

EFFECT OF FINANCIAL LITERACY ON LIFE EVENT FINANCIAL PLANNING IN SOUTH WEST NIGERIA

AKINYEDE, Oyinlola M. (PhD)¹
Arinola, Rebecca Adesewa²
Olowogunle Oyindamola. O.³
Oke, Oluseyi Elizabeth⁴

¹Lecturer, Department of Finance, Redeemer's University, Ede, Nigeria. email: akinayedo@run.edu.ng, ORCID: <https://orcid.org/0000-0001-6587-0531>

²Lecturer, Department of Finance, Redeemer's University, Ede, Nigeria. email: arinolar@run.edu.ng, ORCID: <https://orcid.org/0000-0001-7049-4366>

³Lecturer, Department of Finance, Redeemer's University, Ede, Nigeria. email: olowogunleo@run.edu.ng, ORCID: <https://orcid.org/0009-0006-8067-1972>

⁴Lecturer, Department of Finance, Redeemer's University, Ede, Nigeria. email: okeolue@run.edu.ng, ORCID: <https://orcid.org/0009-0001-7515-3234>

ABSTRACT

This study examined the relationship between financial literacy and life event financial planning in South West Nigeria. Specifically, the research sought to explore the relationship between financial literacy and three critical aspects of life-event financial planning: emergency financial planning, fixed asset planning, and retirement

planning. For data collection and analysis, this paper used a quantitative research design, involving the collection of primary data from 400 participants in the South West part of Nigeria using a structured questionnaire.

All constructs used in this research demonstrated acceptable reliability and validity, meeting the recommended levels of internal consistency, convergent validity, and discriminant validity. According to the findings of the structural model, it can be stated that there exists a positive and significant association between financial literacy and emergency financial planning ($\beta = 0.56$, $t = 7.08$, $p < 0.01$) as well as fixed asset planning ($\beta = 0.30$, $t = 3.58$, $p < 0.01$). Nonetheless, the connection between financial literacy and retirement planning was negative and insignificant ($\beta = -0.08$, $t = 1.18$, $p = 0.24$). This study concludes that strengthening financial literacy can improve emergency preparedness and asset planning among individuals and recommends targeted financial education initiatives to promote sound financial decision-making across different population groups.

Keywords: Financial literacy, life event financial planning, emergency financial planning, fixed asset planning, retirement planning, South West Nigeria.

1.1 Introduction

Financial planning for life events has become increasingly important in personal finance across both advanced and developing nations. It involves preparing financial resources in anticipation of future life events, such as emergencies, buying a house, educating children, saving for retirement, and other major financial milestones. Adequate financial planning for life events can help individuals and families save money, manage financial risks, be less susceptible to shocks, and build a sound financial foundation in the long run. However, the challenge of saving in preparation for major financial goals is common among many individuals in developing nations like Nigeria. The country faces challenges such as high poverty rates, unstable incomes, inflation, joblessness, and a lack of savings culture that have adversely affected the financial readiness of most people, making them more susceptible during hard times (World Bank, 2023; Central Bank of Nigeria, 2024).

The problem of insufficient planning for life event finance has received considerable attention from researchers and policymakers owing to its economic and welfare consequences. Various empirical studies have found that people who lack effective financial planning skills may suffer from a lack of sufficient pension fund, overreliance on families for assistance in the elderly years, inability to meet unexpected health care bills,

and difficulty realising their life aspirations like homeownership and asset accumulation (Lusardi & Mitchell, 2023; OECD, 2023). In Nigeria, the problem seems especially serious, as many individuals are financially unprepared. Although people have become increasingly aware of the importance of effective financial planning, many still engage in reckless financial activities, leading to over-indebtedness and insufficient savings (Adelekan & Olofin, 2022). The problem calls for identifying factors that might help individuals improve their financial preparedness for the future.

Financial literacy is a key factor in shaping proper financial behaviour and sound financial planning during life events. Specifically, financial literacy involves knowledge, skills, self-confidence, and competency in understanding financial issues and making sound financial decisions across budgeting, savings, investments, borrowing, and financial risks (OECD, 2023). According to advocates of the theory of human capital, financially literate people will be able to exhibit rational behaviour in their finances, as they can think and choose among available financial options and comprehend the implications of their choices (Lusardi, 2020). Various studies conducted across countries found significant positive correlations between financial literacy and financial activities, such as retirement planning, building an emergency fund, investing, and accumulating wealth (Klapper & Lusardi, 2020; Yakoboski et al., 2024). However,

some researchers believe that, despite the necessary level of financial knowledge, the process of proper financial planning does not become easier in situations of low income, economic instability, and scarcity of financial means.

Existing studies on financial literacy have predominantly focused on financial inclusion, savings and investment behaviour, and retirement planning, with less emphasis on financial planning for various life events, especially in Nigeria. Additionally, many studies conducted in Nigeria tend to be more specific in their target audiences, making the conclusions less applicable to the broader population, including students, civil servants, and entrepreneurs (Ogunleye & Akinwale, 2023; Ezeh et al., 2024). Also, there is not much empirical data available on life-event financial planning in South-West Nigeria, where economic activity is quite intensive, and the financial sector is relatively developed compared to other regions of Nigeria. For instance, Akinyede et al. (2019) focused narrowly on financial literacy and money management among tertiary institution students in Osun State, while Akinyede (2022) examined the effect of financial technology adoption on the growth of deposit money banks. More recently, Akinyede (2023) examined financial literacy among small-scale entrepreneurs in South-West Nigeria, and Akinyede et al. (2025) examined the interplay of digital financial innovation, financial literacy, and decision-making among semi-urban residents of Osun

State, Nigeria. Taken together, these studies illustrate how existing Nigerian research, including more recent contributions, tends to target specific sub-populations or sectors rather than the broader population's preparedness for major life events.

This study aims to assess the influence of financial literacy on financial planning for life events in South West Nigeria. The research aims to evaluate the extent to which financial literacy affects people's preparedness for major life events, including emergency financial planning, retirement planning, and planning for the acquisition of fixed assets. By focusing on households and individuals in South West Nigeria, the study seeks to provide context-specific evidence to assist policymakers, financial institutions, educational institutions, and other stakeholders in designing interventions to improve financial capability and strengthen long-term financial security for the population.

2.1 LITERATURE REVIEW

2.1.1 Financial Literacy

Financial literacy is one concept that has gained prominence in personal finance studies owing to its impact on people's financial decisions and overall economic wellbeing. There is consensus on the importance of financial literacy, both in terms of people's knowledge and their ability to apply it. However, scholars (Lusardi & Mitchell, 2014; OECD, 2023) do not agree on how to define the concept. The first approach

defines financial literacy as financial knowledge, such as interest rates, inflation, risk diversification, and budgets (Lusardi & Mitchell, 2014). The argument advanced is that those with financial knowledge can make rational financial decisions. However, the approach's limitation is that financial decisions depend on several other factors, including people's psychology.

For this reason, literature has embraced a more comprehensive definition of financial literacy that views it as knowledge, attitudes, and financial behaviour (OECD, 2023). This implies that although an individual may know about finances, they may fail to make good use of them. Therefore, more attention has been given to people's behaviour, including savings, debt management, investments, and retirement planning. Even amid such agreement, however, there is controversy over the efficacy of financial literacy programs, with some researchers pointing out that people with high financial literacy are more likely to engage in regular savings, investments, wealth accumulation, and financial planning (Lusardi, 2019; Klapper & Lusardi, 2020). Other scholars suggest that the effect of financial literacy on one's financial life might be overestimated, as financial decisions are influenced by numerous factors, such as income, available financial institutions, organisational context, and even the state of the economy (Willis, 2011). It follows, then, that financial literacy can play an important role in assessing the situation and planning for the future.

For this study, financial literacy is defined as the ability of individuals to learn, understand, and apply financial knowledge to make informed decisions about savings, investments, budgets, risks, and financial planning. The reason for such a definition is that life-event planning requires more than financial awareness; it requires an understanding that helps individuals make financially wise decisions. Therefore, financial literacy is a behavioural competence that helps individuals plan financially for various life events.

2.1.2 Life Event Financial Planning

Financial planning for life events is the systematic process of preparing for major life events likely to influence future financial wellbeing. This definition is supported by the life-cycle theory, which posits that people make financial plans based on their expected needs at different life stages (Modigliani & Brumberg, 1954). While many experts believe that financial planning plays an instrumental role in ensuring financial security, much debate has centred on its components. While some experts have defined life events financial planning extensively, including education funding, marriage, purchasing homes, retirement planning, estate planning, and contingency planning (Lusardi & Mitchell, 2023), other scholars have narrowed down financial planning to major events with greater impacts on household finances, especially contingencies, asset purchase, and retirement (Xiao & Porto, 2017).

A review of the existing research literature suggests that there has been an increase in understanding of life event financial planning as a behavioural activity, rather than merely a financial intent. According to some authors, planning will be considered effective only if people actually undertake actions such as creating contingency funds, investing in pension plans, saving money, and purchasing substantial assets (Hershey et al., 2018). This approach is especially applicable to less economically developed nations, where people face a high risk of income instability, inflation, and a poor social security system.

Emergency financial planning has gained considerable interest due to its importance in safeguarding households from financial emergencies. While Lusardi et al. (2011) define emergency financial planning as "the deliberate creation of financial savings and resources that are readily available for use in the case of unexpected financial needs caused by illness, unemployment, business failure, economic crisis", emergency financial planning also involves insurance planning, contingency budgets, and access to other sources of finances. It should be noted that the prevailing approach is to view emergency financial planning as people's preparation to absorb financial shocks without causing themselves significant financial stress. In this research, emergency financial planning refers to the level of financial savings and contingency plans people maintain to respond to unexpected financial events.

Retirement planning constitutes another major dimension of life event financial planning. Previous literature acknowledges that retirement planning is an enduring process that includes saving enough money for post-retirement consumption (Lusardi & Mitchell, 2014). Nevertheless, it appears that scholars do not have a unified view concerning the factors affecting people's preparedness for retirement. On the one hand, some researchers focus on factors such as income and employment characteristics. On the other hand, those authors who believe that financial literacy is more important emphasise the need to understand how savings, pensions, investments, and future needs work. Despite these divergent views on the issue, most scientists believe that proper retirement planning leads to greater financial independence.

Fixed asset planning represents the third dimension of life event financial planning examined in this study. The literature suggests that fixed asset planning concerns the purchase and financing of fixed assets, including properties such as residential buildings and land with long-term value-generating potential. Fixed asset planning may be seen as wealth generation by some researchers and as a strategy for financial security and intergenerational wealth transfer by others (Campbell, 2016). In either case, fixed asset planning entails the long-term financial management necessary for savings and wealth generation. Hence, fixed asset planning can be described as the systematic

use and management of financial resources towards fixed asset ownership and maintenance. Overall, emergency financial planning, retirement planning, and fixed asset planning define the dimensions of financial planning in relation to life events in this study, given their significance for the household's long-term financial wellbeing.

2.2 Theoretical Review

This study is anchored primarily on Prospect Theory, developed by Kahneman & Tversky (1979). Prospect theory was formulated as an alternative to conventional economic theory, which assumes that people's decision-making is rational and that their main objective is to maximise their utility. People often make financial decisions under conditions of uncertainty. Certain cognitive errors, perception of risk, and emotions often guide them. As suggested by Kahneman & Tversky (1979), people tend to make choices differently depending on whether they estimate gains or losses, and they exhibit loss aversion, overconfidence, mental accounting, and present bias. This way, people do not save enough, underestimate their future financial needs, put off planning for their retirement or emergency savings, and are aware of the consequences of these actions.

Financial literacy is important because, according to Prospect Theory, financial decision-making is not just about having access to financial tools, but about one's ability to make sense of the information available, especially when dealing with psychological biases. Financial literacy can

improve one's ability to choose wisely among several options and to measure and manage financial risks. As Lusardi & Mitchell (2014) explain, financial literacy can improve people's ability to think in terms of financial implications, especially when making decisions such as saving, investing, managing debt, and preparing for the future. Thus, financial literacy enables people to understand the implications of their actions on their financial situation.

The theoretical arguments of Prospect Theory are particularly relevant to the dimensions of life event financial planning examined in this study. In emergency financial planning, an individual decides to save for events that may not even occur; however, people tend to delay such planning because they cannot predict the likelihood of such events. In retirement financial planning, one gives up current consumption for gains that will come decades later, leading to present bias in decision-making. This is also true for fixed asset planning, where financial discipline, budgeting, and analysis of different financing options are needed. Prospect Theory, therefore, indicates that the less literate an individual is in finance, the more likely they are to exhibit behavioural biases in financial decision-making.

Although Prospect Theory provides the primary theoretical foundation for this study, its propositions are consistent with the Life Cycle Hypothesis proposed by Modigliani & Brumberg (1954). According to this hypothesis, individuals are expected to plan

consumption, savings, and investments throughout their life cycle to maximise their financial wellbeing. The theory states that people save money during their working period to finance events related to their retirement and the acquisition of fixed assets. Yet the successful implementation of life cycle planning is associated with individuals' ability to plan their financial activities. Hence, financial literacy emerges as one of the enablers of financial planning behaviour. Based on the above discussion, it can be assumed that individuals with high financial literacy are more inclined to make emergency, retirement, and fixed-asset plans than those with low financial literacy.

2.3 Empirical Review

2.3.1 Financial Literacy and Emergency Financial Planning

Most empirical studies confirm the importance of financial literacy in improving individuals' readiness to cope with unexpected financial surprises. According to Lusardi et al. (2011), financially literate people tend to maintain precautionary savings and avoid financial fragility during periods of uncertainty. It was noted that possessing financial knowledge helps individuals anticipate risks and build emergency funds to protect against the consequences of income interruptions, unexpected illnesses, and other unforeseen events. In addition, Klapper et al. (2015) found, based on international data, that financially literate people were more inclined

to save money and had higher financial resilience than their financially illiterate peers.

However, despite the above-mentioned facts, some scholars have raised doubts about the ability of financial knowledge to prepare individuals to respond to unforeseen situations. It was stated that financial behaviour depends on various factors, including financial knowledge, income, financial attitudes, and self-control. The conclusions of their study indicate that even financially literate people may be unable to build emergency funds due to significant financial constraints. Such an approach implies that financial literacy can help people plan for emergencies, though its effectiveness may vary across socioeconomic backgrounds.

Research conducted in emerging economies proves the positive correlation between financial literacy and the ability to prepare for emergencies. In Nigeria, studies have shown that financially literate people are more likely to save and engage in financial planning than less literate people (Ajemunigbohun & Azeez, 2018; Olowu & Ayodeji, 2023). However, the majority of research conducted in Nigeria focuses on saving behaviour and general financial literacy, rather than emergency financial planning as part of life-event financial planning.

2.3.2 Financial Literacy and Fixed Asset Planning

The connection between financial literacy and fixed asset acquisition has attracted growing academic interest, as fixed assets are integral to accumulating wealth for the future. Financially literate people tend to be better at making investment decisions, analysing different financing options, and committing to long-term financial obligations (Lusardi & Mitchell, 2014). Such abilities increase the likelihood of acquiring productive assets, including real estate, land, and various business assets.

It is confirmed by empirical evidence as well. Thus, Van Rooij et al. (2012) found a strong impact of financial literacy on investment involvement and asset accumulation. Moreover, Klapper & Panos (2011) revealed that financially literate families exhibited more pronounced investment behaviour and a tendency to accumulate assets that generate income.

However, amid this agreement, some suggest that financial literacy does not necessarily guarantee ownership of fixed assets. Ownership of assets can be affected by several factors, including income levels, the ability to obtain loans, the state of the housing market, and even macroeconomic factors (Campbell, 2016). Therefore, while financial literacy can help one plan for fixed-asset ownership, that ownership may ultimately depend on other factors as well. In a Nigerian small-business context, Akinyede (2023) similarly found that managers' financial literacy and technical competence significantly predicted entrepreneurial

performance, lending support to the view that literacy underpins productive asset-building decisions, though the study did not examine fixed-asset planning as a discrete outcome. In addition, research studies conducted in Nigeria have focused mainly on financial inclusion and investment practices, with little attention to fixed-asset planning in life-event financial planning.

2.3.3 Financial Literacy and Retirement Planning

Retirement planning is the area of personal finance that has been most widely studied in the existing literature. Financial literacy was identified as the key factor affecting retirement preparedness, as it requires predicting future financial needs, understanding the terms and conditions of pension programs, comparing different investment options, and saving enough money throughout working life (Lusardi & Mitchell, 2014).

There is empirical evidence of a direct link between financial literacy and retirement planning. Lusardi & Mitchell (2011) found that financially literate people were much more likely to have made a retirement plan and to join retirement savings programs. Hastings et al. (2013) reached a similar conclusion, claiming that financial literacy enhances people's capacity to make complex retirement decisions.

There is also evidence in favour of the above-stated correlation drawn from the African continent. Studies among employees in both the private and public sectors have revealed that financially literate people usually exhibit better retirement planning habits, including pension plans, saving for the future, and portfolio diversification (Boisclair et al., 2017). Nonetheless, some scholars believe that retirement planning depends on other variables as well, such as income levels, job security, pension system efficiency, and cultural attitudes toward old-age support. As a result, although financial literacy is indeed one of the determinants, it should be regarded as only one element within a broader context that impacts retirement readiness. There is also very little research on retirement planning in South West Nigeria.

2.4 Gap in Literature

The empirical literature generally supports the argument that financial literacy positively influences financial behaviours, including saving, investing, financial preparedness, wealth management, and retirement planning. There are several limitations in the literature. While many researchers explore the connection between financial literacy and individuals' financial behaviours, most focus on a single aspect of financial behaviour, such as retirement planning, investing, savings, or personal financial well-being. Very few authors view life event financial planning as a multifaceted concept encompassing emergency, fixed asset, and retirement planning.

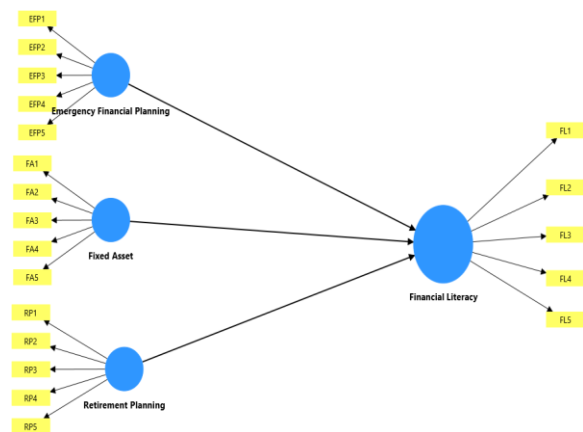
Also, almost all studies in the literature have been conducted in developed countries, where financial markets, pension programs, and financial literacy programs are more developed than in many other countries, such as Nigeria. Therefore, results obtained in those countries do not necessarily reflect financial planning behaviour in developing countries.

Studies on financial literacy and finance-related matters in Nigeria have mostly focused on financial literacy, financial behaviour, financial inclusion, savings mobilisation, pension scheme participation, and investment decisions. Little effort has been made to empirically investigate how financial literacy affects multiple life-event financial planning outcomes simultaneously. This means that little is known about the contributions of financial literacy towards emergency preparedness, fixed asset planning, and retirement planning among Nigerian households.

South West Nigeria, being economically relevant and having developed financial systems, has lacked empirical evidence. Most existing Nigerian studies have focused on specific occupational groups such as civil servants, students, entrepreneurs, or pension contributors, thereby limiting the generalizability of their findings. This study, therefore, intends to bridge these research gaps through examining how financial literacy impacts life event financial planning through emergency financial planning, fixed

asset planning, and retirement planning among people in South West Nigeria.

Path Diagram



Source: Authors Compilation (2026)

METHODOLOGY

3.1 Research Design

This study employed a quantitative research methodology, using a cross-sectional survey design, to examine the influence of financial literacy on life-event financial planning among adults in South West Nigeria. A cross-sectional survey design was found to be most suitable for this type of research, as it allows researchers to collect large amounts of primary data from many respondents simultaneously. At the same time, the use of this design will help empirically examine the

relations among various variables. It is appropriate for conducting research aimed at explaining respondents' behaviour.

The research involved residents of the six states constituting South West Nigeria, including Lagos, Ogun, Oyo, Osun, Ondo, and Ekiti. The chosen geographical area for the research was selected because it has a relatively high level of economic activities, financial penetration, and education compared to many other regions in Nigeria.

3.2 Population of the Study

The population for this study consisted of economically active adults aged 18 years and above in South West Nigeria. They were people working in the formal and informal sectors, self-employed individuals, businesspeople, civil servants, professionals, artisans, merchants, and retired people. The population was selected because it comprises people who participate in decision-making regarding saving, investing, planning for retirement, emergencies, and property buying.

Minimum sample size was determined by Cochran's (1977) formula for determining sample size in a large/unknown population:

$$n = \frac{Z^2 pq}{e^2}$$

Where:

n = sample size

Z = standard normal deviation (1.96 at 95% confidence level).

p = Estimated proportion

$q = 1 - p$ (0.5)

e = margin of error (0.05)

Calculating Sample Size

$$n = \frac{1.96^2 * 0.5 * 0.5}{0.05^2} = 384.16$$

The computed sample size was 384 respondents.

The Cochran formula was applied under the assumption of an effectively large population, so the finite population correction was unnecessary. To account for possible non-response and incomplete questionnaires, a 10 percent adjustment was applied:

Therefore, we have:

$$n_{adj} = \frac{384}{1-0.1} = 427$$

This yielded an adjusted sample size of approximately 427 respondents. However, due to field constraints and response availability, a total of 400 valid responses were eventually retrieved and used for analysis. This slight difference between the targeted and achieved sample size was considered acceptable for statistical analysis.

3.3 Research Instrument

The study data were collected through a survey instrument that assessed variables related to financial literacy and life-event financial planning outcomes. The survey items covered areas such as emergency

financial planning, fixed asset planning, and retirement planning. They were derived from existing literature in the field and then adapted for use in this study. The survey underwent pre-testing on a limited population before the study began. Reliability was evaluated using Cronbach's Alpha and Composite Reliability coefficients. Construct validity was assessed through Confirmatory Factor Analysis within the Partial Least Squares Structural Equation Modelling framework.

3.2 Model Specification

This study examines how people's ability to plan for important life events, known as Life Event Financial Planning, or LEFP, is impacted by financial literacy (FL). In this context, Emergency Financial Planning (EFP), Fixed Asset Planning (FAP), and Retirement Planning (RP) are the three sub-dimensions that comprise LEFP, a composite variable.

$LEFP = f(EFP, FAP, RP)$

Each of the three components is influenced by Financial Literacy (FL). Thus, the functional forms for the sub-models are:

$$EFP = \beta_0 + \beta_1 FL + \mu$$

$$FAP = \beta_0 + \beta_1 FL + \mu$$

$$RP = \beta_0 + \beta_1 FL + \mu$$

- LEFP : Life Event Financial Planning index for individual iii

- EFP : Emergency Financial Planning score
- FAP : Fixed Asset Planning score
- RP : Retirement Planning score
- FL : Financial Literacy score
- $\beta_1, \beta_2, \beta_3, \dots, \beta_5$ are regression coefficients associated with each independent variable.
- μ represents the error term or residual. It accounts for the unexplained variance in the dependent variable Y that cannot be attributed to the model's independent variables. It represents the difference between the observed Y values and the values predicted by the model.

All administered questionnaires were fully completed and returned, resulting in a 100% hundred percent response rate. The collected data were analysed using Partial Least Squares Structural Equation Modelling. This technique was selected for its suitability for analysing complex relationships among latent constructs and its robustness to non-normal data distributions.

The analysis involved both measurement model and structural model assessments. The measurement model was evaluated using factor loadings, Cronbach's alpha, composite reliability, average variance extracted, and discriminant validity tests, including the Heterotrait Monotrait ratio and the Fornell-Larcker criterion. The structural model was assessed using path coefficients, coefficient of determination, and bootstrapping

procedures to test the significance of the hypothesised relationships. All analyses were conducted using Smart PLS 4 statistical software.

4.0 RESULTS

TABLE 1: Measurement model Assessment

Outer loadings				
	Emergency Financial Planning	Financial Literacy	Fixed Asset	Retirement Planning
EFP1	0.86			
EFP2	0.88			
EFP3	0.91			
EFP4	0.81			
EFP5	0.87			
FA1			0.86	
FA2			0.89	
FA3			0.89	
FA4			0.85	
FA5			0.89	
FL1		0.89		
FL2		0.92		
FL3		0.91		
FL4		0.86		
FL5		0.89		
RP1				0.88
RP2				0.87
RP3				0.87
RP4				0.89
RP5				0.86

Source: Authors' Compilation (2026)

Table 4.1 presents the outer loadings for the indicators measuring Financial Literacy, Emergency Financial Planning, Fixed Asset Planning, and Retirement Planning. Outer loadings were determined to evaluate

indicator reliability and to see how well the indicators represent their respective latent constructs. According to the results, all indicators exceeded the 0.70 threshold, with outer loadings ranging from 0.81 to 0.92, indicating adequate reliability and significant contributions to their respective constructs.

The outer loadings for the indicators of Financial Literacy vary from 0.86 to 0.92, with the highest loading being achieved by FL2 (0.92). The lowest outer loadings among the Financial Literacy indicators are 0.89 for both FL1 and FL5. As regards the indicators of Emergency Financial Planning, their outer loadings range from 0.81 to 0.91, with the highest at 0.91 for EFP3. The outer loadings for the Fixed Asset Planning construct vary from 0.85 to 0.89, while the outer loadings for Retirement Planning range from 0.86 to 0.89. None of the indicators was dropped out, as all of them exceeded the accepted threshold.

4.2 Internal Consistency Reliability

Table 4.2: Construct Reliability and Validity Test

Construct reliability and validity				
	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Emergency Financial Planning	0.92	0.92	0.94	0.75
Financial Literacy	0.94	0.94	0.95	0.80
Fixed Asset	0.92	0.93	0.94	0.77
Retirement Planning	0.92	0.93	0.94	0.77

Source: Authors' Compilations (2026)

Table 4.2 presents the results of the analysis of construct reliability and convergent validity for the study variables. Based on the outcome, all constructs show good internal consistency, as all Cronbach's alphas lie within the range of 0.92–0.94, surpassing the recommended threshold of 0.70. The composite reliability coefficients (rho_a and rho_c) for all constructs are also greater than 0.90, indicating high measurement reliability and consistency.

It can also be seen that the Average Variance Extracted (AVE) values range from 0.75 to 0.80, exceeding the minimum threshold of 0.50. Hence, it can be concluded that the constructs explain more than 50% of the variance in their indicators, thus achieving convergent validity. Financial Literacy has been found to achieve the highest AVE value of 0.80, indicating strong indicator convergence.

Table 4.3 – R-square

R-square		
	R-square	R-square adjusted
Financial Literacy	0.56	0.55

Source: Authors' Compilations (2026)

Table 4.3 presents the coefficient of determination (R^2) and adjusted R^2 values for the model. The results show an R^2 value of 0.56 and an adjusted R^2 value of 0.55. This implies that the predictor variable explains approximately 56 percent of the variation in the dependent construct, while the adjusted value indicates that the model's explanatory

power remains virtually unchanged after accounting for model complexity. The small difference between the R^2 and adjusted R^2 values suggests that the model is stable and free from substantial overestimation. An R^2 value of 0.56 is considered moderate to substantial, indicating that the model has satisfactory explanatory power and provides meaningful insight into the relationships among the study variables.

4.3 Discriminant Validity

This ensures that each latent variable is unique and does not measure the same concept as another variable. This assessment used the Fornell-Larcker Criterion and the Heterotrait-Monotrait Ratio (HTMT) to test the discriminant validity of the constructs, and the results are presented in Tables 4.4 and 4.5.

Table 4.4: Heterotrait-monotrait ratio (HTMT) - Matrix

Heterotrait-monotrait ratio (HTMT) - Matrix				
	Emergency Financial Planning	Financial Literacy	Fixed Asset	Retirement Planning
Emergency Financial Planning				
Financial Literacy	0.77			
Fixed Asset	0.79	0.69		
Retirement Planning	0.78	0.59	0.83	

Source: Authors' Compilation (2026)

Table 4.4 presents the Heterotrait-Monotrait Ratio (HTMT) used to assess discriminant validity among the study constructs. HTMT values below 0.85 indicate strong discriminant validity, while values below 0.90 are generally considered acceptable. The findings revealed that all HTMT values are within the range 0.59–0.83 and are below the required thresholds for the discriminant validity test. This implies that there is an empirical distinction between the constructs, since they measure different concepts.

The highest HTMT value of 0.83 was observed for the relationship between Fixed Asset Planning and Retirement Planning. Although this is high, it is still below the critical value of 0.85, indicating that the two constructs have some relationship but sufficient conceptual and empirical separation. In addition, the HTMT values between Emergency Financial Planning and Financial Literacy (0.77), Emergency Financial Planning and Fixed Asset Planning

Fornell-Larcker criterion				
	Emergency Financial Planning	Financial Literacy	Fixed Asset	Retirement Planning
Emergency Financial Planning	0.86			
Financial Literacy	0.72	0.89		
Fixed Asset	0.73	0.65	0.88	
Retirement Planning	0.71	0.55	0.77	0.88

(0.79), and Financial Literacy and Retirement Planning (0.59) are also good indicators of construct separation.

Table 4.5: Fornell-Larcker

Source: Authors' Compilation (2026)

Table 4.5 presents the Fornell–Larcker criterion used to assess discriminant validity among the study constructs. Diagonal values are the square roots of the Average Variance Extracted (AVE) value, whereas the off-diagonal values are the intercorrelations among constructs. According to the Fornell–Larcker rule, discriminant validity exists in case the square root of the AVE value for each construct is larger than the correlations of constructs with other constructs.

As shown in the table above, all diagonal values are larger than the corresponding correlations of constructs with other constructs. To be specific, Emergency Financial Planning (0.86) is larger than the correlations with Financial Literacy (0.72), Fixed Asset Planning (0.73), and Retirement Planning (0.71). In addition, Financial Literacy (0.89), Fixed Asset Planning (0.88), and Retirement Planning (0.88) have larger correlations than each with other constructs. This means that constructs have larger variances with their own indicators than with other constructs.

4.4 Assessment of the Structural Model**Table 4.6: Model fit**

Model fit		
	Saturated model	Estimated model
SRMR	0.05	0.05
d_ULS	0.61	0.61
d_G	0.39	0.39

Chi-square	1093.29	1093.29
NFI	0.88	0.88

Source: Authors' Compilation (2026)

Table 4.6 presents the goodness-of-fit indices used to assess the fit of the proposed PLS-SEM model. The Standardised Root Mean Square Residual (SRMR) of 0.05 for the saturated model and the estimated model is less than the recommended limit of 0.08, implying that there is a perfect model fit and little disparity between observed and predicted correlations. The values of the discrepancy measures, d_ULS (0.61) and d_G (0.39), are low, indicating adequate model fit. Additionally, the Normed Fit Index (NFI) is close to the recommended limit of 0.90 (0.88), indicating an acceptable fit of the model. The chi-square statistic (value of 1093.29) is relatively high; however, it should not be taken into account because chi-square statistics are very sensitive to sample size and model complexity in structural equation modelling.

4.5 Test of Hypotheses**Table 4.7: Impact of Financial Literacy on Life Event Financial Planning**

Path coefficients				
	Original sample (O)	T statistics (O/STDEV)	P values	Decision on H ₀
Emergency Financial Planning -> Financial Literacy	0.56	7.08	0.00	Rejected
Fixed Asset -> Financial Literacy	0.30	3.58	0.00	Rejected

Retirement Planning -> Financial Literacy	-0.08	1.18	0.24	Supported
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Source: Authors' compilation (2026)

Table 4.7 presents the results of the structural model examining the relationship between Financial Literacy and the Life Event Financial Planning dimensions. The results indicate that Financial Literacy is positively and significantly related to Emergency Financial Planning ($\beta = 0.56$, $t = 7.08$, $p < 0.01$). Therefore, financially literate people are usually more ready to cope with unexpected financial problems. To be more precise, an increase in financial literacy by one standard deviation is associated with a 0.56 standard deviation increase in emergency planning behaviour among the studied population.

At the same time, Financial Literacy is positively related to Fixed Asset Planning ($\beta = 0.30$, $t = 3.58$, $p < 0.01$). The latter indicates a rather weak relationship compared to emergency preparedness. However, there is a negative and insignificant relationship between Financial Literacy and Retirement Planning ($\beta = -0.08$, $t = 1.18$, $p = 0.24$). Therefore, financially literate people do not demonstrate any specific relationships in retirement planning.

4.5 Discussion and Implications of Findings

The results from the structural model indicate that financial literacy is positively associated with all three dimensions of life-event

financial planning: emergency financial planning, fixed asset planning, and retirement planning. These relationships are statistically significant for emergency and fixed asset planning, while the association with retirement planning is negative and not statistically significant. Taken together, the findings suggest that financial literacy is linked with how individuals organise and prepare for major financial life events. However, the strength and direction of these relationships vary across planning domains because the data are cross-sectional.

The strongest association is observed between financial literacy and emergency financial planning. This indicates that individuals with higher levels of financial knowledge tend to be better prepared for unexpected financial shocks, such as illness, job loss, or urgent household expenses. From a practical perspective, this means that a one-standard-deviation increase in financial literacy will lead to a 0.56-standard-deviation increase in emergency preparedness. Even though this is not proof of causation, it shows a clear behavioural pattern in which financial awareness influences precautionary financial actions. This evidence aligns with previous findings indicating that financially literate people tend to save money as a precautionary measure and refrain from using expensive sources of borrowing during crises (Lusardi & Mitchell, 2011; Klapper et al., 2020).

The correlation between financial literacy and fixed asset planning is lower; however, it remains statistically significant. It means that

the level of financial literacy affects the probability of making structured asset planning, including real estate purchases, investments in business, and durable asset accumulation. The coefficient of 0.30 indicates the presence of a medium-strength connection.

There is a negative, non-statistically significant association between financial literacy and retirement planning. This finding implies that financial literacy cannot account for variations in individuals' retirement planning behaviour within this sample. This may be interpreted in the context in which individuals' retirement decisions are more likely to be affected by structural factors such as income stability, access to pension schemes, employment type, and their confidence in the retirement system than their financial literacy per se. Another possible reason retirement planning is not statistically significantly associated with financial literacy is that liquidity constraints affect individuals' ability to undertake retirement planning. For example, informal-sector employees might devote more effort to covering their basic necessities than to retirement planning.

An additional issue to acknowledge is that the relatively high HTMT ratio between fixed asset planning and retirement planning (0.83) is quite high. This raises the likelihood that respondents do not make a clear distinction between asset accumulation and retirement planning, especially when the acquisition of houses, land, and business assets is treated as

informal retirement planning. This is not a contradiction of the theoretical concepts but rather means that the variables could represent a single major dimension of long-term financial security.

From a policy perspective, the above result indicates that financial literacy affects emergency and asset planning behaviour but not retirement planning. This shows that policy intervention measures should not only emphasise the transmission of financial knowledge but also address factors that hinder long-term planning behaviour. Financial literacy campaigns may work best when supplemented by financial services for the informal sectors, which are characterised by liquidity problems.

Moreover, the findings indicate the necessity of context-specific financial literacy approaches. The area of emergency planning shows the highest sensitivity to financial literacy, suggesting that people are more easily affected by their financial knowledge in short-term risk awareness. Planning for the future, such as retirement, may require not only financial literacy but also institutional trust, stable income sources, and access to pension products. Accordingly, policymakers, financial institutions, and employers should develop programs that integrate financial education with real opportunities to save money and use retirement products. This result adds to the literature on the relationship between financial literacy and financial planning across its different aspects, and it

demonstrates the limitations of the knowledge-based approach in explaining this connection.

5. Conclusion and Recommendations

Conclusion

This study assessed the relationship between financial literacy and life-event financial planning among residents of South West Nigeria, with a focus on emergency, fixed-asset, and retirement planning. Using a survey approach with partial least squares structural equation modelling, the study found that financial literacy has a positive effect on emergency and fixed-asset financial planning and a negative but statistically insignificant effect on retirement planning. The above trend shows that the effect of financial literacy is stronger for short- and mid-term planning and weaker for retirement planning.

The findings further show that individuals with higher financial literacy are more likely to be prepared to handle unexpected financial surprises and make well-planned asset-related decisions. In the case of retirement planning, however, another factor appears to be driving this behaviour, as it is only weakly correlated with financial literacy. Financial literacy is one of the key determinants of life-event financial planning, though not the only one.

Recommendations

Based on the study's findings, it is recommended that financial literacy education be increased by incorporating it into secondary and tertiary education curricula to help instil financial decision-making skills in young people. The inclusion of financial literacy can focus on topics such as budgeting, savings, and financial risks, which are directly connected to the emergency and asset planning outcomes observed in this study.

Specialised financial education can be provided to employees in both the formal and informal sectors. It can include financial skills related to emergency preparedness and asset accumulation, especially for those who earn income irregularly. Modes of delivery can include community workshops, web-based learning, and work seminars to increase participation in the programs.

Employers and professional organisations can help organise structured financial literacy programmes to help employees plan for retirement, given the very weak connection between the two concepts in this study. These programs can teach about the long-term savings practices and simplified pension schemes.

Future studies can consider financial inclusion to have a complete picture of financial preparedness in the region.

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