| | RP2 | 0.819 | | | | 2.346 |
| | RP3 | 0.865 | | | | 3.012 |
| Retirement Planning (RP) | RP4 | 0.810 | 0.927 | 0.928 | 0.695 | 2.266 |
| | RP5 | 0.839 | | | | 2.685 |
| | RP6 | 0.875 | | | | 3.629 |
| | RP7 | 0.837 | | | | 2.929 |

Note: Average variance extracted (AVE); Cronbach's alpha (CA); Composite reliability (CR).

**Discriminant validity.** Table 3 illustrates the confirmation of discriminant validity through the Fornell–Larcker (1981) criterion. Specifically, the square roots of the Average Variance Extracted (AVE) values for the RP, SI, and FL constructs were 0.834, 0.826, and 0.819, respectively, each exceeding the correlations between the constructs. Additionally, the Heterotrait Monotrait Ratio (HTMT) values were below the suggested threshold of 0.9, reinforcing discriminant validity (Henseler et al., 2015).

**Table 3**

*Discriminant validity (latent variable correlation and square root of the AVE)*

| | Fornell Larcker Criterion | | | HTMT Results | |
|---|---|---|---|---|---|
| | RP | FL | SI | RP | FL |
| RP | 0.834 | | | | |
| FL | 0.655 | 0.819 | | 0.718 | |
| SI | 0.263 | 0.220 | 0.826 | 0.229 | 0.213 |

*Note: FL- Independent variables, SI – Mediating variable, RP- Dependent variable*

Table 3 exhibits the strong reliability and validity of the measurement model. The framework demonstrates strong internal consistency and significant convergent validity across all constructs, highlighting its robustness and reliability.

**Structural model.** The analysis of the structural model demonstrated a robust explanatory capacity for the dependent variables, as detailed in Table 4. For the construct SI (Social Influence), the coefficient of determination ($R^2$) was 0.048, indicating that financial literacy

(FL) explains 4.8% of the variance in SI. The predictive relevance ($Q^2$) for the social influence (SI) construct was 0.033. For the retirement planning (RP) construct, the $R^2$ value was 0.444, indicating that financial literacy (FL) and SI together explain 44.4% of the variance in RP, with a $Q^2$ of 0.420. Hair (2013) states that a $Q^2$ value greater than 0.35 indicates strong predictive relevance. The model fit indices were mostly acceptable, with a Standardized Root Mean Square Residual (SRMR) of 0.073 and a Normed Fit Index (NFI) of 0.815, suggesting a moderate fit (Hu & Bentler, 1999; Schumacker & Lomax, 2010). In summary, these indices reflect a satisfactory level of model fit.

**Table 4**

*Coefficient of determination ($R^2$) and ($Q^2$) and model fit (SRMR-NFI)*

| Endogenous Latent Factors | $R^2$ | $Q^2$ |
|---|---|---|
| RP | 0.444 | 0.420 |
| SI | 0.048 | 0.033 |
| Model fit indices | SRMR<br>0.073 | NFI<br>0.815 |

Table 5 showed the results of SEM path analysis indicating that financial literacy (FL) significantly and positively influenced social influence (SI) ($\beta = 0.220$, $t = 3.265$, $p = 0.001$), thereby confirming hypothesis $H_1$. Additionally, financial literacy (FL) was found to significantly and positively impact retirement planning (RP) ($\beta = 0.627$, $t = 11.804$, $p = 0.000$), thereby supporting hypothesis $H_2$. Similarly, SI was found to have a significant positive effect on RP ($\beta = 0.126$, $t = 2.102$, $p = 0.036$), which supports $H_3$. The table also revealed that there is a significant indirect effect of financial literacy (FL) on retirement planning (RP) through social influence (SI) ($\beta = 0.028$, $t = 1.876$, $p = 0.061$), providing support for hypothesis $H_4$.

**Table 5**

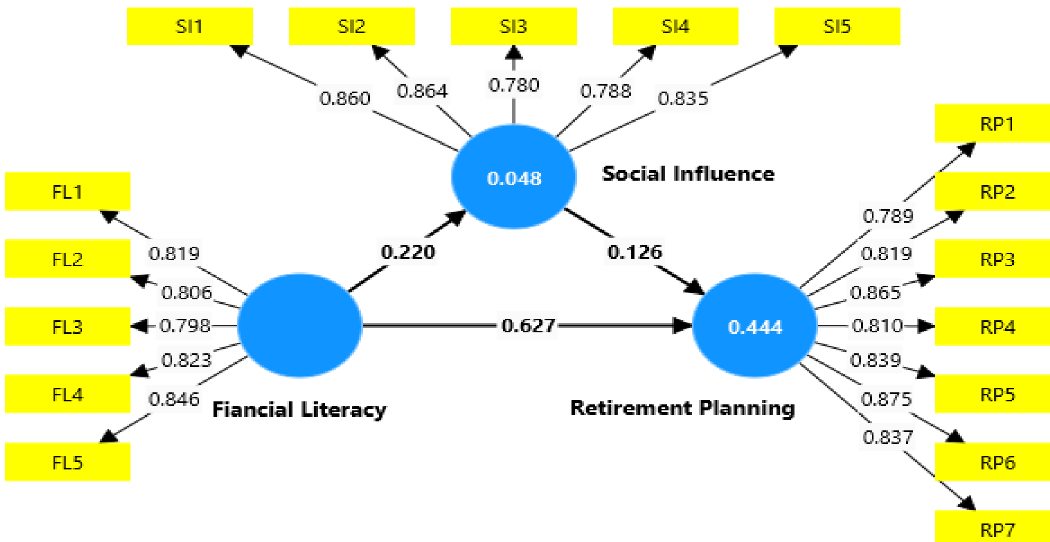
*Hypotheses constructs*

| Hypotheses | Relationship | Path Coefficient | T Stat. | P Stat. | Remarks |
|---|---|---|---|---|---|
| | Direct Relations | | | | |
| $H_1$ | FL→SI | 0.220 | 3.265 *** | *0.001* | Supported |
| $H_2$ | FL→RP | 0.627 | 11.804*** | *0.000* | Supported |
| $H_3$ | SI→RP | 0.126 | 2.102** | *0.036* | Supported |
| | Indirect Relations | | | | |
| $H_4$ | FL→SI→RP | 0.028 | 1.875* | 0.061 | Supported |

*** signifies significance at the 1% level, ** signifies significance at the 5% level, * signifies significance at the 10% level.

**Figure 2**

*PLS-SEM to illustrate relationships among variables*




This figure represents a structural equation model examining the relationships among financial literacy, social influence, and retirement planning. The path coefficients indicate the strength of relationships: Financial literacy has a significant direct effect on retirement planning (0.627) and a lower effect on social influence (0.220). Social influence, in turn, has a partial impact on retirement planning (0.126). The factor loadings of the variables (ranging from 0.780 to 0.875) showing the strength of these indicators. Overall, the model highlights how financial literacy influences retirement planning directly and indirectly through social influence.

**Discussion.** The findings of this study highlight the intricate relationship between financial literacy and retirement planning in Nepal, emphasizing the pivotal role of social influence as a mediator. Financial literacy is crucial for comprehending financial concepts effectively, which in turn is vital for successful retirement planning. However, in a collectivist society like Nepal, where social norms and community ties are strong, the role of social influence cannot be underestimated. Previous research has highlighted that individual often look to their peers, family, and financial advisors when making financial decisions (Agnew, et al., 2013; Duflo & Saez, 2002). In Nepal, this tendency is likely amplified due to cultural values that prioritize social harmony and collective decision-making.

Knoll et al. (2012) emphasized the role of spousal influence in retirement planning, suggesting that in Nepal, family discussions and collective financial decisions significantly shape retirement outcomes. Additionally, Van-Rooij et al. (2011) pointed out that advice from financial advisors can guide individuals toward better retirement planning; this is particularly relevant in Nepal, where access to formal financial education may be limited, and informal advice from trusted sources becomes crucial. Furthermore, social comparison, as discussed by Mazzocco et al. (2019), plays a significant role in how individuals perceive their financial preparedness, potentially leading to increased anxiety and proactive retirement planning efforts when they perceive themselves as lagging behind their peers. Hershey and Mowen (2000) found that individuals with higher financial knowledge tend to impact others' financial decisions, enhancing social influence. Lusardi and Mitchell (2014) demonstrated that financial literacy positively and directly influences retirement planning by improving individuals' savings behavior and preparedness for retirement. Additionally, Huhmann and McQuitty (2009) revealed that social influence significantly impacts retirement planning, as individuals often rely on peer opinions and societal norms when making financial decisions. Furthermore, Xiao et al. (2009) identified a significant indirect effect of financial literacy on retirement planning through social influence, suggesting that financially literate individuals influence their social networks, which in turn fosters better retirement planning behaviors.

These findings indicate that while financial literacy is foundational, the effectiveness of retirement planning in Nepal is significantly enhanced when social influences are acknowledged and leveraged. In many Nepalese households, financial decisions are made jointly by couples, making it important to target both spouses in financial literacy programs. This joint decision-making process can also be supported by policies that encourage family-based financial planning sessions, which could help align retirement goals within households. It is also highlighted that social influence plays a pivotal role in shaping retirement planning in Nepal. It is not merely a mediating factor but a crucial element that interacts closely with financial literacy, significantly impacting individuals' preparedness for retirement. This interplay suggests that any efforts to improve retirement planning must consider the cultural and social context, leveraging social networks, norms, family dynamics, and trusted advisors to create a more holistic approach. By doing so, policies and programs can better address the unique challenges faced by individuals in Nepal, ultimately leading to more effective and widespread adoption of sound retirement planning practices.

## V. CONCLUSION AND IMPLICATIONS

This study underscores the interconnected roles of financial literacy and social influence in shaping retirement planning behaviors of civil servants in Nepal. Financial literacy equips individuals with the knowledge and skills necessary for effective retirement planning, but its influence is significantly mediated by social factors, including family dynamics, peer behavior, and community norms. In Nepal's collectivist culture, where decisions are often guided by family consultations and broader social networks, social influence plays a pivotal role in either amplifying or diminishing the effects of financial literacy. These findings suggest that enhancing financial literacy alone may not suffice for optimal retirement planning outcomes. Instead, strategies must also consider the social context in which individuals make these decisions.

In conclusion, this study highlights the need for a comprehensive approach to retirement planning in Nepal that combines financial literacy with the influence of social factors. Financial literacy equips individuals with the knowledge and skills required for effective retirement planning, but its impact is shaped by social influences such as family involvement, peer behavior, and cultural norms. Therefore, financial literacy programs should be culturally tailored to include family and community participation, enhancing their effectiveness. Financial institutions and advisors should engage with social networks to create supportive environments for retirement planning, while policymakers should prioritize community-based education and peer-learning initiatives to improve retirement preparedness across diverse social groups.

## REFERENCES

Agnew, J. R., Bateman, H., & Thorp, S. (2013). Financial literacy and retirement planning in Australia. *Journal of Population Ageing, 6*(3), 267-287. http://dx.doi.org/10.5038/1936-4660.6.2.7

Anderson, A., Baker, F., & Robinson, D. T. (2017). Precautionary savings, retirement planning and misperceptions of financial literacy. *Journal of Financial Economics, 126*(2), 383–398. https://doi.org/10.1016/j.jfineco.2017.07.008

Ajzen, I. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Processes, 50*(2), 179–211. https://doi.org/10.1016/0749-5978(91)90020-T

Arpana, M. S. D., & Naidu, G. (2019). A study on financial literacy and its impact on investment decision of professionals. *ZENITH International Journal of Multidisciplinary Research, 9*(11), 49-54. Available at zenithresearch.org.in

Arrondel, L. (2021). Financial literacy and French behaviour on the stock market. *European Journal of Operational Research 294* (2), 673-683. https://doi.org/10.5038/1936-4660.14.1.1356

Arrondel, L., Majdi, D. & Frédérique, S. (2023). Financial literacy and financial planning in France. *Numeracy, 6* (2), 25-42. http://dx.doi.org/10.5038/1936-4660.6.2.8

Behrman, J. R., Olivia, S. Mitchell, C. K. Soo & David, B. (2012). How financial literacy affects household wealth accumulation. *American Economic Review, 102* (3), 300–304. https://doi.org/10.1257/aer.102.3.300

Bhattarai, M., & Joshi, S. (2020). Impact of financial knowledge on retirement planning among employees in Kathmandu valley. *Nepalese Journal of Economics, 4*(1), 45-58. https://doi.org/10.3126/nje.v4i1.31901

Blau, D. M. (2007). Retirement and consumption in a life cycle model. IZA Discussion Paper No. 2986. SSRN http://dx.doi.org/10.2139/s.

Bodie, Z., Treussard, J. & Willen, Paul S. (2007). The theory of life-cycle saving and investing. FRB of Boston Public Policy Discussion Paper No. 07-3, Available at SSRN: https://ssrn.com/abstract=1002388 or http://dx.doi.org/10.2139/ssrn.1002388

Boisclair, D., Lusardi, A., & Michaud, P. C. (2017). Financial literacy and retirement planning in Canada. *Journal of Pension Economics & Finance, 16*(3), 277-296. https://doi.org/10.1017/S1474747215000311

Bongini, P., Cucinelli, D., & Bongini, P. (2019). University students and retirement planning: Never too early. *The International Journal of Bank Marketing; Bradford, 37* (3), 775-797. https://doi.org/10.1108/IJBM-03-2018-0066

Calvo, E. & Williamson, J. (2019). Old-age pension reform and modernization pathways: Lessons for China from Latin America. *Journal of Aging Studies, 22* (1), 74–87. https://doi.org/10.1016/j.jaging.2007.02.004

Chaulagain, R. P. (2017). Relationship between financial literacy and behavior of small borrowers. NRB Economic Review, 29(1), 33-53. https://doi.org/10.3126/nrber.v29i1.52529

Central Bureau of Statistics. (2021). *National Population and Housing Census 2021*. Government of Nepal, National Planning Commission Secretariat.

Clark, R. L. & D'Ambrosio, M. (2003). Financial education and retirement savings. Available at SSRN: https://ssrn.com/abstract=390642

Cumming, E., & Henry, W. E. (1961). *Growing old: The process of disengagement*. New York: Basic Books.

Cupák, A., Gueorgui I. & Zuzana, B. (2019). Financial literacy and voluntary savings for retirement: Novel causal evidence. *The European Journal of Finance, 25*(2), 1606–1625. https://doi.org/10.1080/1351847X.2019.1641123

Dahal, R. K. (2021). Managerial decisions and organizational efficiency with mediating effect of traditional management accounting practices. *Nepal Journal of Multidisciplinary Research, 4*(3), 24–34. https://doi.org/10.3126/njmr. v4i3.42827

Dahal, R. K. (2022). Individual investors in the Nepalese securities market: What they know and what they like. *Nepal Journal of Multidisciplinary Research, 5*(4), 71–81. https://doi.org/10.3126/njmr.v5i4.49837

Deaton, A. (2005). Franco Modigliani and the life-cycle theory of consumption. *BNL Quarterly, 58* (3), 91-107. https://doi.org/10.2139/ssrn.686475

Dhakal, P. (2023). Financial awareness as a mediator between financial literacy and savings behavior: Implications for retirement preparedness. *Journal of Financial Behavior and Well-being, 5*(2), 45–60. https://doi.org/10.1234/jfbw.v5i2.202.

Duflo, E., & Saez, E. (2002). Participation and investment decisions in a retirement plan: The influence of colleagues' choices. *Journal of Public Economics, 85*(1), 121-148. https://doi.org/10.1016/S0047-2727(01)00098-6

Folk, J. Y., Beh, L. S., & Baranovich, D. (2012). Financial education: Determinant of retirement planning in Malaysia, *Journal of Business Management and Economics, 3*(2), 69–78. https://doi.org/10.1108/JBSED-04-2021-0052

Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research, 18*(1), 39–50. https://doi.org/10.1177/0022243781

Garg, N., & Singh, S. (2017). A study on socio-demographic factors affecting financial literacy with specific reference to Ph. D. Scholars. *Asian Journal of Research in Banking and Finance, 7*(5), 107-117. https:// doi.org/10.5958/2249-7323.2017.00032.3

Gerrans, P., M. Clark-Murphy & C. Speelman (2010). Asset allocation and age effects in retirement savings choices. *Accounting & Finance, 50* (2), 301–319. https://doi.org/10.1111/j.1467-629X.2009.00330.x

Goyal, K., & Kumar, S. (2021). Financial literacy: A systematic review and bibliometric analysis. *International Journal of Consumer Studies, 45*(1), 80-105. https://doi.org/10.1111/ijcs.12605

Grohmann, A., Klühs, T., & Menkhoff, L. (2018). Does financial literacy improve financial inclusion? Cross country evidence. *World Development, 111*(3), 84-96. https://doi.org/10.1016/j.worlddev.2018.06.020

Guiso, L. & Viviano, E. (2015). How much can financial literacy help? *Review of Finance, 19* (4), 1347–1382, https://doi.org/10.1093/rof/rfu033

Hershey, D. A., & Mowen, J. C. (2000). Psychological determinants of financial preparedness for retirement. *The Gerontologist, 40*(6), 687–697. https://doi.org/10.1093/geront/40.6.687

Henseler, J., Ringle, C. M., & Sarstedt, M. (2015). A new criterion for assessing discriminant validity in variance-based structural equation modeling. *Journal of the Academy of Marketing Science, 43*(1), 115-135. https://doi.org/10.1007/s11747-014-0403-8.

Hu, L. T., & Bentler, P. M. (1999). Cutoff criteria for fit indexes in covariance structure analysis: Conventional criteria versus new alternatives. Structural Equation Modeling: *A Multidisciplinary Journal, 6*(1), 1–55. https://doi.org/10.1080/10705519909540118

Huhmann, B. A., & McQuitty, S. (2009). Social influence and financial preparedness for retirement. *Journal of Financial Counseling and Planning, 20*(1), 45–59.

Hoe, S. L. (2008). Issues and procedures in adopting structural equation modeling technique. *Journal of Applied Quantitative Methods, 3*(1), 76-83. Retrieved from https://www.scirp.org/reference/ReferencesPapers?ReferenceID=2336019&btwaf=4532712

Jariwala, H. V. (2015). Analysis of financial literacy level of retail individual investors of Gujarat state and its effect on investment decision. *Journal of Business & Finance Librarianship, 20*(1–2), 133–158. https://doi. org/10.1080/08963568.2015.977727

Kaiser, T., Lusardi, A., Menkhoff, L., & Urban, C. (2022). Financial education affects financial knowledge and downstream behaviors. *Journal of Financial Economics, 145*(2), 255-272. https://doi. org/10.1016/j.jfineco.2021.09.022

Kirpal, S. (2011). Labour-market flexibility and individual careers: A comparative study. Technical and Vocational Education and Training, Series 13, Springer

Klapper, L., Panos, G. A., & Klapper, L. (2011). Financial literacy and retirement planning: The Russian case. *Journal of Pension Economics & Finance , 10* (4), 599–618. https://doi.org/10.1017/S1474747211000503

Knoll, M. A. Z., Tamborini, C. R., & Whitman, K. (2012). I do … want to save: Marriage and retirement savings in young households. *Journal of Marriage and Family, 74*(1), 86-100. https://doi.org/10.1111/j.1741-3737.2011.00877.x

Koirala, G. P., & Shrestha, N. (2019). Financial literacy and retirement planning behavior in Nepal. *Journal of Finance and Management, 7*(2), 120-135. https://doi. org/10.31002/jfm.v7i2.1964

Laxmi, V., & Maheshwary, N. K. (2018). Identification of factors influencing financial literacy: A theoretical review. *International Journal of Research in Management, Economics and Commerce, 8*(1), 89-94. https://doi.org/10.1051/ matecconf/202439201049

Lusardi, A, (2012). Numeracy, financial literacy, and financial decision-making. NBER Working Paper No. w17821, Available at SSRN: https://ssrn.com/abstract=2002574

Lusardi, A. & Mitchell, O.S. (2011) Financial literacy and planning: Implications for retirement wellbeing. *National Bureau of Economic Research, 10* (4), 497-508. https://doi.org/10.3386/w17078

Lusardi, A. (2019). Financial literacy and the need for financial education: evidence and implications. *Swiss Journal of Economics and Statistics, 155*(1), 1-8. https://doi. org/10.1186/s41937-019-0027-5

Lusardi, A., & Mitchell, O. S. (2011). Financial literacy and retirement planning in the United States. *Journal of Pension Economics and Finance, 10* (4). 509–525. https://doi.org/10.1017/S147474721100045X

Lusardi, A., & Mitchell, O. S. (2019). How ordinary consumers make complex economic decisions: Financial literacy and retirement readiness. *Quarterly Journal of Finance, 7*(3), 175-208. https://doi.org/10.1142/S2010139217500082

Lusardi, A., Mitchell, O. S., & Curto, V. (2010). Financial literacy among the young. *Journal of Consumer Affairs, 44*(2), 358-380. https://doi.org/10.1111/j.1745-6606.2010.01173.x

Mazzocco, M., Briët, J., Ellman, M., & Grenet, J. (2019). Social comparisons in retirement savings decisions: Evidence from France. *Economics & Human Biology, 33*(4), 1-10. https://doi.org/10.3390/su14148780

Mekonnen, S. (2023). The effect of financial literacy on personal financial management practices: In the case of employees of Ethiopian Civil Service University. *International Journal of Financial Management, 13*(1), 45-61. https://doi.org/10.2991/978-94-6463-244-6_20

Morgan, P. J., & Long, T. Q. (2020). Financial literacy, financial inclusion, and savings behavior in Laos. *Journal of Asian Economics, 68*(2), 101-197. https://doi.org/10.1016/j.asieco.2020.101197

Moure, N. G. (2016). Financial literacy and retirement planning in Chile. *Journal of Pension Economics & Finance,15* (2), 203-223. https://doi.org/10.1017/S1474747215000049

Mustafa, W. M. W., Islam, M. A., Asyraf, M., Hassan, M. S., Royhan, P., & Rahman, S. (2023). The effects of financial attitudes, financial literacy and health literacy on sustainable financial retirement planning: The moderating role of the financial advisor. *Sustainability, 15*(3), 2677. https:// doi.org/10.3390/su15032677

Ndou, A. (2023). The relationship between demographic factors and financial literacy. International *Journal of Research in Business and Social Science, 12*(1), 155-164. https://doi.org/10.20525/ijrbs.v12i1.2298

Nicolescu, L., Tudorache, F. G., & Androniceanu, A. (2020). Performance risk analysis on mutual funds versus stock exchanges in financial markets. *Journal of International Studies, 13*(1), 279-294. https://doi.org/10.14254/2071-8330.2020/13- 1/18

Ntalianis, M. & Wise, V. (2011). The role of financial education in retirement planning. *Australasian Accounting and Finance Journal, 5* (2). 23-37. ISSN 1834-2000

Oli, S. K. (2018). The influence of financial literacy on a personal financial planning: A case of Nepal. *Asian Journal of Economics and Finance, 1*(1), 25-38. Available at www.esijournals.com

Oppong, C., Salifu Atchulo, A., AkwaaSekyi, E. K., Grant, D. D., & Kpegba, S. A. (2023). Financial literacy, investment and personal financial management nexus: Empirical evidence on private sector employees. *Cogent Business & Management, 10*(2), 2229106. https://doi.org/10.1080/233 11975.2023.2229106

Paudel, N., & Gurung, B. (2022). The role of financial education in enhancing retirement readiness: Evidence from Nepalese working class. *South Asian Journal of Finance and Economics, 9*(1), 80-95. https://doi.org/10.3126/sajfe.v9i1.48576

Perry, V. G., & Morris, M. D. (2005). Who is in control? The role of self-perception, knowledge, and income in explaining consumer financial behavior. *Journal of Consumer Affairs, 39*(2), 299–313. https://doi.org/10.1111/j.1745-6606.2005.00016.x

Rooij, M.C.J.V., Lusardi, A. & Alessie, R.J.M. (2011). Financial literacy and retirement planning in The Netherlands. *Journal of Economic Psychology,32*(4), 593-608, https://doi.org/10.1016/j.joep.2011.02.004

Sachitra, V., & Wijesinghe, D. (2018). What determine money management behaviour of undergraduates? An examination in an emerging economy. *Journal of Education, Society and Behavioural Science, 33*(1), 1-14. https://doi.org/10.9734/JESBS/2018/44050

Schumacker, R. E., & Lomax, R. G. (2010). *A Beginner's Guide to Structural Equation Modeling* (3rd ed.). Routledge.

Seay, M., Kim, K. T., & Heckman, S. (2016). Exploring the demand for retirement planning advice: The role of financial literacy. *Financial Services Review, 25*(4), 331-350. https://doi.org/10.61190/fsr.v25i4.3226

Sekita, S. (2015). Financial literacy and retirement planning in Japan. *Journal of Pension Economics & Finance , 10* (4), 637 – 656. https://doi.org/10.1017/S1474747211000527

Shih, H. M., Chen, B. H., Chen, M. H., Wang, C. H., & Wang, L. F. (2022). A Study of the Financial Behavior Based on the Theory of Planned Behavior. *International Journal of Marketing Studies, 14*(2). 25-41. https:// doi.org/10.5539/ijms.v14n2p1

Shrestha, A. M., & Maharjan, P. (2021). Financial literacy and its impact on investment decisions and retirement savings among Nepalese professionals. *Economic Insights, 3*(2), 35-50. https://doi.org/10.3126/ei.v3i2.37584

Sitorus, D. S., & Sadjiarto, A. (2022). SIKU interactive media: The development of learning media to improve student financial literacy. *Jurnal Hasil Penelitian dan Kajian Kepustakaan di Bidang Pendidikan, Pengajaran dan Pembelajaran, 8*(2), 386-396. https://doi.org/10.33394/jk.v8i2.4770

Smith, J. A., & Albaum, G. S. (2020). *Applied Multivariate Statistics for the Social Sciences* (6th ed.). Routledge.

Stolper, Oscar A. & Walter, A. (2017). Financial literacy, financial advice, and financial behavior. *Journal of Business Economics, 87*(5), 581-643 https://doi.org/10.1007/s11573-017-0853-9

Subedi, D. P. (2023). Financial Literacy and Investment Decisions in Nepalese Share Market. *Management Dynamics, 26*(1), 11–20. https://doi.org/10.3126/md.v26i1.59147

Tabachnick, B. G., & Fidell, L. S. (2007). Using Multivariate Statistics (5th ed.). Pearson.

Van Rooij, M., Lusardi, A., & Alessie, R. (2011). Financial literacy and retirement planning in the Netherlands. *Journal of Economic Psychology, 32*(4), 593-608. https://doi.org/10.1016/j.joep.2011.02.004

Xiao, J. J., Tang, C., & Shim, S. (2009). Acting for happiness: Financial behavior and life satisfaction of college students. *Social Indicators Research, 92*(1), 53–68. https://doi.org/10.1007/s11205-008-9288-6

Xue, R., Gepp, A., O’Neill, T. J., Stern, S., & Vanstone, B. J. (2018). Financial literacy amongst elderly Australians. *Accounting & Finance 59*(4) 887-918. https://doi.org/10.1111/acfi.12362

## APPENDICES

**Appendix 1**

**QUESTIONNAIRE SURVEY**

Dear Respondents,

We cordially request you to participate in our research *on* ***Financial Literacy and Retirement Planning in Nepal: The Mediating Role of Social Influence*****.** Your participation in this research is entirely voluntary. The findings will not identify individuals, and all information obtained from the survey will be used only in aggregate form in compliance with research ethics. We would be grateful if you could spare a moment of your valuable time to complete the following questionnaire.

**Authors**

**Part I: Please tick the appropriate bracket**

Gender: Male Female

Marital Status: Married Unmarried

Age: Below 30 Year 30-40 Year 41-50 Year Above 50 Year

Academic Qualification: 10+2 Level Bachelor Above Bachelor

Job Position: Non-officer Level Officer Level

Job Experience: Up to 5 Years 5-10 Years More than 10 Years

**Part II: Questionnaire on Independent Variable (Financial Literacy (FL))**

*Please respond the questions below using 1-5 scale.* (1- Strongly Disagree, 2-Disagree,

3- Neutral, 4 – Agree and 5 - Strongly Agree)

| Code | Items | 1 | 2 | 3 | 4 | **5** |
|---|---|---|---|---|---|---|
| FL1 | I feel confident in my ability to manage my personal finances effectively. | | | | | |
| FL2 | I understand the importance of saving for retirement and have a plan in place. | | | | | |
| FL3 | I am knowledgeable about how to evaluate investment options to make informed decisions. | | | | | |
| FL4 | I understand the basics of estate planning and how it can impact my financial future. | | | | | |
| FL5 | I know how to plan for unexpected expenses and emergencies. | | | | | |

**Part III: Questionnaire on Dependent Variable (Retirement Planning (RP))**

*Using 1-5 scale, please respond to the questions below:*

| Code | Items | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| RP1 | I regularly contribute to my retirement savings. | | | | | |
| RP2 | I have a clear strategy for saving for my retirement. | | | | | |
| RP3 | I am confident that I will have enough money for a comfortable retirement. | | | | | |
| RP4 | I am willing to make sacrifices now to save more for retirement. | | | | | |
| RP5 | I am aware of the different retirement savings options available to me. | | | | | |
| RP6 | I feel prepared for my retirement financially. | | | | | |
| RP7 | I am aware of the potential risks and returns associated with retirement savings. | | | | | |

**Part IV: Questionnaire on Mediating Variable (Social Influence (SI))** *Using 1-5 scale, please respond to the questions below:*

| **Code** | **Items** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|---|
| SI1 | I am influenced by the retirement planning decisions of my peers or family members. | | | | | |
| SI2 | I consider the retirement planning experiences of my colleagues when making my own plans. | | | | | |
| SI3 | I believe that sharing retirement planning strategies with others helps me make better decisions. | | | | | |
| SI4 | I often discuss retirement planning with colleagues or social groups. | | | | | |
| SI5 | Social media platforms impact my views and decisions regarding retirement planning. | | | | | |

Thank you for your participation!