

Banking Service Usage Patterns among Customers in Nepal: Evidence from Public and Private Banks

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Abstract

Background: Banks are fundamental to modern financial systems, yet the increased availability of banking services does not guarantee their effective or diversified use. A critical distinction exists between service availability (institutional supply) and service usage (customer behavior). In developing countries like Nepal, rapid digitalization and the presence of diverse bank ownership structures (public and private) create a complex landscape. While financial literacy is known to influence financial decisions, empirical research on actual behavioral usage patterns across different banking services—savings, credit, investment, and transactions—remains scarce, particularly in the context of Nepal's post-digital expansion era.

Objectives: The main objective of this study is to assess the availability and usage behavior of banking services among financially literate customers in Nepal, with a specific focus on comparing patterns between public and private sector banks. It aims to move beyond access-based indicators to analyze actual customer engagement across multiple financial dimensions.

Methods: The study employed a descriptive and analytical research design based on primary data collected during a doctoral research pre-test phase. Data was gathered from 30 banking customers in Nepal using a structured questionnaire. Respondents were categorized by bank type (public or

private). The analysis, conducted using SPSS, involved frequency distributions, descriptive statistics, cross-tabulation, chi-square tests, and independent samples t-tests to examine differences in savings, credit, investment, and transaction behavior between the two customer groups.

Findings: The pre-test analysis revealed several key insights:

- **Digital Dominance:** Digital banking is the dominant transaction mode, with 90.3% of respondents using digital channels. Public bank customers showed a slightly higher reliance (94.4%) than private bank customers (84.6%).
- **Prudent but Moderate Usage:** Respondents demonstrated responsible loan and credit behavior (Mean = 3.95) and strong trust in formal banking. However, engagement was moderate for investment (Mean = 3.78) and lower for regular savings and account management (Mean = 3.60).
- **No Significant Institutional Differences:** Independent samples t-tests showed no statistically significant differences between public and private bank customers in savings and account management, loan and credit behavior, or investment and risk behavior, suggesting that financial literacy may be a more influential factor than bank ownership type in this sample.

Conclusion: The study concludes that financially literate customers in Nepal exhibit responsible but moderate-intensity banking service usage. While digital adoption is high and credit discipline is strong, savings consistency and investment participation lag. Critically, the lack of significant behavioral differences between public and private bank customers underscores the central role of financial literacy in shaping usage patterns, potentially outweighing institutional factors like ownership structure in the context of a financially aware customer base.

Novelty: This research contributes to the literature by shifting the analytical focus from banking service access to behavioral usage patterns across multiple financial dimensions. It provides novel comparative empirical evidence on public versus private bank customers in Nepal, a context often overlooked in global banking research. Crucially, it explores how usage behavior manifests among financially literate customers, offering insights into the interplay between individual capability and institutional environment in a developing economy.

Keywords: Banking services, financial literacy, Service usage, Digital banking, Nepal

1. Introduction

Banks function as the main drivers of modern financial systems as they gather savings, grant loans, execute payment operations, provide risk management, and offer investment services. By means of these core functions, banking entities have a significant impact on the financial behavior of households, the investment decisions made by firms, and the overall macroeconomic stability. During the last 20 years, structural changes, technological innovations, and regulatory reforms have collectively elevated to a great extent the variety and accessibility of banking services on a global scale.

Nevertheless, the increased availability of bank services alone does not necessarily mean that customers will use these services effectively or in a diversified manner. A key challenge for both financial institutions and policymakers is to get to know the actual banking behavior of people. Existing research increasingly distinguishes between banking service availability and banking service usage. While availability reflects institutional supply—such as branch networks, digital platforms, and product offerings—usage captures customer-level behavioral engagement with these services. Studies in financial intermediation emphasize that customer behavior is shaped not only by access, but also by perceived usefulness, transaction costs, trust, and financial capability (Allen et al., 2016a; Beck & Cull, 2014). As a result, high levels of account ownership may coexist with limited engagement in savings discipline, credit utilization, or investment-related banking products.

The rapid diffusion of digital banking technologies has further transformed the banking landscape. Mobile banking, internet banking, and digital payment platforms have reduced transaction costs, increased convenience, and altered how customers interact with financial institutions. Evidence from both developed and developing economies suggests that digital finance has accelerated basic transaction usage, particularly for payments and balance monitoring (Vives, 2019; Ozili, 201;). However, empirical findings remain mixed regarding whether digitalization promotes deeper financial engagement, such as regular saving, responsible credit use, or investment participation. This raises important questions about whether digital access alone is sufficient to improve the quality of banking service usage.

Bank ownership structure constitutes another important dimension influencing service usage behavior. Public sector banks are generally known to have a large network of branches and mandates aimed at implementing government policies, whereas private sector banks focus more on efficiency, innovation, and customer-centric service delivery. Past studies have indicated that private banks could lead public banks in digital adoption and other value-added services, but public banks still hold the upper hand in terms of outreach and trust (Beck et al., 2007; Gupta et al., 2019). However, comparative studies that focus on the impact of ownership structure on the actual usage behavior of customers rather than customer service quality perceptions are quite lacking, especially in developing countries.

Financial literacy has become an important factor in explaining how service availability leads to usage behavior. According to financial behavior theory, people who have better financial knowledge are more capable of understanding financial products, evaluating risks, and making wise decisions (Fernandes et al., 2014a). Studies have shown that financial literacy is positively related to better savings behavior, taking loans responsibly, and making well-informed investment decisions (Grohmann et al., 2018). However, the effect of financial literacy on these outcomes is not uniform and depends on different institutional and contextual settings. This means that financial capability works through bank-level factors such as service design, delivery channels, and institutional trust.

Although the global literature on financial inclusion and digital banking is extensive, several limitations persist. First, many studies emphasize access indicators, such as account ownership or proximity to banking infrastructure, while giving less attention to behavioral usage patterns across different banking services (Allen et al., 2016b). Second, empirical research often treats bank customers as a homogeneous group, overlooking potential differences in usage behavior across public and private banking institutions. Third, the question of how a financially literate customer behaves on banking services in a broad sense (i.e., savings, credit, and investment) has not been empirically addressed by many studies, although the role of financial literacy is widely recognized. These issues are particularly significant when talking about developing countries, where different types of institutional frameworks and fast digital changes coexist. For example, South Asian countries show high rates of digital banking adoption along with savings irregularity and low investment participation (Ozili, 2018b). In fact, several customers have been found using banks only for their day-to-day transactions while they underutilize banking products which are more complex, even if they are quite aware of them (Fernandes et al., 2014a). The fact that there is a gap between knowledge, access, and usage implies that there is a severe lack of context-specific empirical research.

In Nepal, the banking sector has largely changed with financial liberalization, regulatory reforms, and technological advancement as the main drivers. The sector consists of public sector banks, private commercial banks, development banks, and finance companies, all under the regulation of Nepal Rastra Bank. The past ten years have witnessed the rise of digital banking platforms along with branch networks, which have altogether contributed to easier access to formal financial services. A report by the national statistical department shows a steady increase in ownership of accounts and volumes of digital transactions, thus indicating the path of progress toward financial inclusion (Nepal Rastra Bank, 2022). However, such aggregate statistics hardly tell the story of how people make use of banking services in their everyday financial decisions.

So far, most of the empirical work in Nepal has been directed at studying financial inclusion, measuring financial literacy, and evaluating access to banking facilities. These works, although being insightful from a macro perspective, do not shed much light on the usage patterns of customers at the micro level across different categories of banking services. In particular, comparative analysis of public and private bank customers from a behavioral usage perspective remains scarce. Additionally, not much empirical work has been done to find out whether institutional ownership keeps on being a factor after customers have acquired a certain level of financial literacy.

Filling these gaps is beneficial for the advancement of theory and for practitioners. In fact, a theoretically sound perspective, the research on usage behavior of financially literate customers enables the isolation of the impact of institutional factors on financial behavior outside the limits of individual capabilities. From a policy point of view, knowing if there are still behavioral differences in the usage of banking services between different types of banks can help pinpoint service design, digital platform development, and financial education strategies to the right problems.

Under these circumstances, the current paper looks at banking availability and service usage by financially literate customers in Nepal, especially focusing on differences between public and private banks.

It centers on the four aspects of savings behavior, loan and credit usage, investment and risk, related behavior, and modes of transaction. The paper attempts to go beyond measures that are solely based on access and thus bring evidence of actual usage of the banking services couple. The study, which in particular provides behavioral insights from an institutional and geographical context that has been largely overlooked, uses primary survey data and comparative statistical analysis from a research literature viewpoint.

In doing so, the study advances existing research in three key ways. First, it shifts the analytical focus from banking service access to service usage behavior across multiple financial dimensions. Secondly, it offers comparative evidence between customers of public and private banks, thus revealing the influence of institutional ownership on the financial behavior of customers. Thirdly, the paper discusses financial literacy not as an ultimate result but as a precondition, thus permitting a more detailed understanding of the use of banking services in a developing country.

2. Review of Literature

2.1 Banking Service Availability versus Usage

The bank services literature has progressed from a simple focus on financial intermediation to a more detailed appreciation of how households and enterprises deal with banks. Initial research articles had stressed the importance of banks in gathering savings and changing them into loans to be used in the purpose of economic development (Beck et al., 2007). Some of the newer ones make a clear distinction between banking service availability, which means a supply of financial products and delivery channels, and banking service usage, which reflects customer behaviors/choices using these services. Several studies also conclude that merely increasing the presence of banking outlets does not automatically guarantee the growth in usage of banking services. (Allen et al., 2016a) states that opening a bank account in developing countries has become very common; however, most accounts are either dormant or only used for very simple transactions. Also, (Beck & Cull, 2014) highlight that deposit services are the main choice of customers, thus credit and investment products only account for minimal fractions of the customers' total engagement. These discoveries show the necessity of focusing on the behavioral aspect of usage besides just access measures. From the viewpoint of customer psychology, there are a number of factors that can affect the decision to use banking services. These include the costs of getting to the bank, the level of trust an individual has in the bank, their understanding of what the bank services can offer, and their personal financial skills. Individuals might choose not to use available banking services if the products are complicated, if they anticipate danger, or if they cannot see the advantages. This difference between access and usage is a critical element in the understanding of banking practices in developing countries.

2.2 Digital Banking and Customer Usage Behavior

The quick growth of digital banking services has changed the way that customers interact with their banks. Digital platforms such as mobile banking, internet banking, and electronic payment systems have removed the limitations of time and space, allowing customers to perform transactions more efficiently. (Vives, 2019) posits that the digitization of banking fundamentally changes customer behavior as the main interaction shifts from relationship-based branch banking to a platform-based service usage model.

Most empirical studies show that digital banking is most often adopted for transactional needs. Ozili (2018) shows that digital finance has a significant effect on the increase in the number of payments along with account monitoring, especially in the context of developing countries. (Zhao & Bacao, 2021) Most importantly, they confirm that the first initiators for digital banking adoption are perceived ease of use and convenience. However, studies provide mixed results on whether digitalization has led to a higher level of financial engagement.

There is a rise in the usage of basic transactions, but regular saving, borrowing, and investment activities do not show a similar upward trend. Such a discrepancy raises a question about whether digital access by itself is enough to bring about an improvement in the use of banking services at a general level. Customers may be taking up digital channels merely for the sake of convenience, but they still stay away from more complex financial products. Therefore, recent studies call for empirical research to be carried out, which examines not only the nature of service delivery but also the extent and variety of banking service usage both in the digital & traditional platforms.

2.3 Public versus Private Banks and Usage Patterns

Different types of bank ownership play a big part in how customers behave. Public sector banks are usually given the task to bring more people into the financial system and to extend their services to less developed areas. On the other hand, private banks concentrate more on operational efficiency, innovation, and customer profitability.

Nevertheless, empirical evidence on usage behavior across public and private banks remains inconclusive. In their paper, Beck et al. (2007) established that things like institutional quality and regulatory frameworks often have a greater impact than ownership itself.

Other studies, however, find that customers of private banks are more engaged with digital and value-added services, while customers of public banks make more use of basic deposit and transaction services.

Most of the existing studies focus on these differences through consumers' perceptions of service quality, satisfaction levels, or operational performance metrics. Comparatively, very few studies go straight to the customer level and scrutinize usage behavior in various banking service categories such as savings discipline, credit utilization, and investment participation. This is a very glaring gap, especially in the context of developing countries, where the diversity of institutions and regulatory mandates differs significantly across the types of banks.

2.4 Financial Literacy and Banking Service Usage

Financial literacy has been identified as an important factor in determining one's financial behavior. The two theories, behavioral finance and financial capability, point to the fact that financially literate individuals have a greater ability to appraise financial products, comprehend risks, and thus make sound decisions (Fernandes et al., 2014a). A large body of econometric evidence supports the positive link between financial literacy and proper savings, reasonable borrowing, and the ability to choose investments.

Grohmann et al. (2018) show that financially literate individuals tend to go beyond using only basic accounts and are more likely to engage in formal financial services such as getting credit and investing. Nonetheless, the financial literacy, service usage relationship does not apply in the same way to all contexts. Institutional factors like product features and delivery methods are able to either accentuate or diminish the effect of financial literacy on behavior.

In particular, most of the research studies consider financial literacy as a separate independent variable to explain variation in behavior without paying enough attention to differences in institutions. Therefore, it is still ambiguous whether financially literate bank customers behave similarly in different banking environments or whether bank ownership and service structure still determine usage behavior even when financial capability is controlled for.

2.5 Empirical Evidence from Developing Economies

Research from developing and emerging countries is a great resource when it comes to understanding the patterns of banking services usage. Data from South Asia and other low- and middle-income regions reveal that although digital transaction usage has increased dramatically, the use of formal savings and investment products still accounts for only a small portion of the overall financial activities of the population (Ozili, 2018a). In addition, Fernandes et al. (2014b) illustrate that even with all the awareness and knowledge, people might not necessarily take action, particularly if they still perceive risks or face institutional barriers.

On the other hand, research has shown that the gap between having a bank account and actively using it is a common theme. This is because, typically, customers use their bank accounts only for receiving wages or remittances, and they turn to the informal sector for savings and investment. This situation implies that financial inclusion programs that concentrate only on providing access may have a minimal effect on people's financial habits in the long run.

2.6 Research Gap and Conceptual Positioning

The reviewed literature shows three major gaps to be addressed. Firstly, hardly any empirical studies focus on the usage behavior of banking services from a multidimensional financial perspective, especially beyond basic transactions.

Secondly, a comparative study of public and private bank customers from a behavioral usage viewpoint is an area that has not been sufficiently developed.

Thirdly, the combination of financial literacy and institutional factors influencing service usage behavior is not adequately studied, particularly in the context of developing countries.

In the case of Nepal, the majority of studies are focused on financial inclusion, literacy levels, and the expansion of the banking infrastructure, with very little focus on customer usage behavior at the micro level. Hence, there is a gap in the empirical evidence of whether institutional ownership still matters in influencing banking service usage among financially literate customers.

By addressing these challenges, this research locates itself at the crossroads of financial behavior theory, banking institutional analysis, and digital finance. It presents a novel scholarly contribution, which is a field study of banking service availability and usage patterns of public and private banks in Nepal, thereby elevating the existing studies beyond access-based indicators and providing behavioral insights from a largely unexplored setting.

2.7 Gaps Identified in Nepalese Studies

The review, in general, states that the lack of empirical investigations exploring financial literacy's impact on the choosing and usage of banking products among banking sector users in urban and semi-urban areas of Nepal, especially in the post-digital expansion era, is a critical gap in research (Neupane, 2026).

Some of the studies carried out in Nepal have mainly looked at financial inclusion, levels of financial literacy, and the availability of banking infrastructure (Nepal Rastra Bank, 2022). However, based on the literature review, researchers have discovered gaps in understanding customer behavior in using various banking service categories and different types of institutions. Specifically, very little emphasis has been placed on behavioral usage comparison studies between public and private banks as well as on how financial literacy can influence such behavior. These research gaps are in line with the research objective of the present paper, which is to evaluate the availability of banking services and the usage pattern in different banks in Nepal.

2.8 Theoretical Foundation and Research Direction

Theoretically, this study is grounded in financial behaviour theory, which explains that people generally make financially rational decisions when they have sufficient financial knowledge, consider the benefits, and evaluate the risks (Lusardi & Mitchell, 2014).

Prior studies have indicated the role of financial literacy and service availability; however, there has not been enough empirical work to show the direct impact of these factors on actual banking service usage behaviour, especially that of Nepal (Demirguc, Kunt et al., 2018). Previous research has mainly focused on access and awareness, but the current study contributes to the literature by empirically investigating banking service usage patterns and distinguishing public bank customers from private bank customers, thus filling a major gap.

The banking industry in Nepal has experienced a remarkable evolution over the last twenty years. The changes include financial liberalization, technological upgrades, and more competition

between public and private sector banks. Today, customers are able to use a variety of banking services such as savings and deposit products, loan facilities, investment options, and digital banking platforms.

Although financial literacy is identified as one of the main factors of financial decision-making, studies that focus on how banking services are utilized are very limited, especially in the context of developing countries like Nepal.

Most of the earlier research has concentrated on levels of financial literacy and its determinants, while the relationship between the availability of services and actual usage behavior has received quite little empirical attention. This issue is very pertinent to the case of Nepal, which witnesses public and private banks quite differently in terms of service innovation, digital infrastructure, and customer outreach. A good grasp of the usage pattern is thus a key factor in the improvement of banking efficiency, the increase of financial inclusion, and the better matching of services to customer needs.

Against this backdrop, this study is a part of an overarching PhD research that focuses on Objective 2 and explores the availability and usage of banking services among financially literate customers in Nepal. Financially literate people are increasing their use of advanced banking services such as digital payments, investment products, and credit facilities. Lusardi and Mitchell (2014) also provide financial literacy as a means of improving the ability of customers to assess financial products and thus make usage decisions wisely. On top of that, very few studies have been done on usage pattern differences among bank types in the Nepalese context, especially primary data-based ones.

2.9 Contribution of the Study

This research makes several contributions to the literature of banking and financial behavior. Firstly, it extends the knowledge base by focusing a little more on the analysis of actual behavioral banking use rather than just the availability of banking services in the usage of multiple financial dimensions such as savings, credit, investment, and transaction modes, thus offering a more detailed customer banking service utilization picture.

Secondly, the paper offers empirical evidence to compare customers of public and private banks, and specifically, it examines whether institutional ownership affects banking service usage behavior after financial literacy has been accounted for, which is a less explored issue in the previous research.

Thirdly, the study, by providing direct evidence from Nepal, a developing economy with the features of rapid digital banking growth and institutional diversity, widens the geographical and contextual scope of the literature and brings in fresh insights from a setting that is generally overlooked in global banking research.

3. Research Objectives

The main objective of this study is to assess the available public and private banking services and their use by customers in Nepal.

4. Research Methodology

The study employs a descriptive and analytical research design to examine the availability and usage behavior of banking services. The research is based on primary data that researchers collected during the doctoral research pre-test phase. The pre-test serves diagnostic purposes as it enables the researcher to evaluate research instrument clarity and relevance, and research instrument suitability.

Researchers collected primary data from 30 banking customers who used both public and private sector banks through a structured questionnaire. The survey captured essential constructs, which included savings behavior, loan behavior, investment behavior, and banking service usage frequency and mode. Respondents were categorized by type of bank (public or private), and all variables were measured using nominal scales and Likert-scale items, which allowed researchers to obtain structured responses that could be analyzed across all study participants.

SPSS software was used to conduct data analysis by applying various statistical techniques. The data summary used frequency distribution and descriptive statistics, while cross-tabulation and chi-square tests examined variable associations, and mean comparisons showed customer differences between public and private banks. The methods provided an initial analytical framework, which researchers used to investigate patterns and relationships within the pre-test dataset.

5. Results and Discussion

5.1 Profile of Respondents by Type of Bank

This table presents the distribution of respondents according to the type of bank they are associated with. It provides a basic institutional profile of the sample and establishes a contextual foundation for comparing banking service usage patterns between public and private bank customers in the subsequent analyses.

Table 1: Profile of Respondents by Type of Bank

		Frequency	Percent
Types of banks	Public	18	58.1
	Private	13	41.9
	Total	31	100.0

Source: Field Survey, 2026

The distribution of respondents by bank type is presented in Table 1. In the table, out of the total respondents, 58.1% were customers of public sector banks. In the same way, 41.9% were associated with private sector banks. This indicates a higher representation of public bank customers in the pre-test sample. This is consistent with the wider branch network and historical

presence of public banks in Nepal. Table 1 thus provides a contextual baseline for comparing banking service usage patterns across public and private banks in subsequent analyses.

5.2 Frequency of use of banking service – saving & credit

This table examines how frequently respondents use savings and credit services, categorized by type of bank. The table offers insight into the intensity of customer engagement with core banking services and allows comparison of usage frequency between public and private bank customers.

Table 2: Frequency of Use of Banking Services (Savings and Credit)

		Frequency of use of banking service – saving & credit				Total
		1 to 2 times	3 to 5 times	6 to 10 times	More than 10 times	
Types of Banks	Public	61.1%	11.1%	5.6%	22.2%	100.0%
	Private	38.5%	46.2%		15.4%	100.0%
Total		51.6%	25.8%	3.2%	19.4%	100.0%

Source: Field Survey, 2026

The frequency of usage of savings and credit services across bank types is summarized in Table 2. Among public bank customers, the majority (61.1%) reported using banking services only 1-2 times, whereas a substantially higher proportion of private bank customers (46.2%) reported usage 3-5 times.

Overall, Table 2 shows that 51.6% of all respondents used banking services only 1–2 times, while 19.4% reported usage of more than 10 times. This indicates that although banking services are widely available, high-frequency usage remains limited, particularly among public bank customers. The results suggest that private banks may be more successful in encouraging repeated engagement with banking services.

5.3 Mode of transactions

This table illustrates the preferred modes of conducting banking transactions among respondents. By distinguishing between digital services and physical branch visits across bank types, the table highlights the extent of digital adoption and evolving transaction behavior in the Nepalese banking sector.

Table 3: Mode of Banking Transactions

		Mode of transactions		Total
		Digital Services	Physical Visit	
Types of banks	Public	94.4%	5.6%	100.0%
	Private	84.6%	15.4%	100.0%
Total		90.3%	9.7%	100.0%

Source: Field Survey, 2026

The preferred mode of banking transactions is illustrated in Table 3. The table shows a strong dominance of digital banking services. In this case, it has been found out that, 90.3% of respondents using digital channels compared to only 9.7% relying on physical branch visits.

As depicted in Table 3, public bank customers exhibited a higher reliance on digital services (94.4%) than private bank customers (84.6%). This finding highlights the growing acceptance of digital banking across both bank types and reflects the effectiveness of digital infrastructure expansion in Nepalese banks.

5.4 Savings and Account Management

This table presents respondents’ attitudes and practices related to savings and account management using descriptive statistics and mean scores. It provides an understanding of how customers manage their accounts, monitor transactions, and engage in regular saving behavior based on their financial awareness.

Table 4: Savings and Account Management Behavior

Statements	SD	D	N	A	SA	Mean
I am in the habit of regularly depositing my earnings in a bank account because I understand the advantage of the same.	9.7%	12.9%	32.3%	29.0%	16.1%	3.2903
I keep track of my bank account activities such as transactions and balances to guide me in making decisions.	9.7%	6.5%	9.7%	45.2%	29.0%	3.7742
I evaluate my bank account balance and financial goals to create a budget for my monthly expenses.	12.9%	19.4%	19.4%	25.8%	22.6%	3.2581
I prefer using formal banking services like savings accounts, fixed deposits, etc. rather than hoarding cash at home.	3.2%	6.5%	12.9%	35.5%	41.9%	4.0645

Source: Field Survey, 2026

The descriptive statistics related to savings and account management behavior are presented in Table 4. The highest mean score (Mean = 4.0645) corresponds to the statement “I use formal banking services instead of keeping cash at home”, indicating strong confidence in formal banking systems.

Further, Table 4 shows that respondents actively monitor their bank accounts (Mean = 3.7742). It shows the informed financial decision-making. However, comparatively lower mean scores for regular saving and monthly financial planning (Means = 3.2903 and 3.2581, respectively) suggest that consistent savings discipline could be further strengthened among customers.

5.5 Loan and Credit Behavior

This table summarizes respondents’ loan and credit-related behaviors. This focuses on borrowing decisions, credit discipline, and repayment practices. The table helps assess the degree of financial prudence and responsibility. This can be done by exercising the customers in managing credit facilities.

Table 5: Loan and Credit Behaviour

Statements	SD	D	N	A	SA	Mean
I prefer to take a loan or credit only after I have fully understood the interest rates, repayment schedules, and risks	9.7%	9.7%	12.9%	41.9%	25.8%	3.6452
I steer clear of taking loans unnecessarily or overspending through credit.	3.2%		12.9%	41.9%	41.9%	4.1935
I am always punctual in repaying my loans and credit so as to keep a good credit record.	3.2%		19.4%	48.4%	29.0%	4.0000

Source: Field Survey, 2026

Loan and credit behaviour results are summarized in Table 5. The Respondents have demonstrated the responsible credit usage. In this case, the high mean values for avoiding unnecessary loans (Mean = 4.1935) and timely repayment of loans (Mean = 4.0000).

Most respondents (As shown in Table 5,) indicated that they take loans only after understanding interest rates and repayment terms (Mean = 3.6452). These findings reflect prudent borrowing behaviour among financially literate customers. This contributes positively to financial stability.

5.6 Investment and Risk Behaviour

This table reports respondents’ investment-related behaviors and their approach to financial risk. It highlights the extent to which customers rely on financial knowledge and seek advice. This table also shows the behavior adjustment when making investment decisions. Thereby reflecting the influence of financial literacy on risk management.

Table 6: Investment and Risk Behaviour

Statements	SD	D	N	A	SA	Mean
I invest in bank products (savings schemes, fixed deposits, mutual funds) based on my understanding of risks and returns.	12.9%	12.9%	22.6%	35.5%	16.1%	3.2903

I seek information or advice before making financial investments.			12.9%	41.9%	45.2%	4.3226
I adjust my financial behaviour (saving, spending, investing). This is based on what I have learned about finance.	6.5%	3.2%	25.8%	38.7%	25.8%	3.7419

Source: Field Survey, 2026

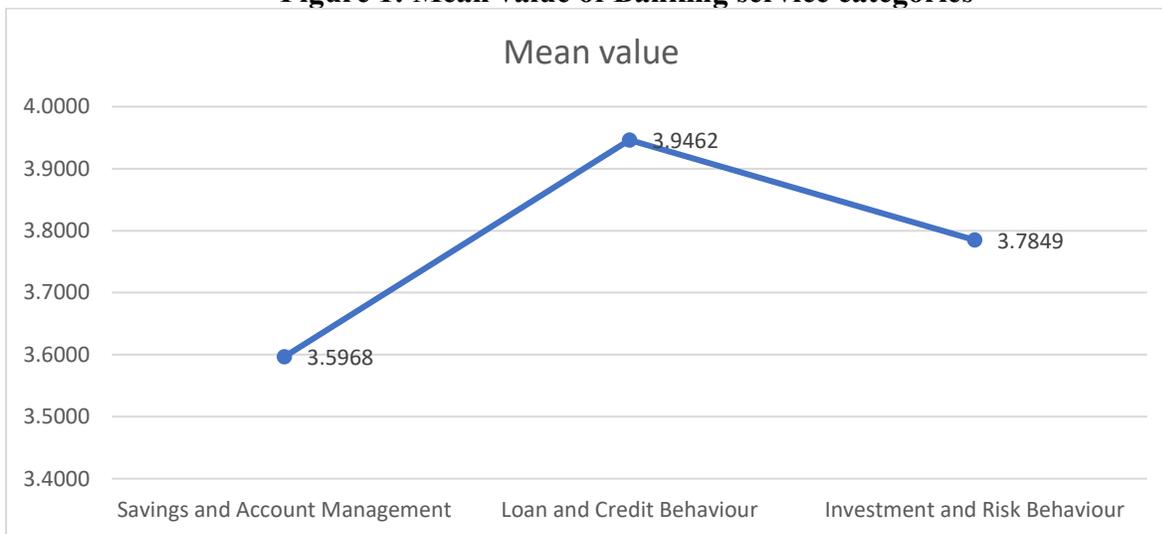
Investment and risk-related behaviours are reported in Table 6. The results indicate that respondents are highly inclined to seek information or professional advice before investing (Mean = 4.3226). However, actual investment in bank-based financial products shows moderate engagement (Mean = 3.2903).

Table 6 also demonstrates that respondents are capable of adjusting their financial behaviour based on financial knowledge (Mean = 3.7419), confirming the influence of financial literacy on investment decision-making, though risk aversion remains evident.

5.7 Mean value of Banking service categories

This figure presents the average mean scores of major banking service categories, including savings and account management, loan and credit behaviour, and investment and risk behaviour. It provides a comparative overview of respondents’ engagement levels across different financial behavior dimensions.

Figure 1: Mean value of Banking service categories



Source: Field Survey, 2026

The Figure 1 shows average scores from three essential financial behavior areas which demonstrate how different respondents perform various financial activities. The lowest mean score of Savings and Account Management (3.5968) shows that people exhibit less consistency in their regular saving activities and their daily account management tasks. The results indicate that respondents struggle to develop consistent saving practices while they handle their account management tasks. Loan and Credit Behaviour shows the highest mean score (3.9462) because borrowers display greater knowledge about their loans while showing more responsible behavior in handling their credit responsibilities. The higher mean score shows that respondents exhibit greater confidence who maintain their self-control when they make credit-related decisions because they understand the rules and obligations which define their financial risks from borrowing.

The Investment and Risk Behaviour dimension falls between the other two, with a mean value of 3.7849, indicating a moderate level of engagement and confidence in investment decisions and risk-taking. The overall pattern shows that respondents show their best skills when managing loans and credit while they spend time on investment activities and less time on saving and account management tasks.

5.8 Differences between public and private banks

This table compares the mean scores of key banking service usage categories between public and private bank customers. The table facilitates an initial assessment of institutional differences in customer behavior across savings, credit, and investment-related activities.

Table 7: Mean Values of Banking Service Categories

Group Statistics					
	Types of Bank	N	Mean	Std. Deviation	Std. Error Mean
Savings and Account Management	Public	18	3.7222	.64676	.15244
	Private	13	3.4231	.80613	.22358
Loan and Credit Behaviour	Public	18	4.0556	.90928	.21432
	Private	13	3.7949	.50071	.13887
Investment and Risk Behaviour	Public	18	3.8519	.80214	.18907
	Private	13	3.6923	.60033	.16650

Source: Field Survey, 2026

Table 7 shows the average values of main banking service use patterns for public and private sector banks, which were derived from 18 public bank customers and 13 private bank customers. The table presents average scores together with their corresponding variability measures, which enable the evaluation of customer behavior patterns through different banking services.

Public bank customers achieve higher average scores of 3.7222 for Savings and Account Management compared to private bank customers, who score 3.4231. Public bank users show stronger dedication to their savings activities and their standard account management tasks, which results in their greater engagement with public banks, according to this finding. The response pattern of private bank customers shows more unpredictable results because their response to the standard deviation reaches .80613 which shows that this group experiences different situations compared to public bank users.

The Loan and Credit Behaviour assessment shows both groups achieving high mean values, while public bank customers achieve higher scores with 4.0556, than private bank customers, who score 3.7949. Public bank users demonstrate greater awareness of credit management and display positive credit behavior, according to this finding. Public bank customers show more variable experiences than private bank customers, who demonstrate identical responses to this particular aspect.

Public bank customers display greater investment confidence, which they use to handle their investment activities and risk management tasks with a mean score of 3.8519, while private bank customers show lower investment confidence at 3.6923. Public bank customers across three categories show better results than their private bank counterparts. Public bank users demonstrate stronger financial behavior than private bank users, but their financial behavior shows different patterns of consistency among the two groups. The researchers used a pre-test sample to conduct their analysis, which resulted in findings that should be treated as tentative evidence rather than definitive results.

5.9 Independent Samples t-Test Results

This table reports the results of independent samples t-tests conducted to examine whether statistically significant differences exist between public and private bank customers across major banking service behavior categories. The table supports inferential analysis by evaluating mean differences and variance equality between the two groups.

Table 8: Independent Samples t-Test Results

		Independent Samples Test								
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2- tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper	
Savings and Account Management	Equal variances assumed	.024	.877	1.146	29	.261	.29915	.26098	-.23461	.83290
	Equal variances not assumed			1.105	22.342	.281	.29915	.27060	-.26156	.85985
Loan and Credit Behaviour	Equal variances assumed	2.526	.123	.934	29	.358	.26068	.27920	-.31034	.83171
	Equal variances not assumed			1.021	27.423	.316	.26068	.25538	-.26293	.78430
	Equal variances assumed	.692	.412	.604	29	.550	.15954	.26406	-.38051	.69960

Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Investment and Risk Behaviour	Equal variances assumed			.633	28.937	.532	.15954	.25193	-.35576	.67485
	Equal variances not assumed									

Source: Field Survey, 2026

The independent samples t-test results which compare the average test results of public and private bank customers across three banking service behavior categories are shown in Table 8. The first report of Levene's Test for Equality of Variances determines whether the two groups should be treated as having equal variances. The three tested areas of Savings and Account Management and Loan and Credit Behaviour and Investment and Risk Behaviour all show Levene's test results which exceed 0.05 thus proving that the two groups have equal variances and the t-test results under "equal variances assumed" should be used.

The t-test for Savings and Account Management shows a t-value of 1.146 which includes a significance level (p-value) of 0.261. The test results show that the mean difference of 0.29915 which exists between public and private bank customers does not have statistical significance. The 95% confidence interval for the mean difference spans from -0.23461 to 0.83290 which shows that the difference might exist because of sampling differences and not because of an actual effect.

The Loan and Credit Behaviour category shows no statistically significant difference between the two groups according to their t score of 0.934 and p value of 0.358. The public bank customers show higher average scores but the confidence interval of (-0.31034 to 0.83171) shows that the difference lacks statistical significance. The study shows that both bank customers manage their loans and credit activities in the same way.

The t-test results show that public and private bank customers display identical Investment and Risk Behaviour according to their t-test results which show a value of 0.604 and a p value of 0.550. The mean difference between the two groups is 0.15954 which shows that the confidence interval (-0.38051 to 0.69960) includes zero. The t-test results show that public and private bank customers display identical financial behavior across three categories which make up their financial behavior patterns. The small pre-test sample size makes these findings suitable for exploratory research because they lack definitive evidence.

6. Conclusion

Based on the pre-test analysis, the study concludes that banking service usage among financially literate customers in Nepal is **responsible but moderate in intensity**. As evidenced by **Table 3** and **Tables 2–6**, digital banking has emerged as the dominant transaction mode, while customers demonstrate prudent loan behaviour and strong trust in formal banking institutions. However,

savings regularity and investment participation remain comparatively moderate. The absence of statistically significant differences between public and private bank customers (**Table 8**) underscores the central role of financial literacy in influencing usage behaviour.

7. Recommendations

Banks in Nepal should introduce **goal-based digital saving and investment nudges** (such as automated reminders, default monthly saving options, and progress tracking dashboards) within their mobile and internet banking platforms, and future research should empirically test whether such interventions significantly increase **saving regularity and investment participation** among financially literate customers compared to standard digital banking services.

- a. **Promotion of Regular Saving Behavior:** Given the evidence in Table 4, banks could be more helpful in saving consistency if they come up with automated and goal, based saving products.
- b. **Expansion of Investment, Oriented Financial Education:** From the moderate level of investment participation on Table 6, it is suggested that banks offer simplified investment products and advisory support to investors.
- c. **Advanced Use of Digital Platforms:** Table 3 depicts the fact that digital adoption is at a high level. In this case, the banks should consider incorporating budgeting tools and personalized financial insights into digital platform usage.
- d. **Policy, Level Financial Literacy Programs:** Financial regulators should develop targeted financial literacy programs that stress the importance of long, term financial planning and the management of risk.

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