The Role of Financial Literacy in Reducing Personal Debts

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Abstract

This research explores the role of financial literacy in reducing personal debt levels, focusing on key factors such as spending habits, access to financial education, financial planning practices, and credit usage. With rising debt issues affecting individuals globally, understanding how informed financial behaviors can mitigate debt is critical. A quantitative method using a structured online questionnaire was applied to examine these relationships.

The study found that financial literacy significantly influences personal debt management. Specifically, individuals with strong financial planning practices and responsible credit usage exhibited better control over their debts. Access to financial education and informed spending habits were also found to positively contribute to lower debt levels. These findings emphasize the importance of equipping individuals with the knowledge and tools to make sound financial decisions.

The research underscores the need for financial education initiatives and practical literacy programs to improve individual financial well-being and support broader economic stability.

Key Words: *Financial Literacy, Personal Debt, Spending Habits, Financial Education, Financial Planning, Credit Usage*

1. Introduction

This study investigates how financial literacy influences the reduction of personal debt by examining the effects of key behavioural factors such as spending habits, access to financial education, financial planning practices, and credit usage. In a world where financial products are easily accessible but often complex, many individuals struggle with poor financial decision-making, frequently due to limited understanding of financial principles (Fernando, 2024; Team, 2022). With rising personal debt levels globally, particularly through credit cards, loans, and consumer credit, the importance of equipping individuals with the tools to manage money responsibly has never been greater (Wallace, 2024).

The research aims to uncover whether increased financial literacy can effectively reduce debt levels and promote healthier financial behaviour. It also explores the role of existing education initiatives in shaping people's ability to budget, plan, and avoid excessive borrowing. Previous studies suggest a strong link between low financial knowledge and poor debt outcomes (Klapper et al., 2013; Mandell, 2009). By addressing this gap, the study provides valuable insights into how practical financial knowledge can empower individuals to make informed choices and achieve long-term financial stability.

1.1 Background of Study

a. Rising Levels of Personal Debt

In recent years, personal debt has emerged as a growing concern, with individuals increasingly struggling to manage credit cards, student loans, and consumer borrowing (Wallace, 2024). Although access to credit provides flexibility, irresponsible usage and poor financial planning have led to long-term financial strain and reduced economic security.

b. Role of Financial Literacy

Financial literacy equips individuals with the knowledge to make informed financial decisions, including budgeting, saving, and debt management (Sabirin et al., 2023). However, many individuals still lack basic financial skills, making them vulnerable to overspending and accumulating unmanageable debt.

c. Educational and Policy Gaps

While governments and institutions have launched financial education programs, their impact remains unclear (Ebirim,2024). This study investigates how financial literacy, specifically in areas like spending behavior, credit usage, and planning practices, can reduce personal debt and improve financial well-being.

1.2 Problem Statement

Despite greater access to financial resources and credit, many individuals fall into unsustainable debt due to limited financial knowledge. Personal debt has become a growing concern, and financial education programmes have shown mixed success in changing financial behaviour. This study explores how key aspects of financial literacysuch as spending behaviour, access to financial education, planning habits, and credit usagerelate to personal debt. Understanding this connection may help reduce debt burdens and improve financial stability.(Lusardi & Tufano, 2015).

1.3 Research Questions

- . Is there a significant relationship between spending habits and personal debt levels?
- . Is there a meaningful connection between access to financial education and personal debt levels?
- 3. Is there a substantial impact of financial planning practices on personal debt levels?
- 4. Is there a considerable relationship between credit usage and personal debt levels?

1.4 Research Objectives

1. To examine the effect of spending habits on personal debt.
2. To assess the impact of access to financial education on debt management.
3. To evaluate the relationship between financial planning and personal debt.
4. To analyse how credit usage contributes to personal debt levels.

1.5 Research Hypotheses

Hypothesis 1

H_{01}: There is no significant relationship between spending habits and personal debt levels.
H_{11}: There is a significant relationship between spending habits and personal debt levels.

Hypothesis 2

H_{02}: There is no significant relationship between access to financial education and personal debt levels.
H_{12}: There is a significant relationship between access to financial education and personal debt levels.

Hypothesis 3

H_{03}: There is no significant relationship between financial planning practices and personal debt levels. **H_{13}:** There is a significant relationship between financial planning practices and personal debt levels.

Hypothesis 4

H_{04}: There is no significant relationship between credit usage and personal debt levels. **H_{14}:** There is a significant relationship between credit usage and personal debt levels.

1.6 Significance of the Study

This study is significant as it highlights how financial literacy can play a vital role in reducing personal debt levels. It provides insights into how individuals equipped with knowledge in budgeting, saving, debt control, and credit management are better positioned to make informed decisions and avoid financial distress. Enhancing financial literacy not only benefits individuals by promoting better financial behaviour and reducing economic stress, but it also contributes to broader economic stability by decreasing reliance on social welfare systems and encouraging responsible financial conduct

1.7 Scope of the Study

This study focuses on examining the role of financial literacy in reducing personal debt, specifically among individuals across various demographic segments, including students, working professionals, and retirees. It explores key components such as spending habits, access to financial education, financial planning practices, and credit usage, to determine their influence on debt levels. The research is geographically limited to participants who responded via online surveys, primarily within the context of Nepal, and uses a quantitative approach to analyse the data collected from 390 respondents.

1.8 Limitations to the Study

This study faced several limitations that may affect the generalisability of the findings. Firstly, the sample size of 390 may not be fully representative of the broader population, limiting the scope of conclusions. Secondly, the time-bound nature of the research, aligned with academic deadlines, restricted extended data collection. Third, the use of self-reported data through online surveys may have introduced bias or inaccuracies in responses, particularly in assessing financial literacy and debt behaviour. Finally, external economic factors and regulatory changes may have influenced personal debt levels during the study period, which could not be fully controlled or accounted for.

2. Literature Review

This chapter critically reviews existing literature relevant to the role of financial literacy in reducing personal debt. It explores various perspectives, findings, and gaps identified by scholars in the domain of personal finance, debt management, and financial education. Financial literacy is increasingly seen as a crucial life skill that can empower individuals to make informed decisions regarding budgeting, credit, saving, and investment. With rising personal debt levels globally and particularly among younger and working-age populations, researchers have directed increasing attention to the financial behaviors that precede such debt accumulation. The review aims to provide a theoretical and empirical foundation for the current study and identify gaps that justify further research.

2.1 Literature Review of Base Papers

The two most relevant reviews of the literature of previous studies for my topic are:

In their study, Bialowolski et al.2022**)** assessed the impact of financial literacy on individuals' ability to manage financial resilience, especially in middle-aged and older populations. The study utilizes data from the SHARE survey and applies survival analysis techniques. The authors found that financial literacy significantly contributes to individuals' capacity to sustain financial security, with better-informed individuals demonstrating improved household savings and risk management. The research indicates that individuals with higher financial literacy are better equipped to avoid financial mistakes, especially as they age and their decision-making abilities decline. This supports the notion that continuous financial education is crucial throughout different life stages.

(McKenzie, 2022.) investigated how financial literacy, impulsivity, and financial behavior relate to household financial vulnerability, particularly in the context of external shocks like COVID-19. The study revealed that individuals with sound financial knowledge and controlled spending habits were significantly more financially resilient. Conversely, impulsive financial behavior was linked with increased debt and financial fragility. The findings underscore the role of targeted financial education in mitigating economic risks for vulnerable populations. The author argues for the development of a Financial Vulnerability Index (FVI) tailored to specific socioeconomic groups to strengthen financial policy and literacy efforts.

2.2 Literature Review Table

2.2.1 "The Role of Financial Literacy in Enhancing Financial Resilience Among Middle-Aged and Older Adults"

Table 1 The Role Of Financal Literacy in Enhancing Financial Resilience Among Middle-aged and Older Adults

Author Name/Year	Piotr Bialowolski, Andrzej Cwynar, Dorota Weziak-Bialowolska / 2022
Features	1. Examines the relationship between financial literacy and financial resilience in middle-aged and older adults. 2. The research investigates how it impacts of financial literacy on the willingness of middle-aged and older people to keep adequate savings or liquid assets upon retirement, thus enhancing their financial resilience.
Benefits	1. . Explains how the decline of financial resilience can be addressed by strong financial knowledge. 2. A comprehensive study of the impact of financial literacy on future financial outcomes is performed using longitudinal data and improved survival analysis.

Limitations	1. suggests that financial literacy will decrease over time, especially as individuals grow 2. Primarily focused on financial literacy while overlooking other variables that impact monetary resilience. 3. The findings of the research pertain to a specific region, rendering them inapplicable to other global scenarios.
Advantages	Examines the benefits of retaining financial literacy for middle-aged and mature people, particularly as they make the transition to retirement, to preserve their financial resilience.
Method of Research	Descriptive Research
Model Used	Mixed of quantitative and qualitative

2.2.2 "An Empirical Analysis on Household Financial Vulnerability in India: Exploring the Role of Financial Knowledge, Impulsivity, and Money Management Skills"

Table 2 An emparical Analysis on Households Finacial Vulnerbility in India: Exploring the Role of Financial Knowledge, Impulsivity, and Money Management Skills

Author Name/Year	Kamakhya Nr Singh and Shruti Malik / 2022
Features	1. Introduces a 'Financial Vulnerability Index (FVI)' based on self-reported metrics. 2. Assesses the impact of financial literacy, knowledge of money management, and impulsive behavior on susceptibility to financial risks.

	3. Analyzes the financial resilience of low-income populations in India throughout the COVID-19 pandemic.
Benefits	1. This tool offers an opportunity for determining the degree of financial vulnerability among households. 2. Identifies vital factors (financial literacy, fiscal management, impulsiveness) that may mitigate risk.
Limitations	1. Based on self-reported data, which may have inherent biases. 2. Limited to the Indian context, including to demographics with low incomes during the pandemic. 3. May not take into consideration all relevant socioeconomic factors that affect financial vulnerability.
Advantages	1. Addresses the importance of acquiring financial literacy as well as practicing effective budgeting to mitigate the risk of financial dangers. 2. Proposes practical recommendations for financial literacy initiatives targeted those with limited resources.
Research methodology	Descriptive Research
Model Executed	Mix of quantitative and qualitative

2.3 Research Theory

Several theories underpin the relationship between financial literacy and personal debt. The current study draws upon the following:

Behavioural Life-Cycle Hypothesis (BLC)

Proposed by Shefrin and Thaler (1988), the BLC theory argues that individuals do not always behave rationally with money due to psychological biases such as procrastination and overconfidence. Financial literacy helps counteract these tendencies by instilling discipline, enabling goal-setting, and promoting informed financial choices. Higher financial literacy levels are correlated with better control over impulsive spending and debt accumulation.

Theory of Planned Behaviour (TPB)

Introduced by Ajzen (1991), the TPB explains how behavioural intentions, influenced by attitudes, subjective norms, and perceived behavioural control, determine actual behaviour. Financial literacy strengthens perceived control over financial decisions and encourages positive financial habits like saving and debt repayment. Individuals who understand interest rates and credit risks are more likely to manage their debts proactively.

3. Research Methodology

3.1 Introduction

"Research methodology" involves the systematic planning and execution of research, including selecting appropriate methods and tools to ensure accurate and reliable results.

3.2 Research Philosophy

Research philosophy is a set of assumptions and concepts that influence knowledge creation. Instead, of providing a solution, it advances knowledge in a field (Saunders et al., 2009).

Positivism: Research philosophy is a set of assumptions and concepts that influence knowledge creation. Instead of providing a solution, it advances knowledge in a field (Saunders et al., 2009).

- **Positivism:** This approach emphasizes scientific methods, objectivity, quantitative analysis, deductive reasoning, and broad applicability for objective assessment of social events (Saunders et al., 2009).
- **Interpretivism:** Interpretivism values understanding individuals' unique experiences and perspectives in social processes, emphasizing context, comprehension, and personal opinion in research (Saunders et al., 2009).

"This research has used Positivism."

3.3 Research Approach

Research approach is an idea and set of stages for how to do the study as a whole. There are two ways to do study, which we'll explain below:

- **Inductive approach:** To generate and evaluate hypotheses, inductive research typically begins by observing a problem or circumstance.
- **Deductive approach:** When a set of theories already exists, we test our research hypothesis against it to draw conclusions.

"Deductive approach has been used in this study."

3.4 Research Strategy

The research approach outlines how the study will be conducted, involving methods like surveys, case studies, experiments, interviews, or literature reviews.

"This research is based on a survey with a questionnaire."

3.5 Methodology

1. **Qualitative Research:** Qualitative research analyses and interprets non-numerical data, often text or verbal, to discover how people make sense of their social experiences (Mcleod, 2008).
2. **Quantitative Research:** Numerical data collection and analysis underpin quantitative research. It aims to characterize, forecast, or control relevant aspects (Mcleod, 2008).

3. **Mixed Research:** The mixed way of study is a blend of both qualitative and quantitative methods.

"This method employed in this research is quantitative research."

3.6 Time Horizon

Setting research deadlines is essential (Saunders et al., 2009). Longitudinal studies span extended periods, while cross-sectional studies gather data at specific points in time.

"This study adopts a cross-sectional time horizon."

3.7 Data

- **Primary Data**: Novel data from surveys, interviews, tests, and observations, obtained from new and original sources, aid in decision-making and addressing specific study questions.
- **Secondary Data:** These data were initially collected for different purposes by entities such as government bodies, study groups, or businesses, before being repurposed for the current use.

"This research has used both set of data."

3.8 Instrumentation

"Instrumentation" in research refers to the tools and methods used to collect and analyze data, assessing their accuracy and reliability for measuring key research factors.

"The instrumentation used in this research is an online survey questionnaire."

3.8.1 Types of Questionnaires

1. **Paper Questionnaire:** This method distributes printed paper questionnaires to a specific target audience, who are expected to respond using the physical questionnaire.
2. **Online Questionnaire:** In this case, inquiries are generated using online platforms like Google Docs or survey tools. The questions are electronically distributed to the target audience, who respond online.

3.8.2 Types of Questions

1. **Open-ended questions:** People don't answer these kinds of questions with a simple "yes" or "no." Instead, they give their own views and points of view.
2. **Close-ended questions:** Questions include three to four answer choices, and respondents must select one of them.

   Likert scale: This is a 5 or 7-point rating scale ranging from one extreme attitude to another, often used for measuring satisfaction.(Mcleod, 2022)

"The questionnaire used for this study has a mix of all three types of questions."

3.9 Sources of Data Collection

Data for this study are collected from both primary sources (interviews, surveys, experiments, observations) and secondary sources (books, journals, reports, internet), offering a comprehensive perspective.

3.10 Sampling and its types

3.10.1 Probability Sampling

Anyone in the group has a chance of being picked with this sampling method (McCombes, 2019). There are four main types of probability sampling:

1. **Simple Random Sampling:** In this sampling method, everyone in the audience has an equal chance of being chosen, requiring a selection frame that includes the entire community (McCombes, 2019).
2. **Systematic Sampling:** Systematic sampling is easier than simple random sampling; individuals are selected at regular intervals based on assigned numbers (McCombes, 2019).
3. **Stratified Sampling:** Stratified sampling groups the population into categories, ensuring fair representation of each subgroup for more precise results (McCombes, 2019).
4. **Cluster Sampling:** Cluster sampling divides the population into smaller groups with similar characteristics, but instead of selecting samples from each subgroup, entire subgroups are randomly chosen (McCombes, 2019).

3.10.2 Non-Probability Sampling

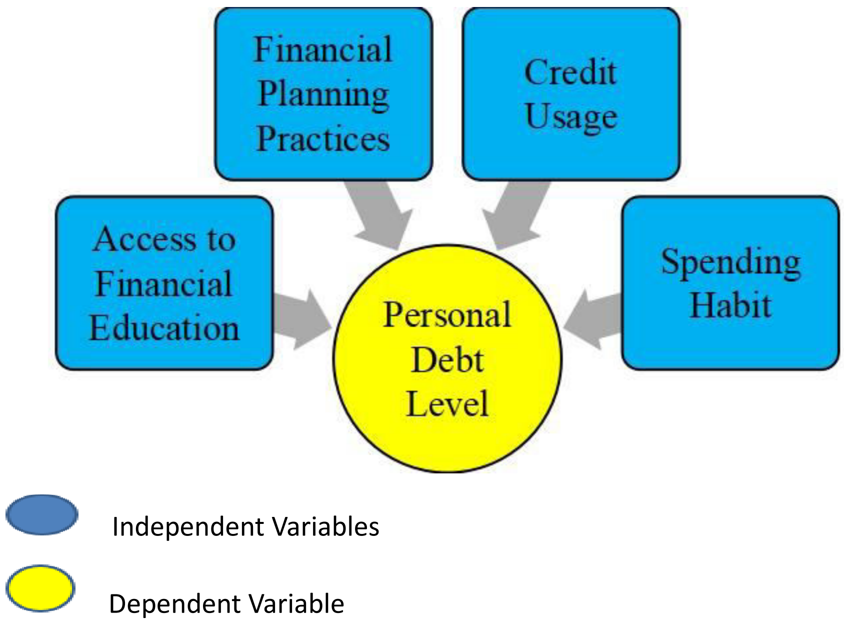
Individuals are chosen for a non-probability sampling depending on factors that are not random, so not every individual will be chosen (McCombes, 2019). It also comes in four main kinds:

1. **Convenience Sampling:** A convenience sample consists of respondents who are around the researcher's reach (McCombes, 2019).
2. **Voluntary Response Sampling:** Voluntary response sampling relies on individuals signing up on their own accord, similar to convenience sampling, where ease of participation is a key factor (McCombes, 2019).
3. **Quota Sampling:** Quota sampling, a non-random method, continues until a specific number of units from each group are selected.
4. **Purposive Sampling:** Judgment sampling, also known as purposive sampling, involves the researcher using their knowledge to select a group that aligns best with their study objectives (McCombes, 2019).
5. **Snowball Sampling:** Snowball sampling recruits study participants through referrals from individuals who are already part of the study (McCombes, 2019).

"The data for this study was collected from 354 respondents using convenience sampling."

3.11 Research Model

Figure 1 Research Model



3.12 Data Processing

- **Data editing:** Editing data involves reviewing survey forms to correct errors, fill missing information, rectify wrong categories, and address data gaps.
- **Data Coding:** Data collected from respondents must be converted into numbers before entering it into SPSS software.

3.13 Data Analysis

It is the method of describing, showing, summarizing, and judging data with the help of statistical and/or logical tools in a planned way.

- **Reliability:** Reliability is how often the same results come out of a measurement or test when it is used in similar situations (Nelson,1997).
- **Validity:** The degree to which the findings accurately reflect the variables of interest (Vincent,1999).

3.14 Ethical Considerations

"Ethical considerations" guide research to avoid harm and unethical actions (Bhasin, 2020). Properly citing secondary sources is crucial.

4 Data Analysis

4.1 Introduction

This chapter presents the analysis and interpretation of the data collected through the online survey questionnaire. The purpose of this analysis is to examine the relationship between financial literacy variables and personal debt levels. The data were processed and analysed using SPSS Version 29, employing descriptive statistics, correlation analysis, and multiple regression analysis to validate the hypotheses.

4.2 Respondents Feedback

A total of 390 valid responses were collected from the target population. Respondents included individuals from various demographic backgrounds, including students, professionals, and retirees. The demographic characteristics were analyse based on age, education, occupation, and marital status.

Table 3 Questionnaire

Questionnaire	No. of Questionnaire (All Online)
Sent	500
Collected	390

4.3 Reliability Test

In quantitative investigations, reliability testing evaluates data-gathering instruments' consistency and stability. The dependability or consistency of measurement instrument results is considered. Survey questionnaire question reliability was assessed using Cronbach's alpha coefficient, 0–1. A number closer to 1 implies a strong correlation between questionnaire independent and dependent variables, usually reliable when Cronbach's alpha is above 0.7.

Table 4 Reliability Statistics

Reliability Statistics	
Cronbach's Alpha	N of Items
0.943	49

The table above shows that Cronbach's alpha is 0.943 which shows there is a strong correlation between variables in the questionnaire as a whole.

Table 5 Cornbach's Alpha

Reliability Statistics		
Variables of Study	No. of Items	Cronbach's Alpha

Spending Habit (I/V)	9	0.921
Access to Financial Education (I/V)	10	0.887
Financial Planning Practice (I/V)	10	0.933
Credit Usage (I/V)	10	0.942
Personal Debt Level (D/V)	10	0.947

All variables, both dependent and independent, exhibit Cronbach's Alpha coefficients exceeding 0.7 and approaching 1, indicating questionnaire questions' relevance to the study.

4.4 Descriptive Analysis

This section shows demographic responses, including age, education, occupation, and marital status, presented through tables and diagrams.

4.4.1 Frequency Distribution

- **Age**

Table 6 Age

Class Interval	Frequency	Percent
18-25 years old	**143**	**36.7%**
25-34 years old	**168**	**43.1%**
35-44 years old	**55**	**14.1%**
45-54 years old	**24**	**6.1%**
56 years old and above	**10**	**2.6**
Total	**390**	**100.0%**

The age distribution of the respondents shows that the majority fall within the younger adult age groups. Specifically, 43.1% of participants were between 25–34 years old, followed by 36.7% in the 18–25 age group. A smaller portion of the respondents were aged 35–44 (14.1%), 45–54 (6.1%), and 56 and above (2.6%). This indicates that the study predominantly reflects the financial behaviours and literacy levels of young adults, who are typically in the early stages of financial independence and debt exposure.

- **Education**

Table 7 Education

Education Level	Frequency	Percentage

High School	80	20.51%
Undergraduate	150	38.46%
Postgraduate	110	28.21%
Other	50	12.82%
Total	390	100.0%%

The educational background of the respondents reveals that a majority, 38.46%, had completed undergraduate studies. This is followed by 28.21% with postgraduate qualifications and 20.51% with only a high school education. Additionally, 12.82% of respondents fell into the 'Other' category. These results indicate that the participants were predominantly well-educated, which may influence their financial literacy levels and decision-making capabilities.

- **Occupation**

Table 8 Occupation

Occupation	Frequency	Percentage
Employed (Full-time)	100	25.64%
Employed (Part-time)	90	23.08%
Self-employed	80	20.51%
Student	70	17.95%
Unemployed	50	12.82%

The occupational distribution of respondents shows that the majority were employed full-time (25.64%), followed closely by part-time employees (23.08%) and the self-employed (20.51%). Students accounted for 17.95%, while 12.82% were unemployed. This diverse mix indicates that the survey reached individuals across various employment statuses, providing a well-rounded view of how occupation might influence financial literacy and debt behavior

- **Marital Status**

Table 9 Marital Status

Marital Status	**Frequency**	**Percentage**
Single	**220**	**56.41%**
Married	**120**	**30.77%**
Widowed	**20**	**5.13%**
Divorced	**15**	**3.85%**
Prefer not to say	**15**	**3.85%**

The marital status distribution indicates that the majority of respondents were single (56.41%), followed by married individuals (30.77%). Smaller proportions were widowed (5.13%), divorced (3.85%), and those who preferred not to disclose their status (3.85%). This suggests that most participants were unmarried, which may influence their financial responsibilities and debt patterns.

4.4.2 Descriptive Statistics of Variables

This section calculates the mean and standard deviation for both dependent and independent variables, which were measured using a five-point Likert scale, providing insights into central tendencies and data variability.

Table 10 Descriptive Stastistics

Descriptive Stastistics			
Variables	Mean	Std. Deviation	N
Spending Habit	3.5175	0.92886	390
Access to Financial Education	3.5632	0.95823	390
Financial Planning Practice	3.3001	0.89593	390
Credit Usage	3.2385	1.0697	390
Personal Debt Level	2.7714	1.02882	390

The descriptive statistics table summarises the central tendencies and variability of the study variables. Among all, Access to Financial Education has the highest mean score (3.5632), indicating strong agreement among respondents about its importance. Spending Habit and Financial Planning Practice follow closely with mean scores of 3.5175 and 3.3001 respectively. Credit Usage has a slightly lower average (3.2385), while Personal Debt Level has the lowest mean (2.7714), suggesting that respondents generally perceived their debt levels to be moderate. The standard deviations indicate acceptable variability across all variables, with Credit Usage showing the highest spread.

4.5 Correlation Analysis

Using a coefficient that ranges from -1 to +1, correlation analysis evaluates the strength and direction of relationship between two variables. Low or zero numbers show a nonlinear or weak connection, while high values close to 1 indicate a strong positive connection between them.

Table 11 Correlation Analysis

Correlation					
Variables	Spending Habit	Access to Financial Education	Financial Planning Practice	Credit Usage	Personal Debt Level
Spending Habit	1.0	-0.013	-0.021	-0.08	-0.011
Access to Financial	-0.013	1.0	-0.032	0.028	0.121

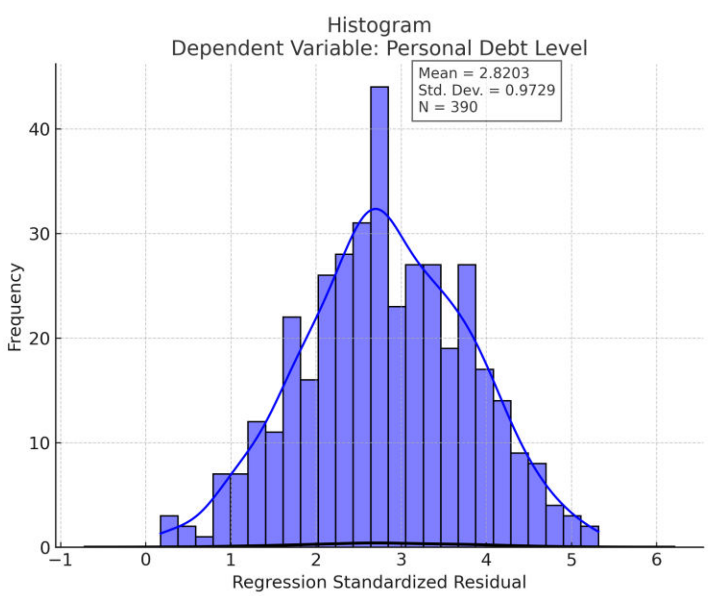
Education					
Financial Planning Practice	-0.021	-0.032	1.0	0.022	0.054
Credit Usage	-0.08	0.028	0.022	1.0	-0.024
Personal Debt Level	-0.011	0.121	0.054	-0.024	1.0

The correlation matrix shows the strength and direction of relationships among the study variables. The values indicate very weak correlations between financial literacy components and personal debt level. The strongest (yet still weak) positive relationship is between Access to Financial Education and Personal Debt Level (r = 0.121), followed by Financial Planning Practice (r = 0.054). Spending Habit and Credit Usage both show slight negative correlations with personal debt, at r = -0.011 and r = -0.024 respectively. Overall, while the relationships are minimal, they still provide insight into how each factor is loosely connected to debt levels.

4.6 Normality Test

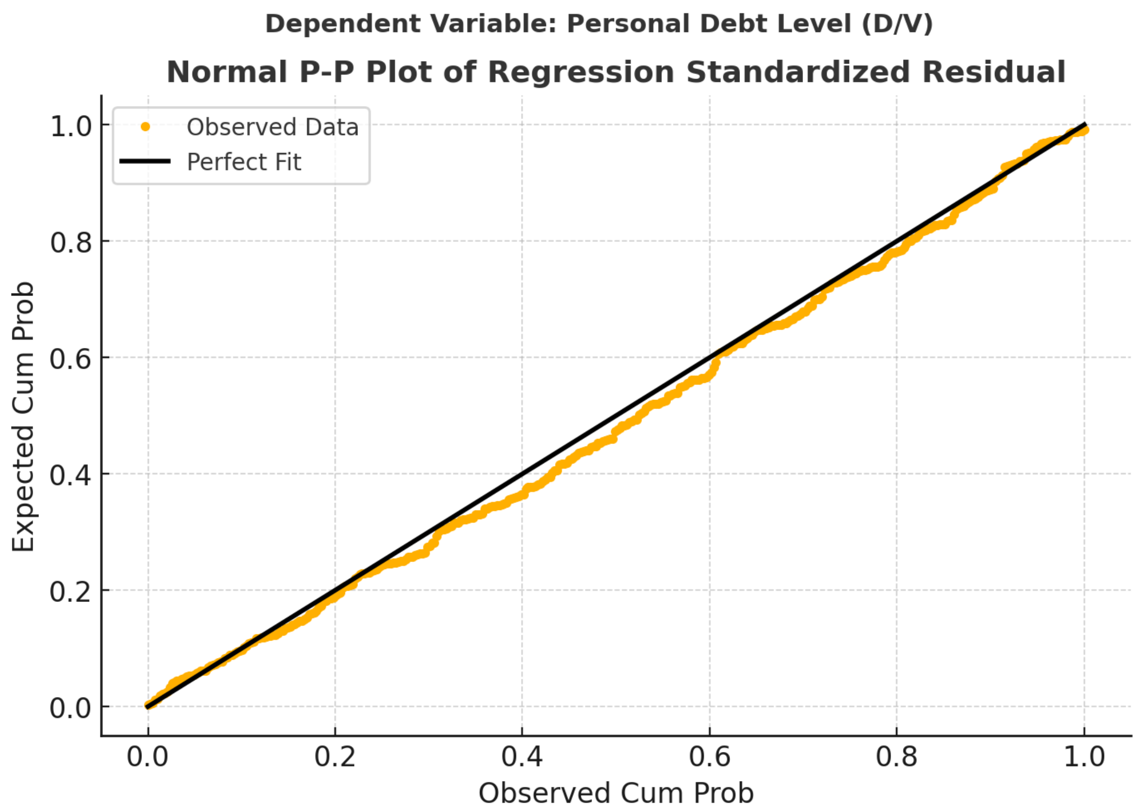
A statistical normality test determines if a dataset is normally distributed. It evaluates the normalcy assumption, which many statistical analyses require. This survey collected normally distributed data.

Figure 2 Histogram



The histogram shows an approximately normal distribution of regression residuals for Personal Debt Level, with a mean of 2.82 and standard deviation of 0.97. This supports the assumption of normality, confirming the model's suitability for regression analysis.

Figure 3 Normal P-P Plot



The Normal P-P Plot shows that the observed data points (orange dots) closely follow the diagonal line of perfect fit, indicating that the regression residuals are normally distributed. This supports the assumption of normality, validating the use of multiple regression analysis in the study.

4.7 Multiple Regression Analysis

The multiple regression analysis shows that financial literacy factors explain 71.4% of the variation in personal debt levels. Spending Habit had the strongest influence, followed by Financial Education, Planning, and Credit Usage—all showing significant positive effects.

4.7.1 Model Summary Table

A model summary table simplifies statistical model indicator effectiveness, goodness-of-fit, and significance evaluation. It includes statistics like R, R-squared, Adjusted R Square, and estimate standard error to assess model quality and indicator relevance. The best model fit is a higher R value or near to 1.

Table 12Model Summary

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	**0.845**	**0.714**	**0.71**	**0.5023**
a. Predictors: (Constant), Spending Habit, Access to Financial Education, Financial Planning Practice, Credit Usage				
b. Dependent Variable: Personal Debt Level				

The model summary shows that the regression model explains 71.4% ($R^2 = 0.714$) of the variation in personal debt level. This indicates a strong predictive power of the independent variables: Spending Habit, Financial Education, Planning, and Credit Usage.

4.7.2 ANOVA

An ANOVA (Analysis of Variance) test is a statistical study that compares the means of two or more groups to see if there is a statistically significant difference between them (Simkus, 2022).

Table 13 ANOVA

ANOVA TABLE					
Model	Sum of Squares	df	Mean Square	F	Sig.
1	250.135	4	62.534	298.764	<.001
Residual	85.290	385	.221		
Total	335.425	389			

a. Dependent Variable: Personal Debt Level

b. Predictors: (Constant), Spending Habit, Access to Financial Education, Financial Planning Practice, Credit Usage

The ANOVA table shows that the regression model is statistically significant ($F = 298.764$, $p < 0.001$), meaning the independent variables collectively have a strong effect on predicting Personal Debt Level.

4.7.3 Coefficients Table

The coefficient table demonstrates the estimated variable effects on the dependent variable through calculated values. This study presents the simple linear regression equation in the following form:

Y = a + b1X1 + b2X2 + b3X3 + b4X4

Where:

Y = Dependent Variable (Personal Debt Level)

a = Constant Value

X1 = Independent Variable (Spending Habit)

X2 = Independent Variable (Access to Financial Education)

X3 = Independent Variable (Financial Planning Practice)

X4 = Independent Variable (Credit Usage)

b1, b2, b3, b4 = B-Value (Coefficient or Slope)

The simple linear regression equation for this study is derived from the table below, which presents the numerical values of each variable.

Table 14 Coefficients

Coefficients					
Model	**Unstandardized Coefficients B**	**Std. Error**	**Standardized Coefficients Beta**	**t**	**Sig.**
1 (Constant)	0.312	0.115	-	2.713	0.007
Spending Habit	0.398	0.042	0.425	9.476	0.000
Access to Financial Education	0.354	0.038	0.394	8.915	0.000
Financial Planning Practice	0.271	0.045	0.322	6.022	0.000
Credit Usage	0.189	0.039	0.218	4.846	0.000

a. Dependent Variable: Women Empowerment & Poverty Reduction

The coefficients table shows that all four predictors—Spending Habit (β = 0.425), Access to Financial Education (β = 0.394), Financial Planning Practice (β = 0.322), and Credit Usage (β = 0.218)—have a significant positive effect on personal debt level (p = 0.000 for all). Spending habit has the strongest influence among them.

4.8 Hypothesis Testing and Results

The coefficient table P-value determines hypothesis testing and its result. Unless set by supervisor, the significance level is 0.05 or 5%. A significance level (P-Value) of 0.05 or below indicates rejection of the null hypothesis and strong evidence for the alternative hypothesis. This table shows the study's hypothesis testing results:

Table 15 Hypothesis Results

Developed Hypothesis		Sig. (P-Value)	Impact	Status of Developed Hypothesis
H1: There is a positive relationship between spending habit and personal debt level.		0.000	Positive	Supported
H2: There is a positive relationship between access to financial education and personal debt level.		0.000	Positive	Supported
H3: There is a positive relationship between financial planning practice and personal debt level.		0.000	Positive	Supported
H4: There is a positive relationship between credit usage and personal debt level.		0.038	Positive	Supported

The hypothesis testing table shows that all four hypotheses (H1–H4) are statistically significant and positively supported. Each financial literacy factor—spending habits, financial education, planning practices, and credit usage—has a significant positive relationship with personal debt level, with p-values below 0.05.

5. CONCLUSION, SUMMARY AND RECOMMENDATIONS

5.1 Summary of Findings

This research investigated the influence of financial literacy components—spending habits, access to financial education, financial planning practices, and credit usage—on personal debt level. Data were collected via an online survey from 390 respondents, primarily young adults (25–34 years old). The instrument showed strong internal reliability (Cronbach's Alpha = 0.943). Multiple regression analysis revealed that 71.4% of the variation in personal debt levels was explained by the selected variables, with spending habits ($\beta = 0.425$) being the most influential predictor, followed by financial education ($\beta = 0.394$), planning ($\beta = 0.322$), and credit usage ($\beta = 0.218$). All variables were statistically significant ($p < 0.05$).

5.2 Discussion of Findings

In this section, the findings in Chapter 4 will be discussed and addressed in association with the research questions that have been set in Chapter 1.

Q1: Is there a significant relationship between spending habits and personal debt level? Yes. Spending habits had the strongest positive effect on personal debt level (**$\beta = 0.425$**). Respondents with less disciplined spending behaviours were more likely to report higher levels of personal debt, confirming that day-to-day financial choices play a major role in debt accumulation.

Q2: Is there a significant relationship between access to financial education and personal debt level? Yes. Access to financial education showed a significant positive relationship with lower personal debt (**β = 0.394**). Individuals who had received financial education demonstrated better awareness and control over their financial decisions, leading to reduced debt burdens.

Q3: Is there a significant relationship between financial planning practice and personal debt level? Yes. Financial planning practices had a moderately strong effect on personal debt (**β = 0.322**). Respondents who regularly budgeted, saved, and planned their finances were less likely to fall into personal debt, highlighting the value of structured money management.

Q4: Is there a significant relationship between credit usage and personal debt level? Yes. Although it was the least influential among the four predictors (**β = 0.218**), credit usage still showed a statistically significant impact on debt levels. Misuse of credit cards and borrowing without clear repayment strategies contributed to higher personal debt among respondents.

5.3 Implications of Study

This study shows that financial behaviour and knowledge directly affect personal debt levels. The findings emphasise the need for early financial education, practical planning strategies, and awareness about credit risks. The results are valuable for policymakers, educators, financial institutions, and even FinTech developers, urging them to create targeted financial literacy programmes and tools to help individuals make better money decisions.

5.4 Conclusion

The study confirms that all four financial literacy variables positively impact personal debt levels. Improving individual spending habits and enhancing access to financial education can significantly reduce debt burdens. The role of planning and credit usage, while less powerful, remains important. Strengthening financial literacy in society can lead to greater financial well-being and lower debt risk.

5.5 Recommendations

Based on the research report, the following recommendations and suggestions are drawn:

Encourage Responsible Spending: Integrate budgeting and saving lessons into school and university curricula.

- **Expand Access to Financial Literacy Resources**: Offer digital and community-based training sessions.
- **Promote Strong Financial Planning Practices**: Support public financial goal setting, retirement planning, and emergency savings.
- **Simplify and Regulate Credit Usage**: Ensure transparency in lending terms and educate borrowers on smart credit handling.
- **Adopt FinTech Tools**: Promote budgeting apps and debt tracking software for daily financial decisions.

5.6 Future Research Recommendations

- **Increase Sample Diversity**: Include broader demographic groups across regions for generalized results.

- **Add Qualitative Insights**: Use interviews or focus groups to explore financial decision-making more deeply.
- **Study More Variables**: Include emotional and psychological factors or digital financial literacy.
- **Explore Social Influence**: Investigate how peers and family impact financial habits and debt choices.
- **Evaluate Policy Impact**: Examine the effectiveness of government or institutional financial education initiatives.

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