Exploring the moderating role of parental income on the link between parental financial communication and financial literacy of young adults

Adam Ndou

Abstract

The moderating effect of parental income on parental financial communication and financial literacy is increasingly becoming important. The objective of this study was to determine whether the relationship between parental financial communication of young 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. 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. The results showed that parental income moderated the relationship between parental financial communication and financial knowledge, financial behaviour, financial attitude, and financial decision-making. Therefore, the overall results indicated that the relationship between parental financial communication and financial literacy is moderated by parental income. This study is amongst the first to investigate whether the relationship between parental financial communication and financial literacy is moderated by parental income. This study concluded by providing recommendations and suggestions for future research.

Keywords: Parents, Financial communication, Parental income, Financial literacy.

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Introduction

Parental income is now becoming increasingly important in parental financial communication and financial literacy. Parental income is one of those sociodemographic factors found in the social space in which the child operates and is important in financial socialisation (Serido et al., 2010; Jorgensen and Rappleyea, 2009; Shim, Xiao, Barber, & Lyons, 2009; Serido et al., 2010; Jorgensen, Rappleyea, Schweichler, Fang, & Moran, 2017). Shim et al. (2010) found that young adults whose parents invested time talking to children about money and teaching them how to perform financial tasks (e.g., how to use a credit card, smart shopping) were more skilled in performing these tasks. However, what is missing in literature is evidence if parental income can moderate the relationship between parental financial communication and financial literacy of young adults.

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 communication 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 communication 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

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Introduction

Parental income is increasingly becoming important in parental financial communication and financial literacy. Parental income is one of those sociodemographic factors 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 communication and can hinder or promote financial communication between parents and their children (Alshebami & Aldhyani, 2022). There is also evidence that parental financial communication positively influenced financial literacy through proper cash and general money management of young adults (Shim et al., 2010). Shim et al. (2010) found that young adults whose parents invested time talking to children about money and teaching them how to perform financial tasks (e.g., how to use a credit card, smart shopping) were more skilled in performing these tasks. However, what is missing in literature is evidence if parental income can moderate the relationship between parental financial communication 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 communication 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 communication 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 parental financial communication is improved to ensure high level of financial literacy among young adults.

The level of financial literacy of young adults is important as it aid in proper management of finances. 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). Financial socialisation may bridge this gap and empower young adults to be financially responsible in adulthood. Sabri, MacDonald, Masud, Paim, Hira, and Othman (2008) found a lack of financial socialisation to be the most important predictor of financial problems.

According to Isomidinova and Singh (2017), financial socialisation agents have a positive effect on young adults’ levels of financial literacy. Parents are considered the greatest financial socialisation agent and moulder of children’s financial behaviour (Kim & Chatterjee, 2013; Mohamed, 2017). The objective of this study is to determine the moderating effect of parental income on the relationship between parental financial communication and financial literacy.

Therefore, the following hypotheses were formulated:

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

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.

Literature Review

Conceptual and Theoretical Background

Consumer Socialisation Theory

Moschis and Churchill (1978) introduced a general conceptual model of consumer socialisation, derived from sociological and developmental theories of socialisation, as a blueprint for discussing consumer socialisation variables. The variables are antecedents, such as social structural variables and age or life-cycle position, socialisation processes involving modelling, reinforcement, and social interaction, and learning properties, which are outcomes. The model guided research in consumer socialisation and was used to explain children’s acquisition and learning of consumer behaviour. Moschis and Churchill (1978) contended that consumer learning cannot be viewed as only a cognitive psychological process of adjustment to one’s environment; it is also a social process, because the various aspects of consumer behaviour may not be equally responsive to a given theoretical viewpoint. Additionally, behaviour is acquired and modified over the person’s life cycle, and not determined by a specific situation. Thus, children’s learning of consumer behaviour is a lifelong process, one that depends on the age or life cycle, gender, social class of the child, and the child’s relationship with the socialisation agents. The child acquires cognitions and behaviours from the agents through the process of modelling, through positive or negative reinforcement, i.e., rewards and punishments, and through social interaction.

Communication researchers also contributed to the development of theories on consumer socialisation. Moschis, Morore, and Smith (1984) and Moschis (1985) extended consumer socialisation theory by focusing on the role of family communications in socialisation. Their assertions are based mostly on the communication typology of McLeod and Chafee (1972), which emphasised and described the parent–child communication structures and patterns that are important in consumer socialisation. McLeod and Chafee (1972) asserted that families valuing a conversation orientation that is open to exchanges of ideas and feelings, or valuing conformity orientation, which focuses on adherence to parental authority, can determine parental socialisation outcomes. Moschis et al. (1984) focused on the communication processes in consumer socialisation to include modelling, reinforcement, and social interaction, which influence consumer learning in the transmission of consumer cognitions and behaviour from parent to child. Their contention is that, first, overt parent–child communication about consumption is associated with children obtaining relevant consumer knowledge. Second, modelling behaviour can be achieved through non-verbal communication, where children observe their parents’ consumer behaviours; thus, children’s perceptions of consumer-related norms are acquired through observational learning. Finally, positive reinforcement strongly relates to consumer activities, suggesting that such reinforcement may encourage children to perform positive activities. Recent studies in consumer socialisation (Buijzen & Valkenburg, 2008; Romo & Vangelisti, 2014) also postulate that parent–child financial communication influences children’s consumer behaviour, and that it often results in a product purchase in supermarkets and stores.
Consumer socialisation theory is supported by empirical evidence. Serido, Curran, Wilmarth, Ahn, Shim, and Ballard (2015) employed consumer socialisation theory to examine the influence of parents and romantic partners on college students’ financial attitude and behaviour. They concluded that parents’ and romantic partners’ financial behaviour positively predict students’ financial attitude, which, in turn, positively influences students’ financial behaviour. Similarly, Shim, Serido, Tang, and Card (2015) investigated socialisation processes and pathways to healthy financial development of emerging adults. They reported that emerging adults develop positive and healthy financial behaviours when their parents communicate financial matters directly with them.

Expected Utility Theory

Expected utility theory was developed by Von Neumann and Morgenstern (1944) and holds that market participants make their decisions under risk by comparing the expected utility values of the available options. It assumes that market participants choose between alternatives in a rational manner and select choices with the highest expected utility outcomes. It has been generally accepted as a normative model of rational choice and is widely applied as a descriptive model of economic behaviour and financial literacy. Thus, it is assumed that all reasonable people would wish to obey the axioms of the theory. The analysis of decision-making under risk is, to a large extent, dominated by the expected utility theory (Hens & Bachmann, 2008). In its most basic form, expected utility theory assumes that people would make the same choice in terms of riskiness, regardless of the situation or event. It identifies individuals as a set of well-defined preferences and treats an action as rational if it is the one most likely to satisfy these preferences. More specifically, it treats individuals as choosing under risk, where outcomes of actions have a determined probability, but do not obtain with certainty. This theory, sometimes referred to as rational choice theory, has been widely accepted as the basis for various standard economic and finance theories, and is increasingly used in other social and behavioural sciences. Despite criticisms, expected utility theory, without doubt, is the major paradigm in decision-making (Grune-Yanoff, 2007).

Financial Literacy

Financial literacy is a requisite for each person to keep away from money-related problems (Arianti, 2018). Financial literacy can assist employees in achieving valuable financial behavior and adapt to any encounters, particularly concerning financial problems (Ismail et al., 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. A high degree of financial literacy escort toward better financial decisions (Grohmann, 2018). People who are not financially literate are less likely to do financial planning and investing. This study measured financial literacy through financial knowledge, financial behaviour, financial attitude, and financial decision-making.

Financial knowledge is a significant factor in financial literacy (Pavkovic, Andelinovic & Misevic, 2018; Potrich, Viera & Kirch, 2015). People who don’t have adequate financial knowledge will encounter difficulties in managing their finances (Ahmad, Mawar & Ripain, 2016). The absence of financial knowledge and the inability to plan for the future may result in people taking out unnecessary debt (Calamato, 2010). 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). 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 (Supananantaroek, Lensink & Hansen, 2017).

Financial behaviour is conduct that is associated with financial implementations (Arianti, 2018). So, financial planning, preparation for the future, budgeting, investment, and saving are the indicators of financial behavior. Financial behavior can be desirable or undesirable and is displayed by individuals’ saving and spending behavior. Desirable financial behavior is often viewed as the cornerstone of financial well-being. Studies found that desirable financial behaviors are associated with positive financial outcomes. 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 attitude influences financial management behaviour (Ameliawati & Setiyani, 2018). 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 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). 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.
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 finances 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 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. 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 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).

Parental Financial Communication

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. Communication includes explaining the use of credit and the importance of saving. Thus, during communication, children are not expected to provide any inputs, but rather to take note, so that they know what is happening in the household finances. Parental financial communication is more likely to be employed by parents who follow an authoritarian parenting style, where children are mainly told what to do and where minimal discussions about family issues take place (Grusec & Davidov, 2007).

Financial communication also involves other factors, such as family processes, conversational environments, and even individuals’ characteristics (Allen, 2008). Jorgensen, Rappleyea, Schweichler, Fang, and Moran, (2017) found that financial communication plays a mediating role between emerging adults’ attachment to their parents and their financial behaviours. College students tend to have more sound credit card spending behaviour when their parents explained the use of credit cards to them. A lack of communication between parents and their children about financial matters was found to be associated with increased debt over time (Norvilitis & MacLean, 2010). 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).

Parents can transfer values, norms, and attitudes about money to children via communication even though they may not explicitly be speaking about those issues (Gudmunson & Danes, 2011). As teens matured to pursue college education, parental communication about money remained important in the parent–child relationship (Serido et al., 2010; Shim et al., 2009). Additionally, parental communication positively influenced the cash and general money management of college students (Jorgensen et al., 2017). Shim et al. (2010) found that college students whose parents invested time talking to children about money and teaching them how to perform financial tasks (e.g., how to use a credit card, smart shopping) were more skilled in performing these tasks while in college. Communication with children about money matters may also impact their saving and giving behaviors. In a study using national data, authors found that adolescents from ages 12 to 18 were more likely to save for the future and donate to charity based on the level of communication with parents (Kim et al., 2011). Communication with parents about money matters and confidence in money decisions are indicators of unintentional financial socialization through family interactions.

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 communication and financial literacy.
Conceptual Model and Hypotheses

This study adopted the consumer socialisation theory by Moschis and Churchill (1978) and expected utility theory by Von Neumann and Morgenstern (1944) to develop the conceptual model and hypotheses. Figure 1 indicates the conceptual model and four hypotheses of the study.

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Moderating Variable</th>
<th>Dependent variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parental Financial Communication</td>
<td>Parental Income</td>
<td>Financial Literacy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial knowledge</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial behaviour</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial attitude</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial decision-making</td>
</tr>
</tbody>
</table>

Figure 1: Conceptual model of the study, Source: Author

As depicted in figure 1 the following hypotheses were developed:

H1: The relationship between parental financial communication and financial knowledge is moderated by parental income.

H2: The relationship between parental financial communication and financial behaviour is moderated by parental income.

H3: The relationship between parental financial communication and financial attitude is moderated by parental income.

H4: The relationship between parental financial communication and financial decision-making is moderated by parental income.

Research and Methodology

This study used a quantitative research approach to investigate that the relationship between parental financial communication 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 adults in South Africa between the age of 18 and 35 because young adults in South Africa are financial vulnerable. The sample size for this study is 500 young 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 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 ±.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. Reliability was measured through Cronbach alpha and a score of 0.60 and more were accepted and considered to be 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 causal 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. 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).

**Analysis and Discussions**

**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>
<thead>
<tr>
<th>Factors Variables</th>
<th>Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO)</th>
<th>Bartlett’s Test of Sphericity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Chi-Square</td>
</tr>
<tr>
<td>Financial knowledge</td>
<td>0.823</td>
<td>756.656</td>
</tr>
<tr>
<td>Financial behaviour</td>
<td>0.764</td>
<td>4412.543</td>
</tr>
<tr>
<td>Financial attitude</td>
<td>0.674</td>
<td>429.867</td>
</tr>
<tr>
<td>Financial decision-making</td>
<td>0.978</td>
<td>2646.656</td>
</tr>
<tr>
<td>Parental financial communication</td>
<td>0.713</td>
<td>352.843</td>
</tr>
</tbody>
</table>

**Source:** SPSS

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>
<thead>
<tr>
<th>Factors Variables</th>
<th>EFA factor loadings</th>
<th>Descriptive statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Items</td>
<td>Highest</td>
</tr>
<tr>
<td>Financial knowledge</td>
<td>7</td>
<td>0.834</td>
</tr>
<tr>
<td>Financial behaviour</td>
<td>5</td>
<td>0.744</td>
</tr>
<tr>
<td>Financial attitude</td>
<td>6</td>
<td>0.913</td>
</tr>
<tr>
<td>Financial decision-making</td>
<td>8</td>
<td>0.836</td>
</tr>
<tr>
<td>Parental financial communication</td>
<td>7</td>
<td>0.863</td>
</tr>
</tbody>
</table>

**Source:** SPSS

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 communication (3.26) and disagreed with statements 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.
Moderated Regression Analysis

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

<table>
<thead>
<tr>
<th></th>
<th>Financial knowledge</th>
<th>Financial behaviour</th>
<th>Financial attitude</th>
<th>Financial decision-making</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parental financial communication</td>
<td>0.383*</td>
<td>0.523*</td>
<td>0.428*</td>
<td>0.275*</td>
</tr>
<tr>
<td>Parental income level</td>
<td>0.825*</td>
<td>-0.881*</td>
<td>0.911*</td>
<td>0.579*</td>
</tr>
<tr>
<td>Parental financial communication x Parental income level</td>
<td>-0.365*</td>
<td>-0.302*</td>
<td>-0.363*</td>
<td>0.269*</td>
</tr>
<tr>
<td>R</td>
<td>0.725*</td>
<td>0.763*</td>
<td>0.622*</td>
<td>0.470*</td>
</tr>
<tr>
<td>R^2</td>
<td>0.525*</td>
<td>0.582*</td>
<td>0.387*</td>
<td>0.221*</td>
</tr>
<tr>
<td>F</td>
<td>86.47*</td>
<td>79.62*</td>
<td>39.40*</td>
<td>17.33*</td>
</tr>
</tbody>
</table>

Source: SPSS  Notes: * significant at p ≤ 0.05; X indicates interaction

In terms of the main effects, Parental financial communication acted as a significant predictor of Financial knowledge ($\beta = 0.383; p \leq 0.05$), Financial behaviour ($\beta = 0.523; p \leq 0.05$), Financial attitude ($\beta = 0.428; p \leq 0.05$), and Financial decision-making ($\beta = 0.275; p \leq 0.05$). Parental income acted as a predictor of Financial knowledge, Financial behaviour, Financial attitude, and Financial decision-making. In terms of the interaction effects, Parental income significantly moderated the relationship of Parental financial communication with Financial knowledge ($\beta = -0.365; p \leq 0.05; R^2 = 0.525; F = 86.47$), Financial behaviour ($\beta = -0.302; p \leq 0.05; R^2 = 0.582; F = 79.62$), Financial attitude ($\beta = -0.363; p \leq 0.05; R^2 = 0.387; F = 39.40$), and Financial decision-making ($\beta = 0.269; p \leq 0.05; R^2 = 0.221; F = 17.33$). Furthermore, all the interaction effects had a small size.

Figures 2, 3, 4, and 5 indicate the interaction effects between Parental income, Parental financial communication, and Financial knowledge, Financial behaviour, Financial attitude, and Financial decision-making.

Figure 2: Interaction effects between Parental income, Parental financial communication, and Financial knowledge; Source: SPSS

Figure 3: Interaction effects between Parental income, Parental financial communication, and Financial behaviour; Source: SPSS
Figure 4: Interaction effects between Parental income, Parental financial communication, and Financial attitude; Source: SPSS

Figure 5: Interaction effects between Parental income, Parental financial communication, and Financial decision-making; Source: SPSS

As indicated in Figures 2, 3, 4, and 5, the relationship of Parental financial communication with Financial knowledge, Financial behaviour, 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 communication achieved significantly higher scores on Financial knowledge, Financial behaviour, Financial attitude, and Financial decision-making.

Based on the significant interaction effects, all the hypotheses tested were accepted. Table 4 indicates the hypotheses decisions.

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: The relationship between parental financial communication and financial knowledge is moderated by parental income.</td>
<td>Accept</td>
</tr>
<tr>
<td>H2: The relationship between parental financial communication and financial behaviour is moderated by parental income.</td>
<td>Accept</td>
</tr>
<tr>
<td>H3: The relationship between parental financial communication and financial attitude is moderated by parental income.</td>
<td>Accept</td>
</tr>
<tr>
<td>H4: The relationship between parental financial communication and financial decision-making is moderated by parental income.</td>
<td>Accept</td>
</tr>
</tbody>
</table>

Table 4: Hypotheses decision

Table 4 indicated that all four hypotheses (H1, H2, H3 and H4) were accepted because Parental income moderated the relationship of Parental financial communication with Financial knowledge, Financial behaviour, Financial attitude, and Financial decision-making. Therefore, because all four hypotheses were accepted, it shows that the relationship between parental financial communication 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 communication 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.

Conclusions

The objective of this study was to determine whether the relationship between parental financial communication of young 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 communication with financial knowledge, financial behaviour, financial attitude, and financial decision-making. Thus, all four hypotheses were accepted. Therefore, the overall results indicated that the relationship between parental financial communication and financial literacy is moderated by parental income. Thus, parental income is important in parental financial communication and financial literacy, and it must be understood better so that it does not hinder financial communication between parents and children. Improved financial literacy can break the cycle of intergenerational financial challenges. This could also lead to decreased financial stress, improved savings habits, and enhanced economic mobility among families across income levels. This study is amongst the first to investigate whether the relationship between parental financial communication 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. This study recommends that researchers must explore the effect of parental income on the relationship between parental financial communication and other components of financial socialisation such as financial discussions, financial monitoring, and parental financial behaviour with financial literacy. 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 communication which will in turn have an impact on financial literacy of young adults. Financial educators, financial practitioners, educational institutions, and Non-governmental organisations (NGOs) should rigorously plan, design, and implement financial education programmes such as family-oriented financial literacy workshops, joint seminars for young black African adults in rural and low-income areas, and include financial knowledge, financial behaviour, financial attitude, and financial decision-making in these programmes. Financial counsellors and planners should serve as mediators and facilitators of difficult financial conversations between parents and their children. Financial counsellors and planners should also encourage young black African adults to formulate long-term plans to address their own shortcomings in terms of financial knowledge and accomplish financial goals, to achieve financial well-being. Policy makers should create programmes and interventions that encourage parents to initiate a dialogue with their children on financial matters, such as the importance of saving, the family’s income, financial behaviours, and financial decision-making. It is also recommended that researchers explore the cultural, contextual, and geographical dimensions of the moderating effect of parental income on parental financial communication and financial literacy. Future research can focus on longitudinal studies to assess the sustained impact of targeted financial education initiatives on young adults’ financial behaviour and outcomes.

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