

Conceptual

CONCEPTUALISING LIFE TRANSITION TO ECONOMIC PROSPERITY: A DIGITAL CAPABILITY TRANSITION PERSPECTIVE ON SOCIOECONOMIC STATUS, DIGITAL SKILLS, AND FINANCIAL LITERACY

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Abstract: Economic prosperity in low-income societies increasingly depends on individuals' ability to transform social resources into productive capabilities. Despite improvements in educational access, structural inequality continues to constrain economic mobility in many developing economies. This paper conceptualises the relationship between socioeconomic status (SES), digital skills, financial literacy, and economic prosperity within a capability-development perspective. The article proposes that digital skills and financial literacy operate both as direct predictors and as mediating mechanisms through which SES influences economic prosperity. The study advances a testable conceptual framework suitable for Structural Equation Modeling (SEM). The article further develops a new theoretical proposition – the Digital Capability Transition Theory (DCTT) – which explains how structural resources are transformed into sustainable economic outcomes through digital and financial capability acquisition. The paper further argues that the transition from socioeconomic resources to economic prosperity is conditioned not only by digital and financial capabilities but also by educational attainment and gender-based structural inequalities. The framework offers a practical foundation for future empirical investigation and policy development in low-income societies.

Keywords: Capability development, digital skills, digital transition, economic prosperity, financial literacy, socioeconomic status.

1. Introduction

The transition from poverty to economic prosperity remains one of the central developmental challenges confronting low-income societies (World Bank, 2019; Dauda &

Oyeleke, 2021). While education has traditionally been regarded as a pathway to social mobility (Kumar, 2024; Torche, 2021; Mian, 2023), contemporary economies increasingly require digital competence and financial capability to sustain economic advancement. In many developing contexts, including Nigeria, structural inequalities continue to shape access to educational opportunities, digital infrastructure, and financial knowledge.

Economic prosperity extends beyond income generation (Dirksen et al 2022) to include the capacity to achieve stable employment, entrepreneurial success, financial resilience, and improved quality of life. However, individuals from low socioeconomic backgrounds frequently encounter barriers that limit their ability to convert educational attainment into economic outcomes. These barriers include digital exclusion, poor financial decision-making capacity, and restricted access to technological infrastructure.

Recent global transformations associated with digital economies have intensified the relevance of digital skills and financial literacy (OECD, 2021; World Bank, 2021). The growth of electronic commerce, digital banking, online employment platforms, and technology-driven entrepreneurship has altered traditional pathways to prosperity (UNCTAD, 2021). Consequently, understanding how socioeconomic conditions interact with digital skills and financial literacy has become increasingly important for economic transition research (Lusardi & Mitchell, 2014, 2021)

This paper, therefore, conceptualises the relationships among socioeconomic status (SES), digital skills (DS), financial literacy (FL), and economic prosperity (EP). Specifically, it proposes direct and indirect pathways capable of empirical verification through Structural Equation Modeling (SEM).

2. Literature Review

2.1 Socioeconomic Status and Economic Prosperity

Socioeconomic status (SES) refers to an individual's relative social and economic position based on income, education, occupation, and social resources (Bourdieu, 1986; Obasuyi, 2018). SES significantly influences access to quality education, healthcare, technological infrastructure, and economic opportunities (Alfalah et al., 2025)

Empirical studies consistently show that higher SES predicts greater labour market participation and higher lifetime earnings. For instance, Duncan and Magnuson (2012) demonstrated that socioeconomic background significantly shapes cognitive development and educational outcomes, which subsequently affect economic mobility. Similarly, Bradley

and Corwyn (2002) found strong relationships between SES and developmental outcomes across multiple societies.

In developing economies, low SES frequently constrains access to digital technologies and financial systems, thereby limiting economic participation.

2.2 Digital Skills and Economic Transition

Digital skills are the abilities needed to use digital tools for things like communicating, finding and processing info, starting a business, and getting a job. According to UNESCO (2018), digital competence has become a foundational requirement for participation in knowledge economies.

Van Dijk (2020) argued that digital inequality increasingly mirrors socioeconomic inequality, particularly in developing contexts. Research by Helsper and van Deursen (2017) further demonstrated that digital skills mediate the relationship between socioeconomic conditions and economic opportunities.

In low-income societies, digital capability enhances employability, supports entrepreneurial innovation, and facilitates access to global markets through online platforms.

2.3 Financial Literacy and Economic Prosperity

According to Laephuang, (2025), financial literacy represents the ability to understand and apply financial concepts related to budgeting, savings, investment, debt management, and risk diversification. Lusardi and Mitchell (2014) established that financially literate individuals are more likely to make informed financial decisions and achieve long-term economic security.

The World Bank (2014) identifies financial literacy as a critical component of financial inclusion and poverty reduction. Similarly, OECD (2020) reported that financial knowledge significantly predicts savings behaviour and investment participation.

Financial literacy is particularly important in digitally transforming economies where financial transactions increasingly occur through mobile banking, electronic payments, and online financial platforms.

2.4 Economic Prosperity Moderating Relationships

2.4.1 Educational Attainment as a Moderating Variable

Educational attainment has consistently been identified as a significant factor influencing economic mobility and labour market outcomes. Higher levels of education enhance individuals' ability to convert social and economic resources into productive

opportunities (Becker, 1993). Beyond its direct contribution to human capital development, educational attainment may also strengthen the effects of socioeconomic status, digital skills, and financial literacy on economic prosperity.

Individuals with higher educational qualifications are generally better positioned to utilize digital competencies and financial knowledge effectively within modern economies. According to Mincer (1974), education increases individuals' adaptability, productivity, and earnings potential. Similarly, van Deursen and van Dijk (2014) observed that educational attainment significantly enhances the productive use of digital technologies, particularly for employment and entrepreneurial activities.

Educational attainment also strengthens financial decision-making and long-term wealth accumulation. Lusardi and Mitchell (2014) found that individuals with higher education levels demonstrate stronger financial literacy and improved investment behaviour. Consequently, educational attainment may amplify the positive effects of digital skills and financial literacy on economic prosperity.

Therefore, this study conceptualises educational attainment as a moderating mechanism capable of strengthening the relationships between socioeconomic status, digital skills, financial literacy, and economic prosperity.

2.4.2 Gender as a Moderating Variable

Gender differences remain central to discussions of economic opportunity, digital access, and financial inclusion. Structural inequalities in many low-income societies often limit women's access to educational resources, technological infrastructure, and financial services (UN Women, 2021).

Previous studies indicate that gender influences both access to and utilization of digital technologies. Hilbert (2011) found that women in developing economies are disproportionately affected by digital exclusion, reducing their capacity to benefit from digital economic opportunities. Similarly, OECD (2018) reported that gender disparities in financial literacy significantly influence economic behaviour and wealth accumulation.

According to Nikhashemi and Valaei (2018). The moderating role of gender suggests that the strength of relationships among socioeconomic status, digital skills, financial literacy, and economic prosperity may differ between males and females. For instance, digital skills may generate stronger economic returns for males in contexts where women experience labour market discrimination or technological exclusion.

Thus, gender is conceptualised as a conditional factor shaping the magnitude and direction of the pathways leading to economic prosperity.

3. Emerging Theory: Digital Capability Transition Theory (DCTT)

This paper proposes the Digital Capability Transition Theory (DCTT). The DCTT extends Sen's Capability Approach (Dang, 2014; Garces, 2022) by introducing digital and financial capability acquisition as the primary transitional mechanisms linking socioeconomic structures to economic prosperity in digitally evolving societies. The core proposition of this emerging theory is that economic prosperity in low-income societies is achieved when structural socioeconomic resources are transformed into digital and financial capabilities that enable sustainable economic participation.

The DCTT assumes that:

- i. SES provides initial resource conditions.
- ii. Digital skills and financial literacy convert structural resources into productive capabilities.
- iii. Economic prosperity emerges from capability utilisation rather than resource possession alone.

Also, unlike traditional human capital theory, DCTT emphasizes capability transformation, digital inclusion, financial adaptability, and technology-mediated economic transition. Thus, prosperity depends not only on education but on the effective acquisition and application of digital and financial competencies.

4. Conceptual Framework

The proposed framework conceptualises economic prosperity as a function of structural resources and acquired capabilities as shown in Figure 1.

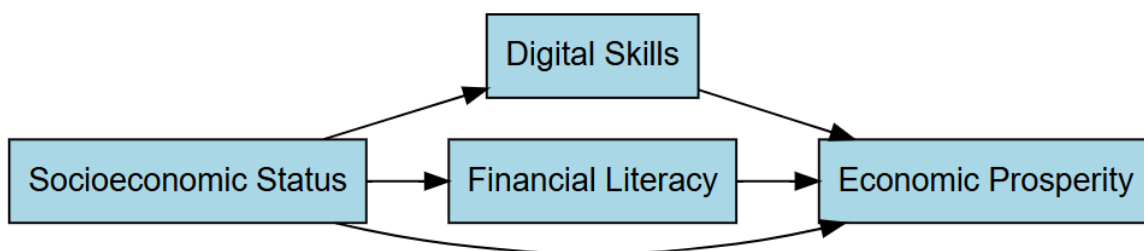


Figure 1. Conceptual Framework

4.1. Testable Relationships and Assumptions

Arising from Figure 1, the framework proposes both direct and indirect relationships which are presented as Hypotheses. These hypotheses are stated in alternative.

Direct Relationships

- H1: Socioeconomic Status (SES) positively influences Economic Prosperity (EP).
- H2: Socioeconomic Status (SES) positively influences Digital Skills (DS).
- H3: Socioeconomic Status (SES) positively influences Financial Literacy (FL).
- H4: Digital Skills (DS) positively influence Economic Prosperity (EP).
- H5: Financial Literacy (FL) positively influences Economic Prosperity (EP).

Indirect Relationships (Mediation)

- H6: Digital Skills mediate the relationship between SES and Economic Prosperity.
- H7: Financial Literacy mediates the relationship between SES and Economic Prosperity.

5. Latent Variables and Indicators

The variables and indicators used are presented in Table 1.

Table 1: Latent Variables and Indicators

Constructs	Latent Indicators (Proposed)
Socioeconomic Status (SES)	Income level, parental education, occupation, access to infrastructure
Digital Skills (DS)	ICT proficiency, online learning ability, digital communication, technology adaptability
Financial Literacy (FL)	Budgeting ability, savings behaviour, investment knowledge, debt management
Economic Prosperity (EP)	Income stability, entrepreneurship, employment quality, asset ownership

Source; Author’s proposed

5.1 Educational Attainment Moderation Assumptions

- H8:** Educational attainment moderates the relationship between SES and EP.
- H9:** Educational attainment moderates the relationship between DS and EP.
- H10:** Educational attainment moderates the relationship between FL and EP.

5.2 Gender Moderation Assumptions

- H11:** Gender moderates the relationship between SES and EP.
- H12:** Gender moderates the relationship between DS and EP.
- H13:** Gender moderates the relationship between FL and EP.

5.3 Conceptual Framework: Economic Prosperity Moderated Model

The economic prosperity moderated model is presented in Figure 2.

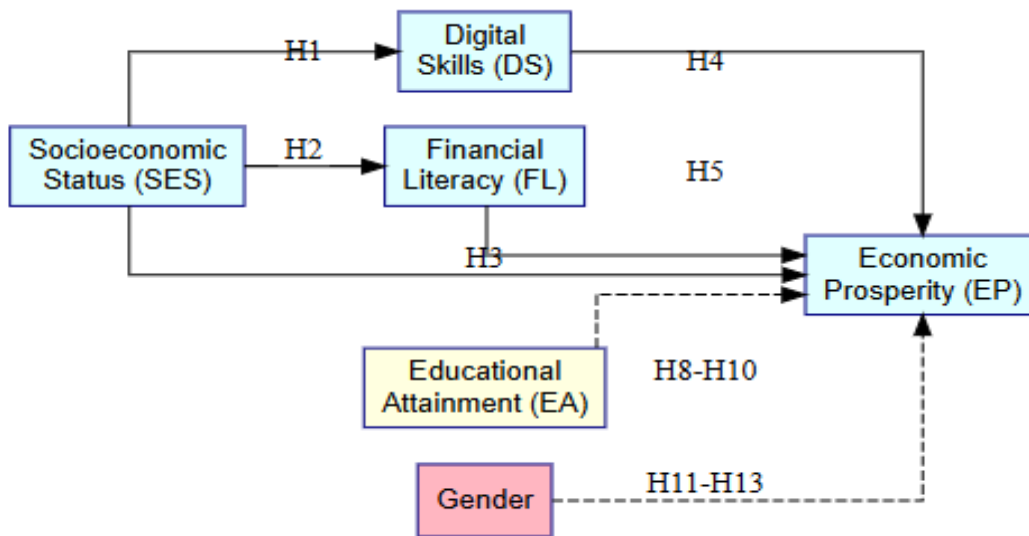


Figure 2. Conceptual Framework: Economic Prosperity Moderated Model

The core assumptions of the Figure 2 is that the transition from socioeconomic resources to economic prosperity is conditioned not only by digital and financial capabilities but also by educational attainment and gender-based structural inequalities.

6. Methodological Direction

Future empirical testing should employ a mixed-method research design to capture both quantitative and qualitative dimensions of the phenomenon. Data collection can be conducted using structured survey instruments to ensure consistency and reliability across respondents. For analysis, Structural Equation Modeling (SEM) is recommended to examine the hypothesized relationships among variables. In addition, mediation effects should be tested using bootstrapping procedures, which provide robust estimates of indirect effects (Alsaggaf, 2026).

The proposed framework is compatible with several widely used SEM software packages, including SmartPLS, WarpPLS, and AMOS. It can also be implemented in RStudio through the lavaan package, offering flexibility for researchers who prefer an open-source environment.

7. Conclusion

Economic prosperity in low-income societies is increasingly capability-driven. Socioeconomic status shapes access to opportunities, while digital skills and financial literacy determine how effectively those opportunities are transformed into sustainable

economic outcomes. Thus, this study proposes the Digital Capability Transition Theory (DCTT) as an emerging middle-range theoretical framework. The DCTT explains how socioeconomic resources are transformed into sustainable economic prosperity through the acquisition of digital skills and financial literacy channels. To the best of the author's knowledge, this integrated conceptualisation has not been explicitly developed in prior literature. Hence, the proposed DCTT provides a new explanatory lens for understanding economic transition in digitally evolving societies.

Declaration of Conflict of Interest

The Author has no conflict of interest to declare about the content and financial involvement from any organization.

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