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Financial Literacy And Financial Resilience: The Mediating Role Of Financial Capability

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Abstract

Since the turn of the century, the world has witnessed series of economic, environmental and social changes. These changes have resulted in outcomes that have had either positive or negative impact on the human society. In the case of economic changes, technological innovations have led to fluctuations in the prices of energy, food, housing, and the general cost of living, which ultimately affect the world economy for better or worse. In situations where there is a lack of financial resilience, the resultant shock to a person's income can be magnified, ultimately leading to more serious consequences ranging from mental health issues, increased debt to reduced quality of life for the children and other dependents. This study examines the effects of financial literacy on financial resilience among NYSC members in North Central Nigeria, using financial capability as a mediator. Data for the study was obtained from primary sources through the administration of questionnaires. The collated data was subjected to series of cleansing to ensure reliability and validity. The applied structural equation model, PLS-SEM. The justification for PLS-SEM is based on the non-normality of the data. The result revealed that financial literacy significantly affects financial resilience and financial capability. It also revealed that financial capability influences financial resilience and is a good mediator. This study recommends sustained and specific awareness on financial literacy especially to NYSC member by introducing the financial literacy lectures in the NYSC orientation camps and other contact points. The government should equally create the enabling environment to ensure corps members continue to practicalize their financial capability skills. The government should also ensure sustainability of financial capability programmes through lectures and other knowledge transfer models on financial literacy and financial education. Furthermore, awareness sessions on financial literacy and financial capability must go hand in hand. These must be done together given that financial capability mediated the relationship between financial literacy and financial resilience. With the combination of the two (financial literacy and financial capability), people tend to bounce back from a financial shock quicker than when just financial literacy lectures are given. This makes them more financially resilient.

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Introduction

Since the turn of the century, the world has witnessed series of economic, environmental and social changes. These changes have resulted in either positive or negative outcomes, which tends to positively or adversely impact development in the human society. In the case of economic changes, technological innovations have led to fluctuations in the prices of energy, food, housing, and the general cost of living, which ultimately affect the world economy. Information and communication technologies are changing societies. While there are debates on the good and bad sides of the changes, areas of concern that continue to worry governments include the rising rate of unemployment, job security, income inequality and increasing debts. (Hassan, Kassim, & Ma'on, 2018).

Furthermore, environmental issues arising from hazards such as earthquakes, typhoons, floods, landslides, volcanoes, droughts, tsunamis, and wildfires affect over 200 million people annually (UN/ISDR, (2005). The frequency and magnitude of these hazards have increased in recent decades owing to an increase in population density, rapid urbanization, climate change, and environmental degradation. The direct economic damage from hazards has been estimated to be over $2 to $5 trillion in the last four decades (Stromberg, 2007). The restoration of livelihoods is critical for affected families once their immediate humanitarian needs are met. Similarly, if people living in hazard-prone areas could prepare in advance, they could recover more quickly. Households' ability to restore their livelihoods when such negative events occur is tied to financial resilience -- the ways in which people access, build, and preserve their financial assets and limit their exposure to liabilities. A household is financially resilient when it can rebound from the shock caused by a hazard and re-establish a means of earning a living or continue to enjoy the standard of living it enjoyed prior to the incident. When a negative event (economic or otherwise) affects a community, not all households are equally affected, which is also true for their ability to recover or bounce back, as some households are more financially resilient than others are.

In the event of an income shock, where people lack financial resilience, there are adverse effects not only on the individual and their household, but also the larger society as a whole given that the person's ability to participate in the economy can be severely hampered. In fact, at the societal level, if segments of the population lack financial resilience, there is a potential impact on the economy and financial and social stability. A lack of financial resilience can magnify the impact of an initial income shock, leading to significantly more serious consequences, ranging from mental health issues to debt and issues such as reduced quality of life for the dependents of those impacted. Businesses also suffer as employee productivity falls due to the stress of income shock and the change in income or expenditure.

The ripple effect and impact of financial shocks can also increase over time. In addition to an immediate reduction in spending power, there may be immediate emotional and perhaps mental health impacts associated with the stress of the event leading to the financial shock. This is in addition to dealing with the shock of the event itself. In the medium term, adjustments may be required to accommodate lower income levels and, of course, there may be an impact caused by those same adjustments. In some cases, inability to meet housing costs can lead to a need to move to a less expensive (lower standard) home, or even degenerate to homelessness – something that brings with it transition costs and stress as well as fracturing of social support networks and relationships. There may also be long-term impacts on pension savings, or perhaps a longer-term fall in quality of life (Drake, 2019).

In Nigeria, a series of economic shocks have occurred that can affect financial resilience. These are low prices of oil, sluggish growth of non-oil sectors, high interest rates and loss in value of the naira relative to global currencies. These shocks have not only created uncertainties for the government but also for the other stakeholders (such as the general population) that participate in the economic activities (Proshare, 2020).

The ability to manage properly one's finances is crucial to help build the resources needed to cope with financial shocks and to support financial resilience There is need to have adequate knowledge, skills and attitudes to develop the relevant strategies, avoid falling into debt traps, make plans and follow them, anticipate future needs and possible unexpected expenses, and choose the necessary risk mitigation plans according to their needs and circumstances, there is need for financial literacy. A higher level of financial literacy leads to lower financial concerns and reduces the fear of making these decisions. People with better financial literacy can easily withstand economic shocks, not requiring credit, avoiding over-indebtedness, which allows for financial security and contributes to the economic development of societies (Lewis & Messy 2012; Sucuahi, 2013; Cossa et al., 2018; Siyanbola, 2018).

Data from the World Bank and Price Water Coopers (PWC) showed that the unemployment rate in Nigeria has been on the upward trend, even as the youth population swells with over half of the Nigerian population under the age of 30. According to the Spectator Index (2023), 53% of Nigerian youth are either unemployed or underemployed. Despite this, Oladipo and Owoyele (n,d) reported that Nigerian youth are highly resilient with the capacity to withstand shocks. Therefore, this study examines the effects of financial literacy on financial resilience among National Youth Service Corps members (Nigerian youth that have recently graduated from tertiary institutions and are mandated to undergo a compulsory 1 year service to the nation) in North Central Nigeria, using financial capability as a mediator. The remainder of this paper is organized as follows: The second section consists of an empirical literature review, and the third section includes the methodology and results. The fourth section presents conclusions and recommendations.

Literature Review

Financial Literacy

OECD (2021) defines financial literacy as a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing. It is deemed a crucial skill required to build the resources needed to cope with financial shocks and to support financially resilient behaviors around budgeting, saving, making safe use of credit, and developing other savvy strategies to manage risk. People need to have adequate knowledge, skills, and attitudes to develop budgeting strategies; avoid falling into debt traps; make financial plans and follow them; anticipate future needs and possible unexpected expenses; and make risk mitigant decisions according to their needs and circumstances. Financial Literacy also provides skills that can help people diversify their investments to avoid losing resources in the face of a single negative event. Financial Literacy in the form of awareness regarding common financial fraud and scam schemes can also help avoid becoming victims of criminals and various schemes.

In today's world, possessing strong financial literacy is more important than ever, as the market becomes more complex due to the greater diversity and sophistication of financial instruments (Frijns et al., 2014). Personal financial experience is one of the most important fountain of knowledge (Hilgert, Hogarth, & Beverly, 2003), cited in Irrinki et al. (2023), and is also one of many factors that affect financial literacy. It can become a learning resource for improving financial literacy levels (Monticone, 2010, cited in Kass-Hanna et al., 2021). Financial education is more effective with a combination of cognitive knowledge and actual financial experience, such as having a bank account and taking various decisions regarding financial resources. Individuals with positive financial experience will have adequate financial literacy to make sensible financial decisions in the future.

Santo and Tavares (2020) asserted that financial literacy can be understood as the degree of mastery of key concepts that provide people with the capacity and trust to manage their personal finances conveniently. Financial literacy is characterized by the ability to read, analyze, manage, and communicate the financial aspects of everyday life of individuals who are at the level of their mature well-being. It can also be explained as the level of knowledge about the characteristics and features of financial markets, their instruments, their regulations, their institutions, and their competence to use the acquired knowledge in the financial sector.

Monsura (2020) stated that financial literacy is capital investment education about handling finance during an economic crisis and processing financial information to make decisions about financial planning, loans, and pensions. Financial literacy is likely to be associated with financial experience. Those with more financial experience should have greater financial knowledge. Financial experiences at a young age might be a key catalyst that leads to better financial literacy and behavior for adults (Sohn et al., 2012, cited in Monsura (2020).

The definition offered by Subha and Shanmugha (2014) define financial literacy as the ability to use knowledge and skills to manage financial resources effectively for the lifetime of financial well-being. Financial Literacy is the process by which individuals gain an understanding of their financial situation and learn how to strengthen it over a period of time by inculcating the financial habits of savings, budgeting, planning, and hence, making the right financial decisions.

Otoritas Jasa Keuangan (2017) described financial literacy as the extent to which skills, confidence, and knowledge in financial institutions, their products, and services are described in a parameter. The description of the level of public knowledge about features, benefits, risks, rights, and obligations as users of financial products and services is influenced by the explanation of the financial literacy index. Disclosure of the financial literacy index is particularly important in giving a view of the level of public knowledge of the features, benefits and risks, rights, and obligations of financial products and services. Financial literacy is considered important for a number of reasons, namely, consumers who have an understanding of financial literacy who can get through this financially difficult time, because they may have savings, insurance, and investment diversification (Adam et al., 2017). Financial literacy correlated positively with financial behavior such as bills paid on time, loan installments, savings before they run out, and using credit cards wisely.

According to Huston (2010), the definition of financial literacy evolved from merely being knowledgeable about financial matters (i.e., understanding) to integrating the ability to apply knowledge to daily financial decisions (i.e., use). Huston (2010) defined financial literacy, more specifically, as 'measuring how well an individual can understand and use personal finance-related information.' This concept is related to an individual's ability to obtain, understand, and evaluate the information needed to make practical personal financial decisions (Xue et al. 2019). The OECD (2016) states that financial literacy is people's capacity to use the knowledge and skills they acquire. Thus, Financial literacy as a conceptual model involves three dimensions: financial knowledge, attitudes, and behavior (OECD/International Network on Financial Education.

It is also important to note that subjective financial knowledge, and objective financial knowledge were used to measure the level of financial knowledge of individuals. Subjective financial knowledge refers to how people perceive themselves in terms of what they know, and how they would assess their level of financial knowledge (Khan et al., 2016). Objective financial knowledge is actually stored in memory and is measured by assessing people's levels of understanding of various components of financial markets and products, such as numeracy, assets, debts, savings and investments, value of money, inflation, compounding interest, and risk diversification (Lusardi & Mitchell, 2014). From the above definitions, OECD's (2021) the concept of financial literacy by the OECD was adopted for this study because this definition gives a more detail explanation of financial literacy compared to other concepts which are limited in the six components of the financial literacy. Furthermore, the OECD concept revealed that these six components are: usage of financial product, financial knowledge, multiple source of income, record keeping and financial planning and savings.

Financial Resilience

The concept of resilience is widely used in a range of policy contexts, including psychology, military security and terrorism, financial organizations, ecology, climate change, and developing regional economies in global markets. However, its meaning is malleable, rendering it able to transcend different domains (MacKinnon &

Derickson, 2012 cited in McKnight, 2019). Resilience is commonly used to encapsulate qualities within complex systems, organizations, communities, or even households and individuals, which can resist or successfully adapt to significant external shocks and changes in situations. The term comprises processes such as the ability to rebound, adapt, and/or recover and is currently popular as it reflects contemporary concerns with insecurity and uncertainty.

Although the concept of 'resilience' has been widely applied to regional economies and the organizational capacity of financial institutions to withstand future systemic shocks in the wake of the financial crisis, the term has also been applied to personal financial management or individual economic circumstances. This study adopts the term to consider how individuals and households are able to respond to the effects of negative financial crisis now and in the future by their deployment of their own personal resources, highlighting what further support they may require to secure their own future and continue to live their expected standard of living.

McDonough (2003) provided one of the early definitions of financial resilience. In his view, the concept of resilience was an unaccompanied means of controlling the costs of an institution in the face of rapid inflation at that time in the United States. In the 2000s, financial resilience was first explored at the household level to control for financial crises in a family. A number of other studies have also explored financial resilience in the public sector and economics of countries and referred to strategies for combating turbulence in economic factors, including inflation, exchange rate, and macroeconomic parameters.

Based on the study by Sanchez et al. (2021) 'Financial resilience' is the ability to sustain one's livelihood by preventing or reducing the impact of financial shocks on income and expenditures. This requires people to have access to appropriate skills and tools for 'money management' (to deal with predictable shocks) and 'risk management' (to deal with unpredictable shocks).

Financial resilience is defined as "the ability to access and draw on internal capabilities and appropriate, acceptable, and accessible external resources and supports in times of financial adversity" (Maurer, 2016).

Financial resilience has great benefits when facing crises. However, to withstand an economic or financial crisis, one must have the ability to plan and manage finances properly. In addition, good financial knowledge is needed to improve financial management by placing money in accordance with appropriate items (Barbera et al., 2017). Families must cope taking financial decisions in an increasingly complex economy. The threat of persistent recession, increasing inflation, increasing risks of debt traps, easy access to credit, unpredictable oil and fuel prices, changes in public policy, etc. continue to increase the emphasis and importance financial resilience when negative events occur.

Financial management is a family activity that involves planning, organizing, implementing, and controlling family finances and assets. According to Firdaus (2017), family financial management includes income communication. Family financial management aims to use personal and financial resources to produce a level of life satisfaction and build financial reserves to meet future needs. Pandin et al., (2021) defined financial resilience as the ability to survive and cope with events in life that have an impact on a household's income and or assets. Financial resilience is the ability to recover more quickly and is shaped by five capacities: robustness, anticipatory capacity, awareness, flexibility, and recovery ability (Koning, 2015).

According to OECD (2020), financial resilience is an essential skill for adults. It is necessary to ensure that individuals can cope with unpredictable financial choices and difficulties in life, such as the COVID-19 pandemic that recently occured. Individual financial resilience consists of elements such as: Maintaining a regular watch on one's financial situation and avoiding indebtedness. This can minimize the risks of financial stress. Another element is the ability to be financially prudent and take good care of expenditure by considering the need and affordability of purchases before making them. The availability of savings and the ability to support oneself for a period of time without income is also another element that highlights the level of financial resilience. Individuals are likely to experience periods when they have to live on their savings, while some are planned (periods of study or training, for instance). Others like the economic crisis caused by the COVID-19 pandemic are unplanned and likely to result in loss of income for segments of societies globally. The frequency of experiencing such shortfalls reveals the financial resilience of individuals, active saving and pursuing long-term financial goals tend to boost the financial resilience of individuals and being aware of financial scams and possible fraud and taking care not to fall victim to one is characteristic of a financially literate (and resilient) individual. This study adopted the OECD (2020) concept of financial resilience as its working definition. This is because, among all the definitions, this one gives a more detailed challenge an individual can face when in a difficult situation, as it relates to being resilient.

Financial capability

Financial capability is the ability to make confident, informed judgements and make effective decisions regarding the use and management of money. This requires financial knowledge and understanding, confidence, and motivation to implement financial judgements and decisions. Financial capability skills covers areas such as financial planning and budgeting, dealing with debt, the informed use of financial services, saving, and investing. To achieve financial capability, a person must have the requisite knowledge, be able to act confidently (individual capabilities) and have the opportunity to act (external opportunities and conditions).

Financial capability involves implementing financial knowledge. Capabilities are about having the 'power, practical or potential ability necessary for someone to do something' (Delgadillo, 2014). Xiao's comprehensive definition of financial capability highlights how financial education, financial behaviors, and financial well-being are intertwined. According to Xiao (2016), financial capability can be considered as the ability to apply appropriate financial knowledge and perform desirable financial behaviors to achieve financial goals and enhance financial well-being. The Center for Financial Inclusion (CFI) in the USA defined financial capability as a combination and application of knowledge, skills, attitudes, and behaviors that a person needs to make sound financial decisions that support well-being.

Arnold and Rhyne, (2016) defined financial capability as that which turns attention toward the outcome of improved financial health and well-being. This view contrasts financial literacy and financial education, which are concerned with knowledge, skills, and information, with capability, which encompasses attitudes and, most importantly, behavior. These definitions highlight the person-centered nature of financial capability. However, it is also important to recognize the context in which people can exercise this capability.

It has been argued that the goal of financial education should be to increase people's financial capabilities with the ultimate aim of improving their financial well-being (CFPB, 2015; Xiao, 2016). Financial capability is also a component of financial well-being (Arnold and Rhyne, 2016; CFPB, 2015; Kempson et al., 2017; Xiao, 2016). This is not only about money. Financial wellbeing has been found to be a significant driver of people's overall health and wellbeing (Netemeyer, Warmath, Fernandes, & Lynch, 2017). The concept by Arnold and

Rhyne (2016) was adopted as it is concerned with knowledge, skills, and information and also encompasses attitudes and behavior.

Theoretical Review

Institutional Theory

Institutional theory originated from foundational articles that discussed how organizational foundation and change were driven less by functional considerations and more by symbolic actions and external influences than the theory at the time assumed. It was first introduced by Meyer and Rowan (1977) but was redefined by DiMaggio and Powell (1983).

Institutional theorists assert that the institutional environment can strongly influence the development of formal structures in an organization, often more profoundly than market pressures. Innovative structures that improve technical efficiency in early adoption organizations are legitimized in the environment. Ultimately, these innovations reach a level of legitimization where failure to adopt them is seen as "irrational and negligent". At this point, new and existing organizations will adopt the structural form, even if the form does not improve efficiency.

Meyer and Rowan argue that often these "institutional myths" are merely accepted ceremoniously in order for the organization to gain or maintain legitimacy in the institutional environment. Organizations adopt the " vocabulary of structure" prevalent in their environment, such as specific job titles, procedures, and organizational roles. The adoption and prominent display of these institutionally-acceptable "trappings of legitimacy" help preserve an aura of organizational action based on "good faith.” Legitimacy in the institutional environment helps ensure organizational survival.

However, these formal structures of legitimacy can reduce efficiency and hinder an organization's competitive position in their operating environment. To reduce this negative effect, organizations often decouple their technical core from these legitimate structures. Organizations will minimize or ceremonialize evaluation and neglect program implementation to maintain external (and internal) confidence in formal structures, while reducing their efficiency impact.

DiMaggio and Powell conclude that the net effect of institutional pressures is to increase the homogeneity of organizational structures in an institutional environment. Firms adopt similar structures as a result of the three types of pressure. Coercive pressures which come from legal mandates or the influence of organizations upon which they are dependent. Mimetic pressures for copying successful forms arise during periods of high uncertainty. Finally, normative pressures to homogeneity which come from similar attitudes and approaches of professional groups and associations brought into the firm through hiring practices.

Capability Theory

This theory focuses broadly on the relationship between human well-being and individual agency. It primarily highlights the ability of an individual to access and benefit from the financial services provided by institutions (Ford et al., 2011). Financial service providers are responsible for seeking opportunities. Financial literacy has received considerable attention in recent years. It has been a subject of academic and non-academic discourse both at the global and national levels. A growing body of literature suggests that financial literacy is positively correlated with better living conditions (Aguwa, 2021).

Financial literacy is significant and relevant in contemporary society, regardless of gender, area of residence (rural or city), age, education, or level of income. The level of financial knowledge is higher in urban areas than in rural communities. Despite being educated, most individuals still have very low financial literacy levels(Aguwa 2021). It is imperative to note that with the constant rising costs of living, people, especially the urban population, must comprehend the importance of living within their budgets and managing their finances. Other vital concepts of financial literacy are how to responsibly borrow, save, stay out of debt, and make informed choices about the use of financial resources. Individuals, especially the youth and young graduates, do not understand the concept of financial literacy because of their lack of skills and knowledge, as well as their confidence in making informed financial decisions (Sanni, 2019). This study adopted institutional theory as the anchor theory and capability theory as the supporting theory. The justifications for adopting institutional theory as the anchor theory is because institutions give stability and predictability to social behaviour. Pressures and expectations can be exerted by institutional constituents, such as the state, professions, interest groups, public opinion and family. Banking institutions, educational institutions and legal institutions play main roles in teaching financial literacy and upholding the knowledge through legal structure. When these institutions are functional they enhance citizens' financial resilience. While the supporting theory indicated that, it primarily highlights the ability of the individual in accessing and benefiting from financial services provided by institutions.

Empirical Review

Erdem and Rojahn (2022) investigated the influence of financial literacy on financial resilience, looking at new evidence from Europe during the COVID-19 crisis. This study examined the importance of financial literacy in explaining financial resilience in four continental European countries during the coronavirus disease 2019 (COVID-19) crisis while controlling for a wide set of additional determinants. The analysis relied on the Survey of Health, Aging, and Retirement in Europe in the context of COVID-19. A total of 4,781 observations were collected from France, Germany, Italy, and Spain. In line with previous studies, financial resilience was found to increase with financial literacy in terms of variable importance among all explanatory variables. These findings revealed the most important features for improving financial resilience. Financial literacy was identified as one of the few determinants of financial resilience that can be shaped actively. To increase preparedness for future crises, a policy mix of financial education, regulation, and nudging may help increase financial literacy, and subsequently, financial resilience.

Khan et al (2022) examined the Role of financial literacy in achieving financial inclusion: A review, synthesis and research agenda in Pakistan. This study combined multiple studies and highlighted the multifaceted importance of financial literacy and ownership of financial products. It gave a simplistic overview of what financial literacy is, why it is important, and how it can be used to achieve financial inclusion, hence highlighting its benefits for specialist and non-specialist readers. The importance of this work can be clearly established, as in the series of projects under the theme of the United Nations Sustainable Development Goals, financial literacy and financial inclusion are highlighted as the major goals (8.10) out of 17 goals. Moreover, more than 1.7 billion adults are financially excluded globally, and lack of financial literacy is one of its main causes. As this study combined multiple studies and highlighted the multifaceted importance of financial literacy and ownership of financial products, it attempted to highlight importance of getting the public to understand and comprehend the manifold usefulness of gaining better financial behavior and well-being. The study carried out mapping, scientometric, and content analyses by compiling studies at the intersection of financial literacy and financial inclusion from a sample of 10,091 studies spread over the last 45 years and conducted on a sample of more than 850,000 individuals worldwide. From the findings of this review, it can be inferred that financial literacy is the backbone of Financial Inclusion. From an academic perspective, the program seemed to be partially achieved with regard to one of the pillars: awareness and financial literacy.

Junviani, Kartawinata, Moeliono, and Trenggana, (2021) investigated the role of financial capability as a mediator of the influence of financial education on financial satisfaction in Indonesia. A questionnaire was used as the data collection tool. The data were analyzed using PLS-SEM. Based on the study results, Financial Capability had a positive and significant effect on financial ability, Financial Satisfaction has a positive and significant effect on financial satisfaction, and financial education affects financial ability mediated by financial satisfaction at productive age. This study failed to use financial resilience as a dependent variable.

Irwandi and Firli (2020) investigated the role of financial capability as a mediator of the influence of financial education on financial satisfaction in Indonsia. The questionnaire was used as a data collection tool, distributed to 100 respondents, and analyzed using the Sobel test to examine mediation. Based on the study results, financial education had a significant effect on financial capability, financial capability had a significant effect on financial satisfaction, and the effect of financial education on financial satisfaction when mediated by financial capability became more significant compared to when not mediated by financial capability on Indonesian students studying in the Netherlands, where the Netherlands is one of the main destinations for Indonesian students to study. Financial Capability can partially mediate the influence of Financial Education on Financial Satisfaction. However, this study failed to apply PLS-SEM.

Klapper and Lusardi (2020) studied financial literacy and financial resilience: Evidence from around the world. They measured financial literacy using questions assessing the basic knowledge of four fundamental concepts in financial decision-making: knowledge of interest rates, interest compounding, inflation, and risk diversification. This study applied descriptive statistics and chart analyses. It was found that worldwide, just one in three adults is financially literate—that is, they know at least three out of the four financial concepts. Women, poor adults, and less-educated respondents were more likely to suffer from gaps in financial knowledge. This is true not only in developing countries, but also in countries with well-developed financial markets. Relatively low financial literacy exacerbates consumer and financial market risks as increasingly complex financial instruments enter the market. Credit products, many of which have high interest rates and complex terms and conditions, are becoming more readily available. However, only around half of the adults in major emerging countries who use credit cards or borrow from financial institutions are financially literate. This study failed to adopt a strong quantitative analytical method.

Dew et al (2020) investigated financial literacy and its variables within the academic community in Indonesia. The study sample comprised of 889 lecturers in Indonesia. The survey method was used to measure financial literacy and its variables, which include subjective financial knowledge, financial behavior, financial experience, financial awareness, financial skills, financial capability, financial goals, and financial decisions, as reflected in individuals' financial behavior. The research data were collected using a quantitative survey and analyzed using structural equation modeling (SEM). The results confirm the relationship between financial literacy and the variables of financial awareness, financial behavior, financial experience, financial skills, subjective financial knowledge, financial capability, financial goals, and financial decisions. This study failed to adopt a non-parametric PLS-SEM.

Xiao and Porto (2017) investigated the role of financial literacy, financial behavior, and financial capability as mediating factors between financial education and financial satisfaction in Greece. The data are from the 2012 National Financial Capability Study, a large national dataset with detailed information on financial satisfaction, education, literacy, behavior, capability, and related variables. Mediation analysis was used to answer the research question. Financial education may affect financial satisfaction, a subjective measure of financial well-being, through the financial literacy, financial behavior, and financial capability variables. The results show that subjective financial literacy, desirable financial behavior, and a financial capability index (the sum of the Z-scores of objective financial literacy, subjective financial literacy, desirable financial behavior, and perceived financial capability) are strong mediators of financial education and financial satisfaction. These findings have implications for financial service professionals to take advantage of the multiple benefits of financial education in content acquisition, confidence in knowledge and ability, and action taking when they communicate with their clients.

Gaps in Literature

Regarding the aspect of gaps in the scope of the study, this study can be deemed as a timely search for knowledge in this area. This is especially trite given that based on the reviewed literature, few or no studies in the North Central part of Nigeria have carried out this type of research to assess financial resilience. Furthermore, this study adds to the body of literature, as this research aimed to test the mediating effect of financial capability on Financial Literacy and Resilience. Despite the overwhelming theoretical evidence of financial literacy and resilience, it is established from the literature that no existing research empirically addresses the major issues of this study in Africa and Nigeria.

This study also identified a theoretical gap in prior research on the relationship between financial literacy and financial resilience. The institutional theory is appropriate and suitable for the current study to bear the fruit of this theoretical gap. Some prior theories appear to be important and a foundation worthy of recognition. However, an investigation into the institution theory gave a better and broader view to which financial literacy response to financial resilience through financial capability. The previous studies tends to focus primarily on theory of planned behaviour. It does not capture the root meaning and origin of financial literacy.

Methodology

The causal research design was adopted in this study. The causal research design is appropriate to find the impact of variables, Jeremy (2006) asserted that causal design is useful to studies that explore effects of independent variables on dependent variable. The data was collected through the distribution questionnaire. The nature of the questionnaire used for this study was a five-point Likert-scale, ranging from “strongly agree” to “strongly disagree” (5 = ‘Strongly Agree’, 4 = ‘Agree’, 3 = ‘Undecided’, 2 = ‘Disagree’ and 1 = ‘Strongly Disagree’). The sample size of this study was determined by Krejcie and Morgan formula from the population of 10517. A sample size of 373 was determined. A total of 373 copies of questionnaires were distributed and 354 questionnaires were returned, which represents a response rate of 94.9%. The multi-stage sampling technique comprises both the probability and nonprobability sampling methods were applied. These two methods enable sampling to be carried out in stages. A non-probability sampling method (purposive sampling) was used at the first stage to select the target geographical area which is the North Central Nigeria. While the probability method of sampling, simple random sampling was applied for the selection of the respondents to answer the questionnaire for this study.

Method of Data Analysis

This study adopted the Structural Equation Modeling (SEM) known as Partial Least Square Structural Equation Modelling (PLS-SEM) which requires small sample size and little or no fitness tests. Goodhue, Lewis and Thompson (2006) have argued that PLS is not inferior to CB-SEM, especially when a situation of small sample size and non-normal data distribution is expected from any study. Data analysis was conducted using partial least square (PLS) software 4.0.3. The PLS-SEM in study tested for the measurement model and the structural model. Table 1 shows the measure of the constructs and the source from which questionnaire was adapted in this study.

Table 1: Definition of construct and measurement

S/N	Construct	Measurement	Source
1	**Financial Literacy:**	Measured using five point Likert Scale with seven (7) items.	Adopted from OECD INFE (2011) and Wafula (2017) were modified to suit this present study
2	**Financial Resilience**	This variable was measured and coded as a five-point Likert-Scale with six (6) items.	This variable was adopted from Adopted from OECD INFE (2011)
3	**Financial Capability**	This variable was measured and coded as a five-point Likert-Scale with six (6) items.	This variable was adopted from Junviani, Kartawinata, & Moeliono, (2021), Irwandi, & Firli, (2020)

Source: Author's compilation

Measurement model

The measurement model assesses the constructs involved in the study, which is to determine whether the indicators such as, Composite reliability (CR), convergent validity, average variance extracted (AVE) and discriminant validity, as described by Hair et al. (2011), Hair et al (2012) and Henseler et al (2009) met their required threshold. Table 2 shows the result for the convergent validity, in the factor loading, average variance extracted and composite reliability were tested

Table 2: Convergent Validity

Construct	Items	Loadings	AVE	CR
Financial capability	**FCP1**	0.762	0.594	0.898
	FCP2	0.816		
	FCP3	0.729		
	FCP4	0.791		
	FCP5	0.765		
	FCP6	0.757		
Financial Literacy			0.562	0.865
	FINLIT1	0.727		
	FINLIT4	0.784		
	FINLIT5	0.750		
	FINLIT7	0.764		
	FINLIT8	0.722		
Financial Resilience			0.577	0.800
	FIR1	0.837		
	FIR2	0.823		
	FIR4	0.595		

The result in Table 2 shows the convergent validity for the constructs under study. The results thus demonstrated a high level of convergent validity of the latent construct and used in the model. An AVE value of at least 0.5 indicates sufficient convergent validity, meaning that a latent variable can explain at least half of the variance of its indicators on average. In order to establish the discriminant validity for this, the HTMT result is presented in Table 3.

Table 3: Heterotrait-Monotrait Ratio (HTMT) Discriminant Validity

	FCP	FINLIT	FIR
FCP			
FINLIT	0.607		
FIR	0.497	0.457	

Table 3 show the discriminant validity result. According to Henseler, Ringle, & Sarstedt (2015: 121), a well-fitting model should indicate that the heterotrait correlations should be smaller than monotrait correlations, meaning that the HTMT ratio should be below 1.0, Henseler, Ringle, & Sarstedt (2015) suggested that if the HTMT value is below 0.90, discriminant validity has been established. Gold et al. (2001) and Teo et al. (2008) also use the .90 cutoff, though Clark & Watson (1995) and Kline (2011) use the more stringent cutoff of .85. Results in Table 3 indicated that discriminant validity was established.

The structural model

Structural model fitness is examined after measurement model assessment has been met and fitness is shown to be acceptable. The structural or inner model consists of the factors and the arrows that connect one factor to another. The loadings of the direct paths connecting factors are standardized regression coefficients. To ensure that the final estimated result from the PLS is true, it is important to determine the fitness of the model. The fitness of the model can be assessed in the following ways; testing for collinearity of the structural model, assessing the significance and relevance of the structural model relationships, the level of the R^2 values, and the f^2 effect size (Tenenhaus, Vinzi, Chatelin & Lauro 2005). Höck & Ringle, (2006) described results above the cutoffs 0.67, 0.33 and 0.19 to be “substantial”, “moderate” and “weak” respectively. The R-square here would be considered to be of moderate strength or effect. To assess multicollinearity in the structural model, tolerance or VIF criteria may be applied, discussed and illustrated. The VIF benchmark should be less than 4.

The f-square effect size measure is another name for the R-square change effect. The f-square coefficient can be constructed equal to (R^2original – R^2omitted)/(1-R^2original). The denominator in this equation is "Unexplained". The f-square equation expresses how large a proportion of unexplained variance is accounted for by R^2 change (Hair et al., 2014). Following Cohen (1988), .02 represents a "small" f^2 effect size, .15 represents a "medium" effect, and .35 represents a "high" effect size.

The structural model for this study was conducted to establish the relationship between the dependent, independent and the mediator variables. The result of the structural model is presented in Table 4.

Table 4: Structural Fitness Indice

Construct	Items	VIF	R^2	f^2	Q^2
Financial capability	**FCP1**	1.715		0.063	0.252
	FCP2	2.206			
	FCP3	1.718			
	FCP4	1.814			
	FCP5	1.797			
	FCP6	1.719			
Financial Literacy			0.264	0.359	
	FINLIT1	1.460			
	FINLIT4	1.762			
	FINLIT5	1.538			
	FINLIT7	1.638			
	FINLIT8	1.582			
Financial Resilience					
	FIR1	1.275	0.188	0.051	0.127
	FIR2	1.417			
	FIR4	1.214			

Table 4 also presents the VIF diagnostic and estimated PLS weights for the indicators of all the items from the questionnaire. A common rule of thumb is that problematic multicollinearity may exist when the variance inflation factor (VIF) coefficient is higher than 4.0 (some use the more lenient cutoff of 5.0). None of the original indicators had VIF greater than 5.

The overall effect size measure for the structural model, as in regression, indicated that 26.4% and 18.8% of the variation in the financial literacy and financial resilience respectively, are explained by the effect of financial literacy and financial capability.

The f-squared is considered high and small effect because financial literacy and financial resilience have value of 0.359 and 0.051 are greater than .0.35 and 0.02 which represented a "high" and "small" effects respectively.

The Q^2 was estimated by the blindfolding method. The values of the Q^2 are 0.252 and 0.127 indicated that since they are greater than zero, they have predictive relevance for this study.

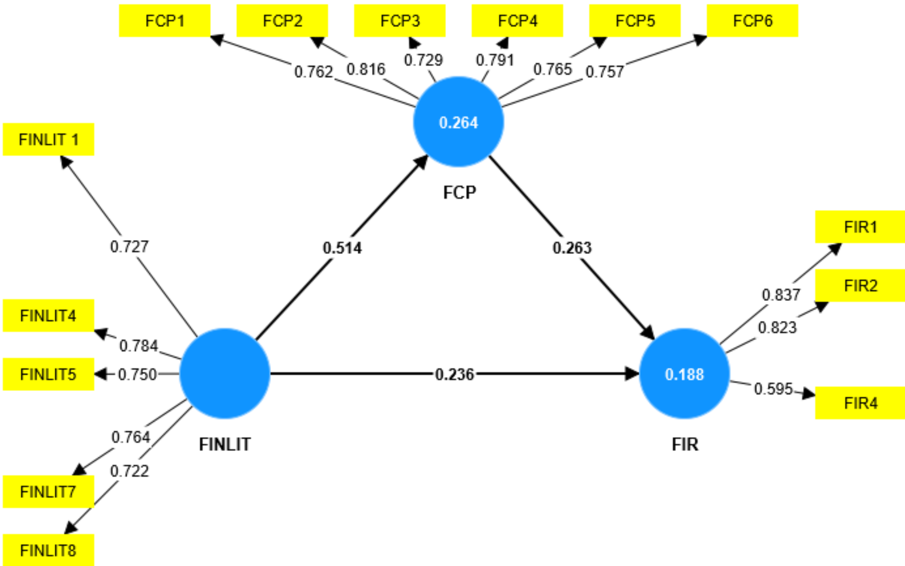

Figure 1: PLS-SEM structural model

Table 5: PLS-SEM Result

	Coefficient	Standard deviation (STDEV)	T statistics	P values
FCP -> FIR	0.263	0.072	3.629	0.000
FINLIT -> FCP	0.514	0.049	10.400	0.000
FINLIT -> FIR	0.236	0.070	3.363	0.001

From Figure 1 and Table 5, the standardized regression weight for financial literacy (FINLIT) on financial resilience (FIR) is 0.236, suggesting that this path is statistically significant at α =0.05. This indicated that financial literacy (FINLIT) has positive and significant effect on financial resilience (FIR). This means that increase financial literacy will bring about a significant increase in financial resilience. Given that the p-value 0.001 is less than the significance level of 0.05 as shown in Table 5, it is therefore concluded that, financial literacy has a significant effect on the financial resilience of NYSC members in North Central Nigeria.

Furthermore, the effect of financial literacy (FINLIT) on financial capability (FCP) is 0.514, this indicated that financial literacy (FINLIT) has positive and significant effect on financial capability (FCP). This means that financial literacy resulted in increase in financial capability. Since the p-value 0.000 is less than the significance level of 0.05 as shown in Table 5. Thus, financial literacy has a significant effect on financial capability of NYSC members in North Central Nigeria.

Also, from Table 5, the effect of financial capability (FCP) on financial resilience (FIR) is 0.263, showed that the path is statistically significant at α =0.05. It revealed that financial capability (FCP) has positive and significant effect on financial resilience (FIR). The implication is that the more financial capability increase, the more the increase in financial resilience. Since the p-value 0.000 is less than the significance level of 0.05, it can be deduced that financial capability has a significant effect on financial resilience of NYSC members in North Central Nigeria.

Mediating role of Innovation

There are two conditions that must be met for mediation to occur:

1. The first condition requires that the t-value is $\geqslant$1.65 for one-tailed test.
2. The second condition based on the contributions of Preacher and Hayes (2008) there must be non-zero linking the upper class interval (UCL) and lower class interval (LCI).

Table 6: PLS-SEM Result for FINLIT, FCP and FIR

	Coeff. B	Std err	t-test	LCI	UCI	Decision
FINLIT -> FCP -> FIR	0.135	0.040	3.335**	0.061	0.217	Significant

From Table 6, based on the first condition, the t-test value is 3.335 which is greater than 1.65, while the (LCI=0.061, and the UCI=0.217) do not have zero (0) between upper and lower class interval. Therefore, financial capability does mediate the effect of financial literacy on financial resilience of NYSC members in North Central Nigeria.

Discussion of Findings

One of the findings from this study revealed that Financial literacy has a significant effect on Financial Resilience among NYSC members in North Central Nigeria. This finding does agree with previous studies such as Erdem and Rojahn (2022). The implication is that Strong financial literacy is more important than ever as the financial market is getting more complex due to greater diversity and sophistication of financial instruments. Financial literacy is considered important for a number of good reasons, namely consumers who have an understanding of financial literacy who can get through this financially challenging period. This is due to the fact that they may have a better understand of how these products and services work and thus have a better understanding of savings, insurance, and investment diversification. But without financial literacy, it is difficult to effectively manage financial resources and also be resilient. However, the finding is inconsistent with, Setyorini et al (2021) who examined the effect of spatial literacy and financial planning by using household behavior as a mediator in the city of Semarang. Based on the results of data processing, financial literacy on financial resilience is not supported. This inconsistency in result with the current study may be attributed to the difference in geographical location, the quality of financial literacy education and possible the level of understanding and poverty level. However, the result of this study does agree with the institutional theory as the theoretical underpinning. The institutional theory suggests that Institutional theory focuses on the roles of social, political and economic systems in which companies operate and gain their legitimacy. Scott described three pillars on which societies are built based on the institutional theory: the regulative, the normative and the cognitive. The regulative pillar is formal and legally codified, while the normative one includes non-codified attitudes present in societies. When normative expectations and attitudes are largely diffused in society, they are gradually internalized by individuals and become accepted as the norms to which everybody is encouraged to conform. Institutions give stability and predictability to social behaviour. The ability to be resilient is dependent on the consumers having access to sufficient information to make informed choices of being financially literate.

Another finding revealed that financial literacy has a significant effect on financial capability among NYSC members in North Central Nigeria. This result is in consonance with the study of McKillop, et al. (2020). The objective of their study was to assess whether smartphone apps can be utilised to improve desirable financial capability. The result was found to significantly improve ‘financial knowledge, understanding and basic skills’ and ‘attitudes and motivations’ for the group of individuals that used the apps. Those using the apps were more likely to keep track of their income and expenditure and proved to be more resilient when faced with a financial shock.

Relatedly, the finding also agreed with the study of Dew et al (2020) the results confirm the relationships between financial literacy and its variables of financial awareness, financial behavior, financial experience, financial skills, subjective financial knowledge, financial capability, financial goals, and financial decisions. The finding further supported the capability theory, which revealed that lack basic financial literacy, which is beneficial to them can enable them to meet their needs, use financial institutions' products and services to achieve their financial objectives, plan ahead, build up savings, protect themselves against financial risks, and prudently invest. This is relatively possible for people who received advice, training, instruction, information, and financial education.

Consequently, financial capability has a significant effect on Financial Resilience among NYSC members in North Central Nigeria. This result is however inconsistent with the finding of Czar, Gilbert, and Scott (2021) whose evidence showed that young adults generally have low financial capability, leading to poor financial choices with potentially severe and long-lasting consequences. The study revealed that leaving home impacts the financial capability of New Zealanders aged 18–25. The finding of this study was consistent with work of Jayasinghe, Selvanathan, and Selvanathan, (2020) who investigated the financial resilience and life satisfaction nexus of indigenous Australians. Financial resilience was characterised by four sets of variables, namely economic resources, financial inclusion, financial capability and social capital. The results revealed that running out of money for living and problems in accessing financial services have significant negative implications on the life satisfaction of Indigenous Australians. The ability to raise money in an emergency, social connections and community support in times of crisis contributes to greater life satisfaction. Furthermore, the finding also supported the institutional theory. The implication is that financial capability helps to put financial knowledge into practice. It is about having the power, practical or potential ability necessary for someone to do something appropriate as financial knowledge and performing desirable financial behaviors to achieve financial goals and enhance financial wellbeing.

Financial capability does mediate the effect of Financial Literacy on financial resilience among NYSC members in North Central Nigeria. The implication is that the combined effect of financial education with increased financial capabilities will ultimately improve the financial wellbeing of people. Financial capability is also a component of financial wellbeing, it's not just about money. Financial wellbeing has been found to be a significant driver of people's overall health and wellbeing. This result is consistent with Irwandi, and Firli, (2020) who investigated the role of financial capability as a mediator of the influence of financial education on financial satisfaction. The questionnaire was used as a data collection tool which distributed to

100 respondents and then analyzed using the Sobel test to examine mediation. Based on the study results, Financial Capability mediated the influence of Financial Education on Financial Satisfaction with a type of partial mediation. Also, the findings is equally in corroboration to the study of Junviani, Kartawinata, Moeliono, and Trenggana, (2021) who found that financial education affects financial satisfaction mediated by financial ability at productive age. The finding is related to the capability theory which the ability of the individual in accessing and benefiting from financial services provided by institutions. People have the responsibility to seek the opportunities presented by financial service providers. Financial literacy has received substantial attention. It has been a subject of academic and non- academic discourse both at the global and national level. A growing literature suggested that financial literacy is positively correlated with better living conditions.

Conclusion and Recommendations

The main objective of this study is to evaluate the effects of financial literacy on financial resilience among NYSC members in North Central Nigeria. Specifically, the study examined the effects of financial literacy on financial resilience, financial literacy on financial capability, financial capability on financial resilience and mediating role of Financial Literacy on financial resilience among NYSC members in North Central Nigeria. The result revealed that financial literacy significantly affect financial resilience and financial capability and financial capability influences financial resilience and is a good mediator. This study recommends that adequate awareness on financial literacy especially to NYSC member by introducing the financial literacy lectures in the NYSC orientation camps, the government should equally create the enabling environment to ensure corps members continue to practicalize their financial capability skills, the government should ensure sustainability of financial capability programmes through lectures on financial literacy and financial education and that financial literacy and financial capability must go hand in hand. Creating awareness on financial literacy cannot go alone with financial capability. Both must be done together given that financial capability mediated the relationship between financial literacy and financial resilience. With the combination of the two (financial literacy and financial capability), people tend to bounce back from a financial shock quicker than when financial literacy lectures are given. This makes them more financially resilient.

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