

Ndou, Adam

Article

Parental financial socialisation of young black African adults in South Africa

Global Business & Finance Review (GBFR)

Provided in Cooperation with:

People & Global Business Association (P&GBA), Seoul

Suggested Citation: Ndou, Adam (2024) : Parental financial socialisation of young black African adults in South Africa, Global Business & Finance Review (GBFR), ISSN 2384-1648, People & Global Business Association (P&GBA), Seoul, Vol. 29, Iss. 1, pp. 72-84, <https://doi.org/10.17549/gbfr.2024.29.1.72>

This Version is available at:

<https://hdl.handle.net/10419/305950>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<https://creativecommons.org/licenses/by-nc/4.0/>



Parental Financial Socialisation of Young Black African Adults in South Africa

Adam Ndou[†]

Lecturer, Department of Finance, Risk Management and Banking, University of South Africa, 34 Preller street, Muckleneuk, Pretoria, South Africa

ABSTRACT

Purpose: Parental financial socialisation is necessary to help young adults to effectively manage their finances and improve their financial well-being. This study examined parental financial socialisation of young black African adults by their parents in rural and low-income area in South Africa.

Design/methodology/approach: Parental financial socialisation was measured through parental financial behaviour, parental financial monitoring, parental financial discussions, parental financial communications, and parental financial teaching. This study adopted quantitative research approach and self-administered questionnaire to collect data from young black African adults in Fetakgomo Tubatse and Intsika Yethu municipalities because these municipalities are the most rural and low-income areas in South Africa. Descriptive statistics were used to analyse data. The composite score was calculated to determine parental financial socialisation.

Findings: The overall score of *Parental financial socialisation* was 53%, which is moderate. Thus, young black African adults are financially socialised by their parents. This result was surprising as parents in rural and low-income areas uphold cultural norms and values and consider discussing certain issues like money with children a taboo.

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 the first to investigate parental financial socialisation of young black African adults in rural and low-income area in South Africa. This study concluded by providing recommendations and suggestions for future research.

Keywords: Parents, Financial socialisation, Young adults, South Africa

I. Introduction

The pressing issue around the world is the low levels of financial literacy and inability to manage

finances among young adults (Fan & Park, 2021). Young adults in developing countries, sub-saharan Africa, and rural and low-income areas are severely affected (Chowa & Despard, 2014). Young adults in South Africa displayed low levels of financial literacy (Symanowitz, 2006; Louw, 2009; Shambare & Rugimbane, 2012; Botha, 2013). Young black African adults in rural and low-income areas are particularly

Received: Sep. 9, 2023; Revised: Oct. 19, 2023; Accepted: Oct. 29, 2023

[†] Corresponding author: Adam Ndou

E-mail: endouaa@unisa.ac.za

affected; they are struggling to effectively manage their finances and are highly indebted (Finmark Trust, 2019). Thus, financial socialisation is necessary to help young black African adults in rural and low-income areas in South Africa to effectively manage their finances and improve their financial well-being. Parents were found to be the most important financial socialisation agent compared to other agents such as media, schools, peers, and financial education (Kim & Chatterjee, 2013; Mohamed, 2017). Thus, parental financial socialisation is very important in young black African adults ability to deal with complex financial situations and become financial literate. Financial literacy is vital for sound financial decision making and financial well-being (Abushammala, 2022; Handranata, Arief, Warganegara & Hamsal, 2022).

However, studies on parental financial socialisation in rural and low-income areas focusing on young adults seems to be very scant. The majority of international studies on financial socialisation which were conducted mainly in developed countries, and few in developing countries focused on students and employees (Palaci, Jimenez & Topa, 2017; Fan & Chatterjee, 2019; Rea, Danes, Serido, Borden & Shim, 2019; Kim & Torquati, 2019; Legenzova, Gaigaliene & Lecke, 2019; Sirsch, Zupancic, Poredos, Levec & Friedlmeier, 2020; Zhao & Zhang, 2020; Utkarsh, Pandey, Ashta, Spiegelman & Sutan, 2020; Putri & Wijaya, 2020; Li, Zuiker, Mendenhall & Montalto, 2021). This excluded young adults who were not students and were not formally employed. The majority of young black African adults in rural and low-income area are neither in school nor formally employed. They perform temporary jobs in households, operate tuck shops (also known as "spazas"), work on farms, or run their own farms.

The current study focused specifically on the general population of young black African adults, which was not limited to students and employees. Studies in black rural and low-income area are even more scant. The only notable studies were conducted by Antoni (2023), Nomlala (2021), Antoni and Saayman (2021), Antoni, Rootman, and Struwig (2019), and Antoni (2018), and Sallie (2015). These studies focused

on general financial socialisation of accounting students, young financial professionals, and students. Unintentionally excluding young adults who are not employed nor in schools or universities. The current study is important to academia and the world as it makes a unique contribution to the body of knowledge through a study of the parental financial socialisation of young black African adults between the age of 18 and 35. The objective of this study is to examine parental financial socialisation of young black African adults between the age of 18 and 35 by their parents in rural and low-income area in South Africa. Parental financial socialisation was measured through parental financial behaviour, parental financial monitoring, parental financial discussions, parental financial communications, and parental financial teaching.

Therefore, the following hypothesis was formulated:

H1: Young black African adults are financially socialised by their parents.

H0: Young black African adults are not financially socialised by their parents.

The remainder of this article is structured as follows: Section 2 provides literature review. Section 3 explores research and methodology of the study. Section 4 covers analysis and findings the study. Section 5 discussions of the study. Section 6 provides conclusions.

II. Literature Review

A. Social Learning Theory

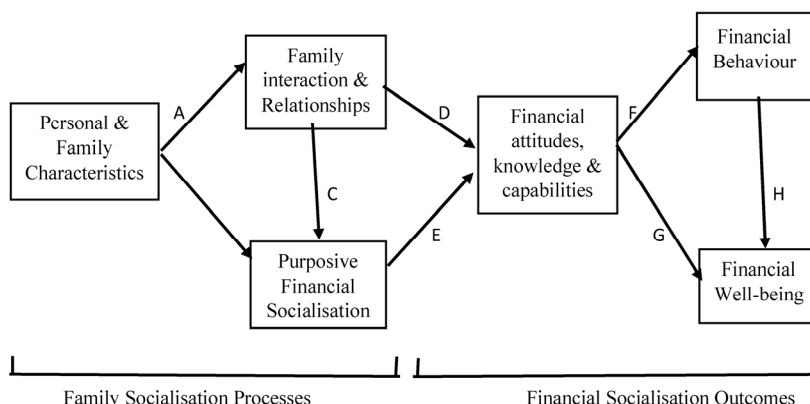
This study adopts social learning theory to explain and understand parental financial socialisation of young black African adults in rural and low-income areas in South Africa. Social learning theory as advocated by Bandura (1977) originated from behaviourism, postulated by behaviourists such as Pavlov (1927), Watson (1928), and Skinner (1938), who argued that learning can be involuntary or voluntary, occurring through a stimulus-response

relationship. These authors regard a learning outcome as a change in a person's behaviour, caused by environmental influences (Kimble, 2001). Bandura's (1977) social learning theory posits that people learn from interactions with others in a social context. This theory also indicates that, as children learn over the years through social interaction in a particular social setting, they begin to understand and form their attitudes and knowledge about finances. This theory positions parents at the centre of the social learning process, both as teachers and as role models. Learning takes place through active teaching and communication, unconscious observation, and imitation, and positive or negative reinforcement from parents. Parents may attempt to teach children saving or consumption behaviour, but children could also learn these behaviours by simply watching their parents performing these acts. Therefore, because parents are the key influence in children's lives as they grow up, the positive and negative financial attitudes and knowledge of young adults about money are primarily influenced by their parents. Social learning theory has been empirically validated in financial socialisation studies (Garrison & Gutter, 2010; Agnew, 2018; Jorgensen, 2007; Kolodziej, Lato, & Szymanska, 2014). Thus, this study adopted Bandura's (1977) social learning theory to examine parental financial socialisation.

B. Family Financial Socialisation Model

Gudmunson and Danes (2011) critically reviewed financial socialisation literature on family studies to develop a family financial socialisation model. Their model was adopted from Moschis and Churchill's (1978) Conceptual Model of Consumer Socialisation. Their model indicates how family financial socialisation impacts financial socialisation outcomes. Their model differs from that of Shim, Xiao, Barber and Lyons (2009) and Shim, Barber, Card and Xia (2010), because it incorporates *Family characteristics* and *Family interactions & relationships* into *financial socialisation*. The model is shown in Figure 1.

As shown in Figure 1, the model of Gudmunson and Danes (2011) indicates that demographic characteristics are found at personal and family level. Some demographic characteristics, like gender and age, race/ethnicity, and marital status, tend to be most important on the individual level, while household size, and family development stage tend to be measured at the family level. The model poses demographic characteristics as predictors rather than control variables, and these are tied to financial socialisation through family socialisation processes. The interaction patterns between family members influence financial attitude, knowledge transfer, and financial capability development, even when financial socialisation is implicit (Gudmunson & Danes, 2011).



Source: Gudmunson & Danes (2011)

Figure 1. Family financial socialisation model

The model incorporates constructs such as family interpersonal communication, relationship quality, and parenting style to explain and measure family interaction and relationships. Furthermore, purposive family financial socialisation occurs through intentional efforts by family members to financially socialise each other. These efforts vary according to race/ethnicity and nationality. Characteristics such as gender, age, family structure, and family relationship type highlight family roles tied to cultural values and norms that underlie financial practices. The model also contains the paths from financial attitudes, knowledge, and capabilities to behaviour and financial well-being, which are intermediary financial socialisation outcomes indicating socially imbued individual characteristics adapted over time (Gudmunson & Danes, 2011).

The field of financial socialisation still lacks proper direction due to a lack of consensus on a conceptual model and measurements. The family financial socialisation model remained the widely adopted model by studies in financial socialisation besides its limitations. The current study adopts this model to better understand parental financial socialisation.

C. Parental Financial Socialisation

Parental financial socialisation is a development of socialisation process where the parents transfer knowledge and skills on financial matters either intentional or unintentionally that shape, develop skills, knowledge, attitude, and financial practices of young adults (Bakar & Bakar, 2020). Parents are at the core of these processes through direct and indirect communication, both in their spoken words and in their patterned behaviours as a direction to follow. However, greater understanding is needed about parental financial socialisation of young black African adults in rural and low-income areas in South Africa. This study measured parental financial socialisation through parental financial behaviour, parental financial monitoring, parental financial discussions, parental financial communications, and parental financial teaching.

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.

Parental financial monitoring is a direct way of financially socialising children and includes making rules about children's financial behaviours (Allen, 2008; Jorgensen, 2007; Kim & Chatterjee, 2013). The importance of parental monitoring is visible in the development of sensible financial attitudes. Norvilitis and MacLean (2010) found that parental monitoring of children's financial skills is associated with improved financial skills in dealing with debt, which ultimately leads to lower levels of debt. Parents have the ability to influence their children by monitoring their spending patterns and pushing their behaviour in certain directions to prevent unwanted habits from being formed (Webley & Nyhus, 2006). One method of financial monitoring is giving children an allowance which makes them responsible for managing their own money. This teaches them to make their

own decisions, which leads to experience in making financial decisions. Parents only get involved by checking and asking how they are using the money (Webley & Nyhus, 2013).

Parental financial discussions are sometimes referred to as *parental financial communication* in financial socialisation literature; however, the two concepts are not the same. Parental financial discussion is a process whereby parents openly discuss financial matters with their children and allow input from their children (Kim & Torquati, 2019). This is not a one-way process; children are not only considered receivers of financial information, but they can also advise their parents, and the parents involve the children in major financial decisions. Webley and Nyhus (2006) assert that explicit financial discussions with children have a direct impact on the children's future financial behaviour. Financial discussions can shape children's spending behaviours and attitudes by providing parents with an opportunity to engage in direct discussions about purchasing decisions, money, credit, and related topics (Allen, 2008; Agnew, 2018). Fulk and White (2018) indicate that parental discussions about money have the biggest overall influence on college students' money-management behaviour. These students were found to be more likely to pay their credit card bill on time and in full each month.

Parental financial communication is a tool for educating children about financial issues such as saving, budgeting, investing, consumer skills, avoiding financial problems, and building a strong foundation for financial well-being (Allen, 2008; Kim & Torquati, 2019). Parental financial communication involves speaking to children about finances without necessarily requiring their inputs. Children are therefore not involved in family financial matters — they are only informed. An example is parents explaining the family's spending plan to their children so that they are not surprised if certain items are not considered in the household spending plan or not purchased at all. Parental financial communication is linked with positive financial outcomes in adulthood (Isomidinova & Singh, 2017; Isa & Daukin, 2022).

A study of children aged eight to 18 years reported that parental communication about charitable donations is positively associated with children's saving for their future education and the tendency to donate to charities (Kim, LaTailade & Kim, 2011).

Parental financial teaching is critical in developing the values, norms, and behaviours that will positively affect young adults' financial well-being (Grohmann, Kouwenberg & Menkhoff, 2015; Van Camphenout, 2015). Batten (2015) indicates that parents often use an allowance to teach their children about money matters. The allowance is used as a mechanism to reward or punish certain behaviours (Lim & Qi, 2023). Parents who explicitly teach their children have a greater influence on their children than parents who do not (Kim, Chatterjee & Kim, 2012). Studies have also shown that parental financial teaching influences borrowing behaviour. Grinstein-Weiss, Spader, Yeo, Key, and Freeze (2012) assert that greater parental teaching is associated with reduced loan delinquency and foreclosure, as well as with asset accumulation, in young adults. Homan (2016) found that young adults who received the most parental financial teaching have fewer loans than those who were never taught. Thus, parents should intentionally teach financial knowledge, and convey clear and positive financial norms to their adolescent children (Zhu, 2018).

III. Methods

This research used a quantitative research approach, as it allows for a 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). This approach is associated with methodological principles of positivism, especially when used with predetermined and highly structured data collection techniques (Saunders, Lewis & Thornhill, 2016). This study used self-administered questionnaire which were distributed

to respondents' homes to collect data. Questionnaire were design in line with the objective of the study and used existing Likert type scales adopted from literature and also self-constructed scales. The Likert scale consisted of 5-point scales that ranged from strongly disagree (1) to strongly agree (5). Likert scales and closed-ended questions were used since this approach is easily standardized, simple to administer, quick, and relatively inexpensive (Bhandarkar and Wilkinson, 2010). To ensure face and content validity, questionnaires were designed based on the study's objective to provide comprehensive and relevant data. They were also submitted to academics and experts in financial socialisation to evaluate whether the measures cover the facets that make up the concept. Their inputs were reviewed, and where appropriate, the questionnaire was revised. Cronbach's alpha was also used to measure reliability.

Study area for this study is rural and low-income areas in South Africa. Limpopo's Fetakgomo Tubatse municipality and Eastern Cape's, Ntsika Yethu were declared as the most rural and low-income municipalities in South Africa (StatsSA, 2022). This study's target population was young black African adults in Fetakgomo Tubatse and Ntsika Yethu municipalities.

This study used purposive sampling, cluster sampling, random sampling, proportionate stratified sampling, and systematic sampling because they afforded all young black African adults in Fetakgomo Tubatse and Ntsika Yethu municipalities an equal chance to be included in the sample (Babbie, 2013). Purposive sampling was used to sample Fetakgomo Tubatse and Ntsika Yethu municipalities because they are the most rural and low-income areas in South Africa. Thereafter, cluster sampling was used to divide and group each municipality into wards, villages, and households where young black African adults were visited. Random sampling was used to sample wards from each municipality, where a ward number of each ward was written on a piece of paper, folded, placed in a box, and picked one by one until the number of desired wards was reached. In order to ensure enough representation in this study, at least

50% of the wards were selected. The municipality of Fetakgomo Tubatse comprises 39 wards, with 342 villages and 189,269 households. Therefore, 19 wards (39×0.50) are selected. Since Ntsika Yethu Municipality is made up of 21 wards, with 214 villages and 40,448 households, 10 wards (21×0.5) are selected. Proportionate stratified sampling was used to apportion the sample size to each municipality and each selected ward based on the population proportion percentage. Simple random sampling was applied again to select villages and households in each ward as young black African adults were visited at their homes to collect data.

The first village from each ward, together with the first household, was randomly selected, but if there were no respondents that met the inclusion criteria in the first household, the next household was visited. Afterward, a systematic sampling method was used, where households were selected per interval. As the first household was selected randomly, a systematic procedure was followed as per the determined interval (Godwill, 2015). The interval was calculated by dividing the sample size by sampling wards (Salkind, 2017). For instance, in Fetakgomo Tubatse municipality, the researcher counted households from 1 to 15 from both sides of the street, then the 16th ($306/19$) household was selected. For Ntsika Yethu municipality, the interval was 7 ($78/10$); thus, the researcher counted from 1 to 6 from both sides of the street, then the 7th household was selected. If no young adults, the next household was visited. This procedure was repeated until a household with young adults was found then the counting started again. The same procedure was followed in the next village until the sample size was reached. After that, the next ward was visited, applying the same procedure until the data collection was completed by reaching the required sample size. A sample size of 500 was set, calculated through Yamane (1967) formula, Krejcie and Morgan's (1970) table and considering the recommended sample size for conducting Exploratory Factor Analysis (EFA). A total of 423 young black African adults completed the questionnaires, giving a response rate of 94% which was good and acceptable.

Completed questionnaires were checked for missing data, and incomplete questionnaires were not considered for data analysis. Microsoft Excel was used to capture data, which were later transferred to SPSS version 25 for further analysis. This study assessed validity and reliability before data could be subjected to extensive statistical analysis. Validity was measured through EFA by conducting a KMO and Bartlett's test of sphericity. The acceptable value of KMO, which is considered suitable and adequate for EFA, is 0.50 and above. While Bartlett's test of sphericity was significant and suitable for EFA with a significance value of 5% percent, factors loadings of ± 0.30 to ± 0.40 are minimally acceptable since values greater than ± 0.50 are generally considered necessary for practical significance (Williams, Brown & Onsman, 2010; Hair, Black, Babin & Anderson, 2014). This study retained a minimum factor loading of 0.35 for the interpretation. Reliability was measured through Cronbach's alpha, as it is the most widely used reliability measure of internal consistency (Vanderstoep & Johnson, 2009). Cronbach's alpha with a score of 0.60 and more is usually acceptable and considered reliable

(Cohen, Manion & Marrison, 2018; Hikmah, Ratnawati & Darmanto, 2023). Descriptive statistics were used to test the formulated hypothesis for this study.

IV. 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 0.633 to 0.969, 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

Table 1. KMO and Bartlett's test

Factors	Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO)	Bartlett's Test of Sphericity		
		Chi-Square	df	Sig.
Parental financial behaviour	0.755	833.565	8	0.000
Parental financial monitoring	0.866	3412.603	43	0.000
Parental financial discussion	0.633	329.856	12	0.000
Parental financial communication	0.969	2126.656	14	0.000
Parental financial teaching	0.783	152.687	10	0.000

Source: Author's own compilation

Table 2. Validity, reliability, and descriptive statistics results

Factors	EFA factor loadings			CA	Descriptive statistics	
	Variables	Items	Highest	Lowest	α	μ SD
Parental financial behaviour		5	0.945	0.631	0.946	3.31 1.24
Parental financial monitoring		4	0.938	0.419	0.860	3.23 1.17
Parental financial discussion		5	0.879	0.555	0.923	3.12 1.26
Parental financial communication		4	0.927	0.665	0.945	2.90 1.38
Parental financial teaching		6	0.951	0.320	0.909	3.03 1.29

Source: Author's own compilation

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 0.320 to 0.951. 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 parental financial behaviour (3.31), parental financial monitoring (3.23), parental financial discussion (3.12), parental financial teaching (3.03) and disagreed with statements measuring parental financial communication (2.90). The standard deviations of all factors are high showing that the respondents' responses varied. However, parental financial communication had the highest standard deviation of 1.38 indicating that the responses varied mostly about this factor's statements. Therefore, data was prepared and ready for further analysis. Thus, the hypothesis for this study can be tested.

B. Hypothesis Testing

H1: Young black African adults are financially socialised by their parents.

Descriptive statistics was used to test this hypothesis. A five-point Likert scale was used to measure *Parental financial socialisation* (1 = *Strongly disagree*; 2 = *Disagree*; 3 = *Neutral*; 4 = *Agree*;

and 5 = *Strongly agree*), and the responses were grouped into three groups (*Strongly disagree* + *Disagree* = *Disagree*; *Neutral*; *Agree* + *Strongly agree* = *Agree*). These were used to determine the score for each component of *Parental financial socialisation*, namely *Parental financial behaviour*, *Parental financial monitoring*, *Parental financial discussions*, *Parental financial communication*, and *Parental financial teaching*, to determine *Parental financial socialisation*. The percentages achieved for *Agree* were considered the score for that component. Table 3 shows the scores for the components of *Parental financial socialisation*.

The majority of respondents (54.9%) agreed with the statements relating to *Parental financial behaviour*, and the majority of respondents (57.8%) agreed that they received *Parental financial monitoring*. Most respondents (49.9%) agreed that they received *Parental financial discussions*, and a high number of respondents (45.7%) agreed that they received *Parental financial communication*. The majority of respondents (56.9%) agreed with the statements of *Parental financial teaching*.

The percentages of *Agree* were treated as scores and were used to calculate *Parental financial socialisation*. The summary of scores for each component of *Parental financial socialisation* is presented in Figure 1.

Respondents' scores for *Parental financial behaviour* (54.9%), *Parental financial monitoring* (57.8%), *Parental financial discussions* (49.9%), *Parental financial communication* (45.7%), and *Parental financial teaching* (56.9%) indicated that respondents scored high on *Parental financial*

Table 3. Scores for the components of *Parental financial socialisation*

Component	Disagree %	Neutral %	Agree %
<i>Parental financial behaviour</i>	34.6	10.5	54.9
<i>Parental financial monitoring</i>	31.5	10.7	57.8
<i>Parental financial discussions</i>	38.3	11.7	49.9
<i>Parental financial communication</i>	46.1	8.2	45.7
<i>Parental financial teaching</i>	33.3	9.7	56.9

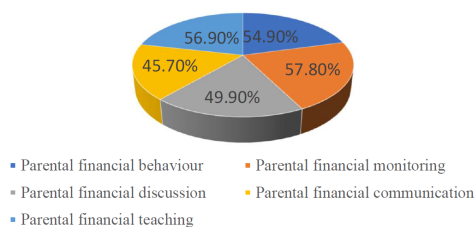
Source: Author's own compilation

monitoring, Parental financial teaching, and Parental financial behaviour, and low on Parental financial communication and Parental financial discussions.

Thus, more parents monitored their children's finances, and fewer communicated about finances. These scores were used to calculate the overall score on *Parental financial socialisation*, shown in Table 4, which was calculated by averaging the scores on all the components.

The overall score on *Parental financial socialisation* was 53.0%. The scores on *Parental financial socialisation* were categorised into *Low* ($\leq 49\%$), *Moderate* (50%-64%), and *High* ($\geq 65\%$). This meant that the score of *Parental financial socialisation* in Fetakgomo Tubatse and Intsika Yethu local municipalities was moderate.

Summary of parental financial socialisation scores



Source: Author's own compilation

Figure 1. Summary of *Parental financial socialisation* scores

Table 4. Overall score on *Parental financial socialisation*

Components	Score %
<i>Parental financial behaviour</i>	54.9
<i>Parental financial monitoring</i>	57.8
<i>Parental financial discussions</i>	49.9
<i>Parental financial communication</i>	45.7
<i>Parental financial teaching</i>	56.9
Overall level of parental financial socialisation	53.0

Source: Author's own compilation

Table 5. Hypothesis decision for *Parental financial socialisation*

Hypothesis	Results
H1: Young black African adults are financially socialised by their parents.	Accepted
H0: Young black African adults are not financially socialised by their parents.	Rejected

Source: Author's compilation

V. Discussions

The decision regarding the relevant hypothesis is shown in Table 5.

Therefore, based on Table 5, hypothesis H1 was accepted. This study's results indicate that parents in Fetakgomo Tubatse and Intsika Yethu are engaged in parental financial socialisation. This result is consistent with that of other studies that found that young adults are financially socialised by their parents (Gudmunson & Danes, 2011; Palaci et al., 2017; Fan & Chatterjee, 2019; Rea et al., 2019; Kim & Torquati, 2019; Sirsch, Zupancic, Poredos, Levec & Friedlmeier, 2020; Zhao & Zhang, 2020; Utkarsh et al., 2020; Li et al., 2021). For example, Gudmunson and Danes (2011) found that parents teach their adolescent children about financial matters by sharing their own knowledge, financial choices, and financial norms. Similarly, Rea et al. (2019) found that parents financially socialise their children by directly teaching them objective financial knowledge and by consciously and subconsciously sharing their financial norms and expectations. Kim and Torquati (2019) found that parents financially socialise their children by openly discussing financial matters with them children and allowing their input. Sirsch et al. (2020) indicate that parental teaching about financial matters leads to financial learning outcomes and self-perceptions of greater financial knowledge. Thus, financial socialisation by parents leads to healthy financial outcomes in young adults, which underpins the importance of parental involvement in financial socialisation.

However, this study result differs from that of other studies (Nomlala, 2019; Legenzova et al., 2019). Nomlala (2019) found that students are not financially

socialised by financial socialisation agents. Similarly, Legenzova et al. (2019) indicate that parents are not the major source of financial information for their children. Therefore, studies in parental financial socialisation seem to produce mixed results. However, there seems to be consensus in financial socialisation literature that parents play an important role in socialising their children financially, and that they contribute to their children's financial well-being in adulthood.

VI. Conclusions

The objective of this study was to examine the parental financial socialisation by black African parents of young black African adults. This was done by determining the scores for the components of *Parental financial socialisation*, namely *Parental financial behaviour* (54.9%), *Parental financial monitoring* (57.8%), *Parental financial discussions* (49.9%), *Parental financial communication* (45.7%), and *Parental financial teaching* (56.9%). The results showed that the young black African adults under study indicated that their parents practised monitoring of their finances more than the other components of *Parental financial socialisation*. The overall score of *Parental financial socialisation* was 53%, which is moderate. Thus, the hypothesis that young black African adults are financially socialised by their parents was accepted. Parents should be keenly aware that their actions and behaviours around money and their own financial decision-making will likely leave a lasting impression on their children. Therefore, parental financial socialisation is very important as it contributes to financial well-being of young adults. Lack of financial socialisation has been found to be the most important predictor of financial problems for young adults. Thus, for parental financial socialisation to be effective, it must start early in children's developmental stages, when the children are still young, because becoming financially literate is a long

process of gathering financial information. The academic implication for this study premise on the use of social learning theory and family financial socialisation model to examine parental financial socialisation and showed differences with other studies and the need to determine further parental financial socialisation in rural and low-income areas. The practical implications are that policy makers, Non-profit organisations and financial institutions must come up with initiatives to encourage parents to engage more in financial socialisation because this will have an effect in financial literacy of young adults.

Therefore, this study recommends that parents would be well served to increase the amount of direct financial communication between them and their children. This may require including the child in family financial matters, along with discussing situations and providing appropriate financial alternatives. Parents should also verbally discuss their decision-making with children when making a purchase and include their children in discussions on the household budget. Parents should not only be aware of their direct teachings, but also of how their own financial behaviours influence their children's development of financial skills. Parents are also advised to seek out and encourage children and young adults to partake in formal financial education opportunities. Although parents in rural and low-income areas especially Fetakgomo Tubatse and Intsika Yethu were found to be financially socialising their children some improvements are needed especially when it comes to financial communication, therefore, financial institutions, government and financial educators must come up with financial socialisation programmes aimed at teaching and encouraging parents to be involved more on parental financial socialisation focusing on financial communication of financial matters to their children. It is also recommended that future studies on parental financial socialisation conduct qualitative interviews using open-ended questions as this will provide respondents an opportunity to provide additional information and would enable the researcher to probe respondents' answers.

This study contributed to the body of knowledge of financial socialisation by investigating parental financial socialisation of young black African adults in rural and low-income areas in South Africa an area which has been neglected and unintentionally excluded by financial socialisation studies. It was found that parents are financially socialising their parents, this was surprising as parents in rural and low-income areas abide by cultural values and norms which may prevent them from discussing financial matters with their children.

VII. Limitation and Further Research

This study determined parental financial socialisation of young black African adults in rural and low-income areas in South Africa. 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 socialisation. This study recommends that researchers must explore parental financial socialisation further in different settings.

References

Abushammala, S.N.M. (2022). The impact of the COVID-19 pandemic on household financial well-being. *Global Business & Finance Review*, 27(4), 65-80. doi:10.17549/gbfr.2022.27.4.65

Adams, J., Khan, H.T.A., & Raeside, R. (2014). *Research methods for business and social science students* (2nd ed.). London: Sage Publications.

Agnew, S. (2018). Empirical measurement of the financial socialisation of children by parents. *Young Consumers*, 19(4), 421-431. doi:10.1108/YC-07-2017-00717

Allen, M.W. (2008). *Consumer finance and parent-child communication*. New York: Springer.

Antoni, X.L. (2023). The role of family structure on financial socialization techniques and behaviour of students in the Eastern Cape, South Africa. *Cogent Economics & Finance*,

11(1), 1-14.

Antoni, X.L. (2018). *The role of family structure and financial socialisation in influencing students' financial capabilities* (PhD thesis). Nelson Mandela Metropolitan University, Port Elizabeth, South Africa.

Antoni, X.L., Rootman, C., & Struwig, F.W. (2019). The influence of parental financial socialisation techniques on student financial behaviour. *International Journal of Economics and Finance Studies*, 11(2), 72-88.

Antoni, X.L., & Saayman, M. (2021). The influence of financial socialisation mechanisms on young financial professionals' financial literacy levels in the Eastern Cape. *Academy of Accounting and Financial Studies Journal*, 25(3), 1-15.

Babbie, E. (2013). *The practice of social science research* (International ed., 13th ed). Wadsworth: Cengage Learning.

Bakar, M.Z.A., & Bakar, S.A. (2020). Parental financial socialisation: Pathways to positive financial behaviour. *International Journal of Academic Research in Business & Social Sciences*, 10(6), 54-62. doi:10.6007/IJARBS/v10-i6/7260

Bandura, A. (1977). *Social learning theory*. Englewood Cliffs, NJ: Prentice-Hall.

Batten, G.P. (2015). *Consumer socialisation in families: how parents teach children about spending, saving and importance of money* (PhD thesis). Virginia Polytechnic Institute and State University, Virginia, USA.

Bhandarkar, P.L., & Wilkinson, T.S. (2010). *Methodology and techniques of social research*. Mumbai: Himalaya.

Botha, M. (2013). *A comparative analysis of the financial literacy of final year diploma students in different fields of study at the University of Johannesburg* (MCom thesis). University of Johannesburg, Johannesburg, South Africa.

Buccioli, A., & Veronesi, M. (2014). Teaching children to save: what is the best strategy for lifetime savings? *Journal of Economic and Psychology*, 45, 1-17. doi:10.1016/j.joep.2014.07.003

Chowa, G.A.N., & Despard, M.R. (2014). The influence of parental financial socialisation on youth's financial behaviour: Evidence from Ghana. *Journal of Family and Economic Issues*, 35(3), 376-389. doi:10.1007/s10834-013-9377-9

Cohen, L., Manion, L., & Morrison, K. (2018). *Research methods in education* (8th ed.). London: Routledge.

Fan, L., & Chatterjee, S. (2019). Financial socialisation, financial education, and student loan debt. *Journal of Family and Economic Issues*, 40(1), 74-85. doi:10.1007/s10834-018-9589-0

Fan, L., & Park, N. (2021). Factors mediating the association between financial socialisation and well-being of young adults: Testing a conceptual framework. *Journal of Financial Counseling and Planning*, 32(2), 202-216. doi: 10.1891/JFCP-20-00056

Finmark Trust. (2019). Finscope South Africa 2019 pocket guide. Retrieved 30 March, 2022, from <https://finmark.org>.

- za/system/documents/files/000/000/242/original/FinScope_SA_2019_Pocket_Guide_2020.pdf?1604679365#:~:text=FinScope%20gives%20some%20clues%20on,of%20the%20COVID%2D19%20pandemic
- Fulk, M., & White, K.J. (2018). Exploring racial differences in financial socialisation and related financial behaviours among Ohio college students. *Cogent Social Sciences*, 4, 1-16. doi:10.1080/23311886.2018.1514681
- Garrison, S.T., & Gutter, M.S. (2010). Gender differences in financial socialisation and willingness to take financial risks. *Journal of Financial Counselling and Planning*, 21(2), 60-83.
- Grinstein-Weiss, M., Spader, J.S., Yeo, Y.H., Key, C.C., & Freeze, E.B. (2012). Loan performance among low-income households: Does prior parental teaching of money management matter? *Social Work Research*, 36(4), 257-270. doi:10.1093/swr/svs016
- Grohmann, A., Kouwenberg, R., & Menkhoff, L. (2015). Childhood roots of financial literacy. *Journal of Economic Psychology*, 51, 114-113. doi:10.1016/j.joep.2015.09.002
- Godwill, E.A. (2015). *Fundamentals of research methodology: A holistic guide for research completion, management, validation and ethics*. New York: Nova Publishers.
- Gudmunson, C.G., & Danes, S.M. (2011). Family financial socialisation: Theory and critical review. *Journal of Family and Economic Issues*, 32, 644-667. doi:10.1007/s10834-011-9275-y
- Hair, J.F. Jr., Black, W.C., Babin, B.J., & Anderson, R. E. (2014). *Multivariate data analysis* (7th ed.). Harlow: Pearson.
- Handranata, Y.W., Arief, M., Warganegara, D.L., & Hamsal, M. (2022). Does stock influencer on social media and financial well-being affect the stock market participation of the young generations during the Covid-19 pandemic? *Global Business & Finance Review*, 27(5), 115-128. doi:10.17549/gbfr.2022.27.5.115
- Hibbert, J., Beutler, I., & Todd, M. (2004). Financial prudence and next generation financial strain. *Journal of Financial Counselling and Planning*, 15(2), 51-59.
- Hikmah, H., Ratnawati, A.T., & Darmanto, S. (2023). The effect of entrepreneurial orientation and dynamic capability on business performance in creative industry: Mediating role of innovativeness product advantage. *Global Business & Finance Review*, 28(2), 17-33. doi:10.17549/gbfr.2023.28.2.17
- Homan, A.M. (2016). *The influence of parental financial teaching on saving and borrowing behaviour* (MSc thesis). University of Groningen, Groningen, Netherlands.
- Isa, M.Y.B.M., & Daukin, M. (2022). The influence of present health status (post Covid-19) on retirement planning in Malaysia. *Global Business & Finance Review*, 27(6), 81-88. doi:10.17549/gbfr.2022.27.6.81
- Isomidinova, G., & Singh, J.S.K. (2017). Determinants of financial literacy: a quantitative study among students in Tashkent, Uzbekistan. *Electronic Journal of Business & Management*, 2(1), 61-75.
- Jorgensen, B.L. (2007). *Financial literacy: parental and peer influences* (MSc thesis). Virginia Polytechnic Institute and State University, Virginia, USA.
- Kim, J., & Chatterjee, S. (2013). Childhood financial socialisation and young adults. *Journal of Financial Counselling and Planning*, 24(1), 61-79.
- Kim, J., Chatterjee, S., & Kim, J.E. (2012). Debt burden of young adults in the United States. *Journal of Financial Counselling and Planning*, 23(2), 55-67.
- Kim, J., LaTaillade, J., & Kim, H. (2011). Family processes and adolescents' financial behaviors. *Journal of Family and Economic Issues*, 32, 668-679. doi:10.1007/s10834-011-9270-3
- Kim, J.H., & Torquati, J. (2019). Financial socialisation of college students: Domain-general and domain-specific perspectives. *Journal of Family and Economic Issues*, 40(2), 226-236. doi:10.1007/s10834-018-9590-7
- Kimble, G.A. (2001). Behaviourism. In *International encyclopaedia of the social & behavioural sciences*. New York: Springer.
- Kolodziej, S., Lato, K., & Szymanska, M. (2014). The role of parental influences on the economic socialisation of children. *Problems of Education in the 21st Century*, 58, 99-107.
- Krejcie, R.V., & Morgan, D.W. (1970). Determining sample size for research activities. *Educational and Psychological Measurement*, 30(3), 607-610.
- LeBaron, A.B., Runyan, S.D., Jorgensen, B.L., Marks, L.I.X., & Hill, E.J. (2019). Practice makes perfect: Experiential learning as a method for financial socialisation. *Journal of Family Issues*, 40(4), 435-463. doi:10.1177/0192513X18812917
- Legenzova, R., Gaigaliene, A., & Lecke, G. (2019). Impact of parental financial socialisation factors of financial literacy of Lithuanian high school students. *Acta Prosperitatis*, 10, 41-60.
- Lim, T.S., & Qi, P.C. (2023). Investigating the antecedents of investment intention and the mediating effect of investment self-efficacy among young adults in Shandong, China. *Global Business & Finance Review*, 28(2), 1-16. doi:10.17549/gbfr.2023.28.2.1
- Louw, J.J. (2009). *Financial literacy competencies of third-year university students* (MCom thesis). North-West University, Potchefstroom, South Africa.
- Mohamed, N.A. (2017). Financial socialisation: A cornerstone for young employees' financial well-being. *Reports on Economics and Finance*, 3(1), 15-35. doi:10.12988/ref.2017.711
- Moschis, G.P., & Churchill, G.A. (1978). Consumer socialisation: A theoretical and empirical analysis. *Journal of Marketing Research*, 15(4), 599-609. doi:10.1177/00222437780150
- Nomlala, B. (2021). Financial socialisation of accounting students in South Africa. *International Journal of Finance & Banking Studies*, 10(2), 1-15. doi:10.20525/ijfbs.v10i2.1128
- Nomlala, B. (2019). *Financial capability, financial socialisation and professional skills of accounting students studying in KwaZulu-Natal universities* (PhD thesis). University

- of KwaZulu-Natal, Westville, South Africa.
- Norvilitis, J.M., & MacLean, M.G. (2010). The role of parents in college students' financial behaviours and attitudes. *Journal of Economic Psychology*, 31(1), 55-63. doi: 10.1016/j.joep.2009.10.003
- Otto, A.M.C. (2009). *The economic psychology of adolescent saving* (PhD thesis). University of Exeter, Exeter.
- Palaci, F., Jimenez, I., & Topa, G. (2017). Economic conditions among older adults: Parental socialisation predicts financial planning for retirement. *Frontiers in Aging Neuroscience*, 9(376), 1-10. doi:10.3389/fnagi.2017.00376
- Pavlov, I.P. (1927). *Conditioned reflexes: an investigation of the physiological activity of the cerebral cortex*. London: Oxford Press.
- Putri, D.N., & Wijaya, C. (2020). Analysis of parental influence, peer influence and media influence towards financial literacy at University of Indonesia students. *International Journal of Humanities and Social Science*, 7(2), 66-73.
- Rea, J.K., Danes, S.M., Serido, J., Borden, L.M., & Shim, S. (2019). Being able to support yourself: Young adults' meaning of financial well-being through family financial socialisation. *Journal of Family and Economic Issues*, 40(2), 250-268. doi:10.1007/s10834-018-9602-7
- Sallie, N. (2015). *The impact of socialisation factors on financial literacy and financial security amongst employees in the financial services industry* (MBA thesis). University of Pretoria, Pretoria, South Africa.
- Saunders, M.N.K., Lewis, P., & Thornhill, A. (2016). *Research methods for business students* (7th ed.). Harlow: Pearson.
- Shambare, R., & Rugimbana, R. (2012). Financial literacy among the educated: An exploratory study of selected university students in South Africa. *Thunderbird International Business Review*, 54(4), 581-590. doi:10.1002/tie.21485
- Shim, S., Barber, B.L., Card, N.A., Xia, J.J., & Serido, J. (2010). Financial socialisation of first-year college students: The roles of parents, and education. *Journal of Youth and Adolescence*, 39(12), 1457-1470. doi:10.1007/s10964-009-9432-x
- Shim, S., Xiao, J.J., Barber, B.L., & Lyons, A. (2009). Pathways to life success: A conceptual model of financial well-being for young adults. *Journal of Applied Developmental Psychology*, 30(6), 707-723. doi:10.1016/j.appdev.2009.02.003
- Sirsch, U., Zupancic, M., Poredos, M., Levec, K., & Friedlmeier, M. (2020). Does parental financial socialisation for emerging adults' matter? The case of Austrian and Slovene first-year university students. *Emerging Adulthood*, 8(6), 509-520. doi:10.1177/2167696819882178
- Skinner, B.F. (1938). *The behaviour of organisms. An experimental analysis*. New York: Appleton Century Crofts.
- StatsSA. (2022). Quarterly labour force survey: Quarter 4, 2021. Retrieved 30 March, 2022, from <http://www.statssa.gov.za/publications/P0211/P02114thQuarter2021.pdf>
- Symanowitz, C.D. (2006). *The relationship between financial literacy, economic measures and delayed gratification in South African high school learners* (MBA thesis). University of Pretoria, Pretoria, South Africa.
- Utkarsh, T.A., Pandey, A., Ashta, A., Spiegelman, E., & Sutan, A. (2020). Catch them young: Impact of financial socialisation, financial literacy and attitude towards money on financial well-being of young adults. *International Journal of Consumer Studies*, 44(6), 531-541. doi:10.1111/ijcs.12583
- Van Campenhout, G. (2015). Revaluing the role of parents as financial socialisation agents in youth financial literacy programs. *The Journal of Consumer Affairs*, 49(1), 186-222. doi:10.1111/joca.12064
- VanderStoep, S.W., & Johnson, D. D. (2009). *Research methods for everyday life: Blending qualitative and quantitative approaches*. San Francisco: Wiley.
- Watson, J.B. (1928). *The psychological care of an infant child*. New York: Norton.
- Webley, P., & Nyhus, E.K. (2013). Economic socialization, saving and assets in European young adults. *Economics of Education Review*, 33, 19-30. <https://doi.org/10.1016/j.conedurev.2012.09.001>
- Webley, P., & Nyhus, E.K. (2006). Parents' influence on children's future orientation and saving. *Journal of Economic and Psychology*, 27(1), 140-164. doi:10.1016/j.joep.2005.06.016
- Williams, B., Brown, T., & Onsmann, A. (2010). Exploratory factor analysis: A five-step guide for novices. *Journal of Emergency Primary Health Care*, 8(3), 1-12. doi:10.33151/ajp.8.3.93
- Yamane, T. (1967). *Statistics: an introductory analysis*, 2nd edition. New York: Harper and Row.
- Zhao, H., & Zhang, L. (2020). Talking money at home: The value of family financial socialisation. *International Journal of Bank Marketing*, 38(7), 1617-1634. doi:10.1108/IJBM-04-2020-0174
- Zhu, A.Y.F. (2018). Parental socialisation and financial capability among Chinese adolescents in Hong Kong. *Journal of Family and Economic Issues*, 39, 566-576. doi:10.1007/s10834-018-9584-5