ISSN: 3043-467X



IMPACT OF FINANCIAL MANAGEMENT PRACTICES ON POVERTY REDUCTION AMONG YOUNG ADULTS IN LOW-INCOME COMMUNITIES IN LAGOS STATE, NIGERIA

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Abstract

This study examines the effects of financial management practices on poverty reduction among young adults in low-income communities in Lagos State, Nigeria. Two research questions and two hypotheses were raised and tested to guide this study Employing a descriptive research design, the research targets young adults aged 18–35, with a sample of 385 participants selected using multi-stage sampling including, stratified proportional sampling from four communities: Epe, Ikorodu, Oshodi, and Badagry. Data were collected through a structured questionnaire. Frequency tables, mean scores, Pearson product moment correlation and simple linear regression were used to analysed the data. The analysis revealed a significant lack of financial literacy, with many participants struggling to engage in effective budgeting and saving practices, contributing to their vulnerability to poverty and limiting access to basic necessities such as food, education, shelter, and healthcare. Findings indicate that effective budgeting and proactive saving habits are directly correlated with improved access to essential resources. Based on these findings, the study recommends that stakeholders including the Nigerian government, financial institutions, and NGOs enhance financial literacy programmes and improve access to financial services to empower young adults and equip them with the skills to make informed decisions, ultimately supporting poverty reduction in Lagos State.

Keywords: Financial literacy, Young adults, Financial management practice, Poverty reduction.

Introduction

Poverty is the condition in which individuals or communities lack the financial resources to meet basic needs such as food, shelter, education, and healthcare. It goes beyond low income to include limited access to opportunities and poor living standards. In Nigeria, 40.1% of the population lives below the national poverty line (National Bureau of Statistics, 2019). In Lagos State, poverty is particularly pronounced in low-income communities where many residents face overcrowded housing, poor sanitation, and limited access to quality education and healthcare (Lagos Bureau of Statistics, 2016).

Successive government intervention programmes, such as the National Poverty Eradication Programme (NAPEP) and the Youth Enterprise with Innovation in Nigeria Programme (YES-P), have aimed to reduce poverty. However, these programmes have had limited success, and poverty levels remain high. This underscores the need for more sustainable, skills-based solutions such as financial education and inclusion.

Financial literacy refers to the knowledge and skills needed to make informed financial decisions, including budgeting, saving, and managing debt. In contrast, financial illiteracy is the lack of these skills, often resulting in poor money management, debt accumulation, and inability to plan for the future. Many young adults in Lagos's low-income communities, especially those in informal employment with irregular incomes, experience financial illiteracy, making it difficult to achieve stability and escape poverty.

Budgeting, the process of planning and managing income and expenses, is crucial for financial stability. Studies show that individuals with higher financial literacy are more likely to budget effectively, leading to improved financial outcomes (Omakhanlen et al., 2021). However, in Lagos's low-income areas, poor implementation of public sector policies and reliance on informal financial systems reduce the effectiveness of budgeting practices (Adigwe, 2015).

Savings, the practice of setting aside a portion of income for future use, is another key determinant of financial stability. Saving habits are strongly influenced by financial literacy (Aini et al., 2024). Many low-income residents struggle to save due to limited access to formal financial services and low financial knowledge (Oluwatayo, 2017; Ikya, 2019). Initiatives such as mobile banking and financial inclusion programmes can help improve saving behaviour (Ibem et al., 2017).

This study examines how financial management practices, specifically budgeting and saving, influence poverty reduction and access to basic needs among young adults in low-income communities in Lagos State. By clarifying these concepts and linking them to poverty alleviation, the research aims to provide insights for targeted interventions that address financial instability at its root.

Statement of the Problem

Poverty among young adults in Lagos is a pressing issue, and financial illiteracy is a significant contributor to this cycle of poverty. Without a solid understanding of financial management, young adults struggle to make informed decisions about their finances, leading to debt, financial insecurity, and a lack of savings. This financial insecurity has far-reaching consequences, affecting not only their financial stability but also their mental and physical well-being.

This issue specifically affects young adults aged 18-35 residing in low-income areas of Lagos. These individuals often lack access to quality education and financial skills, secure job opportunities, and proper financial guidance. Many of them rely on temporary or informal employment, making it challenging to budget effectively due to inconsistent income.

Financial illiteracy is a problem because it perpetuates poverty and financial insecurity among young adults in Lagos. Without the necessary financial knowledge and skills, they are unable to break free from the cycle of poverty, leading to a range of negative outcomes, including debt,

financial stress, and a lack of savings. This has long-term consequences, affecting not only their financial stability but also their overall well-being.

The lack of financial knowledge manifests in several detrimental ways. Young adults often struggle to create and stick to budgets, leading to uncontrolled spending and difficulty tracking income and expenses. This financial illiteracy makes them vulnerable to predatory lenders and unmanageable debt burdens.

Without understanding the importance of saving for emergencies, they lack a safety net for unexpected expenses. Consequently, poor budgeting and debt management result in ongoing financial strain, preventing them from saving or building a secure future. This persistent cycle of poverty not only hinders their personal development but also limits their ability to positively contribute to their communities. Hence, the need to fill the gap.

Purpose of the study

The study aims to examine the effect of financial management on poverty reduction among young adults in low-income communities in Lagos state, Nigeria. Specifically, the study determined:

i. how budgeting practices affect access to basic necessities among young adults in low-income communities

ii. ways to which saving habits influence the financial stability of young adults in these communities

Research Questions

The study was guided bythe following research questions:

1. How do budgeting practices affect access to basic necessities among young adults in low-income communities?
2. In what ways do saving habits influence the financial stability of young adults in these communities?

Research Hypotheses

Ho1: Budgeting practices have no significant effect on access to basic necessities among young adults in low-income communities in Lagos State, Nigeria.

Ho2: Saving habits will not significantly influence the financial stability of young adults in low-income communities in Lagos State, Nigeria.

Methods

Descriptive survey research design was adopted for the study. The target population consists of young adults aged 18-35, a group in a critical stage of financial independence and career development. A sample size of 385 was calculated using Cochran's formula, a statistical method for calculating an appropriate sample size, based on a population of 1,220,000 young adults, ensuring a 95% confidence level and a 5% margin of error. Stratified random sampling technique was used to proportionally select the sample which was distributed across the four communities: Epe (47), Ikorodu (134), Badagry (67), and Oshodi (137), based on their respective population sizes.

Data were collected using a structured questionnaire and semi-structured interview guide. The questionnaire titled Financial Management Practices and Poverty Reduction Questionnaire (FMPPRQ) included a 4-point Likert scale and items measuring financial literacy, budgeting practices, savings behaviour, and debt management. The semi-structured interview explored participants' personal experiences, challenges, and perceptions regarding financial management and its impact on poverty reduction. Both instruments were developed based on a comprehensive literature review and expert consultations ensured content validity.

Data were gathered at the community centres, markets, and homes for those with mobility limitations. Surveys were administered alongside interviews to capture key financial data. Informed consent was obtained, and confidentiality was ensured. Quantitative data were analysed

using a frequency table and mean score, while Pearson product-moment correlation coefficient and simple linear regression were used to test the hypotheses at 0.05 significance level.

Results and Discussion

Research Question 1: How do budget practices affect access to basic necessities like food, education, shelter, and healthcare among young adults in low-income communities in Lagos State, Nigeria?

Table 1: Response pattern on Budgeting (N=385)

Statement (Budgeting)	SA (n, %)	A (n, %)	D (n, %)	SD (n, %)	Mean	Std Dev	R
1. I create a detailed monthly budget that outlines my income and expenses.	50 (13.0%)	100 (26.0%)	150 (39.0%)	85 (22.0%)	2.30	0.95	D
2. I regularly review and adjust my budget to reflect changes in expenses.	40 (10.4%)	90 (23.4%)	170 (44.2%)	85 (22.0%)	2.22	0.89	D
3. Budgeting helps me prioritise my spending and save for future goals.	60 (15.6%)	120 (31.2%)	135 (35.1%)	70 (18.1%)	2.44	0.85	D
4. I find it challenging to stick to my budget consistently.	130 (33.8%)	140 (36.4%)	70 (18.2%)	45 (11.6%)	2.92	0.83	A
5. I use budgeting tools or applications to track my finances.	40 (10.4%)	90 (23.4%)	150 (39.0%)	105 (27.2%)	2.17	0.91	D
Grand Total / Grand Mean	320	540	675	390	2.41		

Key: SA = Strongly Agree (4), A = Agree (3), D = Disagree (2), SD = Strongly Disagree (1), R = Remark.

The analysis in table 1 shows that most young adults in low-income communities do not practice detailed budgeting (61.0%) or regularly adjust their budgets (66.2%). While 46.8% see budgeting as beneficial, 70.2% struggle with consistency, and 66.2% do not use budgeting tools. Although 59.8% believe budgeting supports financial stability, 67.6% find it time-consuming.

Research Question 2: What is the influence of saving habits on the financial stability of young adults in low-income communities in Lagos State, Nigeria?

Table 2: Response pattern on Savings Habit (N=385)

Statement (Savings Habit)	SA (n, %)	A (n, %)	D (n, %)	SD (n, %)	Mean	Std Dev	R
1. I have a specific savings goal that I am working towards.	40 (10.4%)	50 (13.0%)	145 (37.7%)	150 (39.0%)	1.95	0.97	D
2. I regularly set aside a portion of my income for savings.	35 (9.1%)	45 (11.7%)	150 (39.0%)	155 (40.3%)	1.90	0.93	D
3. I have an emergency fund to cover unexpected expenses.	30 (7.8%)	55 (14.3%)	165 (42.8%)	135 (35.1%)	1.95	0.90	D
4. I find it difficult to save money due to high living expenses.	120 (31.2%)	140 (36.4%)	80 (20.8%)	45 (11.6%)	2.87	0.98	A
5. I prioritise saving for retirement over other financial goals.	25 (6.5%)	35 (9.1%)	155 (40.3%)	170 (44.2%)	1.78	0.86	D

Statement (Savings Habit)	SA (n, %)	A (n, %)	D (n, %)	SD (n, %)	Mean	Std Dev	R
Grand Total / Grand Mean	250	325	685	745	2.09		

Key: SA = Strongly Agree (4), A = Agree (3), D = Disagree (2), SD = Strongly Disagree (1), R = Remark. **Source**: Field Work 2024

The analysis in Table 2 reveals that most respondents lack a specific savings goal (76.7%), do not save regularly (79.3%), and do not have an emergency fund (77.9%), making them financially vulnerable. High living expenses hinder saving for 67.6% of respondents. Additionally, saving for retirement is not a priority (84.5%), and understanding of compound interest is low (87.1%).

Test of Hypotheses

Hypothesis One

H_{01} - Budgeting practices have no significant effect on access to basic necessities among young adults in low-income communities in Lagos State, Nigeria.

Table 3: Pearson Correlation Analysis Results of relationship between budgeting practices and provision of basic necessities

Variables	Mean	SD	Pearson Correlation (r)	p-value (Sig. 2-tailed)	N	Remark	Decision
Budgeting Practices	17,63	6.17	0.844**	< 0.001	385	Significant	Accept H_1
Basic Necessities	13.79	5.41			385		

Variables	Mean	SD	Pearson Correlation (r)	p-value (Sig. 2-tailed)	N	Remark	Decision

In table 3, the Pearson correlation coefficient is 0.844. This implies that budgeting practices have no significant effect on the provision of basic necessities among young adults in low-income communities in Lagos State, Nigeria. The p-value for this correlation is < 0.001, indicating a highly significant result. This means there is strong positive correlation between budgeting and basic necessities. Thus, the hypothesis of no significant relationship between budgeting practices and provision of basic necessities among young adults in low-income communities in Lagos State, Nigeria is rejected.

Hypothesis Two

HO_2 - There is no significant influence of saving habits on the financial stability of young adults in low-income communities in Lagos State, Nigeria.

Table 4: Linear Regression Analysis Results of influence of saving habits on financial stability

Model summary
R= .925[a]
R^2= .856
R^2 (Adjusted) = .854
Standard Error of Estimate = .325
F=945.27, *P* <0.001

Model	Unstandardised Coefficients		Standardised Coefficients	T	p	Decision
	B	Std. Error	Beta			
1 (Constant)	1.125	.091		5.641	<0.001	Reject
Saving Habits	0.985	.028	.925	33..472	<0.001	HO_2

a. Predictors: (Constant), Saving Habits

b. Dependent Variable: Financial Stability

The result from table 4 revealed that saving habits had a strong positive correlation with financial stability (R = .925). The R-squared value of .856 indicated that saving habits contributed 85.6% to the variability of financial stability. This implies that for every small change in saving habits, there is a corresponding change in financial stability of 85.6%. Hence, this shows that the predictor variable, which is saving habits, is statistically significant in predicting financial stability given ($\beta = .985$, $t = 33.472$, $p < 0.001$). This means that the null hypothesis was rejected, while the alternate hypothesis is accepted. Hence, saving habits will significantly lead to increased financial stability among young adults in low-income communities in Lagos State, Nigeria.

Discussion of Findings

This section discusses the study's findings based on the research questions and corresponding hypotheses in relation to existing literature.

Research Question One: ***How do budgeting practices affect access to basic necessities among young adults in low-income communities?***

The findings of this study show that budgeting practices significantly influence access to basic necessities such as food, healthcare, and shelter. Respondents who adopted structured budgeting approaches were more likely to meet these needs compared to those without such practices. This aligns with Brigham and Houston (2019), who emphasised that effective budgeting is central to both personal and community economic stability. However, many participants indicated difficulty in creating and adhering to detailed budgets, a limitation often linked to irregular income streams in low-income settings, as highlighted by Ajakaiye and Adeyeye (2021). Omakhanlen et al. (2021) similarly stressed the role of financial literacy in improving budgeting outcomes, reinforcing the

idea that without adequate financial knowledge, young adults struggle to allocate resources effectively.

Hypothesis One: Budgeting practices have no significant effect on access to basic necessities among young adults in low-income communities in Lagos State, Nigeria.

This hypothesis was confirmed, with the results revealing a strong positive relationship between budgeting practices and access to basic necessities ($r = 0.844$, $p < 0.001$). The strength of this correlation suggests that improvements in budgeting capacity could directly enhance access to essential needs. This finding supports existing literature which notes that budgeting is a key mechanism for managing scarce resources and achieving financial stability in resource-constrained environments.

Research Question Two: ***In what ways do saving habits influence the financial stability of young adults in these communities?***

The results indicate that consistent saving habits are a major driver of financial stability. Participants who practised regular saving—whether in formal accounts or informal arrangements—reported greater capacity to handle emergencies and plan for the future. However, many respondents cited irregular income as a significant barrier to sustained saving. Gitanjali (2022) noted that disciplined saving behaviour is essential for achieving stability, particularly in low-income households, while Adee et al. (2023) found that even small but consistent savings foster long-term security. The qualitative evidence from this study reinforces these points, with participants acknowledging that limited savings left them exposed to financial shocks.

Hypothesis Two: ***Saving habits significantly influence the financial stability of young adults in low-income communities***.

This hypothesis was also confirmed. Regression analysis showed that saving habits account for 85.6% of the variation in financial stability ($R^2 = 0.856$). This high explanatory power underscores the critical role of savings in building resilience and reducing vulnerability. These findings are

consistent with prior studies which establish that without adequate savings, individuals remain susceptible to economic instability and unexpected expenses, further perpetuating poverty in low-income settings.

Conclusion

This study reveals key financial management gaps among young adults in low-income Lagos communities, particularly in budgeting, saving, and debt management. Poor budgeting, weak saving habits due to irregular income, and reliance on high-interest loans contribute to financial instability and poverty. The findings highlight the need for tailored financial literacy programs, community savings initiatives, and policies supporting affordable loans and financial education. Additionally, digital tools, mentorship, and entrepreneurship support can help young adults break the poverty cycle and achieve financial security.

Recommendations

The following recommendations were made based on the findings of the study:

1. Integrate financial literacy into the secondary school curriculum and extend them to adults through community-based training initiatives. Such programmes can be delivered by community leaders, the National Youth Service Corps (NYSC), and local media outlets to reach both in-school youth and out of school adults
2. Expand mobile money access and encourage the growth of agent banking networks to improve access to financial services.
3. Formalize informal savings groups like ajo and esusu through microfinance banks and support cooperatives for low-interest loans.

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