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THE INTERPLAY OF FINANCIAL LITERACY ON THE FINANCIAL Behavior AND WELL-BEING OF YOUNG ADULTS: EVIDENCE FROM NIGERIA

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ABSTRACT

The financial stability of young adults worldwide is under threat due to widespread impulsive online purchasing and the economic strain brought on by the COVID-19 pandemic. This study, therefore, examines the role of financial literacy as a mediator between financial behavior and the financial well-being of young adults, specifically in Nigeria. The research involved 120 respondents, 60 undergraduate and 60 postgraduate students from three selected universities in Western Nigeria. Information was gathered through a structured questionnaire. Data analysis was conducted using Structured Equation Modeling with STATA version 15. The findings reveal a positive association between financial behavior and financial well-being, although this relationship lacks statistical significance. However, significant positive correlations are observed between financial literacy (FL) and financial well-being (FW), as well as between financial behavior (FB) and financial literacy (FL). Furthermore, the analysis uncovers a positive indirect effect of financial literacy on the relationship between financial behavior and financial well-being. This suggests that while the direct link between financial behavior and well-being may be weak, improved financial behavior can indirectly enhance well-being through heightened financial literacy. In essence, the study underscores the crucial role of financial literacy in improving young adults' financial behaviors and well-being. By investing in education, support services, and policies that encourage positive financial behaviors, both individuals and policymakers can collaborate toward constructing a more financially secure future for the younger generation.

Keywords: *Financial Literacy, Financial Behavior, Financial Well-Being, Mediator, Young-adults*

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ABSTRAK

Stabilitas keuangan generasi muda di seluruh dunia berada dalam ancaman akibat meluasnya pembelian impulsif secara online dan tekanan ekonomi yang disebabkan oleh pandemi COVID-19. Oleh karena itu, penelitian ini menguji peran literasi keuangan sebagai mediator antara perilaku keuangan dan kesejahteraan finansial dewasa muda, khususnya di Nigeria. Penelitian ini melibatkan 120 responden, 60 mahasiswa sarjana dan 60 mahasiswa pascasarjana dari tiga universitas terpilih di Nigeria Barat. Informasi dikumpulkan melalui kuesioner terstruktur. Analisis data dilakukan dengan menggunakan Structured Equation Modeling dengan STATA versi 15. Temuan menunjukkan adanya hubungan positif antara perilaku keuangan dan kesejahteraan finansial, meskipun hubungan ini kurang signifikan secara statistik. Namun, terdapat korelasi positif yang signifikan antara literasi keuangan (FL) dan kesejahteraan finansial (FW), serta antara perilaku keuangan (FB) dan literasi keuangan (FL). Lebih lanjut, analisis tersebut mengungkap adanya pengaruh positif tidak langsung dari literasi keuangan terhadap hubungan antara perilaku keuangan dan kesejahteraan finansial. Hal ini menunjukkan bahwa meskipun hubungan langsung antara perilaku keuangan dan kesejahteraan mungkin lemah, perbaikan perilaku keuangan secara tidak langsung dapat meningkatkan kesejahteraan melalui peningkatan literasi keuangan. Intinya, penelitian ini menggarisbawahi peran penting literasi keuangan dalam meningkatkan perilaku dan kesejahteraan keuangan kaum muda. Dengan berinvestasi di bidang pendidikan, layanan dukungan, dan kebijakan yang mendorong perilaku keuangan positif, baik individu maupun pembuat kebijakan dapat berkolaborasi untuk membangun masa depan yang lebih aman secara finansial bagi generasi muda.

Kata Kunci: *Literasi Keuangan, Perilaku Keuangan, Kesejahteraan Finansial, Mediator, Generasi Muda*
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Introduction

The global financial well-being of young adults has been jeopardized, particularly with the onset of the COVID-19 pandemic. The combination of the pandemic and the prevalence of impulsive online buying among young adults has led to a financial crunch. This demographic, typically ranging from their early twenties to late forties, has shown heightened concerns about their financial situations worldwide. Research indicates that young adults are significantly affected by impulsive buying behaviors facilitated by online shopping platforms (Wahono & Pertiwi, 2020). Habib et al. (2022) argue that the online shopping boom and the constant allure of consumerism have enticed young adults to spend more in their daily lives. Easier access to credit and the convenience of online purchases create a double-edged sword. While credit cards offer a sense of financial security for some, they can also lead to a cycle of debt. This creates a precarious situation for many young adults who find themselves navigating a tightrope walk – relying solely on their monthly income without the safety net of credit or potentially overspending with readily available credit (Susanti & Rikah, 2020). Additionally, the credit card system offers a convenient and transparent method of borrowing money, contributing to financial challenges among young adults in both advanced and developing nations. Specifically, reports highlight the financial struggles faced by Canadian young adults, with approximately 46% finding it extremely difficult to meet their financial obligations. The Royal Bank's 2023 poll underscores the diminished confidence of Canadians aged 18 to 34 in their financial futures, attributed to the impact of inflation on their daily lives.

Similarly, a 2022 report by SANHD reveals that over 40% of American young adults experience financial challenges in meeting basic needs such as clothing, housing, and food (South Africa National Human Development Report, 2022). In Africa, scholars globally are increasingly directing their attention to the financial behaviors of young individuals, a subject of particular importance as the continent gradually recovers from the recent financial crisis spurred by economic difficulties that significantly reduced household savings rates. Within this demographic, young adults aged 18 to 40 are notably vulnerable to these financial pressures. According to the same report, over 59.9% of young adults in South Africa struggle with financial constraints, largely attributed to the country's high unemployment rate. These findings collectively emphasize the widespread and international scope of the economic challenges encountered by young adults in the aftermath of the COVID-19 era. A large portion of Nigerians between 18 and 40 struggle financially due to impulsive buying habits and a heightened emphasis on materialism (Jooda et al., 2022). Research by Kolade et al. (2022) suggests a surge of over 500% in online shopping activity during the pandemic, leading to unplanned and impulsive purchases. These actions trigger negative emotions like regret, remorse, and dissatisfaction, alongside financial problems like overspending. This trend can further threaten resource conservation, environmental sustainability, and long-term development. This suggests that young adults have more financial concerns because they lack control over their consumption and tend to make irrational financial decisions. Previous studies have established that young adults typically exhibit low financial literacy across both developed and emerging economies (Nidar & Bestari, 2012; Kolade et al., 2022).

Financial literacy plays a pivotal role in empowering young adults to manage their finances effectively, encompassing tasks such as budget creation, expense tracking, and informed spending decisions. By doing so, they can steer clear of overspending and debt accumulation. According to Sajuyigbe et al. (2020), grasping financial literacy concepts like compounding interest, investment options, and risk management directly influences the financial behavior of young adults, enabling them to make prudent decisions regarding saving and investing their money. This, in turn, can pave the way for the gradual accumulation of wealth and long-term financial well-being. According to Chavali et al. (2021), financial well-being reflects a sense of financial peace of mind, satisfaction, and confidence in one's ability to manage money effectively and achieve financial goals. It is influenced by a combination of financial behaviors, attitudes, knowledge, and external factors such as economic conditions and personal circumstances. Sajuyigbe et al. (2020) also view financial well-being as the state of an individual's financial health and stability. It encompasses various aspects such as having enough income to meet expenses and achieve financial goals, managing debt effectively, saving and investing for the future, maintaining good credit, and experiencing a sense of financial security and peace of mind. Financial well-being is not solely determined by the amount of money one has but also by one's ability to manage and make informed decisions about their finances in a way that supports their overall quality of life.

Previous research has established connections between financial literacy and various financial behaviors (Arifin, 2017; Kolade et al., 2022; Swiecka et al., 2020; Susilowati et al., 2017). Similarly, materialism has been linked to financial literacy (Awanis et al., 2017; Habib et al., 2022; Wahono & Pertiwi, 2020; Susanti & Rikah, 2020), as well as financial self-control (Miotto & Parente, 2015; Biljanovska & Palligkinis, 2015; Sajuyigbe et al., 2020), and financial well-being (Hasibuan et al., 2017; Chavali et al., 2021; Selvia et al., 2021). However, there is a lack of studies that specifically investigate the extent to which financial literacy mediates the relationship between financial behavior and financial well-being among young adults, particularly within the context of Nigeria. Therefore, this study aims to fill the gap in the existing literature by investigating the indirect impact of financial literacy on the financial behavior and financial well-being of young adults in Nigeria.

This research warrants exploration to comprehend how financial literacy mediates the relationship between financial behavior and well-being among young adults in Nigeria. By gaining insight into this mediation, policymakers, educators, and stakeholders can craft tailored interventions and policies aimed at fostering financial inclusion, empowerment, and sustainable development. These efforts will play a crucial role in advancing Nigeria's journey towards achieving the Sustainable Development Goals by 2030.

Theoretical Framework

Previous studies have drawn upon various theories such as the Theory of Planned Behavior (TPB) (Agu, 2021; Bloom et al., 2015; Rasiah et al., 2022), Behavioral Economics (Strömbäck et al., 2020; Klapper & Lusardi, 2020), Social Learning Theory (Lusardi & Mitchell, 2017; Agu et al., 2022), and Human Capital Theory (Karakara et al., 2021; Rai et al., 2019) to shed light on the connections between financial literacy, financial behavior, and financial well-being. However, no study has integrated multiple theories to elucidate this relationship comprehensively. This research addresses this gap by employing a combination of theories including the Theory of Planned Behavior (TPB), Social Learning Theory, and Human Capital Theory to explore the intricate relationship between financial literacy, financial behavior, and financial well-being. These theories were selected due to their ability to offer valuable frameworks for understanding the multifaceted dynamics among financial literacy, financial behavior, and financial well-being. Such insights can inform interventions and policies to promote financial literacy and enhance financial outcomes for individuals and communities.

Theory of Planned Behavior (TPB)

The Theory of Planned Behavior (TPB) can be traced to Ajzen and Martin Fishbein, who in 1980 aimed to address the limitations of the Theory of Reasoned Action, particularly in cases where individuals may not have complete control over their behaviors. TPB added the concept of perceived behavioral control. Perceived behavioral control refers to individuals' beliefs about their ability to perform a behavior and control the outcomes of that behavior. This addition allowed TPB to account for factors beyond attitudes and norms that could influence behavior, such as self-efficacy and external constraints. Since its inception, the Theory of Planned Behavior has been widely used in various fields, such as health psychology and environmental psychology, particularly in understanding behaviors related to decision-making, including financial behavior. It has provided a valuable framework for researchers to examine the factors influencing human behavior and design interventions to promote desired behaviors. The theory posits that an individual's intentions are the primary determinant of behavior. It suggests that attitudes, subjective norms, and perceived behavioral control influence intentions, which, in turn, affect behavior.

Rai et al. (2019) assert that the Theory of Planned Behavior (TPB) offers a comprehensive framework to elucidate how individuals' attitudes, subjective norms, and perceived behavioral control shape their intentions and subsequent behaviors. In the realm of financial literacy, TPB suggests that individuals with higher levels of financial literacy tend to harbor more favorable attitudes toward financial behaviors, perceive greater autonomy in their financial decisions, and are influenced by social norms, thereby impacting their financial conduct and, ultimately, their financial well-being (Klapper & Lusardi, 2020; Sajuyigbe et al., 2020). Alshebami & Aldhyani (2022) found that young adults with positive attitudes toward financial literacy are predisposed to engaging in behaviors such as seeking financial education resources, attending workshops, or delving into financial literature. Similarly, Sabri & Aw (2020) observe that if young adults perceive that their social circle esteems responsible financial behavior, they are more inclined to emulate such behaviors. Noviarini et al. (2021) corroborate this by affirming that attitudes toward financial literacy significantly influence young adults' intentions to partake in financial learning and behaviors, with positive attitudes often leading to a proactive pursuit of financial education and resources. Hauff et al. (2020) argue that young adults with a spectrum of financial skills, including budgeting, financial management, and inventory skills, are more likely to exhibit responsible financial behaviors such as adhering to budgets, steering clear of excessive debt, and making prudent investment decisions. According to TPB, intentions shaped by attitudes, subjective norms, and perceived behavioral control are anticipated to wield considerable influence on actual financial behaviors and, consequently, the financial well-being of young adults. Those manifesting positive attitudes, perceiving social reinforcement for responsible financial conduct, and possessing confidence in their financial management abilities are prone to engage in behaviors conducive to their financial well-being, such as regular saving, avoiding debt pitfalls, and making well-informed investment choices.

Financial Capability Framework

The emergence of the Financial Capability Framework reflects a heightened awareness of the necessity to cultivate financial literacy and enhance financial well-being within communities and among individuals. While financial literacy traditionally concentrates on understanding financial concepts, the Financial Capability Framework extends this focus to encompass a broader spectrum of elements contributing to effective financial management and informed decision-making (Lučić et al., 2021; Magwegwe & Lim, 2021). L'Esperance (2020) underscores the framework's emphasis on financial knowledge, skills, and behavior as pivotal components in attaining financial well-being. It posits that financial literacy serves as a foundation for financial capability, which, in turn, shapes financial behavior and outcomes. Through the enhancement of financial literacy, individuals can acquire the competencies necessary for making sound financial decisions and enhancing their financial well-being.

In recent years, governments, international organizations, and scholars have increasingly acknowledged the significance of financial capability in fostering economic stability, social inclusivity, and individual prosperity. Mokhtar et al. (2020) highlight that the Financial Capability Framework draws upon interdisciplinary research and international best practices to comprehensively comprehend the factors impacting financial well-being. Additionally, Xiao et al. (2020) affirm the influential roles played by entities such as the Organization for Economic Cooperation and Development (OECD), the World Bank, and the Financial Literacy and Education Commission in the United States in promoting the development and adoption of financial capability frameworks aimed at linking financial literacy, financial behavior, and financial well-being.

Khan et al. (2021) note that the Financial Capability Framework facilitates a holistic assessment of individuals' financial well-being by considering various factors, including financial knowledge, skills, attitudes, behaviors, and access to financial products and services. Moreover, Yakoboski et al. (2020) argue that the framework underscores the importance of nurturing positive financial behaviors and attitudes that contribute to long-term financial well-being. By advocating for financial capability at both individual and societal levels, the framework aims to empower individuals to make informed financial decisions, build financial resilience, and achieve their financial goals throughout their lifetimes.

The development and implementation of the Financial Capability Framework typically entail collaboration across multiple sectors, including government, education, financial services, and community organizations. This cross-sector cooperation enables sharing resources, expertise, and best practices, facilitating more effective and sustainable interventions to enhance financial capability and well-being (Xiao & O'Neill, 2022; Bangma et al., 2021; Hill & Sharma, 2020). In essence, the Financial Capability Framework offers a comprehensive approach to promoting financial literacy, financial behavior, and financial well-being by addressing a diverse array of factors influencing individuals' capacity to manage their finances effectively. Through its emphasis on multidimensional financial capability and cross-sector collaboration, the framework aims to empower individuals to make informed financial decisions and attain their financial objectives, thereby fostering greater economic stability and social inclusivity.

Human Capital Theory

Human Capital Theory, initially formulated by economists Theodore Schultz and Gary Becker during the 1960s, posits that the amalgamation of individuals' knowledge, skills, abilities, and experiences, collectively termed as human capital, serves as valuable assets that augment their productivity and income potential over time. Stemming from the acknowledgment that investments in education, training, and health not only benefit individuals' welfare but also foster economic growth and societal advancement, the theory underscores the significance of education and skill development in augmenting economic productivity and well-being (Zhang & Wang, 2021; Widarni & Bawono, 2021). From this viewpoint, financial literacy emerges as a component of human capital that influences individuals' financial behavior and welfare by enhancing their capacity to manage finances proficiently, make informed decisions, and attain financial objectives. Handayani & Sasongko (2021) contend that individuals with heightened human capital, characterized by cognitive abilities, critical thinking, and problem-solving skills acquired through education and experience, are better positioned to exercise responsible financial behaviors like budgeting, saving, investing, and debt management.

Human capital theory accentuates the importance of investing in education and skill acquisition, particularly during young adulthood, as these investments significantly impact long-term earning potential and financial well-being (Metz et al., 2021). By acquiring valuable knowledge, skills, and credentials through educational and training endeavors, young adults can enhance their human capital and bolster their economic prospects in the future (Munir & Arshad, 2018). Usman et al. (2021) corroborate that individuals with elevated human capital levels are more likely to experience enhanced financial well-being, as they possess the means to access financial services, accumulate savings, and invest for the future.

Moreover, Abubakar et al. (2021) reaffirm that early investments in human capital can lay a robust groundwork for attaining greater financial stability, security, and welfare in the forthcoming years. The theory advocates prioritizing human capital development, especially during early adulthood, to augment financial literacy, elevate earning potential, and establish a sturdy foundation for enduring financial success and prosperity.

Review of related studies and Hypotheses Development

Financial Behavior

Financial behavior encompasses the actions, decisions, and habits exhibited by individuals and entities in managing their financial matters, including how they handle money, make financial decisions, and allocate resources to achieve their objectives. It is influenced by various factors such as personal beliefs, attitudes, values, cultural norms, socioeconomic status, education, and life experiences. Understanding financial behavior is crucial for individuals, businesses, policymakers, and financial institutions as it can significantly impact economic stability, wealth accumulation, and overall financial well-being (Sajuyigbe et al., 2020).

Research by Khan et al. (2021) suggests a relationship between financial behavior, attitudes, financial knowledge, and the well-being of young adults. Effective budgeting and saving habits among young adults, as highlighted by Yakoboski et al. (2020), contribute to building financial reserves, preparing for unexpected expenses, and reducing financial stress. Similarly, Mokhtar et al. (2020) argue that young adults who responsibly use credit, manage debt levels, and make timely payments are better positioned to avoid high-interest debt traps and maintain a healthy credit score.

Empowering young adults to start investing early, even with small amounts, can lead to potential growth in investments over time and establish a solid financial foundation for the future (Lučić et al., 2021). Setting clear financial goals and developing plans to achieve them, as advocated by L'Esperance (2020), promotes informed financial decision-making and progress toward important milestones such as homeownership, retirement savings, or education funding.

Magwegwe & Lim (2021) demonstrate that young adults with a good understanding of financial concepts and products are better equipped to navigate the complexities of the financial world. Financial behavior empowers individuals to make sound financial decisions, avoid costly mistakes, and seize opportunities to enhance their financial well-being. Additionally, addressing common biases such as impulsivity, overconfidence, or loss aversion can help individuals make more rational and beneficial financial choices (Handayani & Sasongko, 2021). This indicates that the financial behavior of young adults profoundly impacts their financial welfare in both the immediate and long-term contexts. By embracing positive financial practices from an early stage and consistently honing their financial competencies and understanding, young adults can bolster their financial resilience, security, and prosperity in the future. Thus, the following hypothesis emerged:

H_1: Financial behavior is significantly associated with financial well-being.

Mediating Effect of Financial Literacy

The concept of financial literacy pertains to the capacity to comprehend and proficiently utilize various financial skills and knowledge to make informed decisions concerning personal finances. It encompasses a broad spectrum of subjects, including budgeting, saving, investing, managing debt, understanding financial products and services, and planning for future financial objectives (Odetayo et al., 2022). In contemporary times, financial literacy is paramount for young adults as it equips them with the essential skills and knowledge to navigate the intricacies of the financial realm and make prudent financial choices. Financial literacy fosters responsible financial behavior among young adults, as noted by Laraba & Sani (2021). By grasping the significance of budgeting, saving, and debt management, they are more inclined to adopt favorable financial habits and steer clear of behaviors that could lead to financial challenges, such as overspending or accruing excessive debt. Additionally, Habib et al. (2020) affirm that financial literacy empowers young adults to assess financial options, comprehend the ramifications of various choices, and opt for the most appropriate options aligned with their financial goals and circumstances, thereby enhancing their financial well-being.

Moreover, Arifianti & Gunawan (2020) validate that financial literacy serves as a platform for young adults to possess the skills required to effectively manage their finances. They can establish and adhere to a budget, monitor their expenses, save for short-term and long-term objectives, and prepare for unexpected expenses or emergencies. These competencies contribute to improved financial behavior and financial well-being (Cuandra & Kelvin, 2021). Furthermore, Ningtyas & Andarsari (2021) demonstrate that financial literacy boosts young adults' confidence in handling their finances. By comprehending financial concepts and applying them in real-life scenarios, they feel more empowered to take charge of their financial future and make decisions aligned with their aspirations and principles, consequently enhancing their financial behavior and financial well-being.

Previous studies have also established that financial literacy plays a pivotal role in shaping the long-term financial well-being of young adults. By establishing a solid foundation of financial knowledge and skills early in life, they are better equipped to pursue their financial objectives, accumulate wealth over time, and navigate financial challenges or economic uncertainties that may arise in the future (Khan et al., 2021). Kolade et al. (2022) further substantiate the notion that Financial Literacy serves as a foundation for enhancing the financial behavior and well-being of young adults. Research conducted by Klapper and Lusardi (2020) illustrates a direct correlation between FL, FB, and the financial well-being of young adults. Similarly, Hasibuan et al. (2017) emphasize the significant relationship between financial literacy, FB, and financial well-being. Chavali et al. (2021) discovered that FL acts as a catalyst for improving FB and financial well-being among young adults. Arifin (2017) validates that FL functions as a driving force behind FB and financial well-being.

This underscores the pivotal role of financial literacy in shaping the financial behavior and well-being of young adults, empowering them with the knowledge, skills, and confidence necessary to make informed decisions, adeptly manage their finances, and progress toward achieving their financial goals. Thus, the following hypotheses are posited:

H2: There exists a significant association between Financial Literacy and financial well-being.
H3: There exists a significant association between Financial Literacy and financial behavior.
H4: Financial Literacy acts as a mediator between financial behavior and financial well-being.

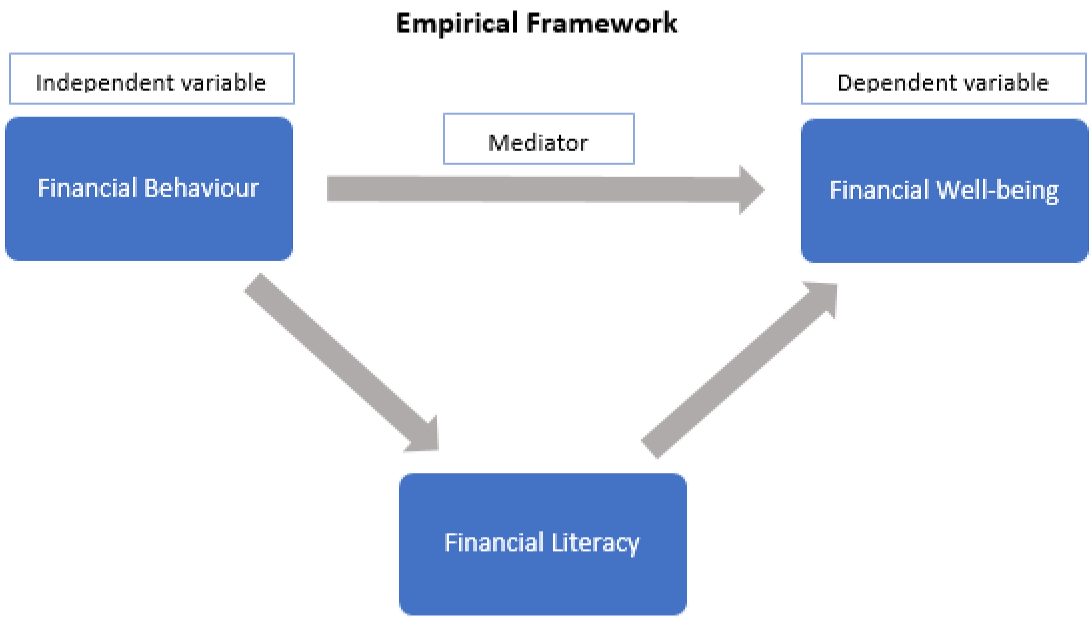

Figure 1: Conceptual Model

Methodology

The present study employed a multi-stage sampling approach to select its sample. Initially, three universities—namely, the University of Ibadan in Ibadan, Adekunle Ajasin University in Akungba Akoko, and Babcock University in Ilishan-Remo—were chosen. These institutions represent the first federal, state, and private universities established in western Nigeria, respectively, selected through purposive sampling. Subsequently, a total of 120 respondents—comprising 60 undergraduate and 60 postgraduate students—were selected using a convenient sampling method. A structured questionnaire served as the research instrument, facilitating the identification of statistically significant outcomes during the data analysis process (Mugenda & Mugenda, 2003). This questionnaire was tailored to encompass inquiries related to the independent variable (financial behavior), mediator (financial literacy), and dependent variable (financial well-being). Utilizing a five-point Likert rating scale, the questionnaire presented respondents with options ranging from "strongly agree" to "strongly disagree." The content of each assessment question was validated (see Table 1).

Table 1: Research Instrument

Variable	Code	Item	Cronbach's Alpha coefficient	Composite reliability	Source
Financial Behavior	FB	1. When making financial decisions, I prioritize saving a portion of my income for future goals. 2. I often stick to a budget and monitor my spending habits to ensure financial stability. 3. I am comfortable discussing financial matters and seeking advice when needed. 4. I tend to avoid unnecessary debt and only borrow money when absolutely necessary.	0.821	0.871	Mireku et al. (2023)
Financial Literacy	FL	1. I understand the concept of budgeting and its importance in managing personal finances. 2. I have a plan for paying off debts and regularly monitor my debt levels. 3. I am familiar with different investment options (e.g., stocks, bonds, mutual funds) and their potential risks and rewards. 4. I feel confident that I am on track to achieve my financial goals based on my current financial habits and behaviors.	0.810	0.825	Sajuyigbe et al., 2020
Financial well-being	FW	1. I feel confident in managing my personal finances. 2. I am able to save money regularly for future goals. 3. I have a clear understanding of my financial goals and how to achieve them. 4. I feel financially secure and prepared for unexpected expenses.	0.809	0.819	Odetaya et al. (2022)

Results and Discussion

Respondents Demographic

Looking at the makeup of the 120 study participants reveals a bias towards males (80, or 66%) compared to females (40, or 33%). This gender imbalance might be due to cultural factors, where education access can be lower for females in some developing countries. In terms of age, the largest group (55, or 45%) falls between 31 and 40 years old. The 21-30 age range comes in second with 35 participants (29%), followed by the 16-20 year olds at 30 (25%). The study group is evenly split between undergraduate (60, or 50%) and postgraduate students (60, or 50%).

Table 2: Path Analysis (Direct Effect)

Path	Coef.	t-value	p-value	Hypothesis	Remark
FW <-FB	.2521	1.62	0.106	H1	Not Supported
FW <-FL	.3951	3.26	0.001	H2	Supported
FL <-FB	.8700	10.09	0.000	H3	Supported

Note: FW = Financial wellbeing, FB = Financial behavior, and FL = Financial literacy

Table 2 presents the results of the path analysis examining the interplay among the variables under scrutiny. The β value of .2521 coupled with a t-value of 1.62 indicates a positive association between financial behavior and financial well-being. However, the accompanying p-value of 0.106 suggests that this relationship lacks statistical significance. Consequently, it implies that within the confines of the study or analysis, financial behavior exerts an insignificant impact on the financial well-being of young adults.

Furthermore, the findings demonstrate a statistically significant positive correlation between financial literacy (FL) and financial well-being (FW) (p-value = 0.001). With a coefficient of 0.3951, the results suggest that increases in financial literacy correspond to increases in financial well-being. Additionally, there is a robust positive relationship between financial behavior (FB) and financial literacy (FL) (p-value = 0.000), evidenced by a substantial coefficient of 0.8700. This indicates that elevations in financial behavior coincide with significant enhancements in financial literacy. In essence, although the analysis does not provide support for a direct significant influence of financial behavior on financial well-being, it hints at an indirect effect. Specifically, financial behavior appears to exert a pronounced positive influence on financial literacy, which subsequently impacts financial well-being positively. This study aligns with previous studies that financial literacy has a significant association with financial behavior and financial well-being (Mireku et al., 2023; Banthia & Dey, 2022; Mahdzan et al., 2020; Lawal & Salihu, 2020; Ghosh & Mondal, 2020).

Table 3: Structural Equation Modelling (Indirect Effect)

Path	Coef.	t-value	p-value	Hypothesis	Remark
FW<-FL <-FB	.3437	3.10	0.002	H4	Supported

Table 3 explores how financial literacy acts as an intermediary between financial behavior and financial well-being for young adults in Nigeria. The analysis reveals a positive indirect effect, with a coefficient of 0.3437. This indicates that while a direct link between financial behavior and well-being might be weak, good financial behavior (FB) can indirectly improve well-being (FW) through increased financial literacy (FL). This indirect effect is statistically significant ($t = 3.10$, $p = 0.002$). In simpler terms, encouraging better financial habits can lead to greater financial knowledge, which ultimately contributes to a stronger financial well-being for young Nigerians. This highlights the importance of financial literacy programs. Even if directly influencing behavior proves challenging, improving financial knowledge can be a key factor in enhancing young adults' financial well-being. Even if a direct connection between your financial behavior and immediate well-being isn't statistically proven, positive financial habits lead to greater financial knowledge in the long run. Start small by tracking expenses, setting savings goals, or researching investment options. This study aligns with Kolade et al. (2022) that Financial Literacy serves as a foundation for enhancing the financial behavior and well-being of young adults. In another study, Klapper & Lusardi (2020) attest that there is a direct correlation between FL, FB, and the financial well-being of young adults. Similarly, Hasibuan et al. (2017) emphasize the significant relationship between financial literacy, FB, and financial well-being. Chavali et al. (2021) also discovered that FL acts as a catalyst for improving FB and financial well-being among young adults. Additionally, Arifin (2017) validates that FL functions as a driving force behind FB and financial well-being.

Conclusion

This study delves into the mediating role of financial literacy in the relationship between financial behavior and the financial well-being of young adults, focusing on Nigeria. The analysis indicates that, while there exists a positive association between financial behavior and financial well-being, this relationship lacks statistical significance within the study's parameters. Conversely, the results highlight a significant positive correlation between financial literacy (FL) and financial well-being (FW), suggesting that heightened financial literacy corresponds to improved financial well-being among young adults.

Furthermore, the findings unveil a robust positive relationship between financial behavior (FB) and financial literacy (FL), indicating that enhancements in financial behavior coincide with notable improvements in financial literacy among young adults. Additionally, the analysis uncovers a positive indirect effect of financial literacy on the relationship between financial behavior and financial well-being. This implies that while the direct link between financial behavior and well-being may be weak, good financial behavior can indirectly enhance well-being through increased financial literacy.

In conclusion, although the direct impact of financial behavior on financial well-being lacks statistical significance in this study, the crucial role of financial literacy is underscored. Elevations in financial literacy are linked to elevated levels of financial well-being, with financial literacy acting as a mediator between financial behavior and well-being among young adults in Nigeria. Policymakers and practitioners are urged to prioritize initiatives aimed at bolstering financial literacy to enhance the financial well-being of young adults.

Practical implications

These findings hold substantial practical implications for both young adults and policymakers:

1. For young adults, the results emphasize the critical importance of acquiring financial literacy skills. By enhancing financial literacy, individuals can improve their financial behaviors, leading to positive impacts on their overall well-being. This study offers tailored guidance and support to assist young adults in effectively managing their finances. Therefore, it's crucial for young adults to actively endorse positive financial behaviors such as regular saving, avoidance of high-interest debt, and investment

in wealth-building assets over time. Promoting these behaviors can contribute significantly to long-term financial stability and enhance overall well-being.

2. To policymakers, the study underscores the necessity of prioritizing the implementation of comprehensive financial literacy education programs in schools and communities. These programs are essential for equipping young adults with the knowledge and skills required to make sound financial decisions. Policymakers should also allocate resources toward the development and implementation of effective financial education programs. These initiatives should not only cover fundamental financial concepts but also emphasize practical skills such as budgeting, saving, investing, and debt management. Investing in such programs enables policymakers to empower young adults to make informed financial decisions, ultimately improving their well-being and economic prospects. Moreover, policymakers should explore opportunities to integrate financial literacy education into existing programs targeting young adults, such as workforce development programs or college preparation initiatives. By incorporating financial literacy components into these programs, policymakers can reach a broader audience and ensure that young adults receive comprehensive support in preparing for their financial futures.

In conclusion, these findings underscore the paramount importance of financial literacy in enhancing the financial behaviors and well-being of young adults. By investing in education, support services, and policies that promote positive financial behaviors, both individuals and policymakers can collaborate toward building a more financially secure future for the younger generation.

Limitations and Suggestions for Future Research

This study has several limitations that offer opportunities for further research. Firstly, the research was confined to just three out of the 170 universities in Nigeria. Expanding the scope to include more universities could enhance the generalizability of the findings. Secondly, the study exclusively used a quantitative research approach. Future studies might benefit from employing a mixed-methods approach, which could yield more comprehensive data on the financial behavior, financial literacy, and cultural practices of SME operators.

Thirdly, the theoretical framework for this study was limited to the Theory of Planned Behavior (TPB), Social Learning Theory, and Human Capital Theory. Incorporating additional theoretical perspectives such as Behavioral Economics, Rational Choice Theory, Cognitive Development Theory, Constructivist Learning Theory, Adult Learning Theory, Social Capital Theory, and Cultural Capital Theory (Pierre Bourdieu) could provide deeper insights into the complex interplay between financial literacy, financial behavior, and financial well-being.

Fourthly, while the current study investigated mediating effects, future research could explore the moderating effects between the studied variables. This exploration would allow for a more detailed understanding of the dynamics influencing SME success. By addressing these limitations, subsequent research can build on this foundation and offer more extensive insights into enhancing SME success.

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