Financial Literacy and Economic Development in Nigeria

Samson Ogege
Department of Finance, University of Lagos, Nigeria

Corresponding Email Address: ogegesamson@gmail.com

Abstract
The study was conducted to examine the effect of financial literacy and economic development in Nigeria. The study is hinged on the human capital theory and life cycle theory. The study employed ex post facto research design. Data was obtained from Central Bank of Nigeria, Nigerian bureau of statistics and the World Bank. The collected data were analyzed using the error correction model to determine the long and short run relationship between the variables respectively. Findings show that access to financial services does not impact significantly on economic development in Nigeria. It was also found that there is a positive and significant relationship between savings and economic development in Nigeria. Moreover, results further revealed that there exists a positive and significant relationship between financial literacy and economic development in Nigeria. Lastly, results showed that investment does not have a significant impact on economic development in Nigeria. It was recommended that the government should foster the adoption and usage of digital drive for financial services, such as online banking, mobile wallets, and e-payment platforms. Collaboration between financial institutions, telecommunications companies, and fintech firms to develop accessible and secure digital solutions targeted to specific needs of the Nigerian populace should be encouraged. The study also recommended that there should be a streamline of the account opening process, reducing documentation requirements, and implementing risk-based KYC (Know Your Customer) measures. This will make it easier for individuals, especially those in remote areas, to open bank accounts and access formal financial services.

Keywords: Savings, Investment, Access to Financial Service, Financial Literacy, Economic Development, Financial Inclusion

1.0 Introduction

Financial literacy has become an important topic of discussion in recent times, particularly in developing countries like Nigeria, where most of the population lacks the knowledge and skills required to make informed financial decisions. Nigeria is one of the most populous countries in Africa, with a population of over 200 million people, yet it continues to struggle with issues of poverty, unemployment, and underdevelopment. Financial literacy has been identified as a key factor in addressing these challenges and promoting economic development in Nigeria.

Financial literacy refers to the ability to understand and manage personal finances effectively, including knowledge of financial products and services, budgeting, saving, investing, and managing debt. It is an essential life skill that enables individuals to make informed decisions about their finances, plan for the future, and build wealth. However, many Nigerians lack basic financial literacy skills, and this has significant implications for their financial well-being and the overall economic development of the country.

Despite the importance of financial literacy, studies have shown that many Nigerians lack basic financial knowledge and skills. A study by Oke and Adeleke (2017) found that only 35% of Nigerians were financially literate, and that there was a significant gender gap in financial literacy, with men more likely to be financially literate than women. Similarly, a study by Adewuyi et al (2020) found that financial literacy was low among university students in Nigeria, and that there was a need for financial education programs to improve financial literacy among young people. Financial illiteracy can lead to financial exclusion, with many Nigerians lacking access to basic financial services such as savings accounts and insurance.

Furthermore, low levels of financial literacy can have negative implications for the development of the financial sector in Nigeria, which is essential for economic growth and development. Without a strong and stable financial sector, businesses and individuals may struggle to access credit and other financial services, hindering their ability to invest and grow.

Despite the importance of financial literacy for economic development, there is a lack of research on this topic in Nigeria. While a number of studies have examined financial literacy among specific populations, such as university students and retirees, there is a need for broader research on the factors that contribute to financial literacy among the population as a whole.

This study aims to address this gap by examining the relationship between financial literacy and economic development in Nigeria, and identifying the factors that influence financial literacy among the population.

The study on financial literacy and economic development in Nigeria is significant for several reasons. Firstly, the study will provide important insights into the challenges facing Nigeria in promoting financial literacy and economic development and will inform the development of effective policies and interventions to address these challenges. This is particularly important given the role that financial literacy can play in addressing some of the key challenges facing Nigeria, such as poverty and unemployment.

Secondly, the study is significant in that it has the potential to contribute to the broader international debate on financial literacy and economic development. While financial literacy has been identified as a key factor in promoting economic development in many countries, there is still much that is not understood about the nature of this relationship and the mechanisms through which it operates. By contributing to this debate, the study on financial literacy and economic development in Nigeria can help to advance our understanding of the role that financial literacy can play in promoting economic development in developing countries. Following previous researches these hypotheses were formulated in the null form to achieve the study objectives:

Hypotheses

$H0_{1:}$ Access to Financial Services has no influence on economic development in Nigeria.

$H0_{2:}$ Financial Education does not influence economic development in Nigeria.

$H0_{3:}$ Savings has no significant effect on economic development in Nigeria.

$H0_{4:}$ Investment has no influence on economic development in Nigeria.

$H0_{5:}$ Trade Openness has no significance effect on economic development in Nigeria.

2.0 Literature review

2.1 Theoretical framework

Human Capital Theory

In order to increase individual productivity and economic growth, human capital theory emphasizes the importance of investing in human resources, such as education, training, skills, and knowledge. It asserts that people can raise their earning potential while adding to general economic development if they invest in and develop their human capital (Becker, 1993). Human capital theory is largely regarded as having been developed and popularized by economist and Nobel winner Gary Becker. Becker makes the case that investments in education and training are comparable to investments in physical capital and can result in returns in the form of higher wages and increased productivity in his landmark work, "Human Capital: A Theoretical and Empirical Analysis with Special Reference to Education" (1964).

Human capital theory states that people develop their marketable skills, knowledge, and abilities through acquiring human capital through education, training, and other skill-building activities. They become more productive as a result, which raises their appeal to employers. They can therefore demand greater salaries and benefit from better employment opportunities (Becker, 1993). Numerous disciplines, including labour economics, education, and workforce development, have made extensive use of the human capital theory notion. Informing policies and initiatives targeted at enhancing educational institutions, encouraging lifelong learning, and encouraging skill development, it offers a framework for comprehending the financial advantages of investing in human resources (Heckman & Masterov, 2007).

The human capital theory emphasizes the value of putting money into people as a way to increase individual output and spur economic expansion. Individuals can boost their earning potential and support general economic development by expanding their skills, knowledge, and education. As a result of the investment in human capital, a rational employer of labor will promote Christopher for having a more advance skill in artificial intelligence and in less than no time, James will be unemployed. In other words, to combat the issues of financial illiteracy it is best advised that government officials, educational institutions and organizations should encourage human capital development. For financial literacy and economic development, the theory of “human capital” should be used as one of the tools to ensure this growth.

Life Cycle Theory

The Life Cycle Theory, commonly referred to as the Life Cycle Hypothesis, is an economic theory that describes how people choose to spend and save money over the course of their lives depending on their expected income patterns. According to the Life Cycle Theory, people try to keep their standard of living constant throughout their lifetimes by altering their consumption and saving habits at various life stages (Modigliani & Brumberg, 1954). The economists Franco Modigliani and Richard Brumberg created the Life Cycle Theory in their groundbreaking article "Utility Analysis and the Consumption Function: An Interpretation of Cross-Section Data" from 1954. According to the hypothesis, those who save money during times of high income, like when they are working, may fund their consumption during times of low or no income, as when they are retired.

According to the Life Cycle Theory, people naturally want their consumption to be smooth over the course of their lives and use consumption smoothing techniques to make this happen. In order to maintain consumption during times of decreased income, such as retirement or unemployment, they set aside a percentage of their income during their years of peak earning and build up assets, such as retirement funds or investments. The idea also acknowledges how borrowing helps to balance off consumption. During times of low income, people may borrow money to cover expenses with the purpose of paying it back during times of higher income. Understanding saving and spending habits, retirement planning, and wealth creation are all significantly impacted by the life cycle theory. It implies that people modify their saving and consumption behavior in accordance with how much money they anticipate making throughout the course of their lifetimes earning and how much they will need to consume.

2.2 Empirical Review

Impact of Access to financial services on economic development

Bucci et al (2010) investigated financial literacy, human capital and economic growth. They analyze the relationship between financial literacy and economic growth by relying on an extended Uzawa-Lucas framework to account for the role of a financial sector that transfers savings intertemporally. The return generated by the financial sector depends on macroeconomic conditions and on the representative agent's degree of financial literacy. New financial literacy is produced by combining the existing stock of financial literacy with human capital, which needs to be endogenously allocated across production, accumulation of human capital, and the acquisition of financial literacy. The showed that the presence of a financial sector changes the main characteristics of the balanced growth path (BGP) equilibrium with respect to the standard Uzawa-Lucas model, implying that the relative size of different economic sectors will change over time. They also identify two distinct ways through which finance can benefit economic growth, a" financial return channel" and a" human capital channel". The finding reveals that financial literacy has a positive impact on long-term economic growth if the financial sector return positively relates with the investment in financial literacy, or with its aggregate level.

Pașa et al (2022) investigated the impact of financial literacy and economic growth with focus on Europe. The aim was to analyze financial literacy as a driver of financial wellbeing and economic growth in three of the most recent EU Member States, namely Romania, Bulgaria, and Croatia. Their particular interest in studying more in-depth these three countries is generated by their difficult pathway in the transition to the Euro and economic convergence on one side and by the limited analysis carried out so far in relation to them on the other side. They noted that various studies indicated that financial literacy is associated with wealth accumulation, and financial education can help achieve economic growth. To conduct the empirical analysis, in the study, they used primary data provided by the OECD for the specific research purposes. The raw data were collected in a survey carried out in 2019 in seven South Eastern European countries reaching over 1,000 respondents for each country. They used two-stage least-squares regression to test our hypothesis and cluster analysis for comparisons among countries. Conclusions of our research reveal the main differences between countries in terms of financial literacy and reverse causality between financial literacy and economic growth for the analyzed countries. Finally, the study gave some insights into the future design of public policies on financial education in these countries.

Omakhanlen et al (2022) investigated impact of economic and financial literacy on the spending behavior of selected public servants in Lagos state Nigeria. They noted that the low level of financial literacy among the young workforce has remained a lingering problem, especially in developing countries. This was pointed out as one of the causes of poor personal financial management practice. This problem has hampered the efforts of various governments and institutions in this region geared towards financial inclusion and the overall economic wellbeing of the citizens. Most studies in this area focused on the financial literacy level of people rather than the effect on their behavior. This study is an attempt to examine the effect of financial literacy level on spending behavior of 30 young adults from public sector organizations.

The study employed standard questions for assessing the knowledge level of respondents. The questions test their understanding of simple and compound interest, inflation and portfolio diversification. For the spending behavior, the Planned Behavior Theory (PBT) proposed by Icek Ajzen (1985) as a theoretical framework for measuring spending behavior using the respondent's preparation of budget and personal pre-retirement savings account as proxies. Data was collected using a structured questionnaire. Descriptive statistics and multiple regression were used to analyze the data. The result showed that there is a positive correlation between the level of financial literacy and the spending behavior of the respondents. The less the knowledge of financial management the people have, the higher the risk of poor spending behavior. The conclusion was drawn to say that more work is needed to equip the youth, especially on the art of financial management.

Impact of Savings on Economic Development

According to Shimelis (2014), savings and investment are two macroeconomic factors that can be used to stabilize prices, increase employment opportunities, and support long-term economic growth. Researchers have engaged in a significant theoretical and empirical dispute over either savings or investment lead to economic development or are caused by it. According to conventional wisdom, rising savings and investment will result in greater production (Ramakrishna and Rao, 2012).

Both qualitative and quantitative research approaches were used to conduct a case study on Kosovo. The modified Dickey-Fuller tests, Ganger causality test, and Johansen cointegration tests and were utilized to evaluate the data, which ranged from 2010 to 2017. Deposits have a strong beneficial impact on Kosovo's economic growth, according to the regression results and the unit root test, which both demonstrate stationarity. This is because savings encourage investment, output, and employment, which in turn leads to more enduring economic growth. Furthermore, the immediate influence that loans and remittances have on investment helps Kosovo's economy grow. This provides solid evidence that nations with high national savings rates are independent of foreign direct investment, which lowers the risk associated with fluctuating foreign direct investment.

Finance is one of the key components of the life of every individual or community. Adequate financial knowledge is necessary to aid an individual or group to make appropriate financial decisions by selecting and using the right financial products and services (Mitchell and Lusardi, 2015; Anthony-Orji, Orji. To help an individual or organization choose and use the proper financial products and services and make suitable financial decisions, adequate financial knowledge is required (Mitchell and Lusardi, 2015; Orji et al., 2019). Financial setbacks and a downturn in economic performance may be caused by inadequate financial literacy and false beliefs about financial goods. Inadequate circumstances for investing and unnecessary or wasteful spending may also result from this (Damayanti et al., 2018).

Financial literacy has been linked to improved economic planning, increased investment returns, and timely repayment of loans and other obligations, according to research (Lusardi & Tufano, 2009; Orji et al., 2018). Individuals must have sufficient financial knowledge in order to make sound economic decisions. Understanding finances is not a luxury or a convenience. Instead, it has evolved into a necessary tool for surviving in the modern economy. This is owing to the possibility that individuals and society as a whole could suffer as a result of choosing and implementing poor financial decisions as a result of a lack of or inadequate level of financial understanding. Financial education promotes access to credit and savings, which invariably spurs economic growth, lowers rates of poverty, improves living conditions, and promotes general economic development.

Logically, financially educated consumers should make better decisions for their families, increasing their economic security and well-being. Secure families are better able to contribute to vital, thriving communities, further fostering community economic development. But identifying and documenting those links is difficult. Data from a community development credit union, provided as a case study, hint at the potential relationships between financial education and community involvement and give us some hope that financial education programs really are making a difference in communities and that we will someday be able to document those differences more robustly.

Impact of Investment on Economic Development

According to Abiola and Egbuwalo (2010), economic growth is the capacity of a nation to broaden her production potential curve and go above its prior functioning level. According to Meier (1980), economic development is the procedure by which a nation's real per capita income rises over a protracted period, provided that both the percentage of its population living below the "absolute poverty line" and the income distribution remain stable. Numerous authors from around the world have investigated this topic using various study methods and time periods. As a result, there are divergent views regarding how investments affect economic growth. In order to provide empirical support, it is required to evaluate the short- and long-term effects of various investment sources, including public, private, and foreign direct investment. Panel data from 63 Vietnamese provinces between 2000 and 2020 was utilized for a study in Vietnam. After checking the stationarity of the variables that match the PMG regression requirement, as recommended by Pesaran et al. (1996) and Hamuda et al. (2013), the investigation approach is PMG (Pool Mean Group) regression for economic growth (GDP). The findings indicate that variables like labor and trade transparency have a short-term detrimental impact on economic growth. Long-term, local private investment, investment from abroad, trade transparency, and labor have a positive influence on economic growth while public investment has an adverse effect. The greatest contribution comes from labor, followed by trade openness, foreign direct investment (FDI) and local private investment.

Nigeria is an oil-rich country, but throughout the years, the administration has been unable to diversify the economy. As a result, the nation's social, economic, and political activities were mostly funded by the oil industry. However, the lack of effective use of realized money for investment due to the myopic perspective of those in positions of political authority or resource managers resulted in the unpleasant outcome and low quality of life of now (Index Mundi, 2014; CIA World Fact-Book, 2013).

Financial literacy is seen as a vital factor in economic development however, there exists inadequate comprehensive study on the recent levels of financial literacy in the country. Additional research needs to be done to assess the impact of financial literacy among different parts of the total population comprising rural and urban communities. Additional empirical study needs to be carried out to validate the relationship between financial literacy and economic outcomes. Further research is needed to assess the effect of increase in financial literacy in relation to its contribution to future long-term economic development in Nigeria in areas like savings behavior and entrepreneurship.

The need for the educational sector to be a part of financial literacy learning is necessary for the economic development of Nigeria. Financial literacy often begins in schools however, the subject matter is lacking in the formal education system in the country. There is need to further examine the level of financial literacy

in the Nigerian educational system, recognize obstacles to its execution, and gather up strategies to introduce the topic of financial literacy into the formal school curriculum.
Lastly, consumer protection is a vital part of financial literacy. In response to this, there is need to assess the connection between financial literacy and consumer protection in Nigeria with much emphasis on rising problems comprising scam avoidance, controllable borrowing, and arriving at well-informed financial choices. Studies can influence the development of policies and growth initiatives that are capable of improving consumer protection via a better level of financial literacy.

3.0 Methods and Materials

This study will employ an ex-post facto research approach, combining quantitative and qualitative research methods to gather comprehensive data and gain deeper insights into the research topic. The data for the study were obtained from central bank of Nigeria (CBN), National Bureau of statistics (NBS) World Bank data base.

3.1 Model Specification

The model for the study is specified below:

$$hdi = \beta 0 + \beta 1afs + \beta 2sav + \beta 3finedu + \beta 4inv + \mu$$

Where:

$hdi = human\ capital\ development$

$asf = access\ to\ financial\ service$

$sav = domestic\ savings$

$finedu = financial\ education$

$inv = domestic\ investiment$

$\beta 0 = intercept\ or\ the\ constant\ term$

$\beta 1, \beta 2, \beta 3, \beta 4 = coefficients\ of\ the\ predictors\ in\ the\ model$

$\mu = error\ term\ or\ the\ stochastic\ term$

Apriori expectation: it is expected that β1, β2, β3, β4 >0

3.2 Estimation Test

The study employed unit root tests to determine the stationarity of the time series. Generally, times series that are stationarity are considered appropriate for econometric modelling because they are stable and can be used to predict and make forecast. Moreover, the study will also conduct cointegrations and error correction model. Cointegration is necessary to establish the long run relationship that exists between the outcome and predictor. Error correction model shows the short run relationship and the speed of adjustment of the short run to the long run (equilibrium).

4.0 Results and Discussion

From Table 1 below the mean for Human Development Index (HDI), Access to Financial Services (AF), Financial Education (FINEDU), Savings (SAV), Investment (INV) and Trade Openness (TO) are

1426.289, 48.03684, 189.7057, 8.413191, 1.575907 and 36.21451 respectively. The maximum values are 3260.303, 82.36165, 646.7475, 14.56663, 5.790847 and 53.27796 for the variables HDI, AFS, FINEDCU, SAV, INV and TO respectively. The minimum values for the variables HDI, AFS, FINEDCU, SAV, INV and TO are 153.076, 12.81722, 0.291298, 3.291754, -0.039128 and 16.35219 respectively. The standard deviation for HDI, AFS, FINEDCU, SAV, INV and TO are 1184.848, 16.67919, 200.9563, 3.724241, 1.215174 and 9.251283 respectively. HDI, AFS, FINEDU, SAV and TO are normally distributed because their corresponding p-values 0.109127, 0.591474, 0.09659, 0.179243, 0.793457 are greater than 5% significance level. While INV, since the associated p-value 0 is less than the 5% level of significance, is not regularly distributed.

Table 1: Descriptive Statistics

	HDI	*AFS*	*FINEDU*	*SAV*	*INV*
Mean	1426.289	48.03684	189.7057	8.413191	1.575907
Maximum	3260.303	82.36165	646.7475	14.56663	5.790847
Minimum	153.076	12.81722	0.291298	3.291754	-0.039128
Std. Dev.	1184.848	16.67919	200.9563	3.724241	1.215174
Probability	0.109127	0.591474	0.09659	0.179243	0
Sum	47067.55	1585.216	6070.582	269.2221	52.00493
Sum Sq. Dev.	44923686	8902.249	1251887	429.9691	47.25274
Observations	33	33	32	32	33

Source: Author's computation, 2024

Table 2: Correlation Matrix

	HDI	*AFS*	*FINEDU*	*SAV*	*INV*	*TO*
*HDI**	1.00					
AFS	-0.07	1.00				
FINEDU	0.4	-0.14	1.00			
SAV	0.11	-0.02	0.07	1.00		
INV	-0.04	0.18	-0.04	-0.25	1.00	

** Dependent variable*

Source: Author's computation 2024

From Table 2 above, the results suggest that there is low correlation between the variables. This indicates that there is no significant multicollinearity issue at 5 percent significant level. The dependent variable human development index (HDI) is positively correlated with FINEDU and SAV at 0.4 and 0.11 respectively but negatively correlation with AFS, INV and TO at -0.07, -0.04 and -0.02 respectively.

Trend Analysis

Figure 1 – 5 indicates the trend analysis for human development index, access to financial services, domestic savings financial education and investment.

Figure 1 Trend Analysis of Human...

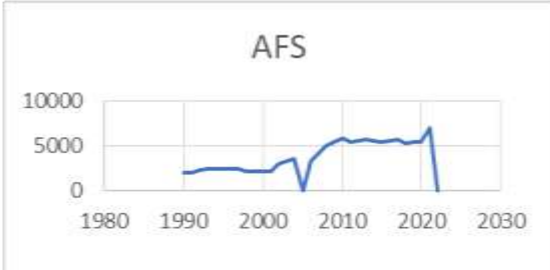

Figure 2 Trend Analysis of Acess to...

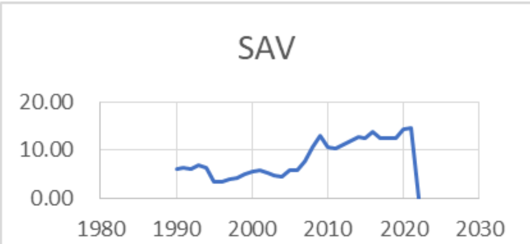

Figure 3 Trend Analysis of Savings

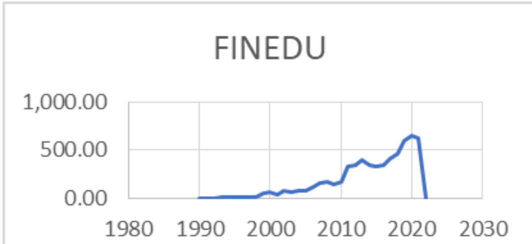

Figure 4 Trend Analysis of Financial...

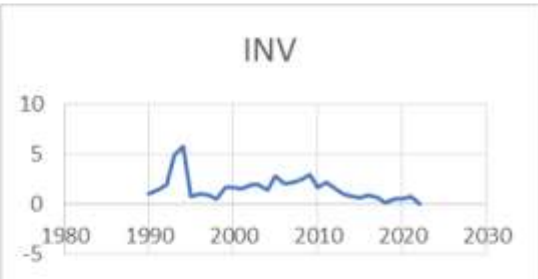

Figure 5 Trend Analysis of Investment

Table 3: Error Correction Model Result

Variables	**Coefficient**	**t-statistics**	**Probability**
C	-650.8584	-1.721664	0.0980
AFS	2.608932	0.757531	0.4561
FINEDU	3.080483	4.721274	0.0001
SAV	135.9967	4.205121	0.0003
INV	-80.39584	-1.491507	0.1489
R^2 = 0.949483	**DW = 2.004720**	**F-stat = 75.18092**	**F-prob = 0.000000**

Source: Author's computation 2024

The coefficient of the error correction model in the result shown in table 4.5 above is 0.580525 and is of statistical significance at the 1% level. The pace at which the ECM to take into account macroeconomic disturbances is 58%. ECM is correctly signed and significant. It shows that the cointegrating error of the chosen variables in the estimated model reacts to changes in the dependent variable (Human Development Index). As a result, the model's rate of adjustment indicates that the error correction model's coefficient will correct the disequilibrium at a rate of 58%.

The value of the R-squared is 0.949483, explains that approximately 95% systematic variation in economic development is explained by access to financial service, financial education, savings, investment and trade openness. The 5% that is left unexplained is accounted for by the error term. The adjusted R-squared is 0.936853, it explains 94% of the variations in the dependent variable. The result further reveals that the joint model is statistically significant at 1% levels, reflected by the F-statistic. The Dublin-Watson stat test is used to check for the presence of autocorrelation in the model. From the result from the DW stat, there is no presence of autocorrelation in our model.

$H0_1$: Access to financial services does not have significant impact on Economic Development in Nigeria.

The findings from our result on this hypothesis shows that access to financial service (AFS) has no impact on economic development in Nigeria significantly. This is reflected on the probability value (p-value =0.4561) which is above significance level. Hence, the null hypothesis is accepted. In respect to sign, AFS is correctly signed (β=2.608932), which implies that a percentage increase in AFS will cause economic development to grow by 260.9%, however, this increase is not reflected in the economy.

$H0_2$: Savings does not have a significant impact on Economic Development in Nigeria.

The findings from our result on this hypothesis reveals that savings (SAV) impact economic development in Nigeria significantly. This is reflected on the probability value (p-value =0.0003) which stands at 1% significance level. Hence, alternative hypothesis is accepted. In respect to sign, SAV is correctly signed (β= 135.9967), which implies that a percentage increase in SAV will cause economic development to grow by 1359.9%.

H0₃: Financial education does not have a significant impact on Economic Development in Nigeria.

The findings from our result on this hypothesis reveals that financial education (FINEDU) has a significant impact on economic development in Nigeria. This is reflected on the probability value (p-value =0.0001) which stands at 1% significance level. Hence, alternative hypothesis is accepted. In respect to sign, FINEDU is correctly signed (β= 3.080483), which implies that a percentage increase in FINEDU will cause economic development to grow by 308%.

H0₄: Investment does not have a significant impact on Economic Development in Nigeria.

The findings from our result on this hypothesis shows that access to investment (INV) does not have a significant impact on economic development in Nigeria. This is reflected on the probability value (p-value =0.1489) which is above the significance level. Hence, the null hypothesis is accepted. In respect to sign, INV is not correctly signed (β=-80.39584), which implies that a percentage increase in INV will cause economic development to decline by 803.9%.

4.1 Interpretation of Findings

Impact of Access to financial services on economic development

As revealed from findings in the test of hypothesis one, it shows that access to financial services does not have a significant impact on economic development in Nigeria. While access to financial services generally has a positive impact on economic development, there are situations where its effect might be limited or not as pronounced. Several factors can contribute to this phenomenon. One of these factors is inadequate financial infrastructure. In some cases, the financial infrastructure necessary to support efficient financial services may be lacking. This can include issues with payment systems, credit bureaus, and regulatory frameworks that hinder the development of a robust financial sector. Lack of Financial Literacy could also be responsible for the limited or no effect of financial service on economic development. Even if financial services are available, a lack of financial literacy can impede individuals' ability to effectively use those services. Without proper understanding of how to manage money, invest, and make informed financial decisions, people may not fully benefit from available financial options. Furthermore, high Costs and Fees could also be responsible for the limited effect of financial access on economic development. In certain cases, financial services might be available, but the high costs and fees associated with these services can discourage usage. This is particularly relevant for low-income individuals who may find it challenging to afford the fees associated with formal financial services. This finding is not in agreement with the finding of Bucci et al (2010), who investigated financial literacy, human capital and economic growth. Their study adopted access to financial services as one of its key variables in defining the impact of financial literacy on economic growth, from their findings, access to financial services is a major drive of economic growth and has an impact on the economic. The findings of Pașa et al (2022), on their research work on the impact of financial literacy and economic growth with focus on Europe revealed that a poor access to financial service is a major determinant to slow growth of the financial sector which in turn affects economic development.

Impact of Savings on Economic Development

The result of our findings in the test of hypothesis two, reveals that savings impact on economic development in Nigeria significantly. Savings are a primary source of capital formation, which is the process of accumulating funds for investment. When individuals, businesses, and governments save money, it creates a pool of funds that can be channeled into various forms of investment, including starting new businesses, expanding existing ones, and financing infrastructure projects. Capital formation is essential for driving economic development because it provides the financial resources needed for productive activities. Savings are typically intermediated by financial institutions, such as banks and capital markets. These institutions take in deposits from savers and provide loans and investments to borrowers, including businesses and entrepreneurs. When people save, they indirectly contribute to the availability of credit and investment opportunities. This, in turn, leads to increased investment in productive sectors of the economy, which spurs economic growth and job creation.

The finding is however, not in agreement with the findings of Nwanne (2014) on the implication of savings and investment on economic growth in Nigeria. The finding from this study suggest that savings has a negative and significant effect on economic growth in Nigeria. This could be as a result of several factors that could come into play, in 2014, Nigeria faced economic uncertainties, including fluctuations in global oil prices, which significantly impact the country's revenue due to its heavy reliance on oil exports. Such uncertainties can lead to reduced consumer and business confidence, prompting people to be cautious about saving and investing, thus negatively affecting economic development. Another contributing factor could be the availability and attractiveness of investment opportunities in the economy. If there were limited viable investment options, individuals and businesses might have been discouraged from saving as they did not see promising avenues for putting their saved funds to productive use. This can lead to a negative feedback loop where insufficient savings hinder investment, which in turn affects economic development. The finding of Nwanne (2014) is also supported by Agu (2022) on Savings, Investment and Economic Growth in Nigeria: An Autoregressive Distributive Lag Approach. The finding from this study suggests that savings impact economic growth in Nigeria negatively and significantly.

Impact of Financial Literacy on Economic Development

The result of our findings in the test of hypothesis three, shows that financial literacy has a significant impact on economic development in Nigeria. Financially literate individuals are better equipped to make informed financial decisions. They can assess the risks and benefits of different financial products, such as loans, investments, and insurance. Informed decisions lead to more efficient allocation of resources, which is crucial for economic development. Financially literate individuals are more likely to save and invest their money wisely. They understand the importance of saving for the future and can make informed investment choices that help grow their wealth over time. Increased savings and investment contribute to capital formation and economic growth. Financial literacy is essential for entrepreneurs and innovators. Those with financial knowledge are better prepared to manage the financial aspects of starting and running a business. This fosters entrepreneurship, job creation, and innovation, all of which are drivers of economic development. This finding agrees with the finding of Bucci et al (2010), who investigated financial literacy, human capital and economic growth. The finding from this study reveals that financial literacy has a positive impact on economic growth. This finding is further supported by Omakhanlen et al (2022), they investigated the impact of economic and financial literacy on the spending behavior of selected public servants in Lagos state Nigeria. The result shows that financial education affects the expenditure pattern of its citizens.

Impact of Investment on economic development

The result of our findings in the test of hypothesis four, shows that investment has no significant impact on economic development in Nigeria. Several factors could be responsible for the limited or no effect of investment on economic development. One of these factors is inefficient allocation. Investment needs to be allocated efficiently to productive activities and sectors of the economy. If investments are misallocated or directed towards non-productive or speculative ventures, they may not contribute significantly to economic development. Corruption and mismanagement can divert funds away from productive investments. When investments are siphoned off through corrupt practices or misused by public officials, the intended economic development outcomes may not be realized. Excessive regulation, bureaucratic red tape, and inconsistent policies can discourage investment. Businesses may be hesitant to invest in an environment where they face uncertainty and challenges related to regulations, permits, and approvals. This finding was also supported by Agu (2022) on Savings, Investment and Economic Growth in Nigeria: An Autoregressive Distributive Lag Approach. The finding from this study suggest that investment has a negative and significant impact on economic growth in Nigeria. These findings are however not in agreement with the findings of Nwanne (2014) on the implication of savings and investment on economic growth in Nigeria. The findings suggests that investment impact economic growth in Nigeria significantly.

5.0 Conclusion and Recommendation

The study examined financial literacy and economic development in Nigeria and time series data was used from 1990 – 2022. The study used the error correction model to draw its conclusion that explains that approximately 95% systematic variation in economic development is explained by access to financial service, financial education, savings and investment. It is further revealed by the coefficient of the ECM that the model would adjust from the short run to the long run at 58% in the case of any macroeconomic disturbances. The study revealed that financial literacy and savings both has a positive and significant impact on economic development in Nigeria. Access to financial service and investment as revealed from the study, does not have significant impact on economic development in Nigeria. The majority of Nigeria's population are engaged in the informal sector.

Though there exist a positive relationship, however, access to financial services does not have a significant impact on economic development in Nigeria. The study recommends that to see this positive relationship to impact on development, the government must foster the adoption and usage of digital drive for financial services, such as online banking, mobile wallets, and e-payment platforms. Encourage collaboration between financial institutions, telecommunications companies, and fintech firms to develop accessible and secure digital solutions targeted to specific needs of the Nigerian populace. Also, the study recommends that there should be a streamline of the account opening process, reducing documentation requirements, and implementing risk-based KYC (Know Your Customer) measures. This will make it easier for individuals, especially those in remote areas, to open bank accounts and access formal financial services.

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