

## **Financial Literacy Skills Needed by Medium Income Households for Coping with Escalating Costs of Goods and Services in Enugu State**

**Anyakoha, Chukwunonye N.**  
Department of Business Education,  
University of Nigeria, Nsukka

e.mail: chukwunonye.anyakoha@unn.edu.ng

### **Abstract**

This study explored financial literacy skills needed by medium income households for coping with escalating costs of goods and services in Enugu state. Specifically, the study determined skills need by the medium income households for making: budgets; savings; and investments. Area of study was Enugu State. Population was made up of medium income households in the area of the study. The study adopted a survey research design. Data were collected using questionnaire. Data were analyzed using mean ( $\bar{X}$ ), and standard deviation. Major findings include 11 budgeting skills needed by the households. These include creating and following monthly budget ( $\bar{X}$  =2.96); tracking daily expenses ( $\bar{X}$  =2.99), and others. Other findings are 10 savings skills needed by the households, including, regularly saving a fixed percentage of income ( $\bar{X}$  =2.98); monitoring market prices to buy at the right time ( $\bar{X}$  =2.91), among others. Further findings are 10 investment skills needed by the households, including, ability to identify profitable investment opportunities ( $\bar{X}$  =2.84), understanding the importance of diversifying investment ( $\bar{X}$  =2.76) among others. Four recommendations were made based on the findings.

**Keywords:** Budgeting, Savings, Investment, Financial, Literacy, Skills, Household Medium, Income.

### **Introduction**

The increasing cost of goods and services has become a pressing economic concern globally, with developing economies such as Nigeria experiencing significant inflationary pressures (World Bank, 2023). In Enugu State, rising prices of essential commodities, transportation, healthcare, and education have significantly impacted household financial stability. Economic

instability in Nigeria, characterized by inflation, currency depreciation, and fluctuating interest rates, has led to a reduction in the purchasing power of households (Central Bank of Nigeria [CBN], 2022). Enugu State, like many other regions, has witnessed rapid increases in the cost of living, affecting the ability of families, especially medium income households, to sustain their livelihoods.

This situation makes it imperative for coping mechanisms to be formed in order to cope with the resulting challenges. Development of financial literacy is one of these measures as it has the propensity to help individuals in making informed financial decisions.

Financial literacy, defined as the ability to understand and apply financial knowledge to make informed decisions (Lusardi & Mitchell, 2014). Financial literacy refers to the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing. It encompasses the knowledge and confidence required to make responsible financial decisions that contribute to individual and societal economic well-being (Lusardi & Mitchell, 2014). It also includes the capacity to comprehend financial concepts such as interest rates, inflation, risk diversification, and the functioning of financial markets (Organization for Economic Cooperation and Development [OECD], 2016). It is essential in enabling individuals to make informed choices, manage financial risks, and achieve financial goals. It empowers people to plan for the future, avoid excessive debt, and respond to economic changes (Huston, 2010). It also enables individuals to develop coping strategies such as budgeting, saving, and prudent spending, which are essential for navigating economic hardships (Huston, 2010).

Financial literacy encompasses several components, including budgeting, savings, investment, debt management, and risk assessment (Remund, 2010). These component competencies are essential in fostering financial independence and economic security.

Budgeting can be described as the process of creating a plan to allocate an organization's financial resources over a specific period to achieve its goals and objectives. It involves estimating income and expenditures, setting financial targets, and monitoring performance against these targets to ensure effective financial management (Drury, 2013; Horngren, Sundem, Stratton, Burgstahler, & Schatzberg, 2014). Budgeting serves as a crucial tool for planning, controlling, and evaluating financial performance within both public and private sector organizations (Lucey, 2009). Budgeting is important in financial literacy as it promotes financial discipline by helping individuals track income and expenses, enhances decision making by serving as a veritable framework for making informed financial decisions and prioritizing expenditures, helps individuals prepare for emergencies by helping individuals keep emergency funds to manage unforeseen expenses and supports long-term financial goals through better financial planning.

In addition to budgeting, savings is another important facet of financial literacy and this can be referred to as the portion of income that is not spent on current consumption but set aside for future use. It represents deferred consumption and may be held in various forms such as bank deposits, investments, or cash reserves (Mankiw, 2019). The act of saving refers to the process of setting aside a portion of current income or resources for future use, rather than spending it immediately. It involves delaying consumption to accumulate wealth or prepare for future expenses, emergencies, or investment opportunities. It is a

fundamental component of financial planning and plays a crucial role in both personal financial stability and broader economic growth. According to Mishkin and Eakins (2019), savings play a critical role in financial planning, economic growth, and capital formation, as they provide the funds necessary for investment and development in an economy.

In addition to savings, investment is another important facet of financial literacy and it is defined as the commitment of resources, typically money, to acquire assets or instruments with the expectation of generating future returns or profits. It involves the allocation of capital to assets such as stocks, bonds, real estate, or business ventures to achieve growth or income over time (Bodie, Kane, & Marcus, 2018). From an economic perspective, investment also encompasses the addition to the capital stock of an economy, including expenditures on infrastructure, equipment, and technology that enhance productive capacity (Mankiw, 2019). Investment is an important facet of financial literacy due to the fact that it empowers individuals to make informed decisions about wealth creation, risk management, and future financial security. Furthermore, investment knowledge supports individuals in taking advantage of compound interest and inflation-beating returns, which are crucial for wealth accumulation and retirement planning.

The economic landscape of Nigeria has been characterized by persistent inflationary pressures, fueled by factors such as exchange rate volatility, insecurity, supply chain disruptions, and fiscal policy challenges (National Bureau of Statistics

[NBS], 2024). These have significantly affected families, especially medium income ones, as purchasing power is gradually being eroded (Oyadeyi, Ukola and Chandiramman, 2024). Enugu State has not been exempt from these economic difficulties, with food prices, transportation costs, and utility bills rising steadily. The NBS (2024) reported that Nigeria's inflation rate reached 27.3 percent in December 2023, with food inflation accounting for a significant portion of the increase. This has led to a decline in real income, forcing households to adjust their consumption patterns and financial behaviors. In such a scenario, financial literacy becomes a crucial tool in helping middle income families manage limited resources efficiently.

### **Objectives of the study**

The general objective of this study was to explore financial literacy skills needed by medium income households for coping with escalating costs of goods and services in Enugu State. Specifically, the study determined the skills needed by medium income households for making their:

1. budgets.
2. savings.
3. investments.

### **Methodology**

**Design of the study:** This study adopted a survey research design.

**Area of the Study:** The area of the study was Enugu State. It is located in South-East Nigeria. The state has three senatorial zones namely Enugu North, Enugu East and Enugu South. The state has 17.3% of its working population as civil servants, 17.2% are business people,

16.8% engaged in petty trading, 10.9% engaged in teaching, 19.2% engaged in farming, 8.8% are freelance workers and 9.9% are students (National Bureau of Statistics, 2024).

**Population for the study:** The population comprised of medium income households in urban areas in Enugu State. These are households whose income range from between N200,000 to N600,000 (\$134 to \$400) monthly (CBN, 2024). According to Global Survey data of 2024, the number of households in Enugu state is 2,097,220 (United Nations, 2024). The medium-income households targeted were civil servants in Enugu State, Nigeria. Typically earn moderate wages, maintain stable living standards, and access essential services and education. Two persons (a husband and a wife) from each household made up the respondents for the study.

**Sample for the study:** Two predominantly urban local government areas (LGAs) were purposively selected for the study, because of the preponderance of civil servants in the LGAs. One hundred households were purposively selected from each of the LGAs to give a total of 200 households. Only medium income households with

literate husband and wife were selected to give a sample of 400 respondents.

**Instrument for Data Collection:** Data were collected using a structured questionnaire. The questionnaire was developed through an extensive review of literature based on the objectives of the study. The questionnaire had four clusters with a total of 40 items mounted on a four-point scale of Strongly Agree (SA) 4, Agree (A) 3, Disagree 2 and Strongly Disagree (SDA) 1. The instrument was validated by three University Business education experts. Cronbach Alpha coefficient was used to determining reliability coefficient. A reliability score of 0.89 was obtained, which shows a high level of reliability.

**Data Collection Technique:** A total of 400 copies of questionnaires were distributed to 200 husbands and 200 wives. Only 357 copies of the questionnaire (175 copies from husbands and 182 copies from wives), were properly filled and returned. This gave a 89.25 percent return rate.

**Data Analysis Technique:** Data were analyzed using mean scores, and standard deviation

## Results

**Table 1: Mean Responses and Standard Deviation on Budgeting Skills Needed by Households for Coping with Escalating Costs of Goods and Services in Enugu State**

S/N	Budgeting Skills	$\bar{X}_1$	SD <sub>1</sub>	$\bar{X}_2$	SD <sub>2</sub>	$\bar{X}_g$	D
	<b>Ability to:</b>						
1.	understand uses of budget	3.02	0.91	2.89	0.84	2.96	N
2	create informal monthly budget for household	3.02	0.91	2.89	0.84	2.96	N
3	track daily expenses	2.87	0.88	3.09	0.94	2.98	N
4	prioritize needs over wants in financial decisions	3.09	0.92	3.01	0.89	3.05	N

Table 1 continues

5	comparing prices and seeking for available discounts	2.77	0.68	2.86	0.73	2.82	N
6	setting aside a portion of income regularly in budget	3.04	0.91	2.83	0.76	2.94	N
7	reduce unnecessary expenses	2.72	0.63	2.99	0.81	2.86	N
8	explore multiple sources of income	3.04	0.93	2.84	0.81	2.94	N
9	plan for unexpected expenses	2.92	0.81	2.87	0.73	2.90	N
10	keep financial records to control expenditure	2.99	0.82	2.84	0.79	2.92	N
11	understanding basic financial concepts	3.11	0.98	2.92	0.81	3.02	N

Number of husbands/males ( $N_1$ ) = 175; Number of wives/females ( $N_2$ ) = 182;  $\bar{X}_1$  = Mean score of males;  $\bar{X}_2$  = Mean score of females;  $SD_1$  = Standard deviation of males;  $SD_2$  = Standard deviation of females;  $\bar{X}_g$  = Grand mean; D = Decision; N = Need.

Table 1 shows that each of all the items has grand mean ( $\bar{X}_g$ )  $\geq 2.50$ . This implies that each item is a skill needed for making budgets by medium income households in Enugu state, so as to cope with escalating costs of goods and services.

**Table 2: Mean Responses and Standard Deviation on Savings Skills Needed by Households for Coping with Escalating Costs of Goods and Services in Enugu State**

S/N	Budgeting Skills	$\bar{X}_1$	$SD_1$	$\bar{X}_2$	$SD_2$	$\bar{X}_g$	D
	<b>Ability to:</b>						
1.	Regularly save a fixed percentage of income	2.87	0.76	2.92	0.83	2.90	N
2	Setting financial goals to improve savings habits	2.73	0.66	2.66	0.59	2.70	N
3	Explore investment opportunities to grow their income	3.01	0.92	2.91	0.87	2.96	N
4	Emergency fund for unexpected financial challenges	2.88	0.82	2.84	0.81	2.86	N
5	Seek financial literacy training	2.99	0.88	2.86	0.79	2.93	N
6	Diversify sources of income through side hustles	2.85	0.78	2.71	0.73	2.78	N
7	Use formal institutions for structured savings plans	2.71	0.64	2.66	0.60	2.69	N
8	Understand inflation and its impact on savings plans	2.63	0.59	2.81	0.72	2.72	N
9	Monitoring market prices to buy at the right time	3.04	0.92	2.77	0.69	2.91	N

Number of husbands/males ( $N_1$ ) = 175; Number of wives/females ( $N_2$ ) = 182;  $\bar{X}_1$  = Mean score of males;  $\bar{X}_2$  = Mean score of females;  $SD_1$  = Standard deviation of males;  $SD_2$  = Standard deviation of females;  $\bar{X}_g$  = Grand mean; D = Decision; N = Need.

Table 2 shows that each of all the items has grand mean ( $\bar{X}_g$ )  $\geq 2.50$ . This implies that each item is a skill needed for engaging in financial savings activities by medium income households in Enugu state, so as to

cope with escalating costs of goods and services.

**Table 3: Mean Responses and Standard Deviation on Investment Skills Needed by Households for Coping with Escalating Costs of Goods and Services in Enugu State**

S/N	Budgeting Skills	$\bar{X}_1$	$SD_1$	$\bar{X}_2$	$SD_2$	$\bar{X}_g$	D
	<b>Ability to:</b>						
1.	Identify profitable investment opportunities	2.89	0.83	2.78	0.72	2.84	N
2	Understand the importance of diversifying investments	2.59	0.51	2.93	0.89	2.76	N
3	Know how to invest in different financial assets	2.63	0.59	2.59	0.51	2.61	N
4	Seek financial information before making investments	3.03	0.90	2.90	0.81	2.97	N
5	Analyze market trends for informed investment decisions	3.14	0.92	2.94	0.86	3.04	N
6	Profitably invest in small scale businesses	3.22	0.94	2.97	0.81	3.10	N
7	Understand how inflation impacts on investments	2.77	0.71	2.62	0.66	2.70	N
8	Maintain a budget with provision for investments	2.93	0.89	2.88	0.75	2.91	N
9	Use mobile platforms to manage investments	2.99	0.87	2.89	0.81	2.94	N
10	Identify low risk investments	3.04	0.89	2.92	0.73	2.98	N

Number of husbands/males ( $N_1$ ) = 175; Number of wives/females ( $N_2$ ) = 182;  $\bar{X}_1$  = Mean score of males;  $\bar{X}_2$  = Mean score of females;  $SD_1$  = Standard deviation of males;  $SD_2$  = Standard deviation of females;  $\bar{X}_g$  = Grand mean; D = Decision; N = Need.

Table 3 shows that each of all the items has grand mean ( $\bar{X}_g$ )  $\geq 2.50$ . This implies that each item is a skill needed for making investments by medium income households in Enugu state, so as to cope with escalating costs of goods and services.

### Discussion of Findings

Results from the first research question indicates that pertaining to the budgeting skills needs by households for coping with escalating costs of goods and services in Enugu state, respondents were of the view that there is a need for families to create and follow a a monthly

budget to manage costs, it is vital for households to track daily expenses in order to adjust to price increases, need for prioritization of essential needs over wants in financial decisions and also comparison of prices and seeking discounts before making purchases. These are in line with the views of Hibbert, Beutler & Martin (2024) who mentioned that it is of utmost importance for households to have operating budgets and stick to them as it encourages financial prudence and helps in meeting financial targets. The authors further mentioned that using budgets entails

households to track expenses, get the best possible prices and prioritize only important purchases in order to stick to their operating budgets.

Results also showed that respondents agreed with the fact that households should adopt savings strategies, reduce unnecessary expenses in order to cope with economic challenges, explore multiple sources of income to enhance financial stability and make provisions for unexpected expenses. These are in line with the views of Atatsi et. al. (2023) who asserted that regularly setting aside a proportion of income and reducing unnecessary expenses significantly contributes towards achieving financial targets and coping with rising costs of living. The authors further mentioned that such financial discipline helps households in being prepared for unexpected expenses and makes for better financial self-reliance. The results are also in agreement with the views of Oyadeyi et. al. (2024) who mentioned that having multiple streams of income helps households to better manage rising costs of living and prepare for emergency expenses. In addition, results also showed that keeping financial records helps to manage and control expenditure and households need financial literacy training in order to improve their budgeting skills. These are in line with the views of Rohim et. al. (2022) who mentioned that keeping financial records helps households and organizations to effectively track income and expenses and enables them adhere to budgets. The authors further mentioned that financial literacy capacity building programs will significantly help households to

improve their budgeting skills and overall financial management.

Results from the second research question shows that pertaining to the savings skills needed by households for coping with escalating costs of goods and services in Enugu state, respondents were of the view that households should develop the habit of saving a fixed percentage of their income regularly, set financial goals to improve their savings investment habits, explore investment opportunities to grow their income and have emergency funds to cope with unexpected financial challenges. These are in line with the views of Agu & Omolade (2021) who mentioned that developing a habit of regular savings significantly helps households in meeting with financial goals as well as gives them needed capital for engaging in investment activities. The author further mentioned that regular savings helps households to build a financial safety net for coping with unforeseen financial expenses and emergencies. Results further showed that households need to seek financial literacy training in order to improve their financial intelligence, diversify their sources of income through "side hustles" for increased savings and reduce unnecessary expenses to allow for more savings. These are in line with the views of Akinola (2022) who mentioned that financial literacy programs build the capacity of individuals and organizations to make better financial decisions and better generate ideas to increase earning. The authors further mentioned that financial literacy helps individuals to better understand inflation and how it affects different

consumption, savings and investment decisions.

Results from the third research question shows that pertaining to the investment skills needed by households for coping with rising costs of living in Enugu, Nigeria, respondents were of the view that the ability to identify profitable investment opportunities, an understanding of the importance of diversifying investments, knowledge of how different financial assets work, regularly seeking financial information before making investments and possessing skill in analyzing market trends are needed investments skills for households. These are in line with the postulations of Fashogbon and Aliye (2023) who mentioned that diversification of household income streams through different investment vehicles is inevitable especially for households on fixed incomes to cope with inflation. The authors further mentioned that knowledge of how profitable investment vehicles work, access to financial information and knowledge about market trends are vital investments skills that will significantly benefit individuals and households. Results further showed that ability to profitably invest in small scale businesses, understanding of the impact of inflation on investments, maintaining a strong household budget that makes provision for investments, utilization of digital platforms for managing investments as well as awareness of low risk investment options are also needed investments skills for households. These are in line with the views of Adiandari (2022) who asserted that investing in business could be the most profitable investment that an

individual could make. The authors further mentioned that awareness of risk factors and methods for mitigating such risks are an important skill for making investment decisions. The results are also in agreement with the views of Biswas and Gupta (2021) who mentioned that it is important to understand the impact of inflation on different investment vehicles before making a final decision as it entails ensuring that not only does the return on investment beats inflation but also brings about a decent net capital gain for the individual.

### **Conclusion**

Financial literacy is essential for medium income households in Enugu State to effectively navigate the challenges posed by rising costs of goods and services. This study has evolved budgeting, saving, investment skills needed by households in coping with escalating costs of goods and services. Medium income households who possess these skills are better equipped to make informed decisions, optimize limited resources, reduce financial stress and better cope with rising costs of living. The findings suggest that improving financial education through targeted programs, government initiatives, and community engagement can significantly enhance households' ability to cope with economic uncertainties. Moreover, policymakers and financial institutions should collaborate to provide accessible financial training and tools that empower individuals to manage their finances effectively. Strengthening financial literacy by improving budgeting, savings and investing skills of medium income households not only improves household financial stability but also contributes to



overall economic development. Therefore, fostering a culture of financial awareness and responsible money management is crucial in mitigating the adverse effects of escalating living costs in Enugu State.

### Recommendations

Based on the findings of the study, the following recommendations are made:

1. Relevant government agencies, financial institutions and community organizations should develop and implement financial literacy programs for households focused on budgeting, savings and investments skills.
2. Households should adopt cost-effective spending habits such as prioritizing essential expenses, reducing wasteful expenditures and leveraging on bulk purchasing or discount opportunities.
3. Financial advisors and community leaders should provide guidance to households on using budgeting techniques.
4. Policymakers should implement measures to reduce financial constraints on households such as high inflation.

### References

- Adiandari, A.M. (2022). Financial literacy education and its role in promoting family economic welfare. *Journal of Educators, Teachers and Trainers* 13(6), 678-685.
- Agu, C and Omolade, A (2021). Savings, investment and economic growth in Nigeria: an autoregressive distributive lag approach. *ACTA Universitatis Danubius* 17(2), 216-233.
- Akinola, A.T. (2022). An analysis on savings and investments as a stimulus to economic growth in Nigeria (1988 - 2018). *International Journal of New Economics and Social Sciences* 1(15), 111-123.
- Atatsi, E; Azila-gbetor, E; Akuma-Zanu, H and Mensah, C (2023). Financial management practices and life satisfaction: mediating effect of financial satisfaction. *Teacher Education and Development* 10(2), 23-29.
- Biswas, S and Gupta, A (2021). Impact of financial literacy on household decision-making: a study in the state of West Bengal in India. *International Journal of Economics and Financial Issues* 11(5), 104-113.
- Bodie, Z., Kane, A., & Marcus, A. J. (2018). *Investments* (11th ed.). McGraw-Hill Education.
- Central Bank of Nigeria. (2022). *Financial literacy framework for Nigeria*. <https://www.cbn.gov.ng>
- Drury, C. (2018). *Management and cost accounting* (10th ed.). Cengage Learning.
- Drury, C. (2013). *Management and cost accounting* (8th ed.). Cengage Learning.
- Fashogbon, B and Ajiye, O (2023). Financial literacy and inclusion for income generation in rural communities in Nigeria. *International Journal of Academic Accounting, Finance and Management Research* 7(5), 29-33.
- Fernandes, D., Lynch, J. G., & Netemeyer, R. G. (2014). Financial literacy, financial education, and downstream financial behaviors. *Management Science*, 60(8), 1861-1883.
- Gitman, L. J., Juchau, R., & Flanagan, J. (2015). *Principles of managerial finance* (7th ed.). Pearson Australia.
- Hibbert, J;; Beutler, I and Martin, T (2024). Financial prudence and next generation financial strain. *Journal of Financial Counseling and Planning* 1592), 52-59.
- Horngren, C. T., Sundem, G. L., Stratton, W. O., Burgstahler, D., & Schatzberg, J. (2014). *Introduction to management accounting* (16th ed.). Pearson Education.
- Huston, S. J. (2010). Measuring financial literacy. *Journal of Consumer Affairs*, 44(2), 296-316.

- Kim, K. T., & Hanna, S. D. (2019). The effect of financial knowledge on financial attitudes and financial behavior. *Journal of Personal Finance*, 18(2), 17-29.
- Lalli, W. R. (2012). *Handbook of budgetary control* (2nd ed.). Wiley.
- Lucey, T. (2009). *Management accounting* (6th ed.). Cengage Learning EMEA.
- Mishkin, F. S., & Eakins, S. G. (2019). *Financial markets and institutions* (9th ed.). Pearson Education.
- Mason, C. L., & Wilson, R. M. (2020). Conceptualizing financial literacy. *Business & Economics Review*, 22(3), 45-67.
- Mishkin, F. S. (2019). *The economics of money, banking, and financial markets* (12th ed.). Pearson
- National Bureau of Statistics. (2024). *Consumer price index report, December 2024*. <https://www.nigerianstat.gov.ng>
- Organisation for Economic Co-operation and Development (OECD). (2020). *OECD/INFE 2020 international survey of adult financial literacy*. OECD Publishing.
- Organisation for Economic Co-operation and Development (OECD). (2016). *OECD/INFE international survey of adult financial literacy competencies*. <https://www.oecd.org/finance/oecd-infe-survey-adult-financial-literacy-competencies.htm>
- Oyadeyi, O; Ukoli, K and Chandiraman, A (2024). The cost of living crisis in Nigeria: the impact of food and commodity prices on household purchasing power and their implications for economic wellbeing. *SSRN Electronic Journal* 48(10), 60-72.
- Remund, D. L. (2010). Financial literacy explicated: The case for a clearer definition in an increasingly complex economy. *Journal of Consumer Affairs*, 44(2), 276-295.
- Rohim, A; Haryono, A and Wardoya, C (2022). The effect of financial education in the family, financial literature self-control on financial management through consumption rationality. *Journal of Economics Education and Entrepreneurship* 3(1), 1-17.
- Samuelson, P. A., & Nordhaus, W. D. (2021). *Economics* (20th ed.). McGraw-Hill.
- Shim, J. K., Siegel, J. G., & Shim, A. I. (2011). *Budgeting basics and beyond* (4th ed.). Wiley.
- Ume, I., & Eze, A. (2021). The impact of financial intelligence on sustainable resource management in Nigerian households. *International Journal of Sociology and Anthropology*, 13(1), 1-10.
- United Nations Development Programme. (2024). *Global Human Development Survey 2024 [Dataset]*. UNDP.
- Van Rooij, M., Lusardi, A., & Alessie, R. (2011). Financial literacy and stock market participation. *Journal of Financial Economics*, 101(2), 449-472. <https://doi.org/10.1016/j.jfineco.2011.03.006>
- World Bank. (2021). *Financial inclusion and development: The role of savings and credit*. World Bank Publications. <https://www.worldbank.org/en/topic/financialinclusion>
- World Bank. (2023). *Nigeria's economic outlook and inflationary trends*. <https://www.worldbank.org>
- Xiao, J. J., & O'Neill, B. (2016). Consumer financial education and financial capability. *International Journal of Consumer Studies*, 40(6), 712-721. <https://doi.org/10.1111/ijcs.12285>