

Does Parent Behavior Influence Children Financial Behavior?

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ABSTRACT

This article explores the impact of parental behavior on children's financial behavior. Research shows that parents' attitudes and behaviors towards money can significantly shape their children's financial habits and beliefs. Positive financial role models and open communication about money can help children develop healthy financial behaviors, while negative behaviors and attitudes can lead to negative financial habits and beliefs. Therefore, it is crucial for parents to model good financial habits and communicate positively about money to help their children develop responsible financial behaviors. A systematic literature review is a research methodology used to identify and critically evaluate existing literature on a specific topic. It involves a comprehensive and structured search of various databases and sources to identify relevant articles, papers, and studies related to the research question or topic of interest. The purpose of a systematic literature review is to provide a comprehensive and objective summary of the current state of knowledge on a particular topic, identify gaps in the literature, and provide recommendations for future research.

Keywords: Parent behavior, Children behavior, Finance

INTRODUCTION

Daily financial habits can form from childhood to adulthood and tend to last a lifetime. literacy regarding finance, attitudes and behavior is obtained by making parents become role models. (Shim, Barber, Card, Xiao, & Serido, 2010). Parent behavior is important for child development, a child will make parents as an example in carrying out financial behavior. The financial behavior that is exemplified by children is financial management, managing expenses, saving, and investing. If parents describe a tendency to save money and manage finances wisely, their children will follow this behavior. On the contrary, if parents do not have good control in managing money, their children will do the same.

The right financial actions can lead children to have healthy financial behavior and create independence. Financial independence requires a person to engage in healthy financial behavior (Shim et al., 2010). According to Mashud, Mediaty, and Pontoh (2021) claimed that without good financial management, someone will find it difficult to allocate their finances for saving and investment activities. Financial behavior is also influenced by other factors, namely age and educational level of parents. Based on research conducted by (Khan & Tan, 2020) found that the transfer of financial behavior is carried out through a learning process from parents then discussing financial problems with them has a strong impact on children's financial behavior. Younger children may learn more from observing and modeling parental behavior, while older children may need more direct explanations and support from parents in developing financial skills.

The financial skills possessed by a child are influenced by the important role of the family in it. The family is a source of knowledge for a child to obtain information and introduce financial behavior (Khan & Tan, 2020). Positive financial behavior from parents becomes a provision for children's financial behavior in the future by managing finances. Parents' financial literacy plays an important role in building good financial habits for children. Parents who have a good level of financial literacy tend to teach values and financial skills to their children, such as saving, investing, and managing debt. In addition, parents who understand finance financially can be a good example in making smart and responsible financial decisions, so that children will develop into individuals who have good financial behavior.

A higher level of parental education may be better able to provide support and information about how to manage money well to their children. Education is a key factor in shaping a person's financial behavior (Shim et al., 2010). This study supports research by (Rey-Ares, Fernández-López, Castro-González, & Rodeiro-Pazos, 2021). (Antoni, Rootman, & Struwig, 2019) who conducted research on the effect of financial socialization and financial literacy of parents on young adult behavior, the results showed that parents providing the concept of financial services to children tend to have better abilities in managing their finances. Parenting patterns also contribute to financial behavior as stated by (Ponnet, Wouters, Goedemé, & Mortelmans, 2016) that authoritarian parenting patterns of parents increase the negative impact of financial stress while parents who use democratic parenting patterns are able to reduce the negative impact. Based on this, parents have a big role in shaping children's behavior.

Parental behavior is defined as behavior in managing finances which includes savings, investments, expenses (Tang, 2017). Parents who are less well off financially may be more limited in setting positive examples in financial management, which can influence their children's financial behavior. In order to help children developing good financial skills, parents can set a good example and engage in open discussions about financial topics. This can include budgeting, planning, and paying bills, and saving. Families build opportunities for children to practice money management, such as providing a monthly ratio of money and make decisions about how to spend resource.

Refers to explanation, it is important to build research in depth the synthesis of information from various sources in a systematic and objective manner so that a more complete picture can be obtained regarding the factors that influence children's financial behavior, including the role of parents in it. On this basis, this research uses a Systematic Literature Review which is a structured then systematic research method to filter, review, and critique research that is relevant to a particular topic.

LITERATURE REVIEW

Parent Behavior

The family is the closest environment for a child who teaches various things through the socialization stage. Parents also contribute in providing financial knowledge to children gradually from a young age to young adulthood. Socialization in finance fields become a process of transferring knowledge, attitudes, behavior from parents to children. (Zhao & Zhang, 2020). The results of research on behavior that is passed on across generations by (LeBaron, Hill, Rosa, & Marks, 2018) give us information socialization within parents is a multifaceted process that involves various components between parental example, direct communication and instruction which makes parents the most significant predictor. Parents' financial socialization has a high influence on student behavior. (Khalisharani, Sabri, Johan, Burhan, & Yusof, 2022). Parents who provide financial education and introduce financial concepts to their children tend to have children who are better at managing their own finances.

Parents can teach valuable financial skills to children by involving them in saving activities, such as opening a savings account, discussing financial decisions, and encouraging them to save money for future goals (Te'eni-Harari, 2016). Parents' financial behavior is defined as behavior in managing finances, such as saving, investing, and spending. Meanwhile, children's financial behavior is defined as making financial decisions, including money management, investment, and purchasing decisions (Tang, 2017). Parental influence was found to be the strongest factor in shaping students' financial behavior. In addition, someone with a family background who exercises responsibility for financial behavior tends to engage in responsible financial behavior (Shim et al., 2010). In investing behavior Families that provide financial and social support to small investors tend to have investors who are more financially successful. In addition, the family also influences the psychological bias in small investors.

Small investors who receive emotional support from their families tend to have a lower tendency to be exposed to psychological biases in making investment decisions (Khan & Tan, 2020). Parents who provide financial education and introduce financial concepts to their children tend to have children who are better at managing their own finances (Antoni et al., 2019). Parents act as models and sources of information that influence financial decisions and provide emotional support that impacts students' financial behavior (Serido et al., 2015). The research result show us parent who often provide financial teaching to children during childhood, the better the children's financial behavior will be in adulthood, such as managing debt, saving, and investing (LeBaron, Holmes, Jorgensen, & Bean, 2020).

Children Financial Behavior

Behavior in finance includes a person's ability to use cash, credit, and savings (Xiao, Chen, & Sun, 2015). Other types of financial behavior are related to making financial decisions, such as starting or ending financial processes, products/services (Gudmunson & Danes, 2011). According to Zhao and Zhang (2020) The statement indicates that a good understanding of financial concepts is very important to help someone take appropriate financial actions that are beneficial for their future. Without sufficient understanding of financial concepts, individuals may tend to make financial decisions that are not wise and not optimal.

In the context of behavioral finance, a good understanding of financial concepts can help individuals make effective financial plans, choose the right financial products, manage financial risks, and avoid detrimental financial behaviors such as excessive debt or uncontrolled spending. Therefore, it is important for individuals to develop a good understanding of financial concepts early on and keep their knowledge updated over time to optimize their financial decision-making. Adolescents who have a higher level of financial literacy individuals tend to have better investment behavior (Chawla, Bhatia, & Singh, 2022).

Research by (Tang & Peter, 2015) Responsible financial behavior can be interpreted as behavior that considers the social and environmental consequences of financial decisions taken. This involves being aware of the impact financial decisions have on ourselves, others, and our planet in financial behavior refers to the actions and decisions that individuals make related to their financial situation, including how they spend, save, invest, and plan for their financial future. Financial behavior is influenced by a range of factors, including an individual's attitudes and beliefs about money, their financial knowledge and literacy, their personal goals and values, and the economic and social environment in which they live. By understanding the factors that influence financial behavior, individuals can make more informed decisions about their finances and improve their overall financial well-being.

Developments in financial markets, differences in investor profiles and the complexity of financial products increase the importance of predicting individual financial behavior. refers to (Grohmann & Menkhoff, 2015) Individuals who have a good understanding of financial concepts and practices are better equipped to make informed decisions about their finances and to plan for the future. Additionally, positive experiences with money and financial management during childhood can help to shape attitudes and behaviors related to finance later in life. Therefore, it is important to provide financial education to children and young adults, and to encourage positive financial experiences within families and communities. By doing so, we can help to promote responsible financial behavior and improve overall financial well-being. Children who receive financial assistance from their parents have better financial behavior and these children tend to have a higher level of confidence in making financial decisions (LeBaron et al., 2020).

Parent that teaches to children about money management will help the children to reach greater delays in financial satisfaction and decrease impulsive buying with credit card (Norvilitis & MacLean, 2010). Thus, parental teaching act as a financial socialization technique. The important thing for parents to be aware of the influence they can have on their children's financial behavior, and to provide guidance and support to promote responsible financial practices. Financial education and open communication about money can also be helpful in promoting positive financial behavior in children and young adults (Xiao et al, 2011 & Shim et al, 2009). In short, parents become an important role in build young adults' behavior in finance. As the smallest line in society, family is where individuals are born and grow with the values that parents teach their children, in this case, including the value of finances. The family has served as a filtering point for information from the outside world and has been the basis for ongoing financial socialization throughout one's life.

RESEARCH METHOD

This study researcher uses a systematic literature review approach adopted from the research by Mengist, Soromessa, and Legese (2020). Systematic literature reviews are used to provide a rigorous and unbiased evaluation of the available literature on a specific topic. They are commonly used in research to answer complex questions or to

identify gaps in the literature that require further investigation. The following are the steps in conducting a systematic literature review

Research identification

The first stage carried out in this study was to determine the scope of the research. The first stage was carried out to reduce bias in the literature search. Researcher by determining the scope of research is an important step in the research process, and it can be done by formulating the research problem or research objectives. The scope of research refers to the boundaries or limits of the study, which help to define what the study will focus on and what it will not. The formulation of the problem in this study has been explained in the introductory chapter on the problem formulation points.

Literature Search

The second stage of this research is literature search. This search strategy is carried out to determine the appropriate search string and identify relevant databases to collect relevant data (Mengist et al., 2020). The steps used in finding the right search terms are by lowering the main words based on the problem formulation. In addition, the use of Boolean OR/AND for compound keywords is also recommended. The search terms used in this study include "parenting", "parent behavior", "children behavior", "financial behavior by parents" and "management behavior". The search source used in this research is Google Scholar (scholar.google.ac.id). Google Scholar was chosen as a literacy source because Google Scholar is a complete digital library including e-books, research reports, research articles, and proceedings for the period from 2010 – 2022.

Document Assessment

This stage is carried out to evaluate the articles that have been obtained based on the formulation of the problem or research objectives (Mengist et al., 2020). The results of filtering this data will be obtained by relevant articles. There are two steps at this stage, the first is in the data selection step, inclusion and exclusion criteria are determined for further data selection. Inclusion criteria in the selection of this data include, the specified keywords appear partially or completely in the title or abstract, documents are written in Indonesian or English and one document addresses at least one keyword. Exclusion criteria in this study include: Duplicated data in search, inaccessible article, and articles or documents published before 2010. Second is Data quality assessment. The selected literature will be evaluated based on data quality assessment through evaluation of data quality assessment questions.

Literature Synthesis

The synthesis step consists of extracting and classifying data relevant to the selected articles. The data extraction process involves identifying data which is usually known as mapping articles to obtain information and knowledge. General information used in the synthesis usually includes the title of the article, author and year of publication, research methods, research results and suggestions.

Literature Analysis

This stage is carried out to evaluate the data that has been synthesized of information to conclude by selected literature. This stage includes the results of the analysis which become material for making explanations or discussions, as well as material for directing further research or research implications.

Report

This stage is the last stage in a systematic literature review research. This stage is in the form of research results that refer to further explanations or discussions as well as research conclusions.

RESULTS

Parent Behavior

Parent behavior or parental behavior refers to the way parents act, speak, and behave towards their children in the context of various aspects of life, including in the financial area. In terms of finance, parental behavior can influence children's financial behavior, both directly and indirectly. Parents can also influence children's financial behavior by talking about money, emphasizing certain financial values, and setting examples of how to manage finances well.

Parents' good financial behavior can help their children develop sound financial skills and gain a better understanding of the importance of managing finances wisely. Conversely, parents' poor financial behavior can influence children's financial behavior in negative ways, such as forming bad habits in managing finances, having difficulty controlling expenses, and not having awareness of the importance of saving and investing their money properly. Parents' behavior has a very important role for young children in forming good behavior and habits in various aspects of life, including in the financial sector. Parents' behavior has a very important role for young children in forming good behavior and habits in various aspects of life, including in the financial sector. Parents have a great opportunity to shape good financial behavior in their young children, which can help them develop good financial skills and awareness for their future.

Children Financial Behavior

Children financial behavior is the way children manage their money and make financial decisions. This included the way spend, save, and invest their money, as well as their attitudes toward money and financial planning. Children who develop good financial habits early on are more likely to be financially stable and successful in the future. Children's financial behavior is influenced by a variety of factors, including the financial education received from parents and schools, environmental and peer influences, and personal experiences with money management. Children who get good financial education from parents and schools, and have an environment that supports the development of financial skills, tend to have better financial behavior. In contrast, children who receive less financial education and are exposed to negative influences, such as consumer pressure or peer pressure, tend to have poor financial behavior.

Good financial behavior in children also involves the capability to choose financial decisions. Children who understand the value of money and have the ability to make wise financial decisions tend to have better financial behavior. This can be done by training children to make a budget, determine priorities in spending, and understand the basic concepts of investing. Children's financial behavior is also related to the ability to face financial challenges. Children who have the ability to cope with difficult financial situations, such as coping with debt or dealing with unexpected financial situations, tend to have better financial behavior in the future.

Overall, children's financial behavior builds by a variety of factors, including the financial education provided by parents and schools, environmental influences, and personal experience in managing money. By providing sound financial education and facilitating the development of financial skills in children, parents and educators can help children develop good financial behaviors for a more financially stable future.

DISCUSSION

The results of a systematic literature review can provide a comprehensive and rigorous evaluation of the available literature on a specific topic. By following a standardized approach to literature selection, data extraction, and synthesis, a systematic literature review can help to minimize bias and provide a robust evidence base to inform decision-making and guide future research and practice. The methodology regarding the influence

of parents' financial behavior on children's financial behavior, it can be concluded that there is a strong relation between parents' behavior with children's financial behavior. Research shows that parents who set a positive example in financial management and regularly discuss financial topics with their children tend to have children with better financial behavior in the future. Parents' attitudes toward money and their view of its importance also influence how children view and manage their money.

However, factors such as the age of the child and the level of education of the parents can also influence the relationship between parent and child's financial behavior. Younger children tend to learn through observing and modeling parental behavior, while older children may need more hands-on support in developing financial skills. Parents with higher levels of education tend to be better able to provide support and information about good financial management to their children.

In order to help children developing good financial skills, parents need to set a good example and engage in open discussions about financial topics. This can include budgeting, planning, and paying bills, and saving. Parents can also provide opportunities for children to practice managing their own money, such as providing a monthly ration of money and providing opportunities to make decisions about how to spend the money.

CONCLUSION

In conclusion, this study emphasizes the important role of parents in shaping children's financial behavior. Parents need to set a positive example and engage in open discussions on financial topics to help their children develop good financial skills and prepare them for a more financially stable future. Based on the results of research using the systematic literature review (SLR) method regarding the influence of parents' financial behavior on children's financial behavior, there are several recommendations for further research, namely:

Further studies can be conducted to see the relationship between other factors, such as the sex of the child, family economic status, and cultural factors, and the impact of parents' financial behavior on children's financial behavior. Research can be conducted to evaluate the effectiveness of various programs or interventions designed to help parents prepare their children for a more financially stable future. Studies can be conducted to evaluate how childhood financial experiences can influence financial behavior in adulthood. This can help identify strategies that are effective in helping children develop good financial skills in the future.

Expanding our understanding of the impact of parent's behavior in finance to financial behavior can help us to better understand the factors that influence children's financial behavior. With a better understanding of the relationship between parent and child financial behavior, we can develop more effective strategies to help children develop sound financial skills for a more financially stable future. These effective strategies can include financial education for children and parents, including training in financial skills such as managing money, budgeting, and saving. In addition, it can also be done to provide support and resources for parents, including access to information and financial resources needed to help them teach their children about finance. This can provide long-term benefits for children and their families, as well as for society as a whole by helping to improve quality of life and financial stability

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The authors declared no potential conflicts of interest.

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