Business & Social Science
IJRBS

Research in Business & Social Science

IJRBS VOL 11 NO 10 (2022) ISSN: 2147-4478

Available online at www.ssbfnet.com
Journal homepage: https://www.ssbfnet.com/ojs/index.php/ijrbs

The impact of parental financial socialisation on financial attitude of young black African adults in rural and low-income area in South Africa

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ARTICLEINFO

Article history:

Received 19 October 2022
Received in rev. form 23 Nov. 2022
Accepted 19 December 2022

Keywords:

Young black African adults, Financial attitude, Financial socialisation

JEL Classification:
D14, G51, G53

ABSTRACT

This study investigated the impact of parental financial socialisation on financial attitude of young black African adults in rural and low-income area in South Africa through quantitative research approach, survey design and self-administered questionnaire. Data was collected from young black African adults in Fetakgomo Tubatse and Intsika Yethu local municipalities, low-income and rural areas in South Africa. Multiple regression analysis was used to test the relationship between parental financial behaviour, parental financial monitoring, parental financial discussion, parental financial communication, and parental financial teaching with financial attitude. The results showed that parental financial communication and parental financial teaching had a significant positive relationship with financial attitude. While parental financial behaviour, parental financial monitoring and parental financial discussion had no significant positive relationship with financial attitude. Therefore, the overall results indicated that parental financial socialisation has no impact on financial attitude of young black African adults in rural and low-income area in South Africa. This study provided recommendations to parents, young black African adults, financial educators, financial services institutions, financial counsellors and the government.

Introduction

Black South Africans are less financially literate than coloureds, Indians and Whites. Additionally, black African consumers in rural and low-income area and are more likely to be exploited by informal lenders commonly referred to a loan sharks or mashonisa due to minimal access to financial products and credit facilities from financial institution (FinMark Trust, 2019). Thus, young black African adults in low-income and rural areas are financial vulnerable due to increasingly high debt levels, lack of financial attitude and poor financial behaviour (Opoku, 2015). Black Africans are struggling to keep up with their respective earnings and are living beyond their means with little left to save and are more vulnerable to financial shocks (Struwig, Roberts & Gordon, 2013). Black African consumers have negative financial attitude regarding issues such as bad debts and are more likely to experience financial problems than other racial groups (Antoni, 2014). Holding a negative financial attitude leads to bad financial outcomes and affects their behaviour to achieve better financial outcomes and to enhance financial knowledge. Moreover, negative financial attitude will weaken young black African adults financial decision-making power (Shim, Barber, Card, Xia & Serido, 2010). Financial attitude frames financial literacy among young adults and can have important implications in financial literacy. Young adults with good financial attitude, will have good financial literacy as well. While those who have a lack of financial attitude, will have an impact on low financial literacy (Ameliawati & Setiyani, 2018). Thus, financial attitude affect their level of financial literacy. Financial attitude is important in demonstrating desirable financial behaviour which leads to effective management of personal finances. Therefore, in order to enhance desirable financial behaviour, financial literacy and proper money management among young adults, the focus

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https://doi.org/10.20525/ijrbs.v11i10.2202

should be on developing favourable financial attitude among young adults (Rai, Dua & Yadav, 2019). Parental financial socialisation can play a critical role in developing positive financial attitude of young black African adults in rural and low-income area. However, despite the importance of parental financial socialisation in enhancing financial attitude, studies in parental financial socialisation remained very scanty.

Parents play an important role in children upbringing and are able to influence children's behaviour (Clarke, Heaton, Israelsen, & Eggett, 2005), but little is known about their influence on financial attitude of black young adults in rural and low-income area. Therefore, this study is of international and national importance as it intends to fill a gap in literature which has been ignored for a very long time as there seems to be no study that investigated the influence of parental financial socialisation on financial attitude of young black African adults in rural and low-income area in South Africa. The only few notable studies were conducted by Nomlala (2021), Antoni and Saayman (2021), Antoni, Rootman and Struwig (2019), Antoni (2018) and Sallie (2015). Nomlala (2021) investigated financial socialisation of accounting students in South African universities. Antoni and Saayman (2021) determined the influence of financial socialisation mechanisms on the levels of financial literacy of young financial professionals. Antoni et al., (2019) examined the influence of parental financial socialisation techniques on financial behaviour of students.

The current study contributed to the body of knowledge differently to these studies because it focused on parental financial socialisation of young black African adults in rural and low-income area. While these studies focused on general financial socialisation of accounting students, young financial professionals and general students. This unintentionally left out young adults who are not employed nor in schools and universities. Moreover, these studies focus was not on parental financial socialisation but general financial socialisation, which included socialisation agents such as media, peers and friends, and schools. This confirms the researcher view, after comprehensive review of literature that parental financial socialisation studies in rural and low-income areas are scant.

The current study focused on rural and low-income area in South Africa to investigate the influence of parental influence on financial attitude of young black African adults. The remainder of this article is structured as follows: Sections 2 provides literature review. Section 3 explores conceptual model and hypotheses of the study. Section 4 covers methods used to conduct the study. Section 5 presents empirical results of the study. Section 6 provides conclusion and recommendations.

Literature Review

Financial attitude is deemed as an important element of financial literacy and effective money management. Financial attitude refers to one's beliefs and values related to various personal finance concepts, such as whether one believes it is important to save money. Atkinson and Messy (2012) assert that financial attitude refers to individuals' opinions or thoughts about their financial behaviour. According to Shockey (2002) financial attitude are defined as a combination of concepts, information, and emotions about learning, which results in a readiness to react favorably. Additionally, financial attitude is established through economic and non-economic beliefs held by a decision maker on the outcome of a certain behaviour, and they are, therefore a key factor in the personal decision-making process (Ajzen, 1991). The journey and process to be financial literate is long and somehow complex, which requires a combination of financial knowledge, skills and attitude. Financial knowledge and skills are not enough, young adult's attitude is very important because they must demonstrate willingness to apply knowledge and skills to discharge their financial obligations (Financial Services Authority (FSA), 2005). Thus, even in the case of people with sufficient knowledge and skill to behave in a certain way, their attitude will influence the decision on whether to act. Accordingly, Robb and Woodyard (2011) found that consumers who were more confident in their own financial knowledge engaged in more favorable behaviours. Thus, financial attitude is important in demonstrating desirable financial behaviour which leads effective management of personal finances. Financial attitude influences financial management behaviour (Ameliawati & Setiyani, 2018). Young adults may either display positive or negative attitudes towards their current financial situation, money, and credit. Studies found that being positive about the current status of finances is linked with better financial outcomes because individuals would put more effort to remedy the situation and act positively towards money. Holding a negative attitude towards finances is associated with poor money management behaviour (Robb & Woodyard, 2011). Thus, young adults must demonstrate positive financial attitude in order to act positively towards their finances to become financially stable adults and avoid making poor financial choices. Parental financial socialisation is impactful to children's development of financial attitude (Serido & Deenanath, 2016). Studies have found that parents are the primary source of financial learning (Shim et al., 2010; Grohman, Kouwenberg & Menkhoff, 2015). This study measures parental financial socialisation influence on financial attitude through parental financial behaviour, parental financial monitoring, parental financial discussion, parental financial communication, and parental financial teaching.

Parental financial behaviour is an important component of parental financial socialisation that can improve financial attitude of young black African adults. This occurs when children view their parents as role models and do what their parents did when they grow up. Thus, when parents demonstrate positive financial attitude, they model the financial norms and attitudes that form the foundation for their children's financial values and attitudes (Bucciol & Veronesi, 2014). Observation of parents' financial behaviours is influential in developing positive financial attitude in children that sustain into the future (Garrison & Gutter, 2010). Setting a good example and being a positive role model, parents can influence their children's monetary habits and financial attitude whilst they are at an impressionable age (LeBaron et al., 2019). LeBaron, Hill, Rosa and Marks (2018) found that emerging adults learned financial attitude from their parents. Thus, they learned by parents being good examples or as point of good reference.

The importance of parental monitoring is visibly in the development of sensible financial attitude. Norvilitis and MacLean (2010) for example in reference to over-indebtedness found that parental monitoring of children's financial attitude is associated with improved financial attitude to deal with debt which ultimately led to lower level of debt. Moreover, they also found that the ability to delay gratification, and as a result keep impulsive credit card purchases under control, were attitudes that led to the lower credit card debt. Thus, financial attitude were shaped by parental financial monitoring.

Research has found that parent-child financial discussion during childhood and adolescence positively predicts healthy financial behaviour and improves financial attitude (Jorgensen, Rappleyea, Schweichler, Fang & Moran, 2017). Further, it seems that financial discussion with parents continues to be important in young adulthood. The impact of parent-child financial discussion on children's financial attitude extends into adulthood (Webley & Nyhus, 2006). Financial discussions can shape spending behaviours and financial attitude by providing parents with an opportunity to engage in direct discussions about purchasing decisions, money, credit and related topics (Agnew, 2018).

Quality parent-child communication about finances during young adulthood predicts not only young adult's positive financial behaviours but also their financial attitude (Serido, Shim, Mishra & Tang, 2010). Parental financial communications are tools for educating children about financial issues such as saving, budgeting, investing, consumer skills, avoiding financial problems and building positive financial attitude and strong foundational financial well-being (Kim & Torquati, 2019). Parental financial communication involves speaking to children about finances without necessarily requiring their inputs which later influence and enhance their financial attitude.

Webley and Nyhus (2013) show that parental financial teaching, such as encouraging children to save and teaching budgeting has a positive effect on future orientation and savings rates of young adults and improves financial attitude. Young people spend a considerable amount of time with their parents, direct parental financial teaching could occur in a very natural way, particularly when adolescents participate in financial affairs by obtaining and handling financial resources within the family environment (Gudmunson & Danes, 2011). Moreover, parents can share their own knowledge, financial choices, financial norms and financial attitude with their adolescents while teaching them which leads to children learning positive financial attitude which influence their money management skills, financial behaviour and financial knowledge.

Conceptual Model and Hypotheses of the Study

To develop hypotheses, conceptual model and to better understand how parents influence young black African adults' financial attitude, this study adopts Bandura's (1977) social learning theory. This theory posits that learning is a process which takes place in a social context, and therefore, can also occur without direct reinforcement. Furthermore, it indicates the fact that learning also occurs through observation, besides from learning by means direct instruction. Thus, in addition to explicit learning implicit learning may occur. Figure 1 indicates the conceptual model and five hypotheses of the study.

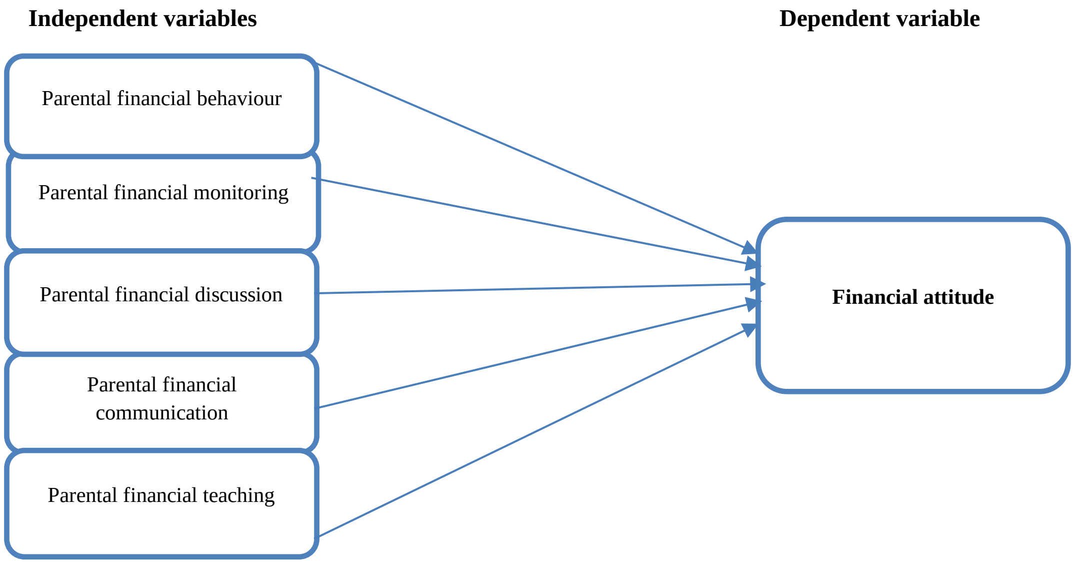

Figure 1: Conceptual model of the study, *Source***:** Authors

As depicted in figure 1 the following hypotheses were developed:

H1: There is a significant positive relationship between parental financial behaviour and financial attitude.
H2: There is a significant positive relationship between parental financial monitoring and financial attitude.
H3: There is a significant positive relationship between parental financial discussion and financial attitude.
H4: There is a significant positive relationship between parental financial communication and financial attitude.
H5: There is a significant positive relationship between parental financial teaching and financial attitude.

Research and Methodology

This study adopted quantitative research approach, as it examines relationship between variables, which are measured numerically and analysed using a range of statically and graphical techniques (Saunders, Lewis & Thornhill, 2016). This study uses survey research design where self-administered questionnaire is used to collect data at respondent's homes. The population for this study is 153 694 young black African adults between the age of 18 and 35 in Fetakgomo Tubatse and Intsika yethu local municipality in Limpopo and Eastern Cape province, a rural and low-income area in South Africa. Young black African adults in rural and low-income area in South Africa are financial vulnerable and facing financial challenges. The sample size calculated through Yamane (1967) formula size is 500.

This study used cluster sampling, random sampling, proportionate stratified sampling and systematic sampling because they afforded all young black African adults in Fetakgomo Tubatse and Intsika Yethu municipalies an equal chance to be included in the sample (Babbie, 2013). Cluster sampling is used to divide and group each municipality into wards, villages, households where young black African adults are visited. Random sampling was used to sample wards from each municipality, where a ward number of each ward is written on a piece of paper, folded, placed in a box and picked one by one until a number of desired wards is reached. Proportionate stratified sampling is used to apportion sample size to each municipality and also to each selected ward based on the population proportion percentage. Simple random sampling is applied again to select villages and households in each ward as young black African adults are visited at their homes to collect data. Thereafter, a systematic sampling method is used, where households are selected per interval. As the first household was selected randomly, a systematical procedure is followed as per the determined interval (Godwill, 2015). A total of 423 young black African adults completed the questionnaire.

This study measured validity and reliability through construct validity and Cronbach alpha. Construct validity was assessed through EFA by conducting a Kaiser-Meyer-Olkin (KMO) and Bartlett's test of sphericity. The acceptable value of KMO which is suitable and adequate for EFA is 0.50 and above. While Bartlett's test of sphericity is significant for EFA if the significance value is ($p < 0.05$). Factors loadings of ±.30 to ±.40 are minimally acceptable, values greater than ±.50 are generally considered necessary for practical significance (Hair, Black, Babin & Anderson, 2014). This study retained a minimum factor loading of .30 for interpretation. Cronbach alpha was used to measure reliability, as is the most widely used reliability measure of internal consistency (VanderStoep & Johnson, 2009). Cronbach alpha with a score of 0.60 and more were accepted and considered to be reliable (Cohen, Manion & Morrison, 2018). Data was analysed further through descriptive statistics and multiple regression. Descriptive statistics described and summarised data by calculating means and standard deviations. Multiple regression was used to test the relationship between parental financial socialisation variables and financial attitude.

Analysis and Findings

Descriptive statistics showed that majority of the respondents were from Fetakgomo Tubatse municipality (60%). Majority of the respondents were female (66.7%) between the ages of 18 to 20 years (28.2%), followed by 31 to 35 years (26.5%), then 26 to 30 years (23.1%) and lastly 21 to 25 years (22.2%). Most respondents were single (28.8%) while a high number were living with their partners (25.2%). Most respondent's parents earn less than R 5 000 (32.2%) and between R 5 000 and R 10 000 (27.8%), while minority earning more than R 20 000 (5.5%). For education, most respondents indicated that their parents hold a matric (28.0%). As for occupation most respondents' parents were general workers (12.5%) and self-employed (12.3%). However, there is a high number of parents who are unemployed (11.0%).

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: 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
`Financial attitude	0.845	1234.302	86	0.000

Source: SPSS

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.

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: Validity, reliability and descriptive statistics results

Factors		EFA factor loadings		CA	Descriptive statistics	
Independent 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
Financial attitude	9	0.880	0.405	0.903	3.11	1.09

Source: SPSS

Table 2 indicated that six 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 0.405 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), financial attitude (3.11), 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 discussions had the highest standard deviation of 1.38 indicating that the responses varied mostly with regard to this factor's statements.

The multiple regression analysis was used in this study. Multiple regression analysis is used when more than one independent variable influences a single dependent variable (Pallant, 2016). Therefore, for this study multiple regression analysis is used to test the relationship between parental financial socialisation variables (independent variables) such as parental financial behaviour, parental financial monitoring, parental financial discussion, parental financial communication, and parental financial teaching and financial attitude (dependent variable). Table 3 shows the multiple regression analysis.

Table 3: Multiple regression analysis for parental financial socialisation and financial attitude

Dependent variable: Financial attitude					
Independent variable	**Standardised Coefficient Beta (β)**	**t**	**Sig.**	**Collinearity Statistics Tolerance**	**VIF**
Parental financial behaviour	0.023	0.457	0.648	0.413	2.418
Parental financial Monitoring	0.077	1.736	0.083	0.536	1.867
Parental financial discussion	0.012	0.244	0.807	0.402	2.486
Parental financial communication	0.113	2.290	0.022	0.430	2.323
Parental financial teaching	0.173	2.963	0.003	0.306	3.263
R^2=0.523					
F=35.543; Sig. 0.000					

Source: SPSS

Table 3 showed that the R^2- value =0.523, which explains the variance of the model contribution of 52%. The significance of the R^2 value is tested through the F-ratio value which is equal to 35.543 which is significant, with a p-value equal to 0.000. The result of the variance inflation factor (VIF) analysis indicates that the VIF values for all variables do not exceed the threshold of a generally accepted value of 10 (Pallant, 2016). This indicated that no multicollinearity issues exist with the variables. The results indicated that parental financial communication (β= 0.113; p= 0.022) and parental financial teaching (β= 0.173; p= 0.003) had a significant positive relationship with financial attitude. The results further indicated that parental financial behaviour (β= 0.023; p= 0.648), parental financial monitoring (β= 0.077; p= 0.083), and parental financial discussion (β= 0.012; p= 0.807) had no significant relationship with financial attitude. This meant that young black African adults who received parental financial communication and parental financial teaching in childhood are more likely to demonstrate good financial attitude in adulthood.

Considering the results of the multiple regression the decision to accept or reject hypothesis is indicated in table 4. Therefore, hypotheses H4 and H5 are accepted, while H1, H2 and H3 are rejected.

Table 4: Hypotheses decision

Hypotheses	**Decision**
H1: There is a significant positive relationship between parental financial behaviour and financial attitude.	**Reject**
H2: There is a significant positive relationship between parental financial monitoring and financial attitude.	**Reject**
H3: There is a significant positive relationship between parental financial discussion and financial attitude.	**Reject**
H4: There is a significant positive relationship between parental financial communication and financial attitude.	**Accept**
H5: There is a significant positive relationship between parental financial teaching and financial attitude.	**Accept**

Source: Authors

This study produced mixed results in parental financial socialisation field, on one hand in support and on the other hand contradicting the previous empirical studies. The results of this study contradicted the results of previous studies in parental financial behaviour and financial attitude by indicating that there is no significant positive relationship between parental financial behaviour and financial attitude. The results differ with previous studies (Garrison & Gutter, 2010; Bucciol & Veronesi, 2014; LeBaron et al., 2018; LeBaron et al., 2019). Garrison and Gutter (2010) found that observation of parents' financial behaviour is influential in developing positive financial attitude in children. Bucciol and Veronesi (2014) found that when parents who demonstrate sound financial behaviour model the financial norms and attitudes that form the foundation of children's financial values and attitudes. LeBaron et al., (2018) indicated that emerging adults learned financial attitude through observing good financial behaviour from their parents. LeBaron et al., (2019) showed that by setting a good financial example and being a positive financial role model, parents influence their children's financial attitude. The results of this study further contradicted the previous studies (Norvilitis & MacLean, 2010) in parental financial monitoring and financial attitude by showing that there is no positive relationship between parental financial monitoring and financial attitude. Norvilitis and MacLean (2010) found that children's financial attitude were shaped by parental financial monitoring. This study's results are inconsistent with those of previous studies (Jorgensen et al., 2017; Agnew, 2018) in parental financial discussion and financial attitude by showing that there is no positive relationship between parental financial discussion and financial attitude. Jorgensen et al., (2017) indicated parent-child financial discussion during childhood and adolescence positively shapes financial attitude of young adults. Agnew (2018) found that parental financial discussion shapes spending behaviour and financial attitude because it provides parents with an opportunity to directly discuss about purchasing decisions, money, credit and related topics with their children. The results of this study support those of the previous studies (Serido et al., 2010; Kim & Torquati, 2019) in parental financial communication and financial attitude by indicating that there is a positive relationship between parental financial communication and financial attitude. Serido et al., (2010) found that quality parent-child communication about finances during young adulthood predicts not only young adult's positive financial behaviour but also their financial attitude. Kim and Torquati (2019) showed that parental financial communication is a tool for educating children about financial issues and building positive financial attitude. Similarly, the results of this study support those of the previous studies (Webley & Nyhus, 2013) in parental financial teaching and financial attitude by showing that there is a positive relationship between parental financial teaching and financial attitude. Webley and Nyhus (2013) show that parental financial teaching, such as encouraging children to save and teaching budgeting has a positive effect on future orientation and savings rates of young adults and improves financial attitude.

Conclusions

This study through multiple regression analysis investigated the impact of parental financial socialisation on financial attitude of young black African adults in rural and low-income area in South Africa. Parental financial socialisation was measured through parental financial behaviour, parental financial monitoring, parental financial discussion, parental financial communication and parental financial teaching. The multiple regression analysis results showed that parental financial communication and parental financial teaching had a significant positive relationship with financial attitude. While parental financial behaviour, parental financial monitoring and parental financial discussion had no significant positive relationship with financial attitude. Thus, hypotheses H4 and H5 were accepted, while hypotheses H1, H2 and H3 were rejected. Therefore, because two hypotheses were accepted while three were rejected, it is concluded that parental financial socialisation has no impact on financial attitude of young black African adults in rural and low-income area in South Africa. This study produced mixed results, in support and refuting previous empirical studies. This showed that the field of parental financial socialisation still need more studies to understand the impact it has on financial attitude. Young black African adult's financial attitude is crucial to improve financial literacy and ensure effective financial management behaviour and healthy financial well-being. Parents have an important role to play to ensure that young black African adults demonstrate positive financial attitude so that they manage their finances effectively throughout adulthood. Thus, this study recommends that parents must play an active role in modelling, monitoring, discussing, communicating and teaching their children about finances to ensure that they improve their financial attitude. This should be done from an early age to ensure that children learn and adopt positive financial attitude to be responsible financially throughout young adulthood until adulthood to avoid financial problems later in life and during retirement. Financial educators, financial service professionals and policy makers should be interested in the findings of this study. Financial educators should rigorously plan, design, implement financial education programmes for young black African adults in rural and low-income areas to ensure that they are able to provide the most positive impact possible on financial attitude. Financial education programmes should also be tailored to teach parents about financial attitude so that they are able to teach their children sound and positive financial attitude and be a good financial role model to their children. Similarly, financial educators, financial practitioners and government should design financial programs targeted to parents with less than matric and tertiary education levels to enhance their financial attitude to improve the financial attitude and financial well-being of young adults. Financial counsellors and planners should serve as mediators and facilitators of difficult financial conversations between parents and their children which are aimed at enhancing financial attitude. Furthermore, financial counsellors and planners should encourage young black African adults to create long-term plans to address financial attitude and accomplish financial goals and build up their financial capability for long-term financial success. Policy makers should create programmes and interventions that encourage parents to initiate a dialogue with children on financial attitude. These discussions can promote financial attitude.

This study contributed to the body of knowledge of parental financial socialisation and financial attitude by showing that parental financial socialisation has no impact on financial attitude of young black African adults in rural and low-income area in South Africa. However, this study suffers from some limitations because it relied on young black African adults relaying their upbringing and what their parents taught them. It is recommended that future studies also include parents and ask them financial socialisation questions, rather than only relying on young adults to recall their childhood financial socialisation.

Acknowledgement

All authors have read and agreed to the published version of the manuscript.
Author Contributions: Conceptualization, methodology, validation, formal analysis, investigation, resources, writing—original draft preparation, writing—review and editing by all authors. This article has been extracted from the thesis of the corresponding author.
Funding: This research was not funded.
Informed Consent Statement: Informed consent was obtained from all subjects involved in the study.
Data Availability Statement: The data presented in this study are available on request from the corresponding author. The data are not publicly available due to restrictions.
Conflicts of Interest: The authors declare no conflict of interest.

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