



Financial Behavior of Generation Z and Millennials

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Abstract

Purpose – Managing finances and making the right financial decisions are challenging for everyone worldwide, and wrong decisions by individuals may lead the whole economic system in the wrong direction. This paper aims to investigate behavioral aspects of individuals regarding their financial decision-making. Also, it examines the moderating role of generations on behavioral aspects affecting financial decision-making, taking into account Generation Z and Millennials.

Design/methodology/approach – Kathmandu valley, the capital city of Nepal, was selected as the study area for this research. Since this study aims to analyze the financial behavior of only two generations, individuals who fall under either of these generation groups and are actively involved in financial decision-making constitute the study population. The convenience sampling technique was used within each generation group to collect data. Four hundred and thirty-eight (438) usable data were collected through a structured questionnaire and analyzed using descriptive statistics, Pearson's correlation, and hierarchical regression.

Findings and Conclusion – Supporting planned behavior theory and the generation cohort theory, the findings from this analysis demonstrated a significant positive effect of digital literacy, financial literacy, financial attitude, and risk tolerance on financial behavior. At the same time, the findings of this paper also stated that ethics has a significant impact on financial behavior, which supports the cognitive and emotional biases explained by behavioral theory. Furthermore, Generation Z and Millennials significantly differ in financial literacy, attitude, and ethics, shaping their financial behavior. However, this study could not find generation moderating the effect of risk tolerance and digital literacy on financial behavior.

Originality/Value - The findings of this paper contributed to the existing body of literature by validating behavioral finance and the theory of planned behavior, helping scholars gain more insights regarding the influence of financial constructs and ethics on financial behavior. Furthermore, the conclusions of this paper also validate the generation cohort theory, showing similar behavior in people of similar age or age groups. This study also explored behavioral differences between Generation Z and Millennials in Nepal, which was still to be explored.

Keywords: Financial behavior, Financial literacy, Generation Z, Hierarchical regression, Millennials

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1. Introduction

Managing money is the most significant and crucial life skill that will affect young adults for the rest of their lives. People frequently engage in financial activities in daily life, whether spending, saving, or investing. In the age of emerging financial technologies, having financial knowledge enables people to access and use advanced and modern financial services such as mobile banking, internet banking, or e-wallet easily and quickly to make payments or conduct funding activities (Rahayu et al., 2022). Each individual has different needs, such as saving money, preparing investments, taking insurance policies, and borrowing money. To fulfill these needs, people are involved in financial management activities (Kholilah & Iramani, 2013). The decisions regarding financial management activities differ according to individual behavior. For example, some people want to create an emergency fund that provides a financial safety net for unexpected expenses and helps individuals avoid borrowing. Individuals who save regularly and maintain emergency funds are better protected against financial shocks (Ameriks et al., 2003).

As an essential aspect of an individual's financial decision-making affecting overall financial well-being and the financial market, it is crucial to know the factors responsible for directing an individual's financial behavior. Since a person's behavior is affected by their belief, emotions, experiences, cognitions, and environment, it differs among different age groups. Literature has also proved that (e.g., Fong et al., 2021; Kim et al., 2019; Twenge & Campbell, 2008), different age groups behave differently regarding their income, expenses, saving, investing, risk, and future planning decisions. As the financial market of Nepal is growing, many alternatives for financial investment, saving for future expenditure, and emergencies are also available, and different types of retirement schemes are also being offered by banks, insurance companies, pension funds, and other institutions (Economic Survey, 2023). Similarly, technology

has changed drastically in recent years in the financial market. Many services are now offered and accessed through different electronic platforms, which have also helped to increase the reach of financial services to people in remote areas and abroad (Nepal Financial Inclusion Report, 2023). These facts also emphasize the current relevancy of the study of financial behavior and the effect of the generation gap on their financial behavior.

The patterns of money management, financial decision-making, and consumption choices made by individuals or households sum up the concept of financial behavior (Furnham & Argyle, 1998). Financial behavior refers to people's actions to enhance their well-being or happiness and prevent financial crises. In addition, financial behavior is a person's ability to plan, prepare a budget, and manage, control, seek, and store their financial funds. Learning to manage personal finance is important for forming attitudes toward financial management practices and life in general. Young people must learn about finances during their youth to have the best opportunity to successfully transition to adulthood (Shim et al., 2010). Financial behavior is a multidimensional concept influenced by various psychological, cognitive, social, and cultural factors (Agarwal et al., 2015; Arrondel et al., 2013). Understanding these factors and their impact on financial behavior is crucial for promoting positive financial outcomes and well-being. Ethics and financial constructs influence or determine an individual's financial behavior. Financial constructs consist of the combination of various factors such as financial literacy (Lusardi & Mitchell, 2014), financial attitude (Potrich & Vieira, 2018; Ibrahim & Alqaydi, 2013), risk tolerance (Adriani, 2021; Agarwal et al., 2015), and digital literacy (Rahayu et al., 2022), that impact the individual's financial behavior. Likewise, when making investments, especially large ones, ethics has grown to be a major consideration. Investors declare their investment amount in businesses that comply with ethical standards and ecologically friendly practices even though the expected returns are lower than those of other companies (Wilson, 1997).

Generation-specific age groupings, including Generation X, Generation Y (Millennials), and Generation Z, have been the subject of numerous research (DeVaney & Chiremba, 2005; Kowske et al., 2010; Lancaster, 2003). Age groups that were exposed to comparable cultural and social events and have demonstrated comparable attitudes and perspectives are referred to as generations, drawing on the early research of Mannheim (1952). Researchers frequently use generalizations to describe significant traits of a generation (Deyoe & Fox, 2012; Twenge & Campbell, 2008). For instance, Gen Y (1982–1999) has been characterized by stronger self-esteem, vanity, a greater external locus of control, and less reliance on social approval compared to their elder counterparts. These traits may impact how they view or handle their finances (Twenge & Campbell, 2008).

Generation Z, born between 1997 and 2012, sets aside their pocket money for saving (Paramitalaksmi et al., 2023). The Millennials born between 1981 and 1996 utilize the technologies without worrying about spending money (Lukesi et al., 2021). When it comes to financial decisions, a person's stage of life can have a long-lasting effect on their house and lifestyle. Younger people with higher financial literacy skills are better equipped to make choices that ultimately lead to a higher quality of life (James et al., 2012). Age and experience can alter a person's perspective. The Generation Cohort Theory also states that people around the same time of birth grow with similar attitudes, values, and beliefs (Moss, 2010). Robb et al. (2012) also argue that consumers display different financial behaviors based on their age group. Each age group deals with different issues, influences, and perspectives (Zick et al., 2012). Increased likelihood of consistently making on-time credit card repayments, engaging in the stock market, and adhering to age-appropriate investment standards are all associated with higher literacy (Fong et al., 2021). The concept of bounded rationality, according to Ibrahim (2009), emphasizes three main challenges that Millennials have to face: (a) complex financial markets, (b) limited financial capacity, and (c) limited

time and financial resources. It is evident that millennials know less about finance. They must be prepared to comprehend and assess how their present financial practices may affect their short- and long-term financial well-being (Kim et al., 2019).

The theory of planned behavior focuses on attitude, society, and personal capabilities or available resources as factors to determine financial behavior (Ajzen, 1991). Meanwhile, behavioral theory analyzes the impact of cognitive and emotional biases on financial decision-making (Shefrin, 2009). Thus, to examine the changes in behaviors shown by individuals of different ages, the study focuses on the Nepalese generation gap in financial behaviors between Generation Z and Millennials, who are the successors of future generations that will lead the nation's economy.

This results from the financial world becoming more complex, making selecting the best financial products and markets challenging. It is essential to know whether differences in generational financial behavior exist in Nepal so that institutions can offer products according to their behavior. This study contributes to the existing literature by testing established theories such as behavioral finance, planned behavior, and generation cohort theories through empirical data. Furthermore, this study also provides some practical implications for investors, managers, policymakers, and even the government so that they can formulate better policies and programs that suit the needs of individuals involved in financial decision-making.

2. Literature review

Theory of Planned Behavior

The Theory of Planned Behavior (TPB) was developed by Ajzen in 1980. It is an expansion theory of the Theory of Reasoned Action (TRA) concerned with rational behavior. It is based on the idea that people make logical decisions, consider all available information, and directly and indirectly calculate the effects of their actions. Following the principle of rational

behavior, people will act whenever they see that their action is favorable and whenever they believe others want them (Arifin, 2017). The Theory of Planned Behavior (TPB) is an appropriate theory to explain any conduct that needs planning and clarify that a person's behavior happens because they intend to do it daily (Ajzen, 1991). This theory explains that an individual's intention to behave is determined by three fundamental factors— (1) Attitude derived from behavioral belief, which are personal opinions regarding the outcomes desired and assessment of the results that they utilize to respond to situations by expressing their opinions in both positive and negative ways. (2) Subjective norm derived from normative belief referring to the social factors (family, friends, society) that support each individual's actions. (3) Perceived behavioral control represents an individual's perceived ease or difficulty in performing behavior influenced by personal capabilities, available resources, and situational constraints (Arifin, 2018).

Theory of Behavioral Finance

The concept of behavioral finance first came into existence in the 1990s, and it is founded on the interdisciplinary interaction between sociology, psychology, and conventional finance. Based on descriptive and conceptual research, Bakshi (2020) outlined the transition from traditional to behavioral finance. Although it is still a relatively new theory, behavioral finance has significantly impacted the growth of behavioral knowledge in finance. This theory aids in the search for answers to human economic decisions by fusing conventional finance and economics with theories from behavioral and cognitive psychology (Baker & Nofsinger, 2010). Similarly, behavioral finance combines principles from psychology and finance to study how cognitive and emotional biases of overconfidence, anchoring, availability bias, and confirmation bias influence an individual's financial decisions and market outcomes (Shefrin, 2009). Further, Peterson (2007) documented that by raising a person's

awareness of their own emotions and how they relate to the events that are taking place, biofeedback can enhance decision-making, particularly in a trading or crisis scenario.

Financial Behavior

Financial behavior is related to a person's responsibility to manage his/her finances. Debates surrounding financial behavior arise within discussions on personal finance, consumer behavior, and behavioral economics. There is debate about whether individuals consistently show rational behavior in financial decision-making or are subject to cognitive biases that influence their choices. The dilemma between allowing individuals to make their own financial decisions versus the role of parents to guide and shape financial behavior in beneficial ways is a debatable topic of discussion. Similarly, the emerging debate circulates on whether nature (individual characteristics) or nurture (environmental factors) determines financial behavior (Thaler & Sunstein, 2008).

Financial behavior is the key to capturing all of an individual's, family, society's, or state's decision-making by helping them understand how these choices will affect a given situation and help them make the best financial decisions that will allow them to plan their spending or savings (Ahmad et al., 2019). It also includes the individual's actions, decisions, and attitudes toward money, which are shaped by psychological, cognitive, social, and cultural factors (Xie et al., 2020). East (1993) applied the theory of planned behavior to explain investment decisions and found that attitudes, subjective norms, and perceived behavioral controls were significantly related to investment intentions. The effect of friends and relatives and easy access to funds are influential factors in financial behaviors.

Relationship between variables

Financial Literacy and Financial Behavior

When people possess skills and talents that allow them to use available resources to accomplish predetermined goals, they are said

to be financially literate (Arifin, 2018; Goyal & Kumar, 2021). Financial literacy is a type of human capital that comprises expertise in managing personal finances, including quantitative skills, familiarity with financial tools and theory, and the capacity to apply knowledge successfully.

The theory of Planned Behavior states that perceived behavioral control measures an individual's mastery and confidence over a specific behavior, strengthening the will to maintain and contribute toward performing that habit. Financial literacy as a perceived behavioral control reflecting personal capabilities considers an individual's perception of their capacity to regulate their actions and behaviors (Azidzul et al., 2023). Lusardi and Mitchell (2007) found that low financial literacy makes people more inclined to base their decisions on friends' financial advice and less likely to buy equities than those with higher financial literacy. When Nepali investors feel to make investment decisions, their dogmatism and beliefs overshadows the rational way of thinking (Giri & Adhikari, 2023). It may be reason that conventional way of thinking investors tend to avoid the complexity process of decision-making, and they might be prone to make wrong decision. High school seniors who scored higher on the financial literacy scale were more likely to balance their checkbooks and less likely to bounce checks than their peers (Mandell, 2006). An individual's financial behavior improves with financial understanding (Griffin & Sibilang, 2022). This behavior shows that a person with financial literacy must have more qualifications to manage their finances, including regulating their family's requirements, paying their bills on time, defining savings habits, and better preparing for the future. Mudzingiri (2019) states that a person with poor financial literacy frequently struggles to comprehend monetary issues, exhibits poor monetary habits, and is less adept at handling economic shocks. Arifin (2017) found a positive relationship between financial knowledge and financial behavior, while income does not follow the same direction, which means that better knowledge

about financial markets is access to better financial behavior. The paper by Hilgert et al. (2003) found that higher Financial Practices Index Scores were obtained by individuals who were more financially literate, proving a link between financial understanding and their financial behavior. A person with better financial literacy could make wise decisions for their family, improving their financial stability and well-being. Moreover, someone with superior financial literacy can make crucial information judgments for an effective market and efficient government. The following hypothesis is set by considering the empirical findings of the literature mentioned above.

H1: The level of financial literacy has a significant positive effect on financial behavior.

Digital Literacy and Financial Behavior

Digital literacy is the degree to which a person is knowledgeable about making online purchases and paying for them using different payment methods and the online banking system (Prasad et al., 2018). Morgan et al. (2019) explained digital financial literacy through four concepts: knowing about digital financial products and services, being aware of their hazards, being familiar with digital financial risk management techniques, and being aware of consumer rights and complaint processes.

Digital literacy as a perceived behavioral control measure described by the Theory of Planned Behavior as access to technology and digital resources evaluates a person's competence and self-assurance regarding a particular action, which builds up their determination to maintain and support that behavior (Sadaf & Johnson, 2017). Panos and Wilson (2020) found that the individual's financial behavior, mainly saving, purchasing, and investing decisions, will also be influenced by their level of digital financial literacy. The millennial age typically educates themselves about digital financial products using the resources offered by various electronic media. The younger generation is known to have a high propensity for curiosity and to imitate

and follow trends psychologically. Thus, it is straightforward for them to follow the trend of technical advancements, including digital financial products. These findings demonstrate that the younger generation's financial behavior (including their ability to save, spend, and invest money) improves with increased digital financial literacy. It suggests that the millennial generation can make better money management decisions based on their digital financial literacy level (Rahayu et al., 2022). Moenjok et al. (2020) also found that consumer saving habits in Thailand were impacted by digital financial technology. Although savings at traditional financial institutions showed a negative trend, there was an increase in savings in digital financial products (Global Findex Database, 2017). It demonstrates how people's financial behavior is influenced by digital financial technologies (Demirguc-Kunt et al., 2018). The following hypothesis is set to identify the impact of digital literacy on financial behavior.

H2: There is a significant positive effect of digital literacy on financial behavior.

Risk Tolerance and Financial Behavior

Risk tolerance is the capacity to accept a certain level of risk in an investment that influences how people invest their money for short and long-term goals, such as retirement and saving for a big purchase. The greatest degree of unpredictability a person will accept while making a financial choice or the readiness to act in ways when the results are uncertain, and there is a chance of an unfavorable outcome (Ainia & Lutfi, 2019; Irwin, 1993).

The Theory of Behavioral Finance (Statman, 1999) explains that behavioral biases and cognitive psychology influence an individual's financial decisions. Biases such as overconfidence and overoptimism can cause people to underestimate risk. Investors in the stock markets do not overestimate their beliefs and knowledge while making investment decision (Giri & Adhikari, 2023; Kengatharan & Kengatharan, 2014). Thus, risk tolerance is the most evident implication of the behavioral biases that underlie behavioral finance theory (Brooks & Bryne, 2008). The

gender-focused study by Chowdhury (2016) on working women in Chittagong found that saving, investment, risk tolerance capacity, and investment size are influenced by the investor's income level and cumulative investment experience. Furthermore, women invest their hard-earned money more systematically, rationally, and consistently than males. Similarly, investors seeking a larger return will put their money into riskier securities; however, those seeking a lower level of risk will put their money into safer securities, leading to lower profits (Injodey & Alex, 2011). Although risk appetite is typically linked to investment, it also influences saving. Individuals more tolerant of financial risk tend to save more and vice versa (Deaves et al., 2007). Bannier and Neubert (2016) also noted the varied effects of risk tolerance on people's financial behavior, stating that men with higher risk tolerance are more likely to invest in complex financial items, and risk tolerance is a factor for simple investments for women, not complex ones. The following hypothesis is set to identify the effect of risk tolerance on financial behavior.

H3: Risk tolerance significantly impacts financial behavior.

Ethics and Financial Behavior

Investment with ethics refers to using ethical and social principles in selecting and managing one's investment portfolio (Schwartz, 2003). Ethics is a set of guidelines that establishes appropriate and inappropriate behavior, which helps people decide when to expose problems and what moral standards to use in specific circumstances (Chong & Anderson, 2008).

The Theory of Planned Behavior explains subjective norms as the belief that an important person or group will approve and support a particular behavior. The perceived social pressure from others to behave in a specific way and the individual's incentive to conform to those beliefs impact these norms (Ajzen, 1991). The "subjective norm" refers to the ethical beliefs influenced by social principles. Psychological ideas, such

as cognitive dissonance or heuristic biases, can also affect ethical decision-making. Decisions on ethical issues are driven by the psychology of the decision-maker (Brooks & Bryne, 2008). Pettijohn (2008) also stated that people will act on what they perceive to be ethical or authentic, which means if a person is ethically aware, they will act in line with that knowledge. Epstein and Freedman (1994) state that business investors also care about a company's ethical standards and community involvement. Like customers, shareholders have a high desire for social data; nevertheless, the business should include it in its annual report.

Furthermore, Mclachlan and Gardner (2004) found that socially conscious investors fundamentally differ from traditional investors, whose beliefs vary regarding how important ethical issues are to them, how they make investment decisions, and how intensely they value morality. Nilsson (2008) argues that private investors focus on ethical investments even if they offer lower financial returns. Moreover, Bauer and Smeets (2015) stated that rather than return expectations, the primary driver of socially responsible investment is the sense of social group membership. On the other hand, Chowbey et al. (2016) attempted to construct the many dynamics that motivate investors to make investments and provided an outline of how ethical standards are reflected in investors' investment decisions and found that financial investments are made to make money and have little to do with moral principles. The following hypothesis tests the effect of ethics on financial behavior.

H4: Ethics has a significant positive effect on financial behavior.

Financial Attitude and Financial Behavior

Financial attitude is a state of judgment, opinion, and financial-related ideas that determines how an individual spends, saves, collects, and invests money. Indirectly, a person's financial attitude might influence how they behave when creating a personal budget, managing their finances, or making

decisions about the investments they should make (Mien & Thao, 2015; Parrotta & Johnson, 1998). According to the Theory of Planned Behavior, an individual's attitude towards a specific behavior can accurately predict their intention to engage in that action. This theory hypothesizes that those who believe strongly that they have control over their behavior, have good views toward action, and experience tremendous social pressure are likelier to demonstrate a strong intention to carry out the behavior (Ajzen, 1991). Phan and Zhou (2014) concluded that a person is more likely to intend to invest if their subjective norm is higher than if it is lower.

Additionally, four psychological factors—overconfidence, excessive optimism, herd behavior, and the psychology of risk— influence an individual's attitude toward investing. Financial success and failure are significantly impacted by one's financial mindset (Ameliawati & Setiyani, 2018). Positivity in attitude will influence positivity in behavior. If a person has a positive and acceptable financial attitude, this will likely translate into positive financial conduct. Mien and Thao (2015) also argue how someone spends, saves, accumulates, and spends money can be influenced by their financial attitudes. Indirectly, a person's financial attitude can affect how they behave regarding personal financial planning, such as managing their resources or making decisions about the type of investment to make. A person's financial attitude determines their financial behavior; those who do not respond wisely to their financial troubles are likelier to exhibit poor financial behavior. People's attitudes toward money influence how they spend, save, hoard, and save money (Herdjiono & Damanik, 2016). The following hypothesis is set based on the empirical findings mentioned above.

H5: There is a significant relationship between financial attitude and financial behavior.

Moderating Role of Generation between Financial Factors and Financial Behaviors

Individuals' financial behavior varies depending on their age group since decision-

making is influenced by various personal elements, including motivation, experience, and emotions (Henager & Cude, 2016). According to the Generation Cohort Theory, significant historical occurrences and social shifts that a group of people experienced around the same time of birth and growing up shaped their attitudes, values, and beliefs (Tang et al., 2017), which in turn affected their consumption and behavior patterns throughout their lives (Li et al., 2013). The Age-Period-Cohort model essentially makes the case that individuals of the same age may exhibit comparable behaviors. Markman (2015) provides evidence that, while family values grow more important as people's age, power and success are more significant to younger and older individuals. Socialization and interaction are more crucial for young people but become less significant as they age. The foundation of the Generational Cohort Theory (Strauss & Howe, 1991) is the idea that significant social and historical developments that took place during a person's formative years have an impact on their values, attitudes, beliefs, and inclinations (Alwin & McCammon, 2003; Cheng & Foley, 2017). Because of this, Ryder (1965) believes that each cohort is internally consistent, but subsequent cohorts differ due to unique historical experiences, peer-group socialization, and shifting formal education contexts. They tend to share a wide range of values and attributes because they have comparable life trajectories and collective identities (Benkendorff & Moscardo, 2013).

Statistics show that financial literacy has a favorable effect on savings. Higher financial literacy scorers are likelier to have official and informal savings than individuals with lower scores (Morgan & Long, 2020). According to Rahayu et al. (2022), an individual's age strongly predicts their digital literacy in Indonesia, influencing financial behavior. The current saving and spending habits are also positively impacted by digital financial literacy. However, Lusardi et al. (2010) conclude that older adults lack financial knowledge about bonds, stocks, risk diversification, and portfolios. However, Agarwal et al. (2009)

state that mortgage interest rates, home equity loans, and credit card debt are unnecessarily high for many American households. The young and old, probably with the lowest levels of financial knowledge, also exhibited these behaviors more frequently.

Furthermore, how people save and spend now influences how they will save and spend in the future (Setiawan et al., 2022). The finding for the "pure" age effect by Jianakoplos and Bernasek (2006) supports the widely held belief that risk-taking declines with age (the age-risk profile is downward sloping). Older individuals take fewer chances than younger ones regarding their declared and observed risk-taking propensities. Hendrawaty et al. (2020) also agree that age significantly affects one's level of risk tolerance. Thanki and Baser (2021) concluded that investors' age and level of formal education were not significant in determining financial risk tolerance, contrary to Kannadhasan (2015) and Reddy and Mahapatra (2017), who contend that age is the most effective differentiating factor of financial risk tolerance and risk-taking behavior. Arora and Kumari (2015) also agree that increased age results in lower risk-taking.

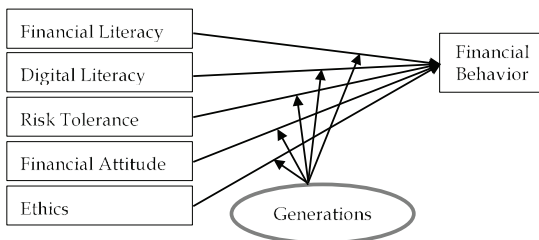
A person's financial attitude encompasses their beliefs about money, including their long-term, emergency, and future savings goals (Amagir et al., 2020). People's attitude towards controlling cash inflows and outflows, long-term investing, and need-based financial control demonstrate their good and responsible financial behavior (Kholilah & Iramani, 2013). In a related study conducted in Vietnam and Switzerland, Phan et al. (2018) concluded that although older Vietnamese participants exhibit a "Life is at now" mentality, they also appear to exercise greater control over their financial decisions than their younger counterparts. Swiss individuals over 50 exhibit a greater propensity to save and a keen interest in financial problems, although they are less inclined to make impulsive purchases. For the same reasons as the younger ones, they are less likely to be found among myopic consumers and gut-feeling followers. Similarly, Khalisharani et al. (2022) showed

that financial attitude significantly affected financial behavior among undergraduate students from Malaysia and Indonesia. However, Säve-Söderbergh (2014) discovered that opinions on ethics varied widely across age groups when choosing financial investments. Another significant characteristic that changes with age is ethics. According to Sikula and Costa (1994), the younger pupils demonstrated greater ethical behavior than the older ones. The following hypothesis is set to check the moderating effect of generation on financial behavior.

H7: The generation moderates the relationship between (a) financial literacy, (b) digital literacy, (c) risk tolerance, (d) ethics, (e) financial attitude and financial behavior.

Based on the literature and hypotheses developed in an earlier section, the variables proposed for the study are presented in Figure 1, which shows their effect on other variables through arrows.

Figure 1: Conceptual Framework



3. Research Methods

This research employs a quantitative approach. The research design used is a combination of descriptive and explanatory design to investigate a relationship between financial constructs and financial behavior. Descriptive research design allows the researcher to describe the current situation or behavior of the variables. An explanatory research design is used in this study to identify the cause-and-effect relationship between financial behavior and other variables, such as financial literacy, digital literacy, risk tolerance, financial attitude, and ethics. All the Generation Z (born between 1997-2012) and Millennials (born between 1981-1996) in Nepal who are involved in financial transactions, investment

activities, and financial decision-making serves as the targeted study population. The exact population size is unknown. Kathmandu Valley is used as a sampling area for the researcher's convenience. Using a non-probability convenience sampling method, the questionnaires were distributed to individuals who were free or at will to participate at the researcher's convenience. The unit of analysis is individual, as the responses are collected from each individual in the sample.

Data is collected using the structured questionnaire with two sections. The first section was related to the demographic information, which had four questions, and the second part included the items related to six constructs. The items for different constructs are taken from various sources. Financial literacy, financial attitude, and financial behavior are adopted from Renaldo et al. (2021). Digital literacy was adopted from Joo & Grable (2004), and risk tolerance was taken from Deaves et al. (2007). Similarly, the ethics items are adopted from Bauer and Smeets (2015). The variables are measured using a five-point ordinal scale, i.e., the Likert scale (1 = strongly agree to 5 = strongly disagree), used for each statement. Five hundred fifty questionnaires were distributed through email, social media, and physical print, but only 463 responses were received. Even though the age of the respondents was considered while distributing the questionnaires, some of the questionnaires filled out by the respondents who do not belong to Generation Z or Millennials were excluded from the analysis. Only 438 questionnaires were completed and usable among the responses received. The method used to measure the internal consistency of variables, Cronbach's Alpha (Cronbach, 1951; Cronbach & Shavelson, 2004), presented in Table 1, shows that Alpha values for the dependent and independent variables are more than or equal to 0.7, indicating that all of the variables are reliable (Taber, 2018) in measuring the target responses.

Table 1. Reliability Statistics

Variables	Cronbach's Alpha	No. of Items
Financial Literacy	0.853	5
Digital Literacy	0.919	6
Risk Tolerance	0.913	6
Ethics	0.883	5
Financial Attitude	0.809	5
Financial Behavior	0.894	7

The characteristics of the variables are analyzed by using descriptive statistics. The relationship and the effect of different constructs on financial behavior are analyzed using correlation and regression analysis. A hierarchical regression method is used since this research analyzes the moderating effect of age groups on financial behavior. The interaction of the age group on each independent variable is also included in the regression model to determine the impact of the generation on the modification of the effect of each independent variable on financial behavior. To remove the possible problem of autocorrelations, all independent variables are converted into 'mean-centered' variables by deducting the mean value of each variable's responses from that particular variable's individual response score.

The following regression model has been set to analyze the financial behavior of Generation Z and Millennials involved in financial transactions and investing activities.

$$FB = \beta_0 + \beta_1 FL + \beta_2 DL + \beta_3 RT + \beta_4 FA + \beta_5 E + \beta_6 G \times FL + \beta_7 G \times DL + \beta_8 G \times RT + \beta_9 G \times FA + \beta_{10} G \times E + \varepsilon$$

where FB = Financial Behavior, DL= Digital literacy, FL= Financial literacy, FA= Financial attitude, RT= Risk tolerance, and E= Ethics. Similarly, G×FL = interaction of generation with financial literacy, G×DL = interaction of generation with digital literacy, G×RT = interaction of generation with risk tolerance, G×FA = interaction of generation with financial attitude, and G×E = interaction of generation with ethics. ε = random error. G is a dummy variable representing generation

and takes the value of '0' for Generation Z and '1' for Millennials.

4. Results

This section focuses on analyzing and describing the data using descriptive and inferential analysis.

Demographic Profile of Respondents

The personal details of respondents collected through the questionnaire, such as their gender, age group, level of academic qualification, the occupation in which they are involved, and their monthly income, have been presented in different categories in Table 2.

Table 2. Frequency Distribution of Demographic Variables

Demographic Variables	Categories	Gen Z (Age = 18-26 yrs.)		Millennials (Age = 27-42 yrs.)		Full Sample	
		N	%	N	%	N	%
Gender	Male	115	49.4	110	53.7	225	51.4
	Female	118	50.6	95	46.3	213	48.6
	Total	233	100	205	100	438	100
Education	SEE	1	0.4	1	0.5	2	0.5
	10+2	80	34.3	4	2.0	84	19.2
	Bachelor	129	55.4	122	59.5	251	57.3
	Master and above	23	9.9	78	38.0	101	23.1
	Total	233	100	205	100	438	100
Occupation	Student	113	48.5	2	1.0	115	26.3
	Employee	114	48.9	176	85.9	290	66.2
	Other	6	2.6	27	13.2	33	7.5
	Profession	233	100	205	100	438	100
	Total	233	100	205	100	438	100
Monthly Income	Less than 15000	12	5.2	0	0	12	2.7
	15000-20000	14	6.0	0	0	14	3.2
	20000-25000	49	21.0	33	16.1	82	18.7
	25000 and above	64	27.5	170	82.9	234	53.4
	None	94	40.3	2	1.0	96	21.9
	Total	233	100	205	100	438	100

Table 2 demonstrates that out of 438 respondents, 225 (51.4%) are male and 213 (48.6%) are female, and a similar distribution among generation groups can also be seen, indicating almost equal participation of males and females. Therefore, the analysis and conclusion drawn from this research are not sex-dominated. Most of the respondents have a bachelor's and above level of education. However, a significant portion of Generation Z (34.3%) are of +2 level of education, but in the case of Millennials, a substantial portion (38%) have a master's degree level. This is

the effect of the age at which some young respondents may continue their studies and have just passed the +2 level. However, in the case of the Millennials, most of the respondents have finished their university education. This is also supported by the fact that 48.5% of respondents from Generation Z are students. This also shows that Generation Z and Millennials differ in education level. In the case of Millennials, however, 85.9% are employed. Few professionals, such as doctors and lawyers, are involved in the financial market (7.5% of total respondents). Around 40% of Generation Z respondents engaged in financial transactions do not have regular earnings, and they invest from their parents' money. Some respondents from Generation Z are employed (48.9%) and use their earnings to be involved in the financial market as investors. However, most respondents (53.4%) from the Millennials group earn more than Rs 25000 monthly and are involved in investing in the financial market.

Descriptive Analysis

Table 2 depicts the descriptive characteristics of the variables used. The average financial behavior, digital literacy, financial literacy, financial attitude, risk tolerance, and ethics scores are around 2 for Generation Z, Millennials, and the entire sample. This indicates that the responses to all the factors lie around 2 ('strongly agree' to 'agree'), meaning respondents agree on affecting financial behavior through financial literacy, digital literacy, risk tolerance, financial attitude, and ethics. The standard deviation of all the responses under the Generation Z group for variables lies around 0.37, except for the risk tolerance, which shows consistency in the responses. A higher response deviation can be observed in risk tolerance. This indicates that risk factors are taken differently by different respondents in Generation Z. For Millennials, the responses are more consistent for each variable, as indicated by the standard deviations of around 0.26. The entire sample also shows a greater deviation in risk tolerance due to the higher variance of the Generation Z group in this variable.

Table 3. Descriptive Statistics of Dependent and Independent Variables

Variables	Gen Z (N=233)		Millennials (N=205)		Overall (N=438)	
	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Financial Behavior	2.03	0.37	1.94	0.26	1.99	0.33
Financial Literacy	2.04	0.37	1.98	0.25	2.01	0.32
Digital Literacy	2.01	0.38	1.97	0.26	1.99	0.33
Risk Tolerance	2.27	0.55	2.05	0.26	2.17	0.45
Ethics	1.97	0.39	1.93	0.26	1.95	0.34
Financial Attitude	2.02	0.38	1.95	0.23	1.99	0.32

(Source: Questionnaire Survey, 2024)

Relationship Analysis

The relationship between financial behavior and independent variables and the relation among independent variables are analyzed using Pearson correlation coefficients, presented in Table 4.

Table 4. Correlation Matrix (Gen Z and Millennials)

Millennials \ Gen Z	Financial Behavior	Financial Literacy	Digital Literacy	Risk Tolerance	Ethics	Financial Attitude
Financial Behavior	1	.688 (.000)	.646 (.000)	.408 (.000)	.896 (.000)	.666 (.000)
Financial Literacy	.784 (.000)	1	.844 (.000)	.503** (.000)	.720 (.000)	.756 (.000)
Digital Literacy	.796 (.000)	.864 (.000)	1	.456 (.000)	.625 (.000)	.385 (.000)
Risk Tolerance	.564 (.000)	.608 (.000)	.526 (.000)	1	.422 (.000)	.414 (.000)
Ethics	.699 (.000)	.633 (.000)	.728 (.000)	.459 (.000)	1	.659 (.000)
Financial Attitude	.808 (.000)	.822 (.000)	.829 (.000)	.812 (.000)	.433** (.001)	1

Note. N (Gen Z) = 233, N (Millennials) = 205. The figures in parentheses are the p-values.

The coefficients in Table 4 above the diagonal are the correlation coefficients and their respective p-values in parentheses for the Generation Z group, and those below the diagonal are the for Millennials group. In the case of Generation Z, correlation coefficients range from 0.408 to 0.896, indicating a positive association of independent variables with financial behavior. Similarly, the correlation coefficients for Millennials range from 0.564 to 0.808, again showing a positive association of independent variables with financial behavior. All coefficients are statically significant at 1 percent ($p < 0.01$), meaning that financial literacy, digital literacy, risk tolerance, financial attitude, and ethics have a significant positive relationship with financial behavior. Similarly, the correlation coefficients among independent variables for Generation Z show a moderate relationship, except for the correlation between financial literacy and

digital literacy, indicating low chances of multicollinearity. In the case of the Millennials, the correlation coefficient values 0.721 and 0.896 explained a high degree of positive relationship between financial literacy, ethics, and financial behavior, respectively. The correlation coefficient values of 0.646, 0.577, and 0.349 explained a moderately positive relationship between digital literacy, financial attitude, risk tolerance, and financial behavior, respectively. Few of the correlation coefficients between independent variables, especially the correlation of financial attitude with other independent variables, show a high degree of positive correlation.

Regression Analysis

Since this study proposes to analyze the moderating effect of the generation group on each independent variable to affect financial behavior, a hierarchical regression method is employed. Each independent variable is converted into a mean-centered variable by deducting the mean response score from the individual response score of that particular variable. A total of six models are run in six steps by including one additional independent variable in each step. However, the sixth model includes five interaction terms of generation with each independent variable and five independent variables. Table 5 presents the summary of these six models.

Table 5. Model Summary

Model	R	R Square	Adjusted R Square	Change Statistics					Durbin-Watson
				R Square Change	F Change	df1	df2	Sig. F Change	
1	0.758	0.574	0.329	0.574	588.628	1	436	0.000	
2	0.786	0.617	0.323	0.043	48.910	1	435	0.000	
3	0.793	0.629	0.330	0.012	13.505	1	434	0.000	
4	0.837	0.701	0.448	0.072	104.923	1	433	0.000	
5	0.841	0.708	0.339	0.006	9.309	1	432	0.002	
6	0.868	0.754	0.316	0.046	26.597	3	429	0.000	1.993

Note. Dependent Variable: Financial Behavior

Model 1: Predictors: (Constant), Financial Literacy

Model 2: Predictors: (Constant), Financial Literacy, Digital Literacy

Model 3: Predictors: (Constant), Financial Literacy, Digital Literacy, Risk Tolerance

Model 4: Predictors: (Constant), Financial

Literacy, Digital Literacy, Risk Tolerance, Ethics

Model 5: Predictors: (Constant), Financial Literacy, Digital Literacy, Risk Tolerance, Ethics, Financial Attitude

Model 6: Predictors: (Constant), Financial Literacy, Digital Literacy, Risk Tolerance, Ethics, Financial Attitude, Generation × Financial Literacy, Generation × Ethics, Generation × Financial Attitude

The first variable entered in the hierarchical regression is financial literacy, which has R² of 0.574, F(1,436)=588.63, p<0.01, meaning that this variable can explain a 57.4 percent variation in financial behavior. In the second model, digital literacy is added in the regression model, which adds 4.3 percent in R² value ($\Delta R^2 = 0.043$, F(1,435) = 48.91, p<0.01). Similarly, subsequent models added other variables individually, which helped increase R² values. The final model includes the interaction terms of generation with each independent variable. Five interaction terms are included in the regression. However, generation interaction with risk tolerance and digital literacy was found insignificant; thus, they are removed in the final model. Each model has a positive R² change, and F-values are also statistically significant (p<0.01) at one percent. Each of the added variables contributes to explaining more variance in the financial behavior. The interaction terms included in model six increase the explanatory power of the model by 4.6 percent ($\Delta R^2 = 0.046$, F(1,129)=26.60, p<0.001). It shows that the generation significantly moderates the independent variables that affect financial behavior. In total, model 6 explains a 75.4 percent variance in financial behavior. The Durbin-Watson statistic of 1.993 is nearly 2, showing no autocorrelations in the residuals.

Table 6. Hierarchical Regression Outputs

Modes	1	2	3	4	5	6
Financial literacy	0.758 (0.000)	.429 (0.000)	0.357 (0.000)	0.250 (0.000)	0.209 (0.455)	0.041 (0.000)
	[3.514]	[3.514]	[3.966]	[4.213]	[4.397]	[4.874]
Digital literacy		.389 (0.000)	0.383 (0.000)	0.218 (0.000)	0.152 (0.006)	0.222 (0.000)
		[3.514]	[3.516]	[3.905]	[4.524]	[4.708]
Risk Tolerance			.132 (0.000)	0.105 (0.001)	0.099 (0.002)	0.099 (0.001)
			[1.512]	[1.522]	[1.528]	[1.554]
Financial Ethics				0.388 (0.000)	0.333 (0.000)	0.430 (0.000)
				[2.080]	[2.558]	[2.903]
Financial Attitude					0.169 (0.002)	0.187 (0.000)
					[4.524]	[4.868]
Financial Ethics * GEN						0.363 (0.000)
						[2.901]
Financial attitude * GEN						-0.141 (0.004)
						[4.062]
Financial literacy * GEN						-0.161 (0.000)
						[3.539]
R ²	0.574	0.617	0.629	0.701	0.708	0.754
Adj. R ²	0.329	0.322	0.331	0.448	0.339	0.3164
F	588.628	351.109	245.304	254.263	209.175	163.947
Sig(F)	0.000	0.000	0.000	0.000	0.000	0.000

Note: The coefficients reported are the standardized beta coefficients. Values in the parentheses (...) are the p-values, and values in the brackets [...] are the VIF values.

Table 6 summarizes the regression results for six different models. The regression coefficients reported are the standardized coefficients. Reporting standardized coefficients is better since mean-centered values of independent variables are used in the regression calculation. Figures in the parentheses are p-values of respective coefficients, and figures in the brackets are the VIF values of the respective variables. All the VIF values are less than 5, indicating no serious multicollinearity problem (Jeng, 2023; Shrestha, 2020).

Model 1 shows that financial literacy significantly predicted financial behavior ($\beta=0.758, p<0.01$). The coefficients of financial behavior are positive and significant in all six models, indicating that people who know the financial market and its functioning

make rational financial decisions. However, the explanatory power of this variable decreases as more variables are included in the models, as shown by reduced beta coefficients. The digital literacy included in model 2 also significantly explained financial behavior ($\beta=0.389, p<0.01$). The coefficients of this variable in other models are also positive and significant. This indicates that financial transactions in today's world have digitalized, and the people who know technology and the digital functioning of the transactions can make better financial decisions. Like in financial literacy, the explanatory power of digital literacy decreases as more variables are included in the model. A similar result can be seen for risk tolerance ($\beta=0.132, p<0.01$). This indicates that investors in the financial market are ready to take risks for higher returns. Ethics also positively and significantly affect financial behavior, suggesting that respondents value ethics. They invest in financial instruments of corporations that have met their social responsibility and have maintained ethical standards. The explanatory power of ethics is somehow consistent in three models as beta coefficients in models 4, 5, and 6 do not vary very much. Financial attitude also can significantly explain financial behavior ($\beta=0.169, p<0.01$ in model 5 and $\beta = 0.198, p<0.01$ in model 6). Investors who value money, have planned for future emergencies and retirement, and are cost-conscious make effective financial decisions.

The most important aspect of this study is the moderation effect of the generation on financial behavior. Digital literacy and risk tolerance are found not to interact with the generation as their coefficients are not statistically significant. Therefore, these two interaction effects are not reported in Table 6. The other three variables are found to interact significantly with the generation and influence the financial behavior of these groups. The interaction terms included in the hierarchical regression accounted for an additional 4.6 percent variation in explaining financial behavior ($\Delta R^2 = 0.046, F(3,499) =$

26.60, $p < 0.01$). The beta coefficient of the interaction of generation is positive ($\beta = 0.363$, $p < 0.01$), indicating that as the generation shifts from Generation Z to Millennials, the effect of ethics on financial behavior increases. This also shows that millennials are more conscious of the ethical standards of the financial market and financial instruments and their ethics when making financial decisions. Generation also interacts with the financial attitude. The negative beta ($\beta = -0.141$, $p < 0.01$) indicates that as the generation shifts to Millennials from Generation Z, the effect of financial attitude on financial behavior decreases. Similarly, financial literacy also interacts with the generation to affect financial behavior. The negative beta coefficient ($\beta = -0.161$, $p < 0.01$) indicates that when the generation shifts to Millennials from Generation Z, the effect of financial literacy on financial behavior decreases.

5. Discussion

This paper examines the relative impact of ethics and financial constructs on financial behavior. In addition, the paper discusses how generational difference influences financial behavior, accounting for Gen Z and Millennials. While analyzing the effect of five variables on financial behavior, *financial literacy* is found to affect financial behavior significantly, which supports accepting Hypotheses 1. This indicates that people with better knowledge about the alternatives available for investment, the functioning of the financial market, understanding of numeracy in calculating present and future value, and knowing the macroeconomic variables' effect on the overall financial system can make better financial planning, financial decision and manage money in the better way. This finding aligns with the theory of planned behavior, which states that financial literacy as a perceived behavioral control determines an individual's intention to behave. It also aligns with the findings of Agarwal et al. (2015), Moenjak et al. (2020), Morgan and Long (2020), Rahayu et al. (2022), and Renaldo et al. (2021). However, this

finding contradicts Lusardi and Mitchell (2007), who found an insignificant effect of financial literacy on financial behavior. In today's digital world, many of the transactions are digitized and performed through online platforms. *Digital literacy* is another factor hypothesized to influence financial behavior, positively affecting financial behavior. A person with digital knowledge and familiarity with electronic transactions and their security concerns is better at making financial planning and decisions regarding money management. This finding validates Hypothesis 2 and parallels the theory of planned behavior, which states that digital literacy as a perceived behavioral control determines an individual's actions. This result further aligns with the findings of Rahayu et al. (2022), who state that the millennial generation can make decisions about their money management based on their level of digital financial literacy. Moenjak et al. (2020) and Joo & Grable (2004) found that digital financial technology positively impacted consumer saving habits in Thailand, similar to the results obtained by this paper.

The risk tolerance behavior of an individual is considered to be associated with financial behavior. Which investment alternative is to be selected, where to be invested, and how much money is to be set aside for future emergencies depends on the person's perception of the risk. This paper also includes *risk tolerance* as a factor affecting financial behavior, and it was found to significantly and positively impact financial behavior, which supports Hypothesis 3. This result implies that people who can tolerate or have the capacity to bear a certain level of risk, invest some part of their money in risky investment alternatives, have risk management knowledge and portfolio construction, and balance risk and return on their investments can manage their financial activities such as saving, investing, and meeting future financial needs. This finding is supported by the theory of behavioral finance, which states

that overconfidence and over-optimism psychology lead people to be risk-tolerant and thus conduct risky decisions. The results parallel those of Giri and Adhikari (2023), Injodey and Alex (2011) and Deaves et al. (2007), who found that investors seeking a larger return will put their money into riskier securities, increasing their financial investing behavior.

Discipline and ethics guide human behavior, and their ethics largely guide how people react to situations and behave (Pettijohn et al., 2008). The analysis found a significant positive impact of *ethics* on financial behavior, validating Hypothesis 4. The result implies that people consider ethics while managing their finances. They prefer to invest in securities issued by corporations that make ethical practices in their product and services, are concerned with environmental protections, and fulfill their social responsibility. Thus, moral people are better at financial planning and management of their money. This finding aligns with the Theory of Planned Behavior and Behavioral Finance. People tend to take ethical decisions based on the social practices, principles, and behavioral biases affected by psychology. It also parallels Bauer and Smeets (2015) but contradicts Chowbey et al. (2016), who argue that financial investments are made to make money and have little to do with moral principles. Mien and Thao (2015) stated that a person's financial attitude can influence how they behave in terms of personal financial planning, such as managing their resources or making individual decisions about the type of investment to be made. The final variable included in the study is *financial attitude*. Hypothesis 5 is supported by the analysis that financial attitude has a significant positive impact on financial behavior, consistent with the theory of planned behavior, which defines attitude as an essential trait of financial behavior. This finding is consistent with Ramadhan and Asandimitra's (2019) and Renaldo et al. (2021) findings. These findings suggest that people who are happy to have more

wealth, are cost-conscious, think about the future need for money, have expenditure plan, take calculative risks, and do not make unnecessary expenditures are better at managing their money in a planned way and can manage emergencies and meet future expenditure including their retirement expenses.

The primary objective of this paper is to examine the differences in behavioral traits between Gen Z and Millennials that affect their financial behavior. Therefore, the analysis included five terms for each of the abovementioned variables with generation interaction. Only three of the interaction terms from hierarchical regression are found to moderate the personal behavioral traits that influence financial behavior significantly. Analysis depicted that risk tolerance did not interfere with digital literacy to influence financial behavior, which contradicts Arora and Kumari (2015) and Khalisharani et al. (2022). Digital literacy alone significantly impacts financial behavior but is unrelated to any age group. This shows that both Gen Z and Millennials are familiar with the current technology and digitization of financial transactions. Similarly, generation does not interact with the risk tolerance factor in explaining financial behavior. In general, younger people are believed to be more tolerant towards the risk. However, our analysis contradicts this view, showing that Gen Z does not significantly differ from Millennials regarding risk-taking behavior. Therefore, Hypotheses 7(b) and 7(c) are rejected. The finding supports Thanki and Baser (2021) but contradicts Hendrawaty et al. (2020) and Jianakoplos and Bernasek (2006), who found a negative relationship between risk-taking and age.

On the other hand, generation is found to be influencing the explanatory power of ethics. The influence is positive and significant, meaning that when the generation shifts from Gen Z to Millennials, the influence of ethics on financial behavior increases significantly. This also indicates

that mature people are more ethical and concerned with the ethical standards of financial transactions. This finding is in line with Hypothesis 7(d), supporting Säv-Söderbergh (2014), but it contradicts Sikula and Costa (1994). Similarly, generation also interacts with financial literacy to influence financial behavior. The negative relation from the analysis supported Hypothesis 7(a) and suggests that as generation upgrades, the influence of financial literacy on financial behavior decreases. This may be why millennials are not fully aware of or up to date with the latest financial tools and technology developments. This does not mean that Millennials are not financially illiterate because the financial literacy variable alone significantly affects financial behavior. Another variable that differs according to generation is financial attitude. The negative relation of this interaction term is opposite to Hypothesis 7(e). It implies that the influence of financial attitude on financial behavior is more significant in Gen Z than in Millennials. This may be why Millennials are involved in earning activities such as a job or business. Their future may be secured by the retirement saving plan sponsored by the employers, and their children have already graduated, so they need not plan and save for their education. But Gen Z has to do with all these things, and they value money more and are more serious about their future expenditures. Therefore, they become more rational in managing their money. The result is parallel with the finding of Kim et al. (2019) but opposite to the conclusions from Ramadhan and Asandimitra (2019) and Henager and Cude (2013, 2019), who found a significant effect of financial literacy on the financial behavior of all age groups.

6. Conclusions

This paper examined the various personal attributes and their effect on the financial behavior of two generations, Generation Z (born between 1997-2012) and Millennials (born between 1981-1996), of Kathmandu

Valley. The results of the hierarchical regression analysis revealed that financial literacy, digital literacy, risk tolerance, financial attitude, and ethics all positively affect financial behavior. The result implied that people in both generations who know the alternatives in the financial market, the functioning procedure of the market, and numerical procedures in calculating risk and return can make better saving, spending, and investing decisions. Similarly, in the digitized era of today's financial market, the knowledge of digital payment, online platforms for saving, and trading is also an essential factor in determining the better management of financial resources. This study also found strong support for risk tolerance capacity in the financial decision-making of both generations, showing that the ethical practice of financial market participants is also an essential factor that influences how people make their spending, saving, and investing decisions. Like other variables, financial attitude also significantly explains how both generations decide on financial transactions. People who value money, do not make unnecessary expenses, have planned targets for expenses, think about future uncertainty, are responsible for managing their family expenses currently and in the future, are aware of their retirement security, and are more conscious about saving, spending, and investing their money. The findings from this study are consistent with planned behavior theory. The findings could not find any effect of generation on digital literacy and risk tolerance to moderate their impact on financial behavior. On the other hand, as the generation shifts from Generation Z to Millennials, the influence of financial literacy on financial behavior decreases significantly. The same is the case for financial attitude. However, the difference in ethics between generations has a positive effect, implying that when the generation shifts from Generation Z to Millennials, the influence of ethics on financial behavior increases significantly.

7. Implications

The theoretical implication of this paper is that it validates the theory of planned behavior, which focuses on attitude, society, and personal capabilities or available resources as factors to determine financial behavior. Supporting planned behavior theory, this study's findings exhibit a significant relationship between financial attitude, financial literacy, digital literacy, risk tolerance, and financial behavior. At the same time, behavioral finance theory analyzes the impact of cognitive and emotional biases on financial decision-making. This theory matches the findings of this study, which state that an individual's ethics significantly affects financial behavior. Furthermore, the conclusions of this paper also validate the generation cohort theory, showing similar behavior in people of similar age or age groups. Thus, the findings and conclusions contribute to scholars gaining more insights regarding the influence of financial constructs and ethics on financial behavior.

This study has several practical implications. *First*, it found that financial education positively affects people's financial behavior, including digital literacy. Thus, the well-being of individuals and the overall financial market can be increased by offering financial literacy programs to people who are still unaware of the operation of the financial market and digital platforms and methods of carrying out financial transactions. Such programs also support changing people's attitudes towards money and the financial market, which has been considered an essential factor in people's financial behavior. *Second*, individuals involved in the financial market are concerned about ethical practices. They prefer to buy financial securities from organizations that fulfill social responsibility and are ethical in providing goods and services to customers. Therefore, individual financial well-being can be increased by making rules that compel the participants to follow ethical standards. *Third*, the generation gap

is reflected in ethics, attitude, and literacy, suggesting that financial literacy programs designed for Generation Z should focus on them being more responsible about ethical standards and practices. In contrast, those intended for Millennials require more attention to providing knowledge regarding the functioning of the financial market, alternatives in the financial market, future uncertainty, and planning for the future so that their money attitudes also become positive. *Fourth*, risk tolerance and digital literacy do not interact with age (or generations), which contradicts most financial behavior studies and requires further research on different samples on a large scale. This study also suggests further research to check the moderating effect of other demographic variables such as income level and education type. One of the limitations of this study is the sampling area, which uses only Kathmandu as a sampling area. However, the study could be more accurate if further research could cover the respondents from all over the country.

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