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## Article

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# The Interplay of Parental Financial Behaviour and Financial Literacy and The Moderating Effects of Parental Income

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## ABSTRACT

**Purpose:** The moderating effect of parental income on parental financial behaviour and financial literacy is increasingly becoming important. The objective of this study was to determine whether the relationship between parental financial behaviour and financial literacy of young adults is moderated by parental income.

**Design/methodology/approach:** Financial literacy was measured through financial knowledge, financial behaviour, financial attitudes, and financial decision-making. Quantitative research approach was adopted for this study. Self-administered questionnaire was used to collect data among young adults in South Africa. Moderated regression analysis was used to analyse data. Four hypotheses were tested.

**Findings:** The results showed that *Parental income moderated the relationship of Parental financial behaviour with financial behaviour, financial attitude, and financial decision-making*. Furthermore, the results indicated that *parental income did not moderate the relationship of Parental financial behaviour and financial knowledge*. Therefore, the overall results indicated that the relationship between parental financial behaviour and financial literacy is moderated by parental income.

**Research limitations/implications:** Due to the low levels of general literacy among the respondents, which negatively affected data collection; some young adults did not understand the questionnaire and withdrew from participating in the study. Furthermore, even though confidentiality and anonymity were guaranteed, respondents were reluctant to participate in the study. They feared exposing their financial position and displayed a lack of trust.

**Originality/value:** This study is amongst the first to investigate whether the relationship between parental financial behaviour and financial literacy is moderated by parental income. This study concluded by providing recommendations and suggestions for future research.

*Keywords: Parents, Financial behaviour, Parental income, Financial literacy*

## I. Introduction

Parental income is increasingly becoming important in parental financial behaviour and financial literacy. Parental income is an important element

of Socioeconomic status (SES) and it has been found to be prominent compared to other elements of SES such as education and occupation status in financial socialisation (Alshebami & Aldhyani, 2022). It is also sociodemographic factor found in the social space in which the child operates and is important in financial socialisation (Serido, LeBaron, Li, Parrot & Shim, 2020). There is evidence that parental income has a role to play in parental financial behaviour

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and can hinder or promote adoption of parental financial behaviour by children (Alshebami & Aldhyani, 2022). There is also evidence that parental financial behaviour positively influenced financial literacy through a powerful socialising process that promotes an intergenerational transfer of financial knowledge, skills, and values, and even very young children learn about finances in this way (Serido & Deenanath, 2016). Observation of parents' financial behaviours is influential in developing financial behaviours in children that are sustained into the future (Garrison & Gutter, 2010). Webley and Nyhus (2006) posit that, as role models, parents influence their children's future saving- and borrowing behaviour. When parents save, their children know that saving is a good thing (Buccioli & Veronesi, 2014). By setting a good example and being a positive role model, parents can influence their children's monetary habits while they are at an impressionable age (LeBaron, Runyan, Jorgensen, Marks, Li & Hill, 2019). However, there is a persisting gap in literature of whether parental income can moderate the relationship between parental financial behaviour and financial literacy. There are scanty studies conducted in this area. Ndou (2023) investigated the moderating effect of parental socioeconomic status on the relationship between parental financial teaching and financial literacy. After a comprehensive review of literature, it appears that there is no study that has investigated the moderating effect of parental income on the relationship between parental financial behaviour and financial literacy. Therefore, the current study is among the first to investigate the moderating effect of parental income on the relationship between parental financial behaviour and financial literacy. It is important to investigate this relationship because if it is to be proven that the moderating effect exist, more effort would have to be made to ensure that parental income is given the necessary attention so that the adoption of parental financial behaviour is enhanced to ensure high level of financial literacy among young adults. Financial literacy is important and is about empowering individuals to take better and appropriate financial decisions to ensure that they

manage their finances effectively (Arceo-Gomez & Villagomez, 2017). Young adults have been found to be less financially capable of setting aside emergency funds and retirement savings than older cohorts (Fan & Park, 2021). Young adults in South Africa are suffering from low levels of financial literacy and are struggling to manage their finances (BusinessTech, 2021). They are struggling to keep up with their debt repayments and are living beyond their means, with little left to save. They are therefore more vulnerable to financial shocks (Finmark Trust, 2019). Adoption and modelling of a good parental financial behaviour may bridge this gap and empower young adults to be financially responsible in adulthood. The objective of this study is to determine the moderating effect of parental income on the relationship between parental financial behaviour and financial literacy.

The remainder of this article is structured as follows: Sections 2 provides literature review. Section 3 explores research and methodology of the study. Section 4 covers analysis and discussions for the study. Section 5 conclusions.

## II. Literature Review

### A. Observational Learning Theory

Observational learning theory is sometimes referred to as *learning through modelling* (Bandura, 1986). Greer, Dudek-Singer, and Gautreaux (2006) assert that there is little consistency in the use of terms for behaviour change that occurs through observation; terms like *copying*, *imitation*, *echoing*, and *parroting* are also used. This is evident from the study of Miller and Dollard (1941), who used the term *imitation learning* for non-mediated stimulus responses. They argue that, for imitative learning to occur, observers must be motivated to act, they must be provided with an example of the desired behaviour, they must perform responses that match the example, and their imitative behaviour must be positively reinforced.

Miller and Dollard (1941) conducted experiments that are accepted as demonstrations of imitative learning, where a model always chose one of two boxes that contained two rewards, and observers received one of the rewards whenever they went to the same box. Observers not only learned to follow the model, but they generalised copying responses to new situations, to new models, and to different motivational states. However, the model's actions simply informed children where to go; it did not teach them any new behaviour (Bandura, 1969). Therefore, Bandura (1969) argued against imitation learning and for observational learning, which is concerned with how people organise behavioural elements to form new response patterns as exemplified by others. This involves four separate processes, namely attention, retention, production, and motivation.

Observational learning theory suggests that children and adolescents learn financial practices through observation and modelling of their parents' behaviours. When children and adolescents live with their parents, they are subjected to visible parental behaviours, and repetition shapes and strengthens the adolescents' preferences and practices. Thus, adolescents may emulate the behaviours they see their parents demonstrate in their financial practices, and they may consume the same product brands, shop at the same stores, and make similar financial decisions because of modelling and observation. Frequency of observing and interacting with parents in financial matters correlates with the acquisition of knowledge and financial behaviour (Bandura, 1977). Moreover, observational learning theory postulates that people are neither driven by inner forces, nor buffeted by environmental stimuli; rather, psychological functioning is explained in terms of a continuous reciprocal interaction of personal and environmental determinants, in which symbolic, vicarious, and self-regulatory processes play an important role. Garrison and Gutter (2010) found that children have a higher exposure to financial learning opportunities through observations of parents' financial behaviours than observations of peers' financial behaviours.

## B. Bounded Rationality Theory

Classical financial models cannot explain and predict all financial decisions, because human cognitive abilities are not infinite; humans they have limited computational and conceptual skills and flawed memories (Jureviciene & Ivanova, 2013; Nigam, Srivastava & Banwet, 2018).

Bounded rationality theory was constructed by Simon (1955) and argues that rationality is bounded because there are limits to our thinking capacity, available information, and time. Full rationality requires unlimited cognitive capabilities and a choice between all possible alternative behaviour; in reality, only a few alternatives come to mind. In addition, human beings are very different, and their cognitive capabilities are quite limited; their rationality is restricted and bounded within the limits of their knowledge (Hernandez & Ortega, 2019). This theory states that people are not inclined to gather all the required information to make financial decisions, because of an incapability of getting all the information available and an inability to digest the information even if they were to get it. Simon (1955) challenged the notion of human rationality as implied by traditional finance theories, and proposed replacement of the idea of utility maximisation with a more realistic view of economic behaviour involving satisficing and adaptation of aspiration levels to success and failure. Three features characterise Simon's (1955) view of bounded rationality, namely a search for alternatives, satisficing, and aspiration adaptation, where alternatives are not given, but are found one after the other in a search process. In the simplest process, the search process goes on until a satisfactory alternative is found, one which reaches or surpasses the aspiration levels of the goal variables, and this alternative is then taken. When the alternative is chosen, the satisficing level has been reached by navigating the aspiration adaptation levels. Aspiration levels are not fixed, but are dynamically adjusted to the situation (Selten, 1999).

The theory of bounded rationality is supported in finance literature. Recently, Hernandez and Ortega

(2019) used bounded rationality to study the relationship between rationality and decision-making. They found that bounded rationality occurs when there is lack of context information regarding the results of actions, when the individual is forced to make less than optimal decisions because of adjustment to the conditions of operations. They concluded that bounded rationality sees the decision-making process from a very different point of view. In the decision-making process, even in relatively simple problems, a maximum cannot be obtained since it is impossible to verify all possible alternatives. Moreover, people differ in both available opportunities and desires, influenced by environmental factors. Thus, when individuals must decide, these factors influence them in both the desires they have and the opportunities they think they have.

### C. Financial Literacy

Researchers have defined financial literacy differently, and some use it interchangeably with terms such as financial capability, economic literacy, debt literacy, financial education, and financial knowledge (Huston, 2010; Remund, 2010; Arceo-Gomez & Villagomez, 2017). Lusardi and Mitchell (2014) stated that "Financial literacy is knowledge and understanding of financial concepts and risks, and the skills, motivation, and confidence to apply such knowledge and understanding to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life." The capability to comprehend fundamental ideas of finance and manage everyday financial exchange is vital. Therefore, a person ought to be outfitted with better financial knowledge and financial attitudes to be able to make sensible financial choices. Financial literacy is vital for sound financial decision making and financial well-being (Abushammala, 2022). Financial well-being is feeling financially secure and sufficient free from worries, and satisfied with overall financial condition (Handranata, Arief, Warganegara

& Hamsal, 2022). A high degree of financial literacy escort toward better financial decisions (Grohmann, 2018). This study measured financial literacy through financial knowledge, financial behaviour, financial attitude, and financial decision-making.

Financial knowledge is an understanding of important personal financial concepts like budgeting and saving and serves as a valuable indicator for predicting the quality of people's financial actions (Lim & Qi, 2023). Delavande, Rohwedder, and Wills (2008) posit that financial knowledge is a particular type of capital acquired in life by learning to soundly manage income, expenditure, and savings. Knowledgeable individuals can process financial information regarding, for example, mutual funds effortlessly, as an initial categorisation is accessible with which to process the information (Ramalho & Forte, 2019). Mitchell and Lusardi (2015) found that one-third of wealth inequality can be explained by a financial knowledge gap. Furthermore, lower financial knowledge has been linked to a higher tendency to engage in risky financial practices amongst college students. Financial knowledge is likely to have a positive effect on young adults' awareness of money behaviours such as the recording of expenses and a saving attitude (Supanantaroek, Lensink & Hansen, 2017).

Financial behaviour refers to individual financial outcomes that are observable and manifest through two interrelated behaviour types. The first is a pattern of actions over time, such as earning, saving, spending, and gifting. The second type of financial behaviour is actions related to important financial turning points and decision-making. These actions are thus related to events, rather than immediate financial transactions, e.g., setting up a retirement savings account (Gudmunson & Danes, 2011). A study by Fan and Park (2021) found a positive association between financial management behavior and the financial well-being of young adults. Undesirable financial behavior is centered around individuals spending too much on products and services, impulsive use of credit, running out of cash, having no savings for emergencies, and being unable to repay their monthly

instalments on debt (Struwig et al. 2018). Financial behaviour is the key antecedent in predicting financial well-being (Rahman et al., 2021).

Financial attitude is established through economic and non-economic beliefs held by the decision-maker regarding the outcome of a certain behaviour; therefore, beliefs are also a key factor in the personal decision-making process (Ajzen, 1991). Financial attitude is deemed an important element of financial literacy (OECD, 2016). Young adults should display positive attitudes towards money, credit, budgeting, saving, insurance, and tracking monthly expenses as is aligned to good general money management (Robb & Woodyard, 2011). Studies found that being positive about the status of finances is linked with better financial outcomes because individuals would put more effort to remedy the situation and act positively towards money. Financial attitude influences financial management behaviour (Ameliawati & Setiyani, 2018).

Financial decision-making determines how much money is saved, how individuals financial resources are invested, what investment products are utilized, how much risk is taken, and therefore how much return can be achieved. Retirees needs to re-evaluate their retirement planning and re-calculate their expected returns to ensure that they have enough savings to sustain their lifestyle in the future (Isa & Daukin, 2022). These actions, in turn, directly lead to differences in individuals' wealth (Xu & Yao, 2022). Individuals' financial decisions are influenced by various settings, conditions, and changes over time. Financial decision arrangements may vary by the types of financial decisions, e.g., small vs large purchases, bill payment, savings, investing, and financial planning (Kim, Gutter & Spangler, 2017). Financial decision-making is an important element of financial literacy and achieving sustainable financial well-being. Thus, young adults need to make sound financial decisions to avoid financial problems and to effectively manage financial wealth (Sirsch et al., 2020). Financial decision making is a subject of locus of control, which focus on how people view the world which later affects their beliefs and shape their

perception, through external and internal extremes (Grable et al., 2009). Financial decisions nowadays are more complex for young adults than in the past and are likely to have considerable consequences for young adults' life pathways, well-being, and wealth (Sirsch et al., 2020). Young adults in South Africa should take financial decision-making seriously to ensure that they maintain and sustain their financial well-being in adulthood.

#### D. Parental Financial Behaviour

Parental financial behaviour as a component of parental financial socialisation manifest itself through observation of good or bad financial behaviours of parents by their children. Thus, children view their parents as role models and do what their parents did when they reach adulthood (LeBaron, Runyan, Jorgensen, Marks, Li & Hill, 2019). Parents financially socialise their children through their modelling of consumer behaviour (Allen, 2008). According to Mohamed (2017), observing parents' financial behaviour and -interactions at an early age is positively related to young adults' acquisition of financial knowledge. Otto (2009) investigated parents' role in the development of their children's saving skills during adolescence. The study found that parents' saving example influenced their children's saving skills. Webley and Nyhus (2006) posit that, as role models, parents influence their children's future saving- and borrowing behaviour. When parents save, their children know that saving is a good thing (Buccioli & Veronesi, 2014). Hibbert, Beutler, and Todd (2004) assessed the impact of modelling on financial behaviour and found that students who were raised in a financially prudent household, where parents saved and paid their bills on time, self-reported fewer negative financial behaviours such as misusing credit cards and making unaffordable purchases. LeBaron et al. (2018) found that emerging adults learn their financial attitude from their parents. For example, one respondent in their study said, 'My parents have always been really good at saving, and that has rubbed

off on me.' Another respondent recognised the influence her parents had had on her financial attitude: 'Even though my parents have a lot of money, they do not like spending it on unnecessary things, which I appreciate. I definitely learned by their example that we do not need everything that we can afford.'

### E. Parental Income

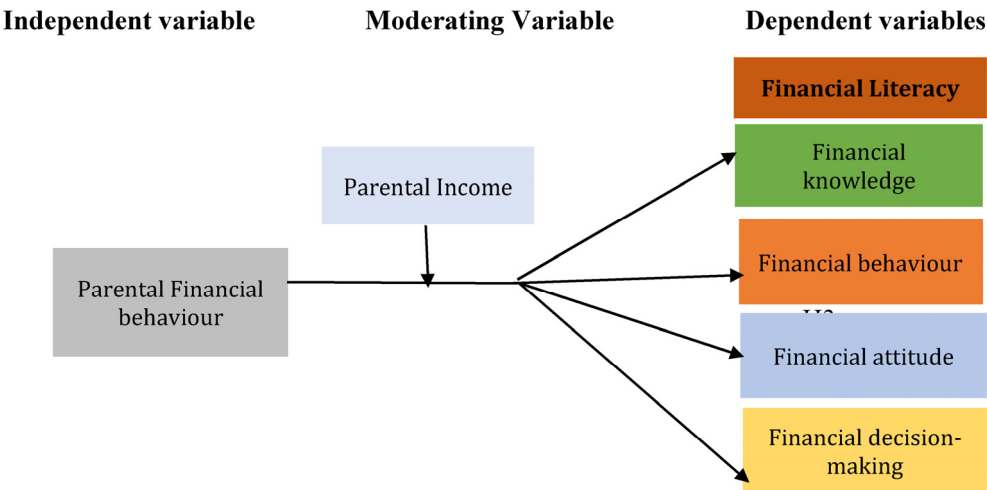
Gudmunson and Danes (2011) assert that income underpin parents' ability to foster desirable financial practices in their children, which could lead to better financial outcomes in adulthood. Serido et al. (2010) argue that parental income plays an important role in parent-child financial interactions, which then impact their development of financial coping behaviours. Furnham (1999) found that saving rates are higher amongst children with parents with a higher income. Serido et al. (2020) found a positive relationship between a high parental income and positive financial practices in childhood and young adulthood. Parents with a higher income may be more proactive and confident in teaching their children about finances (Serido et al., 2020). Ward (1974) argued that children

from low-income homes are more likely to be skilled consumers, because they have had to learn disciplined use of scarce resources. Sherraden (2013) adds that parents with a low income are also less likely to socialise their children financially. Thus, children from low-income homes have less experience with money and could be less aware of the range of consumer goods. Thus, parental income is important in financial socialisation and needs to be investigated further to understand if it moderate the relationship between parental financial behaviour and financial literacy.

### III. Conceptual Model and Hypotheses

This study adopted the observational learning theory by Bandura (1986) and bounded rationality theory by Simon (1955) to develop the conceptual model and hypotheses. Figure 1 indicates the conceptual model and four hypotheses of the study.

As depicted in Figure 1 the following hypotheses were developed:



Source: Author

**Figure 1.** Conceptual model of the study

- H1:** The relationship between parental financial behaviour and financial knowledge is moderated by parental income.
- H2:** The relationship between parental financial behaviour and financial behaviour is moderated by parental income.
- H3:** The relationship between parental financial behaviour and financial attitude is moderated by parental income.
- H4:** The relationship between parental financial behaviour and financial decision-making is moderated by parental income.

## IV. Methods

This study used a quantitative research approach to investigate that the relationship between parental financial behaviour and financial literacy is moderated by parental income. This research approach allows for stable and predictable world which gives the research more control over external factors in testing the relationship between variables and expressing or explaining a phenomenon in amount or quantity (Adams, Khan & Raeside, 2014). Self-administered Likert type scales questionnaire were used to collect data. This questionnaire were designed to fulfil the objective of the study and used because they are easily standardized, simple to administer, quick, and relatively inexpensive (Bhandarkar & Wilkinson, 2010). Before administering questionnaire to respondents, a pilot study was conducted to ensure that questionnaire will measure what they are intended to measure. Furthermore, questionnaire were academics and experts in financial socialisation and financial literacy to evaluate whether the measures cover the facets that make up the concept. Their inputs were reviewed, and where appropriate, the questionnaire was revised to ensure that they are ready to collect data.

The population for this study is young black African adults in South Africa between the age of 18 and

35 because young adults in South Africa are financially vulnerable (Antoni, 2014). Moreover, black African consumers have low levels of knowledge regarding issues such as bad debt and are more likely than other racial groups to experience financial problems (Antoni, 2014). The sample size for this study is 500 young black African adults calculated through Yamane's (1967) formula. This study used simple random sampling because it afforded all young adults in all provinces of South Africa an equal chance to be included in the sample (Babbie, 2013). South Africa has nine provinces, so a province name was written on a piece of paper, folded placed in a box and picked one by one and ordered the way they were picked. The province which was picked first was visited first then the next province until the sample size was reached. Young black African adults were visited at their homes and data was collected for a period of three months mainly on weekends to ensure that those who were at schools and work are available and accessible, so that high response rate is achieved. A total of 472 young black African adults completed the questionnaire, this provided a response rate of 94%.

This study dealt with the issues of validity and reliability. Validity was performed through construct validity by conducting a Kaiser-Meyer-Olkin (KMO) and Bartlett's test of sphericity. The acceptable value of KMO is 0.50 and above. While Bartlett's test of sphericity is significant if the significance value is ( $p < 0.05$ ). Factors loadings of  $\pm 0.30$  to  $\pm 0.40$  are minimally acceptable, values greater than  $\pm 0.50$  are generally considered necessary for practical significance (Hair, Black, Babin, & Anderson, 2014). This study retained a minimum factor loading of .30 for interpretation. Reliability was measured through Cronbach alpha and a score of 0.60 and more were accepted and considered to be marginally or minimally reliable (Cohen, Manion & Morrison, 2018).

Descriptive statistics and moderated regression analysis were used to analyse data for this study. Descriptive statistics describe and summarise the characteristics of the sample without making inferences or determining casual relationships. Descriptive



statistics yield frequency distributions, percentages, central tendency, and measure of dispersion or variability (Verma, 2013). Moderated regression analysis is used to detect how variables moderates the nature of a relationship between variables (Hikmah, Ratnawati & Darmanto, 2023). It enables the relationships between independent and dependent variables to be linked to other independent variables (moderators). The moderating effect occurs when the level of the third variable influences the relationship between the independent variables and the dependent variables (Hair et al., 2014).

## V. Results

### A. Validity and Reliability

To assess the suitability of data to conduct EFA, KMO and Bartlett's test of sphericity was used in this study. Table 1 shows the results of the KMO and Bartlett's test of sphericity.

Table 1 showed that the KMO for all factors ranged from 0.674 to 0.978, above 0.60. The p-value of the Bartlett's test for all factors ( $p=0.000$ ) is smaller than 0.05, is significant. This result is an indication that the correlation structure of construct is adequate to conduct a factor analysis on the items and that all factors are regarded as valid and reliable. Therefore, EFA can be conducted.

Table 2 shows the results of the EFA, reliability by depicting the Cronbach's alphas, and descriptive statistics for the constructs and factors of the study.

Table 2 indicated that five factors were extracted by the EFA, with all items loaded onto the factors as expected, with loadings of above 0.30. The overall factor loadings range from 0.433 to 0.913. The Cronbach's alpha coefficients were above 0.6 and were acceptable and considered reliable. The descriptive statistics provided the means and standard deviation. Regarding the means, majority of respondents agreed with the statements measuring financial knowledge (4.31), financial attitude (3.65), financial behaviour (3.34), parental financial behaviour (3.47) and disagreed with statements

**Table 1.** KMO and Bartlett's test

Factors Variables	Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO)	Bartlett's Test of Sphericity		
		Chi-Square	df	Sig.
Financial knowledge	0.823	756.656	9	0.000
Financial behaviour	0.764	4412.543	33	0.000
Financial attitude	0.674	429.867	16	0.000
Financial decision-making	0.978	2646.656	17	0.000
Parental financial behaviour	0.734	352.843	12	0.000

Source: Author's own compilation

**Table 2.** Validity, reliability, and descriptive statistics results

Factors Variables	EFA factor loadings			CA Descriptive statistics		
	Items	Highest	Lowest	$\alpha$	$\mu$	SD
Financial knowledge	7	0.834	0.564	0.845	4.31	1.48
Financial behaviour	5	0.744	0.433	0.756	3.34	1.36
Financial attitude	6	0.913	0.615	0.834	3.65	1.44
Financial decision-making	8	0.836	0.667	0.978	2.86	1.26
Parental financial behaviour	6	0.798	0.456	0.846	3.47	1.31

Source: Author's own compilation

measuring financial decision-making (2.86). The standard deviations of all factors are high showing that the respondents' responses varied. However, financial knowledge had the highest standard deviation of 1.48 indicating that the responses varied mostly about this factor's statements. Therefore, data was prepared and ready for further analysis. Thus, the moderated regression analysis can be performed.

## B. Moderated Regression Analysis

Table 3 indicates the results of the moderated regression analyses of the effects of *Parental financial behaviour* and *Parental income* on the components of *Financial literacy*, namely *Financial knowledge*, *Financial behaviour*, *Financial attitude*, and *Financial decision-making*.

Table 3 reports the results of the moderated

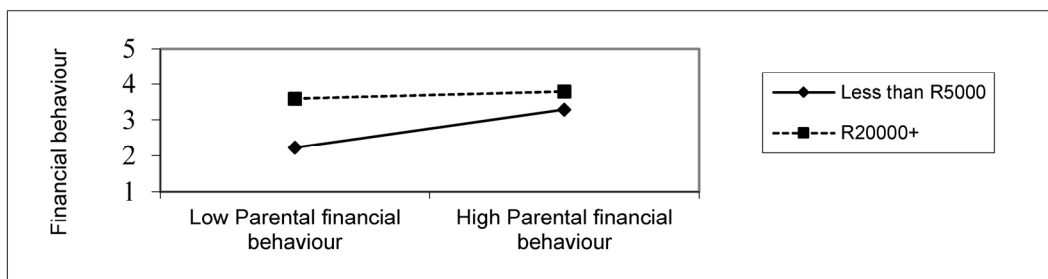
regression analysis, with standardised regression beta ( $\beta$ ) weights significant at  $p \leq 0.05^*$ . In terms of the main effects, *Parental financial behaviour* acted as a significant predictor of *Financial knowledge* ( $\beta = 0.411$ ;  $p \leq 0.05$ ), *Financial behaviour* ( $\beta = 0.533$ ;  $p \leq 0.05$ ), *Financial attitude* ( $\beta = 0.415$ ;  $p \leq 0.05$ ), and *Financial decision-making* ( $\beta = 0.179$ ;  $p \leq 0.05$ ). *Parental income* acted as a predictor of *Financial behaviour*, *Financial attitude*, and *Financial decision-making*. However, *Parental income* did not act as a predictor of *Financial knowledge*. In terms of the interaction effects, *Parental income* significantly moderated the relationship between *Parental financial behaviour* and *Financial behaviour* ( $\beta = -0.434$ ;  $p \leq 0.05$ ;  $R^2 = 0.588$ ;  $F = 91.27$ ), *Financial attitude* ( $\beta = -0.394$ ;  $p \leq 0.05$ ;  $R^2 = 0.372$ ;  $F = 42.74$ ), and *Financial decision-making* ( $\beta = -0.223$ ;  $p \leq 0.05$ ;  $R^2 = 0.187$ ;  $F = 14.42$ ).

**Table 3.** Moderated regression analysis: Effects of Parental financial behaviour and Parental income on Financial knowledge, Financial behaviour, Financial attitude, and Financial decision-making

	Financial knowledge $\beta$	Financial behaviour $\beta$	Financial attitude $\beta$	Financial decision-making $\beta$
<i>Parental financial behaviour</i>	0.411*	0.533*	0.415*	0.179*
<i>Parental income level</i>	-0.208	0.938*	1.007*	0.608*
<i>Parental financial behaviour x Parental income level</i>	-0.158	-0.434*	-0.394*	-0.223*
R	0.734*	0.767*	0.610*	0.433*
$R^2$	0.538*	0.588*	0.372*	0.187*
F	141.97*	91.27*	42.74*	14.42*

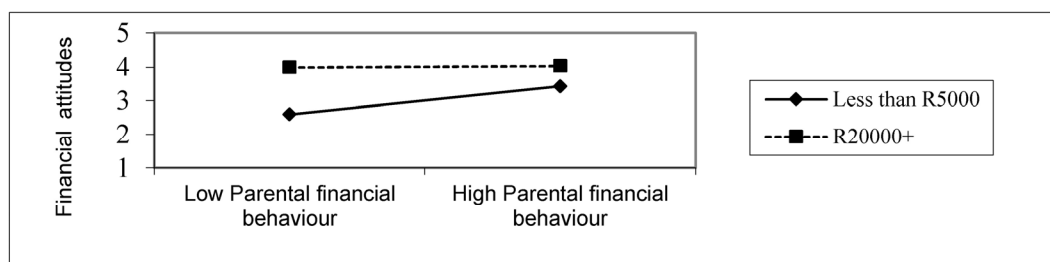
Source: Author's own compilation

Notes: \* significant at  $p \leq 0.05$ ; X indicates interaction



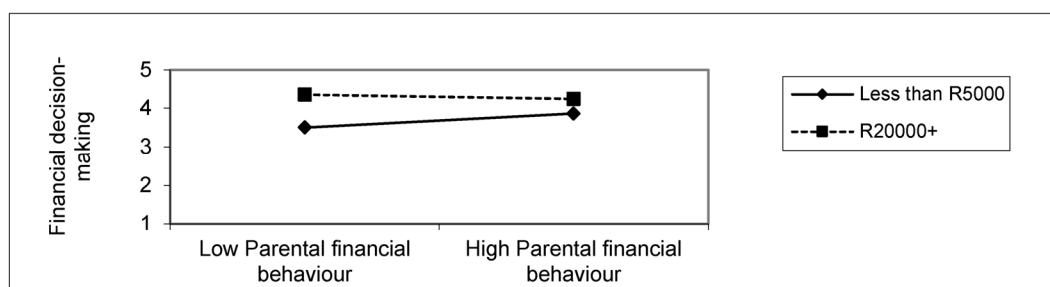
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**Figure 2.** Interaction effects between Parental income, Parental financial behaviour, and Financial behaviour



Source: Author's own compilation

**Figure 3.** Interaction effects between Parental income, Parental financial behaviour, and Financial attitude



Source: Author's own compilation

**Figure 4.** Interaction effects between Parental income, Parental financial behaviour, and Financial decision-making

However, *Parental income* did not significantly moderate the relationship between *Parental financial behaviour* and *Financial knowledge* ( $\beta = -0.158$ ;  $p > 0.05$ ;  $R^2 = 0.538$ ;  $F = 141.97$ ). Furthermore, the interaction effect sizes on *Financial behaviour*, *Financial attitude*, and *Financial decision-making* were small.

The interactions were done through a simple slope test and by graphically depicting the value of the moderator at the mean and standard deviations above and below the mean. Figures 2, 3, and 4 indicate the interaction effects between *Parental income*, *Parental financial behaviour*, *Financial behaviour*, *Financial attitude*, and *Financial decision-making*.

As indicated in Figures 2, 3, and 4 the relationships between *Parental financial behaviour* and *Financial behaviour* and between *Financial attitude* and *Financial decision-making* were stronger for those whose parents earned R20 000+ than for those whose parents earned Less than R5 000. Respondents whose

parents earned R20 000+ and who scored higher on *Parental financial behaviour* achieved significantly higher scores on *Financial behaviour*, *Financial attitude*, and *Financial decision-making*.

## VI. Discussions

Based on the non-significant interaction effects, not all the hypotheses were accepted. Table 4 indicates the hypotheses decisions.

Table 4 indicated the decisions of hypothesis. One hypothesis (H1) was rejected because *parental income* did not moderate the relationship between *parental financial behaviour* and *financial knowledge*. Three hypotheses (H2, H3, and H4) were accepted because *parental income* moderated the relationship between *parental financial behaviour* and *financial behaviour*,

**Table 4.** Hypotheses decision

Hypotheses	Decision
H1: The relationship between parental financial behaviour and financial knowledge is moderated by parental income.	Reject
H2: The relationship between parental financial behaviour and financial behaviour is moderated by parental income.	Accept
H3: The relationship between parental financial behaviour and financial attitude is moderated by parental income.	Accept
H4: The relationship between parental financial behaviour and financial decision-making is moderated by parental income.	Accept

Source: Author's own compilation

*financial attitude*, and *financial decision-making*. As three hypotheses were accepted and one rejected, which indicates that the relationship between parental financial behaviour and financial literacy is moderated by parental income. Thus, the results of this study are the first to indicate that the relationship between parental financial behaviour and financial literacy is moderated by parental income. The results of this study will serve as a base for future studies to be conducted in this area.

## VII. Conclusions

The objective of this study was to determine whether the relationship between parental financial behaviour of young black African adults and their financial literacy is moderated by parental income. Financial literacy was measured through financial knowledge, financial behaviour, financial attitudes, and financial decision-making. Four hypotheses were tested. The results showed that *parental income moderated the relationship of parental financial behaviour with financial behaviour, financial attitude, and financial decision-making*. Furthermore, the results indicated that *parental income* did not moderate the relationship of *parental financial behaviour* and *financial knowledge*. Therefore, the overall results indicated that the relationship between parental financial behaviour and financial literacy is moderated

by parental income. Thus, parental income is important in parental financial behaviour and financial literacy, and it must be understood better so that it does not hinder parental financial behaviour which must be observed by their children. This study is amongst the first to investigate whether the relationship between parental financial behaviour and financial literacy is moderated by parental income. Therefore, there is still need for more studies that must be conducted. The results of this study can be used as a base for other future studies to be conducted in this area. Furthermore, it is recommended that the government of South Africa must come up with initiatives to address and improve parental income as it has been shown that parents with higher income are more likely to engage in parental financial behaviour which will in turn have an impact on financial literacy of young adults. The practical and academical implications is that the South African government must introduce a policy to deal with low levels of income in the country. The government must also review the basic income grant policy and extend it to include people who earn some income and also increase the current amount from R350 to at least R800 per month. This will go a long way to improve income levels in South Africa and improve the level of parental financial behaviour. This study contributes to the development of observation learning theory by providing an understanding of parental financial behaviour, financial literacy and parental income.

## VIII. Limitation and Further Research

This study determined whether the relationship between parental financial behaviour of young adults and their financial literacy is moderated by parental income. Data was collected among young adults. This pose a limitation as it would have been ideal to include parents. This study adopted quantitative approach; it would have been interesting to include open ended questions to explore financial literacy. This study recommends that researchers must explore the effect of parental income on the relationship between parental financial behaviour and other components of financial socialisation such as financial communication, financial discussions, and financial teaching with financial literacy.

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