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Impact of Demographics, Loan Limits, and Borrowing Patterns on Debt Literacy in Bharatpur

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ABSTRACT

Debt literacy, a crucial aspect of financial literacy, measures the ability of individuals to understand the technical and contractual issues relevant to debt. This study, "Impact of Demographics, loan limit and borrowing patterns on Debt Literacy in Bharatpur", describes the debt literacy among the borrowers at Bharatpur Metropolitan City, Nepal and examines the impact of demographics, loan limit and borrowing pattern. Despite the growth in access to formal credits as presented by United Nation Capital Development Fund & International Finance Corporation (2023), there is significant gap in academic research that discusses on how well the borrowers understand the terms and conditions associated with the debt agreements that they agreed to get credit facility. This study examines the impact of education qualification, age, gender, professional status, monthly income, residential status, subscribed loan limit and borrowing pattern (multiple banking) on debt literacy of borrowers at Bharatpur Metropolitan City, Nepal. This study adopts quantitative research approach using structured set of survey questionnaires and simple random sampling to collect data from 100 borrowers. Descriptive Statistics was used to reach to the debt literacy score. Regression analysis has been used to examine the impact of demographics, loan limit, and borrowing pattern on debt literacy. The result from descriptive statistics shows a mean score of 2.51 for debt literacy hinting many borrowers are unaware or lacks confidence in their understanding of debt related issues. Regression analysis showed that education qualification, professional status and gender have significant positive impact on the debt literacy of borrowers. To improve the borrowers' debt literacy, campaigns relevant to debt literacy should be organized targeting non-professionals, borrowers with lower educational qualifications, and female borrower.

Keywords: debt literacy, Nepalese borrowers, debt agreements, financial literacy

Introduction

Debt literacy, a crucial aspect of financial literacy, measures the ability of individual to understand the technical and contractual issues relevant to debt. Referring to the prominent literature on financial and debt literacy, borrowers require more new knowledge in financing than before. Utilizing the subscribed credit facility in a more expensive way is common among individuals with lower levels of debt literacy. (Lusardi & Tufano, 2015; Galariotis & Monne, 2023) In addition, French & Mckillop (2016) states, individuals with lower debt literacy score are also exposed to higher debt burdens, loan defaults, and loan delinquency.

More international studies have concentrated on financial and debt-related issues of individuals from different segments. However, academic research in Nepal have focused on study of financial knowledge, financial behavior, financial attitude and financial literacy of individuals that does not cover the debt literacy aspect. Also, the rise in use of formal channels to get credit facility in Nepal as reported by United Nation Capital Development Fund & International Finance Corporation (2023), indicates the need understand how well the borrowers understand the terms and conditions associated with the debt agreements that they agreed to get credit facility.

Baseline Survey on financial literacy and financial literacy framework published by Nepal Rastra Bank (NRB) highlights efforts to promote financial literacy but lacks to guide BFIs and prepare materials to educate existing borrowers of BFIs. Despite the increased use of formal channels for credit facilities, little is known about borrowers' knowledge of payment products and loan-relevant features on payment products, loan terms, interest rate and its compositions, charges to be paid by borrowers to third party, and other charges associated with the loan.

This study addresses this gap by describing the debt literacy among borrowers of BFIs in Bharatpur Metropolitan City. In addition, the author has examined the impact of demographic characteristics, subscribed loan limit and borrowed from multiple BFIs on debt literacy of the borrowers at Bharatpur Metropolitan City. The study's main objective is to analyze the debt literacy among the borrowers of Nepal. Other Objectives of this study are:

1. To assess the borrowers' knowledge of payment products (KPP), clauses, terms and conditions of loan (KCTC), loan interest rate and its composition (KLIC), and miscellaneous charges taken by BFIs and third parties (KMTC)
2. To examine the impact of demographics, loan limit and borrowing patterns variables on debt literacy of borrowers.

By describing the borrowers' literacy based on their awareness of key aspects; knowledge on payment products (KPP), clauses, terms and conditions of loan (KCTC), loan interest rate and its composition (KLIC), and miscellaneous charges taken by BFIs and third parties (KMTC), this research aims to contribute to the development of financial education campaigns focusing borrowers and more informed credit practices.

Research hypothesis has been designed to examine the debt literacy among individuals of different demographics

H1: Male borrowers have higher knowledge of debt as compared to females

H2: Borrowers taking credit facilities from multiple BFIs tend to be more debt literate than those taking from a single BFI.

H3: Individual involved in certain professions (business or job) possesses higher levels of debt literacy than non-professional ones.

H4: Individuals with higher levels of education qualification tend to be more debt literate than those with lower education qualifications.

H5: There is a difference in debt literacy of borrowers availing different amounts of credit facility.

H6: There is a difference in debt literacy of borrowers with different income levels.

H7: There is a difference in debt literacy among borrowers of different age groups.

Literature Review

Literature Review on International Studies

Debt literacy is a part of financial literacy that measures the ability of individual to understand the technical and contractual issues relevant to debt. Referring to the current literature, borrowers require more new knowledge in financing than before Lusardi & Tufano (2015). Similarly, what people know about credit and loans in terms of both professional (technical) and legal (Contractual) issues is to be considered while measuring debt literacy of individuals. Cwynar et al., (2018)

More studies that are international have concentrated on financial and debt-related issues of individuals from different segments. The survey by (Durkin, 1975), and (Lusardi & Tufano, 2015) from the United States, and Cwynar et al. (2018) from Poland showed that males tend to have more debt literacy than females. In addition, the study by Lee & Mueller (2014) from the United States revealed that students who are the first to attend college or university in their immediate family lack student loan debt literacy. Individuals with higher levels of debt literacy also show a positive attitude towards debt. Białowolski et al. (2020) and Salas-Velasco (2024) presented that students with higher debt knowledge and debt skills had more positive attitudes towards debt than other did. Similarly, Beale and Cude (2017) and Białowolski et al. (2020) also finds that students with greater financial knowledge had more positive attitude towards debt.

In a study of debt literacy among 108 P2P and non-P2P borrowers in Indonesia, HIDAJAT (2021) finds majority of P2P and non-P2P borrower debt illiterate. However, no evidence was found for a difference in debt literacy among P2P and non-P2P borrowers.

Another study conducted in France by Galariotis & Monne (2023) concludes that Debt literacy of credit users is characterized more by a wrong opinion of debt interest mechanics rather than simply lacking knowledge as more responded incorrect answers than don’t know. In addition, people with too many and too expensive credit products along with low debt literacy are not particularly likely to show a positive attitude. A study from India by Vijayakumar & Subburaj (2010) has investigated level of awareness among consumers specifically regarding home loan agreements. This study came with a descriptive statistic that 29% of respondents were aware of the processing fee clause, and only 12% were aware of the reset clause on fixed rates of Home Loan. Also, 89% of the respondents have signed in the home loan agreement without reading it, of this 89%, 35 % did not know the importance of reading at that time.

French & Mckillop (2016) studies the importance of numeracy and money management skills in determining consumer debt and household net worth among credit union members in socially disadvantaged areas. Findings from this study shows that money management skills are the important determinants of financial outcomes, but the numeracy has almost no role to play. More specifically, findings from this study shows that individuals with superior money management skills are less likely to borrow from high-cost lenders such as internet money lenders and high street loan shops.

Literature Review on National Studies

In case of Nepal several studies have been undertaken for study of financial literacy among different segments. Chaulagain (2017) taking 393 responses from borrowers of co-operatives showed that financial literacy among small borrowers is high. Another study from (Khadka & Thapa, 2024) claims that lower level of financial literacy in individuals is generally because of decreased tendencies in saving, spending, and investing behavior.

More studies have been done to examine the impact of several factors on the financial knowledge and financial literacy of the individuals in Nepal. Manandhar (2018) presents that income level and gender have a significant impact on the financial knowledge of students, while Kharel et al. (2024) showed that parents’ financial behavior and the internet and media, along with the gender of the students, have a significant impact on the financial literacy of the students.

On the other hand, a study from Vaidya & G.C. (2021) on Tharu women finds that financial literacy has highly influenced the financial behavior of the Tharu women while level of financial literacy is not seen highly influencing the financial attitude of Tharu women. Another study from Khadka & Thapa (2024) argues that the lower level of financial literacy in individuals is generally because of decreased tendencies in saving, spending, and investing behavior. The same study also showed that poor financial literacy does not significantly affect the borrowing behavior of sugarcane farmers.

Reports from Nepal Rastra Bank, Central Bank of Nepal

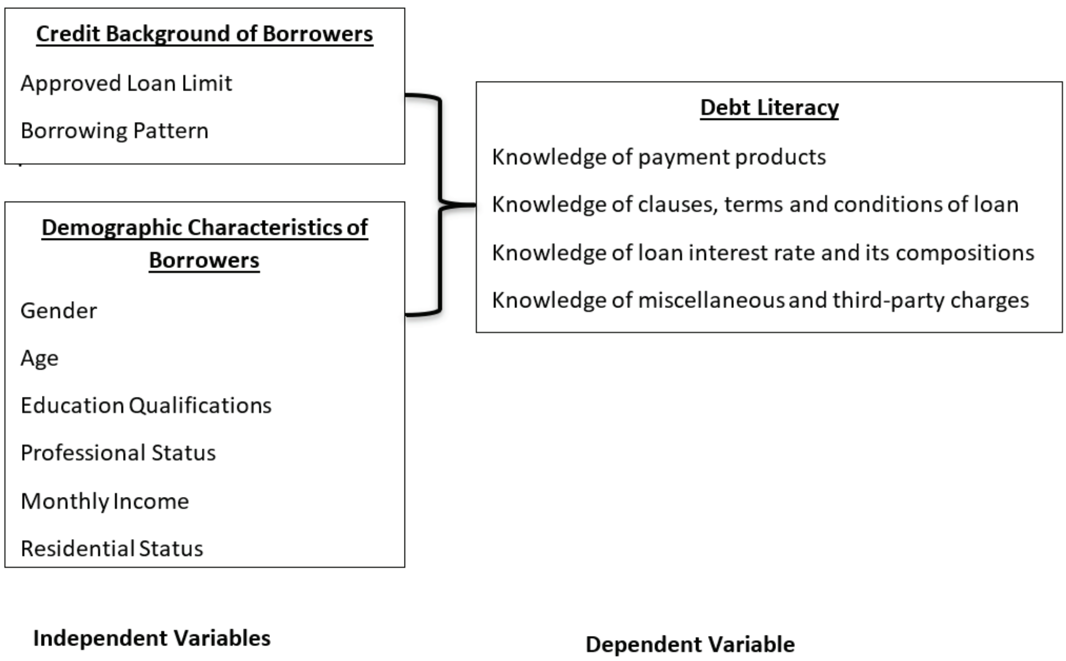
Nepal Rastra Bank (2022a) conducted a baseline survey on financial literacy based on the OECD/INFE toolkit 2022 with some national customization and finds that overall national financial literacy is 57.9%. Again, the Nepal Rastra Bank, through Directive No. 6, has made provision for Nepalese BFIs to allocate 5% of their CSR activity to financial literacy sessions. Nepal Rastra Bank (2022b) published a financial literacy framework to guide Nepalese BFI's in conducting financial literacy sessions. The published works and surveys in Nepal are only relevant to the management of money and the selection of appropriate financial products. However, Nepal Rastra Bank (2022b) fails to guide BFIs and prepare materials to educate existing borrowers of BFIs. This gap has left many borrowers unaware about the implications of debt agreements they enter.

In addition, International Finance Corporation and United Nations Capital Development Fund (2023) have reported that use of formal credit in Nepal has been increased in 2022 A.D as compared to the data of 2014 A.D. This report also shows that adults taking credit facilities from informal channels decreased to 8% in 2022 A.D compared to 23% in 2014 A.D. This shift highlights the importance of ensuring that formal credit users are debt literate based on their awareness of key aspects; knowledge on payment products (KPP), clauses, terms and conditions of loan (KCTC), loan interest rate and its composition (KLIC), and miscellaneous charges taken by BFIs and third parties (KMTC).

Conceptual Framework

Visual relationship between dependent and independent variables has been presented through a figure.

Figure 1: Conceptual Framework



Methodology

Approach

This study uses quantitative research design to assess the debt literacy among borrowers of Nepalese BFIs. Responses collected from the questionnaire has been analyzed using descriptive and inferential statistics. Descriptive statistics has been used to summarize the collected responses. Multiple regression model has been chosen for inferential statistics as the study aimed to examine the impact of several independent variables viz. demographics (age, education qualification, gender, residential status, monthly and income and professional status), loan limit and borrowing patterns on Debt Literacy of borrower in Bharatpur. A series of regression models were built to isolate the effects of specific variable groups.

Sampling Technique

The population of the study includes borrowers of BFIs from Bharatpur Metropolitan City. The sample comprises of 100 credit clients, selected using the simple random sampling technique. The sample size 100 was determined based on practical constraints of time and resources during the data collection phase. While this study acknowledges the limitations of sample size, future research may work on these findings using formal sample size calculations.

Questionnaire Development

Questionnaire relevant to debt literacy was developed based on previous academic studies and guidelines from Nepal Rastra Bank. These questionnaires are regarding borrowers' knowledge on payment products (KPP), clauses, terms and conditions of loan (KCTC), loan interest rate and its composition (KLIC), and miscellaneous charges taken by BFIs and third parties (KMTC).

Nepal Rastra Bank (2022a) reported that 73.78% of the adult population was using payment products. However, there was not any evidence for the awareness of features available on payment products among individuals. Therefore, this study has devised questions to test the knowledge of borrowers regarding payment products and their features. Four questions were set for mobile banking and credit card services provided by BFIs.

For Knowledge regarding Clauses, terms and conditions of loan (KCTC), seven questions were devised based on questionnaires proposed by Białowolski et al. (2020). Questions taken from Białowolski et al. (2020) are related to the Credit Information Bureau (CIB) and Loan processing fees. Białowolski et al. (2020) asked their respondents 'bank margin is another name of bank commission applied when granting loans to private individuals' to test the debt knowledge. In this study, same question has been revised to fit in the Nepalese banking practices. The remaining five questions have been designed based on loan agreement terms of BFIs and circulars/directives issued by the central bank of Nepal, i.e. Nepal Rastra Bank.

Six questions were asked of respondents to test their knowledge regarding loan interest rates and their composition (KLIC). Previous studies included questions relevant to the interest rates in testing the debt skills of individuals. Almost all the studies created hypothetical problems and asked respondents to calculate and respond to interest rate-relevant questionnaires. In this study, an attempt has been made to understand if the borrowers are aware of base rates, premium rates, and penal (fines) on late payments. NRB does not allow BFIs to disseminate credit facility below base rate so borrowers were also asked if BFIs could disburse loan below base rate.

Borrowers need to pay several charges except loan processing fees and interest rates. NRB sets criteria for charges taken by BFIs. Third parties, insurance companies, and valuators also take the charges for the service provided. So, four questions were prepared to test the borrowers' knowledge of miscellaneous and third-party charges (KMTC). As per the best knowledge of the researcher, no any study has incorporated these questionnaires to test the debt literacy of the borrowers.

Variables

The dependent variable in this study, Debt Literacy, was measured using set of questionnaire with Yes, No, and Don't Know responses, as previously already mentioned on questionnaire development section. Demographic, loan limit, and borrowing pattern are the independent variables in this study. Under demographic variables, information was collected on borrowers' age, gender, education qualification, professional status, monthly income, and residential status.

Data Collection

We collected data from the questionnaire on 2 different phases. In the 1st phase, the questionnaire was revised twice. We printed the questionnaire in Nepali language and submitted to 5 borrowers. Suggestion from respondents regarding unclear questions motivated the authors to revise the questionnaire. Now, the questionnaire was prepared on English language using google forms. 10 responses were collected from Google forms. However good Cronbach score was not obtained. Going through the work published by Durkin (1975) and Cwynar et al. (2018) authors was able to come up with novel set of questionnaires. Cronbach alpha was re-calculated to determine the reliability of the questionnaire. After obtaining the Cronbach alpha value of more than 60%, we re-structured the questionnaire in google forms and started for 2nd phase of data collection.

Table 2

Cronbach's Alpha for Survey Questionnaires of Debt Literacy

Particulars	Calculated Values
Cronbach's Alpha	0.72
Number of Items	21

Note: Cronbach's alpha has been calculated by taking the responses of 100 borrowers of BFIs at Bharatpur Metropolitan City.

Under the 2nd phase, we collected data from borrowers through 3 different mediums applying simple random sampling method: telephone, sharing the questionnaire link through social media platform, and submitting the hardcopy of the questionnaire. The questionnaire on Google form were published and shared through URL and QR among various social media platforms. Out of 135 responses, 100 responses were from borrowers of Nepalese BFIs at Bharatpur Metropolitan City. Therefore, we took those 100 responses for analysis and interpretation.

Before collecting the data from each respondent, purpose of the study was informed, and all responses were recorded anonymously. Participation in the survey was entirely voluntarily as we collected data more from the help of google forms.

Results

Table 3

Descriptive Statistics of Demographic Variable

Demographic Characteristics	Frequency	Percentage
<u>Gender</u>		
Female	34	34%
Male	66	66%
<u>Education Qualification</u>		
1-8 Class	10	10%
8-12 Class	23	23%
Above +2 level	67	67%

Contd.

Demographic Characteristics	Frequency	Percentage
Age		
18 - 25 years	10	10%
25 - 31 years	62	62%
40 or above	28	28%
Professional Status		
Professional	84	84%
Non-Professional	16	16%
Monthly Income		
No Personal Income	11	11%
Rs. 17.3k to 30k	9	9%
Rs. 31k to 50k	26	26%
Above Rs. 50k	54	54%
Financial Decision Maker		
Any other Member	15	15%
Combined	48	48%
Myself	37	37%
Address		
Municipality/Sub/Metropolitan	93	93%
Rural Municipality	7	7%

Note: This table summarizes the demographic characteristics of the 100 respondents.

Descriptive Statistics of Debt Literacy, Loan Limit and Borrowing Pattern

Table 4 highlights the descriptive statistics for key variables used in the research. Mean Score of 2.52 for KMTC shows that majority of borrowers are aware of the miscellaneous and third-party charges levied during loan processes. In addition, mean score of for KLIC is 2.25 hinting that majority of borrowers are unaware of the concept of loan interest rate and its compositions. Also, mean score for KCTC is 2.64 hinting that majority of borrowers are aware of the clauses, terms and conditions of loan. However, the score is not exactly three, so this also indicates that there is still room for improvement in the level of awareness among borrowers. In addition, Mean Score of KPP is 2.44 hinting that many borrowers are unaware of the features and use of payment products. The result from Table 1 also shows that mean score for overall debt literacy is 2.51 indicating that many borrowers are unaware or lacks confidence in their understanding of debt related issues.

Table 4

Descriptive Statistics of Loan limit, Borrowing Pattern (multiple banking) and Debt Literacy

Variables	*M*	*SD*	Minimum	Maximum
Loan Limit	2.91	1.41	1	5
MultiBanking_Yes	0.33	0.47	0	1
KPP	2.44	0.43	1.5	3
KCTC	2.64	0.38	1.86	3
KLIC	2.25	0.24	1.5	3
KMTC	2.52	0.40	1.5	3
DL	2.51	0.31	1.81	3

Note: No of respondents (N=100) for all. M denotes Mean and SD denotes Standard Deviation. DL denotes debt literacy. Loan limit below Rs. 1 million is coded 1, Rs. 1 million - Rs. 2.5 million is coded 2, Rs. 2.5 million - Rs. 4 million is coded 3, Rs. 4 million - Rs. 5.5 million is coded 4, Rs. 5.5 million and above is coded 5. For Borrowing patterns, Yes response to Multiple Banking is coded 1 and No response is coded 2. For all the subscales of debt literacy, responses were coded as Yes = 3, Don't know = 2, and No = 1, with higher values indicating greater knowledge. However, for a few reverse-coded items where a No response indicates knowledge, the coding was reversed as No = 3, Don't know = 2, and Yes = 1 to maintain consistency in interpretation.

Correlational Analysis

Table 5

Correlation Coefficient of Debt Literacy and Independent Variables

Variables	*EQ*	*Age*	*Gend_M*	*Prof_Y*	*Inc*	*ResFam_Y*	*LL*	*Multibank_Y*	*DL*
EQ	1.00								
Age	(0.18)	1.00							
Gend_M	0.17	0.18	1.00						
Professional_Y	0.17	0.27	0.26	1.00					
Inc	0.16	0.28	0.23	0.51	1.00				
ResFam_Y	(0.04)	0.27	(0.20)	0.03	(0.12)	1.00			
Loan Limit	(0.21)	0.25	0.07	0.11	0.23	(0.03)	1.00		
Multibank_Y	0.10	0.18	0.01	0.02	0.11	0.07	0.09	1.00	
Debt Literacy	0.40	(0.01)	0.31	0.24	0.07	0.07	(0.05)	0.07	1.00

Note: This table summarizes the correlation coefficient among debt literacy and independent variables. LL denotes Loan Limit, EQ denotes education qualification, Prof_Y denotes Professionals, Gend_M denotes Male, Inc denotes income, ResFam_Yes denotes Residing with Family, Multibank_Y denotes Credit facilities from Multiple BFIs, Age denotes Age of borrowers and DL denotes debt literacy. The data collected from 100 borrowers has been analyzed. The values in parenthesis indicate negative correlation.

Table 5 shows Karl Pearson's correlation coefficient between dependent (debt literacy) and independent variables. The correlation coefficients are based on 100 responses collected from the borrowers of Nepalese BFIs. As shown in the table there exist positive relationship among some variables whereas negative for some. Loan Limit, Education Qualification, Professional, Gender_Male, Monthly Income, Residential Status, Multiple Borrowing, and age are independent variables for this analysis. Debt literacy is dependent variable.

A moderate positive correlation between education qualification and debt literacy suggests that borrowers with higher education levels tends to be more debt literate. Also, weak to moderate correlation between Gender_Male and debt literacy in this sample explains male tend to be more debt literate than female. This finding highlights the potential importance of debt literacy campaigns for less educated peoples, for females and for non-professionals. Age, income, residential status, loan limit and multiple banking variables have very weak correlation with debt literacy, so these variables alone do not meaningfully predict the debt literacy.

Regression Analysis

In the regression analysis, independent variables are education qualification, loan limit or amount, income, professionals, residential status, Multiple Borrowing, Gender_Male, and age of the borrowers. Table 6 presents different models for regression. The regression model is given by: $DL= a+b_1EQ + b_2Loan + b_3Inc + b_4Prof + b_5Resi + b_6MultiBanking + b_7Gender + b_8Age + e$

The table for regression analysis i.e. Table 2 shows that beta coefficient for education qualification is positive which indicates that increase in level of education qualification will increase the level of debt literacy among borrowers. More specifically, education qualification of the borrower has positive impact on the debt literacy level. Similar findings have been presented by Durkin (1975), Beale and Cude (2023) and Salas-Velasco (2024).

As per the best knowledge of researcher there isn't any work that studies the relationship between Loan limit and debt literacy. This study finds a positive but not significant relationship among debt literacy and loan limit. This study also reveals a positive beta coefficient for professional indicating that professionals tend to be more debt literate than non-professionals indicate. This relationship has not been explored on previous studies. Another, most studied variable is gender. The positive beta coefficient for gender at 5% level of significance indicates that the male borrowers are more debt literate than the females. Similar findings have been presented by Durkin (1975), Lusardi and Tufano (2015), Cwynar et al. (2018), and Beale and Cude (2023).

Other independent variables in this study; residential status and multiple borrowing, do not present a significant relationship even at 10% level of significance. Oppose to Lusardi and Tufano (2015), this study does not find any significant relationship between age and debt literacy even at 10% level of significance.

Table 6

OLS Estimates of Debt Literacy

$DL= a+b_1EQ + b_2Loan + b_3Inc + b_4Prof + b_5Resi + b_6MultiBanking + b_7Gender + b_8Age + e$

	1	2	3	4	5	6
Constant	1.94	2.04	1.95	1.92	2.38	2.01
T	10.52	17.98	16.07	16.19	46.95	14.15
Sig.	0.00	0.00	0.00	0.00	0.00	0.00
Education Qualification	0.16	0.18	0.17	0.16		0.19
T	3.36	4.31	3.98	3.73		4.26
Sig.	0.001***	0.00004***	0.0001***	0.00***		0.00***

Contd.

	1	2	3	4	5	6
Loan Limit	0.0042					0.01
T	0.20					0.34
Sig.	0.84					0.74
Monthly Income	(0.04)					
T	(1.08)					
Sig.	0.29					
Professional_Yes	0.15		0.15	0.10		
T	1.68		1.92	1.34		
Sig.	0.10*		0.06**	0.18		
ResFam_Yes	0.11					
T	1.28					
Sig.	0.20					
MultiBank_Yes	0.03					
T	0.48					
Sig.	0.63					
Gender Male	0.17			0.14	0.20	
T	2.69			2.35	3.23	
Sig.	0.01***			0.02**	0.002***	
Age	(0.03)					
T	(0.51)					
Sig.	0.61					
R	0.51	0.40	0.44	0.48	0.31	0.40
R Square	0.26	0.16	0.19	0.23	0.10	0.16
Adjusted R Square	0.20	0.15	0.17	0.21	0.09	0.14
F Test	4.083	18.575	11.376	9.776	10.429	0.437

Note: This table shows different models of regression taking relationship between debt literacy and different independent variables at a time or individually. *** denotes that the relationship is significant at 1% level of significance, ** denotes that the relationship is significant at 5% level of significance, and * means that the relationship is significant at 10% level of significant.

Table 7

Multiple Linear Regression results – Model 1 : Predicting debt literacy using all independent variables

Regression Statistics	
Multiple R	0.51
R Square	0.26
Adjusted R Square	0.20
Standard Error	0.28
Observations	100

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	8	2.49	0.31	4.08	0.00034
Residual	91	6.95	0.08		
Total	99	9.44			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Std. Dev*	*Variance Inflation factor (VIF)*
Intercept	2.45	0.30	8.13	0.00		
EQ	0.16	0.05	3.36	0.00	0.67	1.24
AG	(0.03)	0.06	(0.51)	0.61	0.59	1.47
GEND	(0.17)	0.06	(2.69)	0.01	0.48	1.21
PROF	(0.15)	0.09	(1.68)	0.10	0.37	1.46
INC	(0.04)	0.03	(1.08)	0.29	1.01	1.55
Residing	0.11	0.08	1.28	0.29	0.37	1.22
LL	0.00	0.02	0.20	0.29	1.41	1.17
MBFI	0.03	0.06	0.48	0.29	0.47	1.07

Table 7 is the output generated from Microsoft excel for Model 1 of Table 6. The Variance Inflation factor (VIF) was calculated to test the multicollinearity among independent variables. As the VIF value for all the independent variables is less than 5 so this indicates there is no chance of multicollinearity.

Discussion

Based on the descriptive statistics, this study highlights that many borrowers exhibit uncertainty or lack of confidence in their understanding of debt-related concepts, as the majority of respondents marked don't know to debt literacy questionnaires. By saying this, the findings from this study opposes the findings from Galariotis and Monne (2023) that finds debt literacy among individual is characterized more by wrong opinions rather than simply lacking knowledge.

Further, this study also highlights that the variables gender, educational qualification and professional status have significant impact on the borrowers' debt literacy. For gender and debt literacy the finding of this study supports the findings from Durkin (1975), Lusardi and Tufano (2015) and Cwynar et al. (2018), these studies also concluded with the result that male respondents were more debt literate as compared to females. Referring to national studies, Manandhar (2018) also finds a significant impact of gender on the financial knowledge of the individual. However, Thapa and Nepal (2015) concludes that there is not significant impact of gender on the financial knowledge of the students. In addition, education qualification is found to have significant positive impact on the debt literacy of the borrowers. Thapa and Nepal (2015) and Karki et al. (2023) also find similar findings and conclude that education has significant positive impact on the financial literacy of the individuals.

Other variables including loan limit, monthly income, residential status, multiple borrowing, and age of the respondents are not found to have a significant relationship with debt literacy of the borrowers. This study contradicts with the findings from Thapa and Nepal (2015), and Manandhar (2018) that finds significant impact of income on financial knowledge. Adding, Thapa and Nepal (2015) also finds a significant relationship between age of the respondents and financial knowledge. However, this study's findings showed that debt literacy of the borrower is not significantly affected by the age of the borrowers. As per the best knowledge of the researcher, impact of loan limit, professional status, residential status, and multiple borrowing on debt literacy have not been studied yet. However, this study's findings showed no significant impact of these variables except professional status on debt literacy of the borrowers.

The study has been undertaken among 100 borrowers at metropolitan city. This might affect the generalizability of findings. A large and more diverse sample, including rural populations and borrowers from various financial institutions could provide a broader view. So future research could be undertaken taking same questionnaires or revised one covering the diverse sample.

Conclusion

Descriptive statistics showed that many borrowers exhibit uncertainty or lack of confidence in their understanding of debt related concepts. Correlation analysis showed that there is high positive correlation between debt literacy and education qualification, debt literacy and gender, and debt literacy and professional status. Regression analysis also showed that education qualification, gender and professional status have significant impact on debt literacy of the Nepalese borrowers. In conclusion, to improve the borrowers' debt literacy different campaigns relevant to debt literacy should be organized targeting non-professionals, borrowers with lower educational qualifications, and female borrowers.

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