

# Parental Financial Socialization and Long-Term Financial Sustainability

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## ABSTRACT

This study investigates the role of parental financial socialization in shaping long-term financial sustainability among youth. The study examines how parental teaching, role modelling, and financial communication influence financial knowledge, attitudes, and behaviours. Primary data were collected from a sample of 112 respondents using a structured questionnaire. The study employs statistical tools such as descriptive analysis, correlation, and regression techniques to analyse the relationships among variables and the study identifies significant relationships between parental financial practices and sustainable financial outcomes such as saving behaviour, responsible consumption, and long-term financial planning. While youth demonstrate strong financial awareness and responsible practices, gaps remain in consistent saving behaviour. The study highlights the importance of strengthening family-based financial education alongside institutional efforts to promote sustainable financial well-being among youth. The findings contribute to the literature by integrating financial socialization with sustainability perspectives and provide implications for policymakers, educators, and families.

**Keywords:** Financial Socialization, Financial Sustainability, Youth, Financial Literacy, Social Learning Theory

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## Introduction

Financial sustainability has become a vital aspect of personal well-being in the 21st century. It includes the capacity to handle financial assets efficiently over time, guaranteeing strength against economic disruptions while encouraging lasting financial stability. Young individuals, as future economic participants, should cultivate sustainable financial habits from an early age.

The financial socialization provided by parents is fundamental to this process. Based on social learning theory, financial socialization describes the processes by which individuals develop financial skills through observing, learning from, and engaging with family members. Parents serve as key figures, shaping not only financial understanding but also perspectives and behavior patterns.

Although there is increasing focus on financial literacy, there is sparse research that connects parental socialization with lasting financial sustainability. This research tackles this issue by exploring how parental financial habits influence sustainable financial behavior in young people.

Here the study looks into the long - term ability of a person to manage his financial resources to attain wellbeing. The study explains the term financial sustainability as the ability of an individual to have a good management of his financial resources for a prolonged time. It also focuses on the long - term practices of financial knowledge and financial behaviour to achieve financial wellbeing.

The idea of financial socialization has changed markedly over time, with an increasing body of research highlighting the crucial influence of parents on developing financial habits, understanding, and overall welfare in young individuals. Current research can be generally classified into themes like parental impact on financial knowledge and behavior, communication and socialization strategies, socio-economic and contextual elements, and enduring financial results.

A considerable amount of studies indicates that parental financial socialization greatly impacts the financial literacy and behavior of young people. Initial foundational research indicates that parental impact directly affects the development of financial knowledge, attitudes, and behaviors, typically

influenced by financial attitudes (Jorgensen & Savla, 2010). Likewise, research indicates that parental instruction and actions improve financial literacy and promote proactive financial information-seeking behaviors in young people (Sharif & Naghavi, 2020).

Evidence from various cultural contexts further strengthens this connection. Research in Ghana and other developing nations shows that parental financial socialization has a positive impact on the financial behavior of youth, even in environments with limited resources (Chowa & Despard, 2014). Similarly, studies from Hong Kong indicate that parental impact plays a crucial role in developing adolescents' financial behaviors, although financial education in schools can also enhance this effect (Zhu, 2019).

Recent research builds on these results by connecting parental financial socialization to wider financial outcomes, including financial self-efficacy, financial status, and behavior patterns like budgeting and spending management (Vazquez & Little, 2024). These studies together demonstrate that parental impact is a vital factor in youth financial capability. Family interaction has been recognized as a crucial method by which financial socialization takes place. Studies indicate that conversations about finances within the family greatly improve financial knowledge and self-assurance in young people. Moreover, it has been discovered that adolescence has lasting impacts on economic self-efficacy and financial independence (Serido & Shim, 2010; Van Campenhout, 2009).

A crucial aspect of financial socialization is behavioral modeling, wherein children acquire knowledge by watching their parents' financial habits. Research consistently demonstrates that parental role modeling exerts a more significant and enduring influence than direct teaching (Zhao & Zhang, 2020). Financial habits developed in adolescence are believed to carry into adulthood, impacting financial health over time (David et al., 2021) and have a considerable effect on financial satisfaction and actions in young adults (Damian et al., 2020). Numerous studies emphasize the role of socio-economic status (SES) in influencing financial socialization. The level of education and income of parents greatly affects the depth and effectiveness of financial socialization methods (Kardash & Coleman-Temple, 2023; Ndou, 2023). Some research even suggests that financial socialization processes differ

across cultural and economic settings. Research in collectivist cultures indicates a greater familial impact resulting from tight financial interdependence (Damian et al., 2020). Likewise, research on millennials and Gen Z shows that generational variations, technological advancements, and globalization affect financial behaviors and educational trends (Zulkarnain et al.; Ghafoor & Akhtar, 2024).

Recent theoretical research highlights that financial socialization provides individuals with vital knowledge, abilities, and mindsets necessary for ongoing financial management throughout their lives. In a more intricate financial landscape, such skills are vital for maintaining financial sustainability (Narang et al., 2024). Moreover, there is an increasing acknowledgment of the necessity to incorporate parental engagement into official financial literacy initiatives, considering that parents remain crucial in influencing financial conduct (Van Campenhout, 2015).

While the current literature offers considerable information on parental financial socialization, the majority of research primarily centers on financial literacy and short-term behavioral results, paying little attention to long-term financial sustainability. Many studies focus on financial literacy and behavior, yet they do not specifically address sustainability elements like financial resilience, long-term planning, and responsible consumption.

### Objectives and Hypothesis of the study

The current research seeks to investigate the impact of parental financial socialization on the long-term financial stability of young people. It aims to evaluate the primary aspects of parental financial socialization, such as financial education, conversations about finances between parents and children, and behavioral modeling practices in the family. Furthermore, the research aims to assess the degree of financial literacy and financial habits among young people, especially concerning their capacity to make well-informed financial choices. Additionally, the study seeks to examine how these elements together affect the formation of sustainable financial behaviors like saving, budgeting, and planning for the future financially. This study aims to create a thorough understanding of how parental financial socialization impacts the financial sustainability of young people.

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The research suggests that parental financial socialization greatly affects the financial knowledge and behaviors of young individuals, which subsequently aids in their long-term financial sustainability. The null hypothesis posits that parental financial socialization does not meaningfully affect the financial knowledge, financial behaviour, and long-term financial sustainability of youth, while the alternative hypothesis suggests that parental financial socialization does significantly impact the financial knowledge and financial behaviour of youth, thus improving their long-term financial sustainability.

### Study Methodology

The current research employs a descriptive and analytical approach. The descriptive element emphasizes recognizing and clarifying the main aspects of parental financial socialization and youth financial behavior, whereas the analytical part investigates the connection between parental financial socialization and long-term financial sustainability.

The study utilized both primary and secondary data. Additionally, primary data was gathered from 112 individuals aged between 18 and 30 years. A sample size of 112 respondents is deemed sufficient for this study because it meets both statistical and practical criteria. In social science studies, a sample size exceeding 100 is typically ample to guarantee the reliability and validity of findings. It also satisfies the basic criteria for utilizing statistical methods like correlation and regression analysis. Moreover, the sample size conforms to methodological standards that suggest a minimum ratio of 5–10 observations for each variable to ensure significant analysis. Given the variables involved in the study (parental financial socialization, financial knowledge, behavior, and sustainability), a sample of 112 offers adequate representation.

Practical factors like time, accessibility, and resource limitations were also considered while making sure that the sample is sufficient for reaching valid conclusions. The research utilizes a convenience sampling method, selecting participants based on their availability and readiness to engage. This approach is suitable considering the exploratory aspect of the research and the emphasis on young participants.

### Key Outcomes of the Research

The study's results clearly indicate that parental financial socialization significantly influences the financial knowledge, behaviour, and long-term financial sustainability of young individuals, where financial sustainability is measured by one's consistency in savings, creating emergency fund, managing the debts, financial goal setting etc. Financial discussions within families were identified as a crucial element, with participants indicating a strong ease in tackling financial topics (mean = 4.018) and feeling motivated to inquire about money management (mean = 4.071). Frequent conversations about financial matters (mean = 3.750) and financial objectives (mean = 4.018) suggest that families establish an encouraging atmosphere for financial education, which aids in nurturing financially informed individuals.

Parental role modelling was recognized as another significant factor in financial socialization. Youth indicated that they learned financial behaviors by watching their parents (mean = 4.000), as families showed positive financial practices like saving and budgeting (mean = 4.509). Moreover, parents stress the importance of financial discipline (mean = 4.277) and the responsible management of financial issues (mean = 4.196), highlighting the role of behavioral learning in influencing financial attitudes and behaviors in young people.

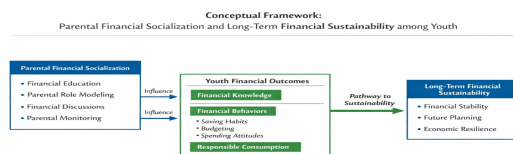
The research emphasizes the significance of youth participation in family financial issues and parental support. Participants reported active engagement in significant financial discussions (mean = 4.134), support for making autonomous financial choices (mean = 4.045), and participation in upcoming financial planning (mean = 4.089). Parental reinforcement by promoting positive financial behaviors (mean = 4.429), aiding in self-sufficient money management (mean = 4.250), and rewarding prudent actions (mean = 4.223) enhances financial discipline. Nonetheless, reduced engagement in comprehensive budgeting (mean = 3.348) indicates potential for enhancing practical financial experience.

Regarding financial results, young people exhibit robust financial knowledge, especially in grasping fundamental financial concepts (mean = 4.063), investment alternatives (mean = 4.027), and financial obligations like taxation (mean = 3.973). This understanding results in accountable financial actions,

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such as prompt repayment of debts (mean = 4.027), establishing financial objectives (mean = 3.982), and keeping emergency savings (mean = 3.812). Nonetheless, steady saving habits (mean = 3.571) are still relatively less robust, highlighting a division between understanding and its regular implementation.

The outcomes of the hypothesis testing offer robust empirical evidence for these results. A moderately strong and statistically significant positive correlation was found between parental financial socialization and financial knowledge ( $r = 0.542$ ,  $p < 0.01$ ), and similarly between financial knowledge and financial behavior ( $r = 0.420$ ,  $p < 0.01$ ). Given that the p-values are below 0.01, the null hypothesis is dismissed and the alternative hypothesis is embraced. This verifies that parental financial socialization greatly affects financial knowledge and behavior, which subsequently aids in the long-term financial sustainability of young individuals.



### Suggestion and Further Research Scope

The results indicate that parents ought to participate in more organized and steady financial conversations with their children, focusing more on practical elements like budgeting and consistent saving practices. Despite effective parental role modeling and communication, the comparatively low incidence of consistent saving suggests a need to strengthen disciplined financial behaviors through practical engagement, like taking part in family budgeting. Educational institutions and policymakers must enhance family initiatives by implementing effective financial literacy programs, especially in areas where deficiencies are present, like comprehending financial tools and savings techniques.

Nonetheless, the research is constrained by its comparatively small sample of 112 participants and the reliance on convenience sampling, which could influence the broader applicability of the results. Future studies can tackle these constraints by utilizing larger and more varied samples. Furthermore, the research primarily centers on parental financial socialization, although other aspects like peer

influence, media exposure, and psychological factors such as financial attitudes and self-regulation could also affect financial behavior. Longitudinal studies can investigate how financial socialization affects long-term financial sustainability over time and assist in closing the gap between financial knowledge and real financial behaviors.

Although the study's findings offer important perspectives on how parental financial socialization influences youth's financial knowledge, behavior, and long-term financial sustainability, the applicability of these results may have certain limitations. The research focuses on a defined demographic group of young people within a distinct regional and cultural setting, where family dynamics, financial habits, and social conventions may vary from other areas or nations. Cultural elements, like the level of parental engagement in financial issues and perspectives on money management, can impact financial socialization, thereby altering the relevance of the results across various contexts.

As a result, care must be taken when extending the findings to populations outside of the one examined. Future studies can improve generalizability by incorporating a wider variety of samples from various geographic areas, socio-economic statuses, and cultural settings. Comparative analyses can be conducted to explore how differences in cultural and institutional contexts affect the link between parental financial socialization and enduring financial sustainability.

### Conclusion

The research finds that parental financial socialization greatly impacts young people's financial knowledge and behavior, thus aiding their long-term financial stability. The results emphasize that successful financial communication, modeling behaviors, and reinforcement in families establish a solid basis for responsible financial practices. Although young people show solid financial understanding and responsible behaviors like establishing goals and repaying on time, their reduced inclination to save regularly suggests a necessity to enhance the practical use of financial knowledge. The research highlights the vital influence of family in nurturing financially responsible individuals and stresses the significance of combining family-oriented and institutional financial education to promote lasting financial health among young people.

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