Financial Well-Being of Nigerian Family in Ikeja Lagos State Nigeria

OPEN ACCESS

Volume: 7

Issue: 1

Month: July

Year: 2019

ISSN: 2321-4643

Received: 01.06.2019

Accepted: 19.06.2019

Published: 01.07.2019

Citation:
Kemisola-Christianah, Ogunleye, et al. "Financial Well-Being of Nigerian Family in Ikeja Lagos State Nigeria." *Shanlax International Journal of Management*, vol. 7, no. 1, 2019, pp. 1-8.

DOI:
https://doi.org/10.34293/management.v7i1.536

Ogunleye Kemisola-Christianah
Department of Resource Management & Consumer Studies, Faculty of Human Ecology, Universiti Putra Malaysia, Malaysia

Mohamad Fazli Sabri
Department of Resource Management & Consumer Studies, Faculty of Human Ecology, Universiti Putra Malaysia, Malaysia

Shamsul Azahari Zainal Badari
Department of Resource Management & Consumer Studies, Faculty of Human Ecology, Universiti Putra Malaysia, Malaysia

Abstract
With the recent advancement in the financial economy, it has become pertinent to families to be knowledgeable and adept in handling their finances. Financial markets terrain has increased so much, resulting in the availability of a more extensive choice of financial products and services, thus making financial decisions more complex and demanding. The ease of accessibility to inventive loans and credit services, financial market restructuring and technological advancements in the mode of offering and distributing financial services have indisputably left several individuals with a puzzling assortment of savings opportunities and decisions that need to be made. Therefore, this study was conceptualized to examine the factors that determine the financial well-being of Nigerian families in Ikeja local government, Nigeria. The researcher employed a stratified random sampling in selecting the number of employees, and 400 questionnaires were distributed to achieve a reasonable responses rate. As such, eighty (80) questionnaires were distributed to each of the five departments selected. From the study, it was shown research showed that majority of the respondents were female between the age ranges 20 to over 60 years. Results of the study showed that there was a significant relationship between financial well-being and financial management and financial strain expect for financial literacy. The regression analysis showed that the factors (financial literacy, financial stress, and business management) jointly for 45.7% of the variance in financial well-being. It was suggested that to improve economic prosperity among the employees in the local government, in Ikeja Lagos, Nigeria, an active factor is needed for family financial well-being.

Keywords: Financial Well-being, Financial Literacy, Financial Management, Financial Strain

Introduction

Financial well-being is one of the critical challenges for families and has become a significant concern among researchers. This necessitated the development of the term economic well-being being developed and its use in financial studies. Beginning in the 1990s, scholar made efforts to define related constructs such as financial well-being, satisfaction, and economic well-being. However, financial prosperity can be defined as a state of financial security, happiness, and freedom that is typically founded on a subjective appraisal of one's financial situation (Joo, 2008). The effect of economic well-being, relative to the quality of life among Nigeria families, has gained much attention from policy-makers, financial researchers, educators, and practitioners. Several efforts have been made by researchers since before the 1990s to explain the construct "financial well-being" which is sometimes interchanged with terms like financial satisfaction and economic well-being (Sass, Belbase, Cooperrider, & Ramos-Mercado, 2015). Also, some other researchers have made attempts to examine the factors that predict the financial well-being of family (Helliwell, 2006; Baek& Devaney, 2004; Heady & Wooden, 2004; Titus, Fanslow& Hira, 1989) due to how important the subject of financial well-being has become crucial due to how complex and perverse financial economy is in real life (Rajola, Frigerio&Parrichi, 2014). According to Joo (2008), financial well-being as stated to be a state of financially happiness, healthiness, and lack of worries and anxiety. This means that the extent of personal satisfaction with his/her financial condition can be referred to as economic well-being.

In ensuring continual financial well-being, it is essential that individuals learn the fundamental of budgeting, credit management, and asset protection, build savings, and plan for retirement. However, families can have a chance to improve their financial well-being through a better understanding of the behavior related to their finances acquired from this study and can gain knowledge on how to amend their lapses. Thus, findings from this study can help them to determine what factors can be altered to their situation and make the most of it to ensure better financial well-being.

Several factors are responsible for family financial well-being in Nigeria, among them is financial literacy which is relevant as a means of achieving goals that lead to economic well-being (Lusardi et al., 2010; Huston, 2012). Thus, financial prosperity is defined as the ability to comprehensively analyze financial options, make future arrangements, and respond appropriately to events. Planning for a better economic well-being is a difficult task that require financial literacy (Lusardi & Mitchell, 2008), thus, previous literature points out that financial literacy can help family to plan for better economic well-being (Li 2009; Shim, Barber, BI, & Lyons, 2009; Lusardi et al., 2010).

Findings from this research would be beneficiary to numerous parties such as employees, related agency, families in Nigeria themselves, financial advisers and researcher, as it will help in understanding factors influencing the economic well-being of families. Information obtained will be useful and help to provide more insight, when related to issues involved financial matters and how to improve their financial well-being in general.

Study Gap

Most previous studies on financial well-being have been conducted among family or employees living in Western countries (Joo, 2008; Malone et al. 2010). Thus, this study intended to impact future research that targets the assessment of family well-being in Nigeria. To date, no definitive measure of financial well-being has been advanced, Shim, Xiao, Barber, and Lyons (2009) used both objective (amount of debt) and subjective (financial satisfaction and coping with financial strain) measures in assessing economic well-being in the family.

Conceptual Framework

The framework for this study was conceptualized using the Financial Management Theory introduced by Deacon and Firebaugh (1988). Based on the family resources management theory, the conceptual framework contains three main components, which are input, throughput, and output. For this study, the data include financial literacy, financial strain, and social-demographic variables such as gender, age, and income. The behavior of an individual as well as the usage of resources by individuals to achieve goals is also part of the throughput process (Rice & Tucker, 1986). The output stage is the stage in which goals are met. The final decision made by people is as a result of the decisions which they have made. The satisfaction or dissatisfaction about great achievements, increasing knowledge or high positive attitudes according to Rice and Tuckler (1986), are all role of the final output.

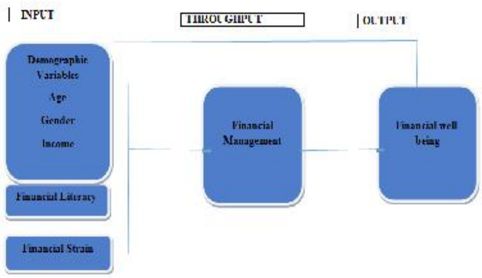

Figure 1: Conceptual Framework

Methodology

The cross-sectional study design was used for the study. Stratified random sampling method was employed to select 400 employees in Ikeja local government council in the Lagos state of Nigeria. A list of departments under the jurisdiction will be required. The total number of employees in the local government is 3969 that cut across five departments of the local government. The researcher will make use of Stratified random sampling in selecting the number of employees. Four hundred questionnaires were distributed to ensure a reasonable responses rate. Therefore, eighty (80) questionnaires were distributed among the five departments selected. The survey comprises five sections; section A- Respondents background, section B-financial literacy, section C- financial management, section D- financial strain, and section E- economic well-being. Data for this study were collected in Lagos state Nigeria between July and August 2017

Variables Measurement

Respondents' Profile

The demographic background section consisted of six items related to the personal characteristics of the participants. They include gender, age, religion, marital status, education, and income.

Financial Well-Being

In this study, financial well-being variable was measured using the commercial or perceived income adequacy of the respondents. They respondents were allowed to choose one out of the four items, which best suit, their current financial well-being. Financial well-being was measured based on adaptation fromInCharge Financial Distress/Financial Well-being (IFDFW) by Garman and Sorhaindo (2005); Prawitz et al. (2006). The scale was measured based on ten items on a Likert- type scale, ranging from one to four "Very Dissatisfied" to "Satisfied." The total Financial Well-being score was computed and categorized into three levels (low, moderate, high financial well-being. To test reliability in this study, Cronbach alpha was used Klein (2010), and an alpha value of 0.5 suggests that the variable is reliable, while Hair et al. (2006), recommended that scale of Cronbach alpha coefficient should be at least 0.70. Cronbach alpha, which was used to test internal consistency reliability had an acceptable value of 0.67.

Financial Management

The measurement of economic management was done by using ten items that consist of several dimensions. These include cash-flow size, savings dimension, and credit dimensions, as suggested by past studies (Dowling et al., 2009; Fitzsimmons et al., 1993). The items used for each size is listed in Table 3, where items one to four are items for cash-flow dimension, items five to seven are in the credit management dimension, whereas items eight to ten are in the savings dimension. Among the items included in the cash–flow is timely bill payment and having a record keeping system. For the savings dimension, items included were emergency savings as well as short or long term savings. The scale used for measuring financial management were five scales such as never, rarely, sometimes, often, and always. To test the reliability in this study, Cronbach alpha was used, Cronbach alpha test internal consistency reliability had an acceptable value of 0.93.

Financial Literacy

The scale was measured based on eight items adopted from previous studies by the Organization for Economic Co-operation and Development (OECD, 2015). All the size used for measuring financial Literacy was a Likert-scale type which ranges from one to five "Never" to "Always" Cronbach alpha test internal consistency reliability had an acceptable value of 0.87. The Items consists of two dimensions, such as behavior and attitude dimension. Where items one to five are items for behavior dimension, while things six to eight are in the attitude dimension.

Financial Strain

The scale measured based on ten items adopted from Aldana and Liljenquist (1998). Cronbach alpha used to test internal consistency reliability had an acceptable value of 0.90. The scales used for measuring financial strain were Likert scale type ranging from one to five “Never” to “Always”.

Results

The percentage distribution by Gender shows that female has a higher percentage based on the outcome of 226 female’s respondents, representing (57.7%) of the age range between a minimum of 20 years to a maximum of above 60 years. The higher percentage of respondents were between the age of 31 – 40 (36.7%). The majority of the respondents had either, primary, secondary &tertiarycertificate (70.2%). The vast population of the respondents was Christians (66.3%), and about 71.9 % of the individuals who responded to the questionnaire stated that they are married.

Table 1 shows the level of the financial well-being of the respondents. The total score was computed and categorized into three levels (low, moderate, high economic prosperity) using the minimum and maximum values of 10 and 42, respectively. The result shows that 35.2% of the respondents had low financial well-being, while 37.2% of respondents had moderate financial well-being, and 27.2% of respondents had high economic prosperity.

Furthermore, the table shows the total score of the three categories of financial management which was also categorized into three levels (low, moderate, high financial management) and also using the minimum and maximum values of 14 and 84 respectively. The result shows that 56.1 % of the respondents had low financial management, while 43.6% of respondents had moderate financial management, and .3% of respondents had high financial management.

Also, the table shows the levels of the financial strain of the respondents, which was also categorized into three levels (low, moderate, high economic well-being) using the minimum and maximum values of 10 and 50 respectively, as shown by the result. The result depicts that 34.7% of the respondents had a low financial strain, while 35.2% of respondents had reduced financial stress, and 30.2% of respondents had high financial pressure.

Respondents on Financial Literacy

Financial literacy was measured using ten items based on Yes or No., which was categorized into three components (financial knowledge, economic behavior, and commercial attitude). The result from the study indicates that majority of the respondents have adequate financial experience as the higher percentage could answer the necessary business knowledge questions that were drawn from the financial literacy questionnaire correctly. The respondents were asked to provide answers to a financial literacy quiz. The quiz tested on multiple areas of finance such as simple interest, compound interest, security market, and debt calculations. The table above shows that 18.3% respondents scored below 50%, 33.3% of the employees managed to score at least a 50%, 35% of respondents scored 63%, 13.3% of respondents scored 75%, 18.3% of respondents scored 88% no employee managed to score 100%. This shows the in terms of financial literacy, the majority of respondents have scored above average. The data also shows that 18.3% of the respondents are financially illiterate as they managed to score only three correct answers out of the ten asked.

Table 1 Level of Respondents on Financial Well-Being, Financial Management, Financial Strain

Variables	n	%
Financial Well-being Level		
Low	138	35.2
Moderate	146	37.2
High	108	27.2
Financial Management		
Low	220	56.1
Moderate	171	43.6
High	1	.3
Financial Strain		
Low	136	34.7
Moderate	137	35.2
High	119	30.2

The result from the analysis of variance indicates that there are significant differences between the mean values of the groups of the age of the employees. The means scores of the groups of the ages are as follows (M= 21.6, M= 26.8, M= 26.1, M= 29.5, M= 31.4) respectively on their financial well-being. The analysis shows there is significant as sig < 0.05. For financial well-being among the age group (F (13.451) = .000 < 0.05. Additionally, in terms of age group, it was shown that there are significant differences between the age group of employees and financial well-being. These findings were supported by Hope &Langli (2008). Research on the life cycles and work stages posits that the determinant of financial well-being changes subject to the particular stage of the age.

Table 2 Differences in Financial Well-Being of the employees in Ikeja local government council Based on Age Group

Variable Age	Mean	SD	F	p-value
20-30	21.5714	6.61126	10.145	.000
31-40	26.7431	8.41140		
41-50	26.1053			
51-60	29.5417			
Above 60	31.4000	4.15933		

As shown in Table 3, there is no significant relationship found to exist between financial literacy and financial well-being, (r = .0.097, p = .058). The significant value was tested at 0.05, while the p-value is 0.058. Since the p-value obtained is higher than the significant value (0.05), then the alternatives hypothesis will be rejected while accepting the null hypothesis. Thus, we could not establish a meaningful relationship between financial literacy and financial well-being. This claim was also reported by Moorthy et al. (2012). Who reported that there was no relationship between financial literacy and financial security; Surprisingly, one would expect that financially literate people would make plans towards financial well-being.

Table 3 Relationship between FinancialLiteracy and Financial Well-Being

Variables	r	P
Financial Well-Being	--	--
Financial Literacy	0.097	0 .058

As shown in Table 4, a relationship was found to exist between financial management and financial well-being, (r = 0.384 p = .000). Therefore, the alternate hypothesis was accepted.

Table 4 Relationship between Financial Management and Financial Well-Being

Variables	r	P
Financial Well-Being	--	--
Financial Management	0.384	0 .000

As shown in Table 5, a relationship was found to exist between financial strain and financial well-being, (r = .0.553, p = .000). Therefore, the alternate hypothesis was accepted.

Table 5 Relationship between Financial Strain and Financial Well-Being

Variables	R	P
FWB	--	--
FS	0.553	0 .000

Based on the multiple regression results as in Table 6 the results indicated that the model explained 45% of the variance and that the model was a significant predictor of financial well-being, F (72.307), p = .000. While financial literacy contributed significantly to the model (β = 0.228, p<0.05) and financial management (β = 0.547, p<0.05).By comparing the beta coefficients among these two variables, financial management has a greater influence on financial well-being, followed by financial literacy. Results indicate that those with higher financial literacy and good financial management demonstrate greater financial well-being. Overall, financial management is the greatest predictor of financial well-being among Nigerian family in Ikeja Lagos State.

Table 6 Determinants of Financial Well-Being

Predictor	Un-ed Coefficient (B)	Sd Error	St-ed Coefficient Beta	t	P	VIF
(constant)	2.177	294		7.412	.000	
Financial Literacy	.277	061	.228	4.516	.000	2.225
Financial Strain	0.028	097	.013	0.282	.778	1.798

Financial Management	0.546	051	.547	10.781	.000	1.586

Conclusion

The findings revealed a low level of financial literacy among employees with a mean score (M= 1.79). This shows that employees strive to obtain handy experience, and it can be argued that this is the foundation of knowledge and different perspectives of financial literacy. Low financial literacy amongst employee may be due to work experience, low levels of education, and low family income. Low level of awareness and lack of knowledge about financial matters may as well contribute to low financial literacy. This study is also in support of Rooij et al. (2007), which found that financial literacy.

Accordingly, a moderate level of employee's financial may be due to planning. The result from the study shows that most respondents admit to having a saving plan which, in a situation of unforeseen job loss can meet their recurrent expenditures for two months. A similar claim was made by Kinoti (2012) while studying financial management and application among employees in the case of unforeseen job loss in Nigeria. Kinoti claimed that notwithstanding the greater saving tendency amongst employees, a moderate level of savings literacy and practice was obtained unlike the high levels of expenditure literacy seen in the respondents.

From the responses which shows a low financial strain and financial wellbeing among the employees, it can be understood that most employees usually go through financial strain in the organization. This indicates that there is only a slight difference between the proportion of employees with low financial well-being and low financial pressure, the reason for such small disparity could be attributed to the relativity of individual perceptions regarding financial well-being. According to Diener et al. (1997), satisfaction, as regards financial well-being, is relative; as such, economic prosperity is majorly determined by an individual's ability to judiciously utilize resources (Kim, 2011; Joo, 2008; Shim et al., 2009). However, the low financial well-being was consistent with the result of Sabri et al. (2008), who reported low financial well-being among Malaysian college students. Another reason for this low economic well-being could be that employees spend more on utilities.

The findings showed that there is a statistically positive relationship between financial management and the financial well-being of employees of Ikeja local Government. From the results, the family needs to take positive steps in actively managing their finances. This will enable them to avoid work-related stresses that may result due to over-indebtedness. The youth are encouraged to start planning early for retirement and not wait until old age — the significant relationship found in this study between financial strain and financial well-being among families in Nigeria. The financial stress of any family is found to be an essential aspect by which spouses may not take lightly. This is essential because the bedrock of family's growth, stability, and well-being hinge on finance. All spouses, despite their gender, and educational status could be encouraged by counselors and other related family care helpers to articulate these strategies identified in this study for consideration in reducing family financial crisis, and therefore enhance general well-being in marriage.

Limitation of the Study

The study is only limited to Lagos state and local governments. Thus, a generalization of the findings would only apply to the Ikeja local governments in Lagos states.

Future Research

The findings of this study makes an essential contribution to our understanding of determinant of financial well-being among families in Nigeria. It is hoped that the results will stimulate further investigation into other equally important aspects affecting the determinant of economic well-being among families in Nigeria. Much more research is needed at the local government, which could be replicated in different categories of local government in Lagos state. Further studies could also be conducted using another local government area from a wider variety of backgrounds as well as a comparative analysis between the employees of the local government.

References

Aldana, S. G and W. Liljenquist. "Validity and Reliability of A Financial Strain Survey." *Financial Counseling and Planning*, vol. 9, no. 2, 1998, pp. 11–19.

Baek, E and S. A. DeVaney. "Assessing the Baby Boomers' Financial Wellness Using Financial Ratios and a Subjective Measure." *Family and Consumer Sciences Research Journal*, 2004, pp. 421–448.

Deacon, R and F. Firebaugh. Family Resource Management: Principles and Applications. Boston, MA: Allyn and Bacon, 1998.

Diener, E., et al. "Recent Findings on Subjective Well-Being." *Indian Journal of Clinical Psychology*, Sociology Mindvol. 24, 1997, pp. 25–41.

Dowling, J., et al. "Internation Human Resource Management (5th Ed.)." *Mason, OH:Thomson Higher Education*, 2009.

Fitzsimmons, V. S., et al. "Financial Management: Development of Scale." *Journal of Family and Economic Issues*, no. 14, 1993, pp. 257–274.

Frigerio, R. F and M. Parrichi. "Financial Well-Being in Active Ageing." *Studies in Health Technology and Informatics*, vol. 203, 2014, pp. 69–77.

Garman, E. T and B. Sorhaindo. "Delphi Study of Experts' Rankings of Personal Finance Concepts Important in the Development of the in Charge Financial Distress: Financial Well-Being Scale." *Consumer Interests Annual*, vol. 51, 2005, pp. 184–194.

Hair, Black, Babin B, Anderson and Tathan. *Multivariate data analysis (sixth ed.) United State of America*: Pearson prentice hall, 2006.

Heady, B and Wooden, M. 'The effects of wealth and income on subjective well-being and ill-being', *The Economic Record*, vol. 80, 2004, pp. S24–S33.

Helliwell, J. F. 'Well-being, social capital, and public policy: What's new?', *The Economic Journal*, vol. 116, 2006, pp. C34–C45.

Huston, S. J. "Financial Literacy and the Cost of Borrowing." *International Journal of Consumer Studies*, vol. 36, 2012, pp. 566–572.

Joo, S & Garman, E. T. "The potential effects of workplace financial education based on the relationship between personal financial wellness and worker job productivity". In E. T., 1998.

Joo, S. "Personal financial wellness. In J.J. Xiao (Ed.), Handbook of consumer finance research", *New York: Springer*, 2008, pp. 21-33.

Kim, H. "Family Processes and Adolescents' Financial Behaviors." *Journal of Family and Economic Issues*, vol. 32, 2011, pp. 668–679.

Kline, B. "Principles and practice of Structural equation models the Guilford press", 2010.

Li, G. "Information Sharing and Stock Market Participation: Evidence from Extended Families", Federal Reserve Board Working Paper, 2009.

Lusardi, A, Mitchell, OS & Curto, V, "Financial Literacy Among the Young", *Journal of Consumer Affairs*, vol. 44, no. 2, 2010, pp. 358–380.

Lusardi, Annamaria and Olivia Mitchell, "Planning and Financial Literacy: How Do Women Fare?" *forthcoming American Economic Review*, 2008.

Mahdzan, N.S & Tabiani, S. "The Impact of Financial Literacy on Individual Saving: an Exploratory Study in the Malaysian Context", *Transformations in Business & Economics*, vol. 12, no. 1, 2013, pp.41-55.

O'Neill, B., et. al. "Negative health effects of financial stress". *Consumer Interests Annual*, 2005, 51.

OECD, "Climate Finance in 2013-14 and the USD 100 billion Goal: A Report by the OECD in Collaboration with Climate Policy Initiative", *OECD Publishing*, Paris, 2015.

Prawitz, A. D., et. al . "The InCharge financial distress/financial well-being scale: Development, administration, and score interpretation". *Financial Counseling and Planning*, vol. 17, no. 1, 2006, pp. 34-50.

Rice, A & Tucker, S. (1986). "Family life management (6th ed.)". *New York: MacMillan*, 1986.

Sabri, M.F., et. al. "Financial behavior and problems among college students in Malaysia: Research and seducation implication". *Consumer Interests Annual*, vol. 54, 2008.

Sass, S. A., et. al. "What do subjective assessments of financial well-being reflect?". *Journal of Personal Finance*, vol. 14, no. 2, 2015, pp. 21-33.

Shim, S, et. al. "Pathways to life success: A conceptual model of financial well-being for young adults", *Journal of Applied Developmental Psychology,* vol. 30, 2009, pp. 708-723.

Taylor, J. B. "The financial crisis and the policy responses: An empirical analysis of what went wrong (No w14631)". *National Bureau of Economic Research,* 2009.

Titus, P. M., et. al. "Networth and financial satisfaction as a function of household money manager's competencies". *Home Economics Research Journal,* vol. 17, no. 6, 1989, pp. 309-317.

Van Rooij, M., C. et. al. "Risk-return preferences in the pension domain: Are people able to choose?", *Journal of Public Economics,* vol. 91, 2007, pp. 701-722.

Walt Kinoti Jason. "Industrialization Stresses alcohol abuse substance dependance differential gender effects in a Kenyan, 2012.

Author Details

OgunleyeKemisola-Christianah, *Department of Resource Management & Consumer Studies, Faculty of Human Ecology, Universiti Putra Malaysia.* ***Email ID****: kemogunsy2k@yahoo.com.*

Mohamad Fazli Sabri, *Ph.D, Department of Resource Management & Consumer Studies, Faculty of Human Ecology, Universiti Putra Malaysia,* ***Email ID****: fazli@upm.edu.my.*

Shamsul Azahari Zainal Badari, *Ph.D, Department of Resource Management & Consumer Studies, Faculty of Human Ecology, Universiti Putra Malaysia,* ***Email ID****: shazri@upm.edu.my.*