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Parental Financial Monitoring and Financial Literacy: The Moderating Effects of Parental Income

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Abstract: The moderating effect of parental income on parental financial monitoring and financial literacy is increasingly becoming important. This study determined whether the relationship between parental financial monitoring and financial literacy is moderated by parental income. Quantitative research approach was adopted. Self-administered questionnaire was used to collect data. Moderated regression analysis was used to analyse data. The results showed that *Parental income moderated the relationship of Parental financial monitoring with financial knowledge, financial behaviour, and financial attitude*. Furthermore, the results indicated that *parental income* did not moderate the relationship of *Parental financial monitoring and financial decision-making*. Therefore, the overall results indicated that the relationship between parental financial monitoring and financial literacy is moderated by parental income. This study is the first to investigate whether the relationship between parental financial monitoring and financial literacy is moderated by parental income. This study concluded by providing recommendations and suggestions for future research.

Keyword: Parents, Financial Monitoring, Parental Income, Financial Literacy.

INTRODUCTION

Parental income is increasingly becoming important in parental financial monitoring and financial literacy. Parental income is a socioeconomic factor found in social environment in which the child operates and is very important in parental financial socialisation (Gudmunson & Danes, 2011; Serido, LeBaron, Li, Parrot & Shim, 2020). Jorgensen and Salva (2010) found that parents with a higher income and educational attainment are the primary socialisation agents for college students. There is evidence that parental income has a role to play in parental financial monitoring and can hinder or promote parental financial monitoring (Alshebami & Aldhyani, 2022). There is also evidence that parental financial monitoring positively influenced financial literacy (Norvilitis & MacLean, 2010; Webley & Nyhus, 2013; Bakar & Bakar, 2020). However, there is also evidence that parental financial monitoring negatively influenced financial literacy (Ndou & Ngwenya, 2022). There is a persisting gap in literature of whether parental income can moderate the relationship between parental financial monitoring and financial literacy. There are scanty studies conducted in this area. This is uncharted territory in the field of financial socialisation. More must still be

learned and uncovered in this area. Ndou (2023) investigated the moderating effect of parental socioeconomic status on the relationship between parental financial teaching and financial literacy. There are other studies that investigated similar issues such as gender, educational background, self-control, saving behaviour, and social learning moderation effects on self-reported financial literacy, financial services usage and financial literacy (Siegfried & Wuttke, 2021; Alshebami & Aldhyani, 2022; Agabalinda & Isoh, 2020). However, these studies did not focus on parental income, parental financial monitoring, and financial literacy moderation effects. Therefore, the current study is among the first to investigate the moderating effect of parental income on the relationship between parental financial monitoring 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 monitoring is improved to ensure high level of financial literacy among young adults. Financial literacy is important and is about empowering individuals to take better and appropriate financial decisions to ensure that they manage their finances effectively (Arceo-Gomez & Villagomez, 2017). Young adults in South Africa are suffering from low levels of financial literacy and are struggling to manage their finances (BusinessTech, 2021). The objective of this study is to determine the moderating effect of parental income on the relationship between parental financial monitoring and financial literacy of young adults in South Africa.

Therefore, the following hypotheses were formulated:

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

METHOD

This study used a quantitative research approach to investigate that the relationship between parental financial monitoring 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

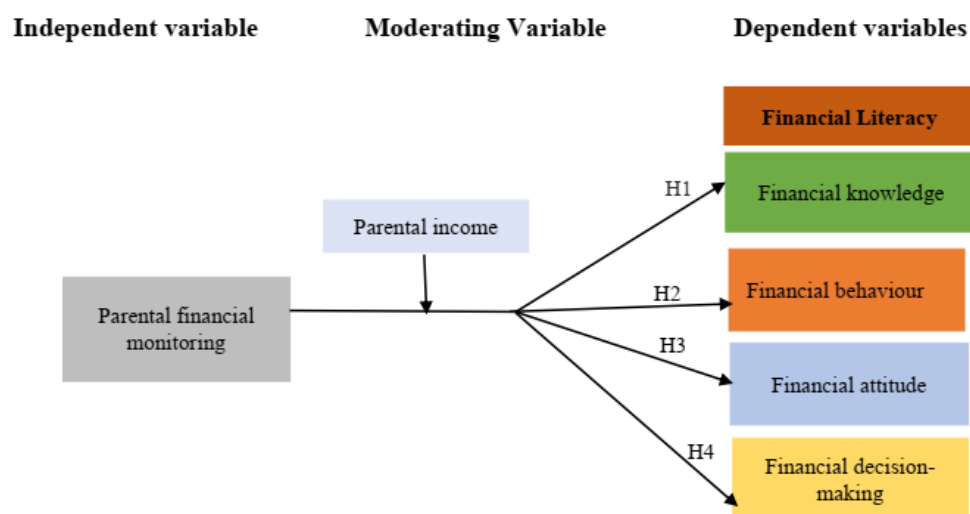
simple random sampling because it afforded all young adults in all provinces of South Africa an equal chance to be included in the sample (Babbie, 2013). South Africa has nine provinces, so a province name was written on a piece of paper, folded placed in a box and picked one by one and ordered the way 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 ± 0.30 to ± 0.40 are minimally acceptable, values greater than ± 0.50 are generally considered necessary for practical significance (Hair, Black, Babin, & Anderson, 2014). This study retained a minimum factor loading of .30 for interpretation. Reliability was measured through Cronbach alpha and a score of 0.60 and more were accepted and considered to be reliable (Cohen, Manion & Morrison, 2018).

Descriptive statistics and moderated regression analysis were used to analyse data for this study. Descriptive statistics describe and summarise the characteristics of the sample without making inferences or determining casual relationships. Descriptive statistics yield frequency distributions, percentages, central tendency, and measure of dispersion or variability (Verma, 2013). Moderated regression analysis is used to detect how variables moderates the nature of a relationship between variables. 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).

Conceptual Model and Hypotheses of the Study

This study adopted the sociocultural theory by Vygotsky (1956) and theory of planned behaviour by Ajzen (1991) to develop the research model. Figure 1 indicates the conceptual model and four hypotheses of the study.



Source: Author's own compilation

Figure 1. Conceptual model

As depicted in figure 1 the following hypotheses were developed:

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

RESULTS AND DISCUSSION

Results

Sociocultural Theory

Vygotsky (1956) introduced sociocultural theory as an extension of Piaget's (1952) theory of cognitive development. Vygotsky (1956) claimed that cognitive skills have their origins in social relations, and that they are embedded in a sociocultural backdrop. The emphasis is on the fact that a child's development and learning cannot be studied in isolation from environmental factors or external influences on the child's cognitions and social and cultural activities. The argument is that the social environment and the interaction with that social environment influence children's cognitive development. Thus, culture in the form of social interaction plays an important role in the cognitive development of individuals from an early age (Iqbal, 2015). Vygotsky (1956) further assumed that cognitive development varies across cultures, as cultures use different techniques as memory strategies. Vygotsky's (1956) argument is that learning is a collaborative process whereby meanings are constructed through the process of social interaction, questioning, discussion, and dialogue. Sociocultural theory has been validated regarding the role of culture in children's development. Children's levels of cognitive development not only determine what they will learn about consumption from socialisation agents, but also which socialisation processes will influence them. Thus, financial literacy of children is qualitatively changed between early childhood and adulthood, based on their responses to interactions with the financial environment, not only by their cognitive abilities (Iqbal, 2015). Rogoff (2003) asserts that cultural processes are of crucial importance in human development. Cognitive development not only involves skills and knowledge at an individual level but is also a collective and collaborative effort involving other people around an individual who are part of his/her immediate environment. According to Arnett and Maynard (2013), human beings are biologically and culturally destined to learn a language and other cultural tools, and to learn from each other. This view recognises the role of culture and adults in the intellectual development of children, particularly through mediation that provides perspective and paves the way to exploring the possibility of accelerating cognitive development of children and adolescents by a way of human behaviour (Adey & Shayer, 2014).

Theory of Planned Behaviour

Behavioural finance theory, which was borrowed from the field of psychology that seems to explain human behaviour, specifically financial behaviour, is the theory of planned behaviour (Xiao, 2016). The theory of planned behaviour was proposed by Ajzen (1991) as an extension of the theory of reasoned action, to which the component of perceived control to determine behaviour intention and behaviour was added. The theory of planned behaviour focuses on factors that determine individuals' actual behavioural choices. According to this theory, three factors influence behavioural intention, namely the positive or negative valence of attitudes about the target behaviour, subjective norms, and perceived behavioural control. In turn, behavioural intention influences actual behaviour. An attitude towards a behaviour is

recognised as a person's positive or negative evaluation of a relevant behaviour and is composed of a person's salient beliefs regarding the perceived outcomes of performing a behaviour (Ajzen, 1991). A subjective norm is a person's perception of whether significant referents approve or disapprove of a behaviour. To capture non-volitional aspects of behaviour, the theory of planned behaviour incorporates an additional variable, namely perceived behavioural control, which is not typically associated with traditional attitude-behaviour models (Xiao, 2016). Perceived behavioural control describes the perceived difficulty level of performing the behaviour, reflecting both past experience and anticipated barriers. The more favourable the attitude towards performing a behaviour is, the greater the perceived social approval is, and the easier the performance of the behaviour is perceived to be, the stronger the behavioural intention will be. In turn, the greater the behavioural intention is, the more likely it is that the behaviour will be performed. In addition, the perceived control may affect the behaviour directly (Ajzen, 1991).

The theory of planned behaviour has been supported in empirical studies (Xiao & Wu, 2008; Shim et al., 2009; Shim et al., 2010; Xiao, Tang, Serido & Shim, 2011; Serido et al., 2015). Xiao and Wu (2008) applied the theory of planned behaviour to examine factors associated with consumer behaviour in completing a debt management plan. They found that attitude towards the behaviour and perceived control affect the actual behaviour, but that subjective norms do not. Likewise, Shim et al. (2009) employed the theory of planned behaviour to determine the antecedents and consequences of financial well-being in young adulthood. They concluded that young adults' perceived behavioural control, along with attitudes and parental subjective norms, were broadly related to various aspects of financial well-being and financial behaviours. Shim et al. (2010) found that all three components of the theory of planned behaviour — financial attitude, perceived behavioural control, and subjective norms — were significantly related to financial behaviour. Xiao et al. (2011) employed the theory of planned behaviour to investigate young adults' risky credit card behaviour and the role of parents in the financial behaviour of young adults. Xiao et al. (2011) found that parental norms are an important factor that influences young adults' risky credit behaviours. They concluded that behavioural intention is the most important factor in preventing risky credit behaviours and the accumulation of credit card debt. Serido et al. (2015) applied the theory of planned behaviour to examine the influence of parents and romantic partners on college students' financial attitude and behaviour. They found that parents' and romantic partners' responsible financial attitude and financial behaviour have a positive, direct effect on college students' financial behaviour.

Financial Literacy

There is no consensus in literature on the definition and measurement of financial literacy. Studies have defined financial literacy differently (Huston, 2010; Remund, 2010; Arceo-Gomez & Villagomez, 2017). Other studies have defined financial literacy as the ability to read, analyse, manage, and communicate about the personal financial conditions that affect material financial well-being (Chen & Volpe, 2002; Meier & Sprenger, 2007; Mandell, 2008). A more comprehensive conceptual definition is that of the OECD, which defines financial literacy as a combination of the awareness, knowledge, skills, attitudes, and behaviours necessary to make good decisions about finances, in order to ultimately achieve financial security and participation in economic life (OECD, 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." This study measured financial literacy through financial knowledge, financial behaviour, financial attitude, and financial decision-making.

Financial knowledge is an important domain of financial literacy. Financial knowledge is an understanding of important personal financial concepts like budgeting and saving. . Individuals can retrieve, use, and update their financial knowledge to reason in order to make financial decisions (Wang, 2009). Knowledgeable individuals can process financial information regarding, for example, mutual funds effortlessly, as an initial categorisation is accessible with which to process the information (Ramalho & Forte, 2019). Mitchell and Lusardi (2015) found that one-third of wealth inequality can be explained by a financial knowledge gap. Furthermore, lower financial knowledge has been linked to a higher tendency to engage in risky financial practices amongst college students. It is thus clear that financial knowledge levels explain variations in financial practices (Robb & Woodyard, 2011). A lack of financial knowledge has been associated with behaviours that lead to financial mistakes such as over-borrowing, mortgages with a high interest rate, and limited saving and investment (Lusardi, 2008). 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 (Supanantarook , Lensink, & Hansen, 2017). According to Letkiewicz and Fox (2014), financial literacy is associated with asset accumulation, an increase in net worth, and saving.

Financial behaviour is a human behaviour that is related to money management (Xiao, 2008). Financial behaviour is the key antecedent in predicting financial well-being (Rahman et al. 2021). 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). Chavali, Mohan, and Ahmed (2021) found that financial behaviour has a significant impact on financial well-being. Individuals that worry about debt repayment and meeting financial emergencies are associated with lower levels of savings, undesirable financial behavior, and low financial well-being (Mayer et al. 2011).

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 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.

Financial decision-making is an important aspect of financial literacy and achieving financial well-being. 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 Monitoring

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). Parental financial monitoring can foster financial independence in children earlier than would have been the case without monitoring. This means that children are not entirely dependent on their parents to make financial decisions, but they know they should be responsible, because they are being monitored. 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 monitoring of children's use of money is a mechanism by which parents help children internalise and familiarise themselves with parents' rules and expectations about financial practices. Children learn to develop self-control and delayed gratification, which are important skills with regard to responsible spending, saving, and long-term financial planning (Kim et al., 2011). According to Kim and Chatterjee (2013), owning a bank account and parental monitoring of spending during childhood predict greater assets in emerging adulthood. Parental financial monitoring could influence children's habit formation, because habits are formed at a young age. Parents therefore have a high impact on children's habit formation (Batty, Collins & Odders-White, 2015).

Parental Income

Parental income is considered an important factor in financial socialisation. 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. Ekstrom, Tansuhaj and Foxman (1987) posited that parents enjoying a high income may lead to reciprocal financial socialisation, because these parents are more receptive to their children's opinions, and the children therefore have a greater influence on the family's financial decision-making. These children also have more opportunities for economic consumption (Ekstrom, et al., 1987). Furnham (1999) found that saving rates are higher amongst children with parents with a higher income. Arikan (1991) posited that parents with a high income may be inclined towards luxury consumption motivated by showing off to secure a higher status in the community. Such parents spend their surplus income instead of saving it. This behaviour is then observed by their children and may manifest in the same behaviours by the children (Arikan, 1991). 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.

Discussion

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. KMO and Bartlett's Test

Factors of Sampling Adequacy (KMO)	Kaiser-Meyer Measure	Bartlett's Test of Sphericity		
		Chi-Square	df	Sig.
Financial knowledge	0.823	756.656	9	0.000
Financial behaviour	0.764	4412.543	33	0.000
Financial attitude	0.674	429.867	16	0.000
Financial decision-making	0.978	2646.656	17	0.000
Parental financial monitoring	0.698	352.843	12	0.000

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 2. Validity, reliability, and descriptive statistics results

Factors Variables	EFA factor loadings			CA	Descriptive statistics	
	Items	Highest	Lowest	α	μ	SD
Financial knowledge	7	0.834	0.564	0.845	4.31	1.48
Financial behaviour	5	0.744	0.433	0.756	3.34	1.36
Financial attitude	6	0.913	0.615	0.834	3.65	1.44
Financial decision-making	8	0.836	0.667	0.978	2.86	1.26
Parental financial monitoring	7	0.832	0.466	0.846	3.48	1.31

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 monitoring (3.48) 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 reports the results of the moderated regression analyses of the effects of *Parental financial monitoring* and *Parental income* on the components of *Financial literacy*,

namely *Financial knowledge*, *Financial behaviour*, *Financial attitude*, and *Financial decision-making*.

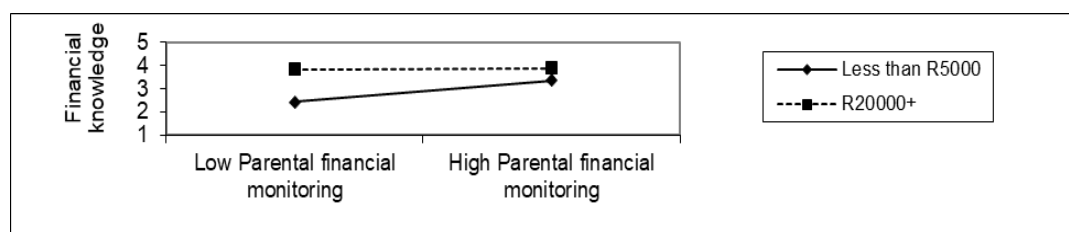
Table 3. Moderated regression analysis: Effects of Parental financial monitoring and Parental income on Financial knowledge, Financial behaviour, Financial attitude, and Financial decision-making

	Financial knowledge β	Financial behaviour β	Financial attitude β	Financial decision-making β
Parental financial monitoring	0.461*	0.440*	0.444*	0.088
Parental income level	0.972*	-0.440*	0.526*	0.841*
Parental financial monitoring x Parental income level	-0.444*	-0.352*	-0.246*	0.060
R	0.723*	0.737*	0.616*	0.419*
R^2	0.523*	0.542*	0.379*	0.176*
F	82.87*	73.84*	38.99*	14.26*

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

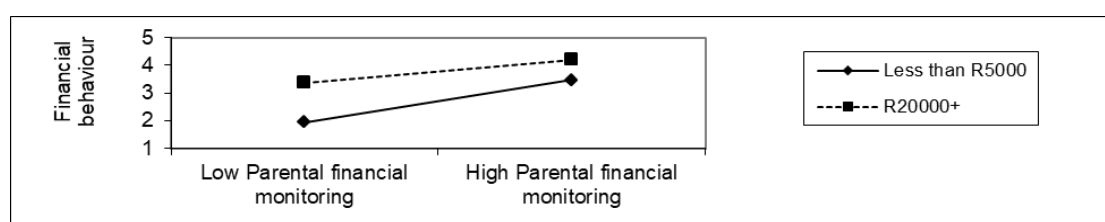
In terms of the main effects, *Parental financial monitoring* acted as a significant predictor of *Financial knowledge* ($\beta = 0.461$; $p \leq 0.05$), *Financial behaviour* ($\beta = 0.440$; $p \leq 0.05$), and *Financial attitude* ($\beta = 0.444$; $p \leq 0.05$). However, *Parental financial monitoring* did not act as a significant predictor of *Financial decision-making* ($\beta = 0.088$; $p > 0.05$), while *Parental income level* 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 monitoring* with *Financial knowledge* ($\beta = -0.444$; $p \leq 0.05$; $R^2 = 0.523$; $F = 82.87$), *Financial behaviour* ($\beta = -0.352$; $p \leq 0.05$; $R^2 = 0.542$; $F = 73.84$), and *Financial attitude* ($\beta = -0.256$; $p \leq 0.05$; $R^2 = 0.379$; $F = 38.99$). However, *Parental income* did not significantly moderate the relationship between *Parental financial monitoring* and *Financial decision-making* ($\beta = 0.060$; $p > 0.05$; $R^2 = 0.176$; $F = 14.26$). Furthermore, the interaction effects on *Financial knowledge*, *Financial behaviour*, and *Financial attitude* had a small size.

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



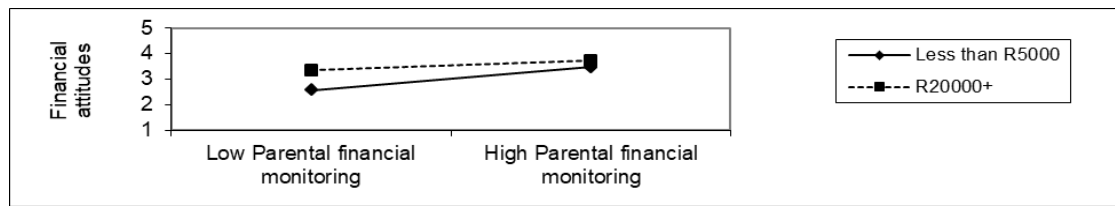
Source: SPSS

Figure 2. Interaction effects between Parental income, Parental financial monitoring, and Financial knowledge



Source: SPSS

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



Source: SPSS

Figure 4. Interaction effects between Parental income, Parental financial monitoring, and Financial attitude

As indicated in Figures 2, 3, and 4, the relationship between *Parental financial monitoring* and *Financial knowledge* and between *Financial behaviour* and *Financial attitude* 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 monitoring* achieved significantly higher scores on *Financial knowledge*, *Financial behaviour*, and *Financial attitude*.

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

Table 4. Hypotheses decision

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

Source: Author's own compilation

Table 4 indicated the decisions of hypothesis. One hypothesis (H4) was rejected, as *parental income* did not moderate the relationship between *parental financial monitoring* and *financial decision-making*. Three hypotheses (H1, H2, and H3) were accepted, as *Parental income* moderated the relationship of *parental financial monitoring* with *financial knowledge*, *financial behaviour*, and *financial attitude*. As three hypotheses were accepted and one was rejected, it can be concluded that the relationship between parental financial monitoring 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 monitoring 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.

CONCLUSION

The objective of this study was to determine whether the relationship between parental financial monitoring 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 monitoring with financial knowledge, financial behaviour, and financial attitude*. Furthermore, the results indicated that *parental income* did not moderate the relationship of *parental financial monitoring and financial decision-making*. Therefore, the overall results indicated that the relationship between parental financial monitoring and financial literacy is moderated by parental income. Thus, parental income is important in parental financial monitoring and

financial literacy, and it must be understood better so that it does not hinder financial monitoring between parents and children. This study is amongst the first to investigate whether the relationship between parental financial monitoring 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 monitoring and other components of financial socialisation such as financial communication, financial discussions, and financial teaching 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 monitoring which will in turn have an impact on financial literacy of young adults.

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