

Moderating Effects of Parental Income on Parental Financial Discussion and Financial Literacy

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Abstract

The moderating effect of parental income on parental financial discussions and financial literacy is increasingly becoming important. This study determined whether the relationship between parental financial discussions of young adults and their financial literacy is moderated by parental income. Quantitative research approach was adopted, and self-administered questionnaire were used to collect data. Financial literacy was measured through financial knowledge, financial behaviour, financial attitudes, and financial decision-making. Moderated regression analysis was used to analyse data. The results showed that Parental income moderated the relationship of Parental financial discussions with financial knowledge, financial behaviour, and financial attitude. Furthermore, the results indicated that parental income did not moderate the relationship of Parental financial discussions and financial decision-making. Therefore, the overall results indicated that the relationship between parental financial discussions and financial literacy is moderated by parental income. Parental income is important in parental financial discussions and financial literacy, and it must be understood better so that it does not hinder financial discussions. 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 discussions which will in turn have an impact on financial literacy of young adults. This study contributes to the existing body of knowledge by empirically testing whether the relationship between parental financial discussions of young adults and their financial literacy is moderated by parental income. There is no study that has been conducted before in South Africa.

Keywords: financial socialisation, financial education, quantitative research, moderated regression, financial knowledge