Asia-Pacific Social Science Review

Volume 22 | Issue 3 Article 4

9-30-2022

Family Financial Socialization and Financial Autonomy of Children in Malaysia

Yiing Jia Loke
Universiti Sains Malaysia, Penang, Malaysia, yjloke@usm.my

RESEARCH ARTICLE

Family Financial Socialization and Financial Autonomy of Children in Malaysia

Yiing Jia Loke*
Universiti Sains Malaysia, Penang, Malaysia
*yjloke@usm.my

Abstract: The existing studies on family financial socialization have primarily focused on the significance of family financial socialization on young adults' financial well-being and financial behavior. The practice of giving pocket money is one of the financial socialization activities carried out by parents. There has been modest research on such practices. However, these studies have mainly focused on the predictors of pocket money giving, the conditions of receiving pocket money, and the effects of such a receipt on young adults' financial behavior. Limited studies have examined the relationship between family dynamics and the financial autonomy parents give their children concerning pocket money. In Malaysian society, apart from pocket money, gift money is an additional source of money that children receive from their parents, and it is not accounted for in existing studies. The financial autonomy that parents give children in managing pocket money and gift money is a form of experiential learning. The parents' approach indicates the level of trust and confidence they have in their children. Trust and confidence could stem from past familial financial socialization activities. This study explored the association of the family financial socialization activities and other socio-economic factors on the extent of financial autonomy parents grant their children concerning pocket money and gift money. A total of 504 parents from Penang participated in a structured survey questionnaire. The data collected were analyzed using the chi-square test and multinomial logit analysis that revealed the main characteristics of parents in shaping financial autonomy among children in Malaysia across all ethnicity. The results further showed that family financial socialization activities such as financial discussion, financial role-modeling, and interactions between parent and child play a crucial role in facilitating experiential learning and enhancing children's financial literacy.

Keywords: Family Financial Socialization, Financial Autonomy, Experiential Learning, Pocket Money, Gift Money, Financial Role-Modeling.

The growth of complex and sophisticated financial services demands consumers to be equipped with adequate knowledge to make sound and informed financial decisions. Given growing global economic uncertainties and easy access to credit, responsible financial management is paramount, including sound financial education consisting of fundamental financial knowledge and good financial values.

Although financial knowledge can be acquired through financial education programs and workshops held in formal settings or one-off events, such settings are not conducive to the teaching of financial values. Like moral values, financial values must be instilled and nurtured over time from a young age, and family financial socialization plays an important role in shaping an individual's financial attitude and behavior.

According to Beutler and Dickson (2008), family members influence the development of one's attitude toward money, which, in turn, affects their financial behavior and well-being. Because children spend their early years in proximity to their parents, they are dependent on them as sole economic providers. Grusec and Davidov (2007) highlighted the importance of the role of parents as financial socialization agents. In a recent study, LeBaron et al. (2020) reinforced the notion that parents are the primary financial socialization agents and that parent-child discussion is a critical component in the financial socialization process.

Although many studies have highlighted the importance of family financial socialization in shaping an individual's financial attitude and behavior, only limited studies in Malaysia explored the types of family financial socialization activities in Malaysian families. In fact, in Malaysia, due to poor financial literacy and a high bankruptcy rate among young working adults, the academic focus has been on expanding financial education (Bernama, 2021; RinggitPlus, 2020; Carvalho, 2019; Hani, 2019). The establishment of the Financial Education Network (FEN) and the launch of the Malaysia National Strategy for Financial Literacy 2019–2023 demonstrate the need to elevate financial literacy and the capabilities of the current and future generation of Malaysians. However, an essential aspect less emphasized in Malaysia is the equally important role of family financial socialization. To apply the financial education they acquire in school to their daily life, they need to see financial role-modeling within the family environment.

The usual financial socialization activity that most children have experienced relates to pocket money, regarded as children's first experience in handling money regularly. There have been long-standing debates on the issue of pocket money. The main arguments put forward include whether pocket money should be given or earned, the amount and how often when a child should receive pocket money, and what a child can do with their pocket money. There is a consensus among researchers that pocket money provides a suitable opportunity for teaching values, character traits, and the experience of money management to children (Marshall & Magruder, 1960; Miller & Yung, 1990; Abramovitch et al., 1991; Lewis & Scott, 2000; Clarke et al., 2005). Although financial mistakes are costly, when made under the supervision of parents, the children's financial mistakes would still be within the limited boundaries set by their parents. Financial socialization can take various forms, namely, setting rules, financial discussion, and demonstrations of financial transactions through various daily family activities. However, family financial socialization is not complete unless a child is allowed to experience money management. According to Tang and Peter (2015), hands-on financial experience is critical for children to grasp the concept of money and would enhance children's financial knowledge.

Some studies have explored the advantages and disadvantages of giving pocket money and the type and amount of pocket money given to children. Other limited research examined factors that influence parents' decisions on the distribution of pocket money to children. Although Miller and Yung (1990) argued that pocket money is different from earned income and entitled support, this paper aims to explore the association between parents' characteristics and types of family financial socialization activities and the extent of financial autonomy granted to children concerning pocket money. There are differences in the extent of financial autonomy granted to children concerning pocket money between parents who do not give children regular pocket money and those who only do so for school necessities. In this respect, the opportunity for the child to experience money management is limited as the amount is used to pay for school necessities. On the other hand, some parents give pocket money that exceeds school needs and gives children more money to spend and greater financial autonomy. In this case, children experience more aspects of money management, such as budgeting and saving.

Apart from pocket money, this paper considers gift money too, which is common in Malaysia but not discussed in previous studies. Gift money is money gifted to a child by family or friends on special occasions or festive seasons, such as Chinese New Year in the form of *ang pow* (red packet), or *Eid-al-Fitr* (Muslim New Year), birthdays, Christmas, or simply a gift of money. Unlike pocket money given regularly and in fixed but smaller amounts, gift money is usually received only on certain occasions and the amount received is generally higher than pocket money. Furthermore, although pocket money is from the parents' resources, gift money is mainly given by family or friends. Given the differences in these significant sources of money for children, this paper explores how parents manage both children's gift money and pocket money. This study examines the relationship between the factors that could affect the extent of financial autonomy parents grant their children for pocket money and gift money. Apart from parents and family characteristics, this study includes various family financial socialization activities examined in the analysis.

Insights From Literature

Studies have shown that parents significantly shape their children's financial attitudes and behaviors. The main underlying theory on the role of parents in shaping children's financial attitudes and behaviors is the theory of family financial socialization. Gudmunson and Danes (2011) explicitly presented family financial socialization as a theory. LeBaron and Kelley (2020) have further reviewed and discussed the various studies that have grown from Gudmunson and Danes' (2011) theory of family financial socialization.

Gudmunson and Danes (2011) outlined the conceptual model for family financial socialization. The conceptual framework captures the relationship between family socialization processes and financial socialization outcomes. Purposive financial socialization is a part of the family socialization process carried out either explicitly or implicitly. Explicit socialization includes parent-child financial discussions (Serido & Deenanath, 2016; LeBaron et al., 2020) and parental instruction on money management (Vosylis & Erentaite, 2020. On the other hand, implicit socialization consists of financial role-modeling (Jorgensen & Savla, 2010; Serido & Deenanath, 2016), giving children regular pocket money to shape consumer behavior (Furnham & Milner, 2017; Barnet-Verzat & Wolff, 2008, and experiential learning through financial responsibilities (LeBaron et al., 2019). As most of the existing studies on family financial socialization focused on the outcome rather than the factors that could affect family financial socialization activities within the family, the insights gained in this study draws on the nature of the respective financial socialization activities and their effect on children. Hence, the subsequent discussion is a brief review of such literature.

Studies have found that children from lower socioeconomic backgrounds are less likely to experience financial socialization from their parents compared to those from higher socio-economic backgrounds (Serido et al., 2020; Zhao & Zhang, 2020, Engels et al., 2020; Luhr, 2018). As lower income and less educated parents are less likely to save and use less variety of financial services and products, they are less likely to demonstrate financial activities or discuss financial topics with their children. Luhr (2018) added that parents from higher social classes are more likely to be proactive and confident in financially socializing their children. On the other hand, although studies have shown that there exists significant culture and ethnic differences in individual's financial capability, there are lesser studies which have explored ethnic differences on family financial socialization. Serido et al. (2020) found no significant ethnic effects on family financial socialization, but Dow (2016) found that non-white mothers are more likely to instill the importance of strong financial values in their children. Thus, I hypothesize that:

H1: Parents' characteristics have a significant association with the extent of children's financial autonomy concerning pocket money.

H2: Parent's characteristics have a significant association with the extent of children's financial autonomy concerning gift money.

Children's understanding of economic concepts progresses as they grow (Beutler & Dickson, 2008). Accordingly, the focus of financial socialization processes evolves as children grow. This is due to the differences in the neurological growth and role of executive function in children of different age groups (Drever et al., 2015). For example, financial role-modeling in terms of saving, financial planning, and financial communication is a central focus for children in elementary and middle school, whereas opportunities for financial decisions to experiential learning become the focus for adolescents and young adults. Thus, I hypothesize that:

H3: The presence of older-aged eldest child has a significant association with the extent of financial autonomy given on pocket money.

H4: The presence of older-aged eldest child has a significant association with the extent of financial autonomy given on gift money.

Financial communication between parents and children is one of the fundamental mechanisms for children to learn about financial matters. It can take the form of topical financial discussions between parents and children, parents sharing financial experiences with their children, parents explaining to their children the various financial decisions and activities in the family, and so on. In addition to financial communication between parents and children, the quality of communication matters as well. Xiao et al. (2011) pointed out that trust and the rapport between parent and child can increase the positive effects of parental financial socialization. According to Serido and Deenanath (2016), how parents talk about financial matters and their parenting style may influence children's financial values. For example, Allen et al. (2007) illustrated that if a young person has unpleasant imagined interactions with parents regarding money management and credit issues, that child will hesitate to turn to their parents for advice. This finding is consistent with Pliner et al. (1996) and Kim et al. (2011), who found that parental warmth contributes to positive financial behavior in children. Laible and Thompson (2007) confirmed that the existence of a warm parent-child relationship encouraged children to be more comfortable discussing financial matters and be more receptive to their parents' financial advice. Thus, I hypothesize the following:

H5: Financial discussion and parent-child interactions have a significant association with the extent of children's financial autonomy concerning pocket money.

H6: Financial discussion and parent-child interactions have a significant association with the extent of children's financial autonomy concerning gift money.

Parental financial role-modeling is also a vital component in family financial socialization. Financial role-modeling is implicit as it involves subtle interactions regarding financial matters between parents and children. Serido and Deenanath (2016), Hira (2012), and Hibbert et al. (2004) claimed that children's observation of the way their parents handle money, pay bills, and buy groceries have proven to be an efficient way to learn and pick up subtle clues on financial behaviors on a daily basis in a family setting. The young adults in the study by Rea et al. (2019) revealed that their parents' financial practices were influential in instilling financial values such as spending within means, knowing the value of money, and honoring financial commitments. Thus, I hypothesize that:

H7: Demonstration of financial activities has a significant association with the extent of children's financial autonomy concerning pocket money.

H8: Demonstration of financial activities has a significant association with the extent of children's financial autonomy concerning gift money.

Based on previous studies, the importance of family financial socialization and its effect on young adults' financial well-being and behavior is irrefutable. In recent years, qualitative studies by LeBaron et al. (2018a, 2018b, 2018c, and 2019) have more explicitly shown the types of family financial socialization activities that matter to young adults. Moreover, apart from modeling and discussion, experiential learning was found as a principal method of financial socialization.

In experiential learning in the financial socialization process, children learn financial principles and have hands-on experience with money matters. LeBaron et al. (2019) pointed out that the term "experiential learning" is not commonly used in financial socialization studies. LeBaron et al. (2019) applied it to financial socialization based on Kolb (2014), who had theoretically surmised experiential learning as a learning process through life experiences. There are four stages in experiential learning: to gain external experience, reflect on the experiences, form new ideas based on reflections of the observation, and experiment with new ideas in their surroundings (Kolb, 2014). Based on the experiential learning theory, experience plays a central role in the learning process. LeBaron et al. (2019) proved that the best way to learn money management is through hands-on experience. However, in the financial socialization process, it is rarely categorized as experiential learning. Other examples of experiential learning examined by Jorgensen and Savla (2010), although not expressly termed as such, found that children allowed to handle money and conduct financial transactions are more likely to gain a better understanding of financial responsibility and financial self-efficacy. Batty et al. (2020) used a simulated classroom-economy experiment akin to an "in-class banking" environment and observed that students gained better financial insights when they learned by doing rather than formal instructions.

Through pocket money, children get first-hand experience using money for financial transactions, practicing changing money, managing money, and learning from financial mistakes. Hence, using pocket money constitutes financial experiential learning. Pliner et al. (1996) found that children who received pocket money can use credit and price goods more accurately. On the other hand, adolescents gain better awareness and understanding of inflation and interest rates compared to their peers without pocket money (Lewis & Scott, 2000). These findings highlight the importance of experiential learning, and the autonomy granted to children to manage their pocket money is part of the process for children to develop money sense and financial literacy.

The existing literature focused on the effects and significance of family financial socialization processes on young adults' financial well-being and financial behavior. There has been modest research on the practice of giving pocket money that mainly focused on the predictors of pocket money giving, the conditions of receipt of the pocket money, and the effects of pocket money on the youth's financial behavior. However, limited studies have attempted to examine the relationship between family dynamics and the financial autonomy parents give children concerning pocket money and gift money. Although pocket money is a tool in financial experiential learning, the parents' approach to pocket money indirectly indicates the level of trust and confidence they have in their children, which could arise from family financial socialization processes. To this extent, none of the existing studies have explored the said link between the parents' approach to pocket money and family financial socialization processes.

To fill the gaps in the literature, the research questions in this study are: (a) what are the characteristics of parents and types of financial socialization processes associated with the extent of children's financial autonomy concerning pocket money and gift money; and (b) are there any differences in the factors that determine the extent of children's financial autonomy between pocket money and gift money?

Methods

Data

The present research involved a quantitative study utilizing primary data from a survey conducted in Penang, Malaysia. Penang's mean monthly household income (USD1,598) and median monthly household income (USD1,277) approximate the national level's mean (USD1,642) and median monthly household income (USD1,234) in 2016 (Department of Statistics Malaysia, 2019). Furthermore, the household size in Penang (3.8 persons) approximates the national household size (4.1 persons) in 2016, whereas the average number of persons in a household with income in Penang is the same as the national statistics, which is 1.8 persons in 2016 (Department of Statistics Malaysia, 2019). Therefore, Penang can be a representative of an average household in Malaysia.

Data was collected through face-to-face interviews with willing respondents using a structured quantitative questionnaire. Quota sampling was used where quota was based on the population ethnicity breakdown of the three major ethnic groups: Malays, Chinese, and Indians in Penang. Based on the population ethnicity breakdown in Penang, there are 45.7% Malays, 43.6% Chinese, and 10.7% Indians and other ethnicities in Penang (Penang Institute, 2018). Following the population ethnicity breakdown, the ethnicity quota for the sample of Malays is 49.5% (250 Malay respondents), 40.72% Chinese (205 Chinese respondents), and 9.78% Indians and others (49 Indian respondents and other ethnicities). Based on the ethnicity breakdown, respondents who fulfilled the ethnicity quota and willing to participate in the survey were selected. The respondents were from various public places such as parks, school waiting areas, shopping malls, and other public and commercial areas. The total sample for the analysis is 504, which fulfilled the minimum sample size requirement of 400, given 448,700 households in Penang, with a 5% margin of error.

The respondents are parents (either father or mother) with children aged 7 to 18 years old. The age range represents primary school and secondary school children dependent on their parents, who are predominantly in control of their children's financial resources. A mandatory requirement is that the respondents live with their children to ensure consistent family activities and dynamics were derived.

Dependent Variable: Parents' Approach Towards Children's Gift Money and Pocket Money

In Malaysia, school-going children obtain money from two sources: gift money and pocket money. The survey investigated the way parents managed their children's gift money and pocket money. Gift money, popular in Malaysia, refers to money gifted to a child by family, relatives, and friends on special occasions such as birthdays, academic achievements, and festive seasons such as Chinese New Year and *Eid-al-Fitr*. Gift money is not received regularly and the total amount in a year generally exceeds the annual amount of regular pocket money. On the other hand, pocket money refers to spending money that parents give their children on school days, usually given at regular intervals. Usually, pocket money is on a daily, weekly, or monthly basis. While pocket money is from parents' resources, gift money is predominantly from family, relatives, and friends. Differences in the characteristics of gift and pocket money demanded a separate analysis of the two sources.

The survey found parents managed gift money in three main ways. Some parents allowed their children to keep the total amount of gift money received for spending. Others allowed their children to keep part of it and saved the rest in the children's bank account. Some children were unaware of the amount collected and its management. In such cases, some parents shared that they saved the entire sum in the child's bank account, whereas others used the gift money for their household expenses or savings. This observation implied that parents who allowed their children to keep the entire gift money gave them more financial autonomy than those allowed to keep part of the gift money for spending. Children unaware of the amount of money received and who do not have access to their gift money lacked financial autonomy.

As for pocket money, the monetary value of pocket money given is not asked as it is subjective depending on the type of schools the children attend. Parents responded whether the amount of pocket money given was enough for paying for school needs only (lunch and snacks) and whether it included money for spending. Some parents did not give their children any regular pocket money. Children with pocket money for school needs only implied that they could conduct financial transactions but not money management, as they did not have any spare pocket money to spend.

The different approaches to children's gift money and pocket money (children's money, hereafter) signal the extent of financial autonomy parents give their children. Table 1 summarizes the extent of financial autonomy in three categories: "no financial autonomy," "limited financial autonomy," and "high financial autonomy."

Methods of Statistical Analysis

This study investigated the relationship between variables such as parents' characteristics, family

Table 1

Description and Definition of Financial Autonomy for Pocket Money and Gift Money

Extent of financial autonomy	Pocket Money	Gift Money
None	Did not give regular pocket money	Children did not get any portion of the gift money and the entire amount is saved in the bank or parents used the money received
Limited	Amount given is enough for school needs only	Children get part of the gift money for spending and the balance is saved in the bank
High	Amount given included school needs and extra for own spending	Children get the entire amount for spending

characteristics, financial socialization activities (explanatory variables), and the extent of financial autonomy to determine whether the different factors correlated with financial autonomy. Two forms of statistical analysis were used to achieve these objectives.

The bivariate analysis used chi-square statistics to investigate the significance of the association between the parents' characteristics, family characteristics, and family financial socialization processes and the extent of children's financial autonomy concerning pocket money and gift money. On the other hand, a multivariate analysis using the multinomial logit model examined the significance of the same variables on the extent of financial autonomy granted for pocket money and gift money.

Although the label given for the categories of the dependent variable appears to be ordered, the categorization of the dependent variable is not strictly ordered. As described above, the categorization of the dependent variable is according to the nature or ways parents manage children's money and is not ordinal in characteristics. As the categories in the dependent variable are considered to be unordered, the multinomial logit model was used to examine the factors that could possibly explain the categories of financial autonomy of children's money. To check the robustness of the multinomial logit model, the independent irrelevant assumption (IIA) must be fulfilled. The Hausman test of independent irrelevant assumption (IIA) found that the assumption is not violated whereby the χ^2 for the "no financial autonomy," "limited financial autonomy," and high financial autonomy" categories are 0.837, 0.181, and 0.379, respectively.

Results

Parents Characteristics and Level of Financial Autonomy

Table 2 provides the breakdown of respondents by characteristics and compares the parents' characteristics and the extent of children's financial autonomy concerning pocket money and gift money.

The parents constituted four age groups. The majority of parents are 40 to 49 years old. Out of the four age groups, parents aged 40 and above are more lenient in granting autonomy for pocket money and gift money. Parents aged 50 years old and above are more likely to give high financial autonomy for gift

Table 2

Summary of Parents' and Family's Characteristics by the Extent of Financial Autonomy for Pocket Money and Gift Money

Parents' and family's characteristics	Pocket Money			Gift money			Total Sample (504)
	High (212)	Limited (195)	None (94)	High (127)	Limited (262)	None (112)	
Age2029	2.83	1.54	4.26	1.57	3.05	2.68	2.59
Age3039	30.66	29.23	45.74	18.11	32.82	50.00	32.93
Age4049	41.98	46.67	32.98	41.73	44.27	37.50	42.12
Age50	24.53	22.56	17.03	38.58	19.85	9.82	22.36
Malay	46.70	54.87	44.68	42.52	54.20	46.43	49.50
Chinese	43.87	35.90	43.62	46.46	38.17	40.18	40.72
Indian	9.43	9.23	11.70	11.02	7.63	13.39	9.78
University	50.94	44.10	48.94	56.69	44.66	45.54	47.90
Diploma	16.98	26.67	21.28	19.69	18.70	30.36	21.56
High School	32.08	29.23	29.79	23.62	36.64	24.11	30.54
Low income	52.36	61.34	65.96	61.42	57.47	57.14	58.40
Middle income	30.66	27.84	26.60	27.56	27.97	32.14	28.80
High income	16.98	10.82	7.45	11.02	14.56	10.71	12.80
Eldest child	62.26	56.41	48.94	75.59	60.31	30.36	57.49

Note: Values in parenthesis denote frequency. The rest of the values show the percentage within the column.

money than pocket money. Those aged 30 to 39 are more likely to grant high financial autonomy for pocket money than gift money. Among the three main ethnic groups, Chinese parents are more likely to grant high financial autonomy for gift money; Malay parents are more likely to grant high financial autonomy for pocket money. In addition, parents with university and diploma education tend to grant high financial autonomy for gift money than pocket money; the reverse is true of parents with high school education. High-income parents were more relaxed in giving high financial autonomy for pocket money than low- and middle-income parents. On the contrary, low- and middle-income parents were more generous in granting high financial autonomy for gift money than pocket money. Lastly, families with the eldest child above 12 years old will have higher financial autonomy for gift money than pocket money.

Financial Socialization Activities and Level of Financial Autonomy

Table 3 compares the breakdown of respondents by financial socialization activities and compares the financial socialization activities to the extent of financial autonomy for pocket money and gift money.

Three types of family financial socialization activities are taken into consideration in this paper: the types of financial discussions parents have with their children, and the frequency of activities, and interaction between parents and children. The basic financial discussion refers to a discussion relating to topics such as savings, budgeting, living within means, and managing allowance; advanced financial discussion includes topics such as investment, types of payment mechanisms, bills payments, and loans. The percentage breakdown in Table 2 shows that over half of the parents had basic financial discussions with their children, 16% had advanced financial discussions, and almost 30% of parents did not have any form of financial discussion with their children. The results revealed that parents who did not have any financial discussion with their children are more likely not to grant any financial autonomy for pocket money and gift money. Those who had basic discussions tend to be more lenient concerning pocket money than gift money, and those who had advanced discussions

Table 3

Summary of Financial Socialization Activities by the Extent of Financial Autonomy for Pocket Money and Gift Money

Variables	Pocket Money			Gift money			Total Sample
	High (212)	Limited (195)	None (94)	High (127)	Limited (262)	None (112)	
No discussion	26.89	25.64	41.49	31.50	23.66	39.29	29.14
Basic discussion	55.19	56.41	51.06	48.82	60.31	49.11	54.89
Advanced discussion	17.92	17.95	7.45	19.69	16.03	11.61	15.97
Rare activities	6.60	5.13	12.77	6.30	5.73	11.61	7.19
Occasional activities	41.04	30.26	45.74	42.52	37.40	33.04	37.72
Frequent activities	52.36	64.62	41.49	51.18	56.87	55.36	55.09
Rare interaction	7.08	9.23	6.38	11.81	4.96	9.82	7.78
Occasional interaction	34.43	34.87	43.62	40.16	34.35	36.61	36.33
Frequent interaction	58.49	55.90	50.00	48.03	60.69	53.57	55.89

Note: Values in parenthesis denote frequency. The rest of the values denote percentage within the column for each characteristic.

tend to be more relaxed with gift money than pocket money.

Financial activities between parents and children refer to financial-related activities that parents carry out with their children during outdoor trips or in a daily setting. In a sense, this is akin to financial role-modeling. The activities include parents demonstrating to children the difference between needs and wants, comparing items to purchase during an outing or shopping trip, practicing change calculations, and purchasing decisions. Compared to financial discussions, over half of the parents have frequent financial-related activities with their children, and less than 10% rarely do so. Those who seldom have activities are more likely not to provide any autonomy for pocket money and gift money. Parents who have frequent activities tend to be stricter with gift money but more lenient with pocket money.

In this study, the interaction between parents and children represents the close relationship between parents and children. The interaction taken into consideration is the frequency in which children talk to parents easily about school, friends, and other problems; open chats and discussions within the family; parents showing physical affection for their children and spending time doing activities that their children enjoy. As with family activities, over half of the parents in this study have frequent interactions with their children, and only less than 10% admitted that they rarely interact with their children. Those with frequent interactions are more lenient than those with rare activities for pocket money and gift money. Similarly, those with frequent interactions are relatively stricter with gift money than pocket money.

Bivariate Analysis Between Parents' Characteristics, Financial Socialization Activities, and Level of Financial Autonomy

Table 4 summarizes the bivariate analysis conducted using the chi-square test on the significance of the association between the parents' characteristics, financial socialization activities, and the level of financial autonomy.

The research findings revealed a significant association between the parents' characteristics and financial autonomy granted for gift money (excluding the parents' ethnicity). Only the age and income of parents had a significant association with financial autonomy for pocket money. Families with the eldest child above 12 have a significant association for the financial autonomy granted for pocket money and gift money of a 1% significance level. In terms of financial socialization activities, there is a significant association of a 10% significance level for financial discussion and financial autonomy for gift money. A significant association between financial activity and financial autonomy for pocket money recorded a 1% significance level, and association with financial interaction is present for pocket money and gift money at a 5% significance level.

Table 4

Bivariate Analysis Between Parents' Characteristics, Family Characteristics, and Financial Socialization Activities and Financial Autonomy

Factors	Pocket money	Gift Money
Age group	12.183*	43.532***
Education	5.733	14.678***
Ethnicity	4.179	7.015
Income	15.944**	14.697**
Eldest child above 12 years old	4.884***	51.612***
Financial Discussion	3.434	9.310*
Financial Activities	17.080***	5.902
Financial Interaction	11.706**	12.262**

Note: *, **, *** denote 10%, 5% and 1% significance level

Multinomial Logit Marginal Effects of Factors on Financial Autonomy for Pocket Money and Gift Money

A multivariate analysis through the multinomial logit model was employed to examine the marginal effects of the parents' characteristics and financial socialization factors on financial autonomy for pocket money and gift money. The results are presented in Table 5. For brevity, this analysis excludes the marginal effects of limited financial autonomy.

The parents' characteristics (i.e., age, education, and income) and the presence of an eldest child above 12 showed different significant effects on the financial autonomy granted for pocket money and gift money. Older parents increase the probability of not giving regular pocket money but increase the probability of giving high financial autonomy for gift money. A parent who is a university graduate reduces the probability of granting high financial autonomy for pocket money and increases the probability of granting high financial autonomy for gift money compared to a parent who has only attained a secondary school education. The income of parents only seems to be significant in granting financial autonomy for pocket money. The

Table 5

Marginal Effects of Parents' Characteristics and Financial Socialization Activities on Financial Autonomy for Pocket Money and Gift Money

Factors	Pocket money		Gift money	
	High autonomy	No autonomy	High autonomy	No autonomy
Age	-0.002 (0.004)	0.006* (0.003)	0.012*** (0.003)	-0.001 (0.003)
University	-0.126** (0.064)	0.065 (0.049)	0.170*** (0.063)	-0.096* (0.052)
Diploma	-0.140** (0.060)	-0.001 (0.045)	-0.001 (0.050)	0.019 (0.044)
Chinese	0.014 (0.047)	0.072 (0.037)	0.042 (0.042)	0.114 (0.038)
Indian	0.015 (0.077)	0.074 (0.057)	0.035 (0.063)	0.032 (0.058)
Middle income	0.132** (0.055)	-0.068 (0.043)	0.033 (0.048)	0.032 (0.043)
High income	0.237*** (0.081)	-0.137* (0.072)	0.016 (0.073)	0.062 (0.069)
Eldest child	0.087 (0.060)	0.005 (0.046)	0.188*** (0.060)	-0.234*** (0.047)
Basic discussion	0.021 (0.051)	-0.063 (0.042)	0.148*** (0.051)	-0.063 (0.041)
Advanced discussion	0.068 (0.072)	-0.133 (0.053)	0.009** (0.071)	-0.054 (0.060)
Occasional activities	0.031 (0.092)	-0.109 (0.086)	0.066 (0.068)	-0.072 (0.075)
Frequent activities	0.247*** (0.078)	-0.188** (0.088)	0.061 (0.071)	-0.036 (0.078)
Occasional interactions	0.158* (0.085)	-0.159** (0.085)	0.170** (0.084)	-0.123 (0.084)
Frequent interactions	0.216*** (0.088)	-0.216** (0.088)	0.222** (0.087)	-0.159* (0.086)

Note: Values in parenthesis denote standard error. *, **, *** denote 10%, 5% and 1% significance level presence of the eldest child above 12 years old is significant in the financial autonomy for gift money only. A parent with the eldest child above 12 years old increases the probability of granting high financial autonomy for gift money but reduces the probability of financial autonomy for gift money.

As to financial socialization activities, parents who had basic discussions significantly increased the probability of granting high financial autonomy for gift money, whereas parents who had advanced discussions significantly reduced the probability of not giving regular pocket money. The frequency of financial activities between parents and children is only significant in the case of pocket money. Parents who had frequent financial activities with their children had increased the probability of granting high financial autonomy for pocket money and reduced the probability of not giving regular pocket money. On the other hand, the frequency of interactions between parents and children resulted in significant financial autonomy for pocket money and gift money. Generally, the higher the frequency of interactions, the greater the probability of granting financial autonomy for pocket money and gift money, with less probability of not granting any autonomy for pocket money and gift money.

Discussion

Given the differences in pocket money and gift money, the parents' characteristics and financial socialization activities have different associations and effects on the level of financial autonomy granted by parents on these two sources.

The age of parents appears to have a significant effect on financial autonomy. In the case of pocket money, older parents seem to be stricter. However, they are more lenient when it comes to gift money. The difference in parents' age and the effects of giving pocket money and gift money could be explored in future studies. Pocket money is from parents, and the findings of this study indicated that older parents are more cautious about how they want their children to manage pocket money. However, gift money is generally from external sources, and older parents are more relaxed in how children use the gift money and grant children higher financial autonomy. Accordingly, the profile breakdown of respondents proved that older parents are generally more lenient in giving pocket money and gift money than younger parents.

The relationship between education and financial autonomy is significant, as shown in the bivariate analysis. The multinomial logit analysis indicated that parents with university education tend to grant higher financial autonomy for gift money but less autonomy for pocket money compared to parents with secondary school education. Because pocket money is derived from personal resources, highly educated parents appear to be more guarded in granting financial autonomy to their children concerning pocket money. They rather use gift money generally received from external sources to provide experiential financial learning for their children. The research findings were similar in the case of older parents compared to younger parents.

The significant differences between pocket money and gift money are evident in the financial autonomy given by parents from different income groups. It is clear that pocket money drawn from parents' financial resources poses a constraint on lower-income parents to grant high financial autonomy for pocket money. This finding is reflected in the summarized statistics analysis and marginal effects from the multinomial logit analysis. Additionally, in the multinomial logit analysis on marginal effects, income is found to have no significant effect on the financial autonomy granted for gift money. The research findings supported earlier studies by Furnham and Milner (2017), Barnet-Verzat and Wolff (2008), and Lewis and Scott (2000), where parents' income is an important predictor of parents' attitudes towards pocket money.

The presence of an older child above 12 provides an indication of the maturity of the family structure, that is, whether the family is a young family or a family with older children. According to de Clercq (2009), Sherraden et al. (2011), and Whitebread and Bingham (2013), children's understanding of economic and financial concepts progresses as they grow. Hence, parents with older children are more likely to have more advanced financial discussions, activities, and higher financial autonomy for their children. This is evident also in the findings of this study, where there is a significant association between the presence of the eldest child above 12 and the level of financial autonomy. For example, the summarized profile breakdown of respondents showed that parents with the eldest child above 12 are more likely to grant higher financial autonomy regardless of pocket money or gift money. However, in the multinomial logit analysis, the significant presence of an older child is only observed for gift money. Parents with the eldest child above 12 increased the probability of granting high financial autonomy for gift money, and reduced the probability of not allowing any access to gift money.

Among the three financial socialization activities considered in this paper, the interaction between parents and children has a significant association with financial autonomy for pocket money and gift money, and this is also evident in the multivariate analysis. The high frequency of interactions implied a close parent-child relationship and higher financial autonomy for pocket money and gift money is in line with the study by Kerr et al. (1999), who found that parental trust is enhanced when children spontaneously disclose their activities. As a result, parents tend to give more financial autonomy when such communication takes place. Financial activities carried out by parents with their children have a significant association with financial autonomy for pocket money. Financial discussions parents have with their children have a significant association with financial autonomy for gift money. In both cases, frequent activities and basic or advanced financial discussions increased the probability of higher financial autonomy. The findings support the study by Xiao et al. (2011) that the rapport between parent and child increases the positive effects of parental financial socialization. The findings of this study highlight that family financial socialization processes have far-reaching effects. When parents financially socialize with their children, they become more willing to give their children opportunities to manage money. Parents who wish to give their children more financial autonomy are inclined to initiate financial activities and discussions. Accordingly, the incidence of reverse causality is a possibility.

Conclusion

This study was conducted to explore the relationship between the characteristics of parents, family financial socialization activities, and financial autonomy parents grant their children. Financial autonomy depends on the extent to which children are allowed to use and manage their money. Money is obtained in two ways: as gift money and regular pocket money.

This study fills the literature gap in three aspects. First, in contrast with previous studies on giving pocket money, this study added gift money, which is also a common source of money for children in Malaysia and other Asian countries. Given the different characteristics of pocket money and gift money, the research findings showed that financial autonomy for pocket money and gift money is affected differently by various factors. Secondly, as an extension of the existing studies on the family financial socialization process and pocket money giving, this study explored the relationship between family financial socialization activities in enabling and facilitating experiential learning through the level of financial autonomy given to children. Thirdly, this study examined the interaction between various family financial socialization activities because existing literature studied family financial socialization activities independent of each other.

A significant finding in this study is that financial autonomy depended on the source of money for the children. For example, parents' income is a significant factor for pocket money but not gift money. Parents tend to be more cautious in granting financial autonomy for money derived from their personal resources such as pocket money compared to money received from external sources such as gift money. The difference between gift money and pocket money is caused by the effects of parents' education and age in granting financial autonomy for gift money and pocket money. Highly educated and older parents tend to be more guarded in granting financial autonomy. Hence, it can be concluded that such parents are more relaxed in granting higher financial autonomy for gift money than pocket money as gift money is derived from external sources. Another important finding is the significant relationship between family financial socialization activities and the extent of financial autonomy granted by parents to their children. Instead of focusing on the effects of family financial socialization, this study showed that there exists an interaction between other family financial socialization activities and experiential learning.

The findings highlighted family financial socialization activities that encouraged experiential learning through financial autonomy that parents grant children concerning pocket money and gift money. Experiential learning was underemphasized in the family financial socialization process. For example, in the study by LeBaron et al. (2018), parents expressed regrets about not giving more financial responsibility to their children, and young participants wished their parents had entrusted them with more responsibility and flexibility in financial decisions when they were younger.

This study reiterated the importance of family financial socialization activities. A certain level of family financial socialization must take place for parents to have confidence and allow children the opportunity to gain hands-on experience managing money. Financial experiential learning must be supported by other forms of financial socialization activities. Hence, the relationship between family financial socialization activities and experiential learning must be emphasized in financial education and the counseling of parents. Furthermore, the types of family financial socialization activities demonstrate different effects on financial autonomy. In this study, such differences turned on the differences between pocket money and gift money. In this respect, future research should undertake an in-depth examination of the interaction between various family financial socialization activities and those in other Malaysian states for comparison purposes. Due to the use of quota sampling, which is a non-probability sampling in this study, the issue of sampling bias arises. As such, it is not possible to make statistical inferences from the sample to the population, and generalizations cannot be made. It is recommended that random sampling to be used in future studies so that the sample can represent the target population and sampling bias can be eliminated.

Acknowledgments

Financial assistance from USM Bridging Grant (304. PSOSIAL. 6316298) is acknowledged.

Declaration of Ownership

This research work is my original work

Conflict of interest

None

Ethical clearance

This study has been approved by the Human Research Ethics Committee of the Universiti Sains Malaysia.

References

Abramovitch, R., Freedman, J. L., & Pliner, P. (1991). Children and money: Getting an allowance, credit versus cash, and knowledge of pricing. *Journal of Economic Psychology, 12*(1), 27–45. https://psycnet.apa.org/doi/10.1016/0167-4870(91)90042-R

Allen, M. W., Edwards, R., & Hayhoe, C. (2007). Imagined interactions, family money management patterns and coalitions, and attitudes toward money and credit. *Journal of Family and Economic Issues*, *28*(1), 3–22. https://psycnet.apa.org/doi/10.1007/s10834-006-9048-1

Barnet-Verzat, C., & Wolff, F.-C. (2008). Pocket money and child effort at school. *Economics Bulletin, 9*(13), 1–10.

Batty, M., Collins, M., O'Rourke, C., & Odders-White, E. (2020). Experiential financial literacy: A field study of my classroom economy in elementary schools. *Economics in Education Review, 78*, Article No. 102014. https://doi.org/10.1016/j.econedurev.2020.102014

Beutler, I., & Dickson, L. (2008). Consumer economic socialization. In J. J. Xiao (Ed.), *Handbook of consumer finance research* (pp. 83–102). Springer.

Bernama. (2021, March 22). Financial literacy edu a vital tool against youth bankruptcy. *The Daily Express*. https://www.dailyexpress.com.my/news/168356/financial-literacy-edu-a-vital-tool-against-youth-bankruptcy/

Carvalho, M. (2019, March 4). Guan Eng: Low financial literacy among Malaysian youth contributing to high bankruptcy rates. *The Star*. https://www.thestar.com.my/news/nation/2019/03/04/guan-eng-low-financial-literacy-among-malaysian-youth-contributing-to-high-bankruptcy-rates/

Clarke, M. G., Heaton, M. B., Isrelsen, C. L., & Eggett, D. L. (2005). The acquisition of family financial roles and responsibilities. *Family and Consumer Sciences Research Journal, 33*(4), 321–340. https://doi.org/10.1177/1077727X04274117

Department of Statistics Malaysia. (2019). *Report on household income and basic amenities survey report*. https://www.dosm.gov.my/v1/index.php?r=column/cthemeByCat&cat=120&bul_id=TU00TmRhQ1N5TUxHVWN0T2VjbXJYZz09&menu_id=amVoWU54UTl0a21NWmdhMjFMMWcyZz09

de Clercq, B. (2009). Do our children know anything about money? An exploratory study. *Meditari Accountancy Research, 17*(1), 1–13. https://doi.org/10.1108/10222529200900001

Dow, D. M. (2016). Integrated motherhood: Beyond hegemonic ideologies of motherhood. *Journal of Marriage and Family*, *78*(1), 180–196. doi:10.1111/jomf.12264

Drever, A. I., Odders-White, E., Kalish, C. W., Else-Quest, N. M., Hoagland, E. M., & Nelms, E. N. (2015). Foundations of financial well-being: Insights into the role of executive function, financial socialization, and experience-based learning in childhood and youth. *Journal of Consumer Affairs, 49*(1), 13–38. https://doi.org/10.1111/joca.12068

Engels, C., Kumar, K., & Philip, D. (2020). Financial literacy and fraud detection. *The European Journal of Finance*, *26*(4-5), 420–442. https://doi.org/10.1080/1351847X.2019.1646666

Furnham, A., & Milner, R. (2017). Parent's beliefs and behaviours about the economic socialisation, through allowances/pocket money, of their children. *Psychology, 8*(8), 1216–1228. https://doi.org/10.4236/psych.2017.88078

Grusec, J. E., & Davidov, M. (2007). Socialization in the Family: The Roles of Parents. In J. E. Grusec & P. D. Hastings (Eds.), *Handbook of socialization: Theory and research* (pp. 284–308). The Guilford Press.

Grusec, J. E., & Davidov, M. (2010). Integrating different perspectives on socialization theory and research: A domain-specific approach. *Child Development, 81*(3), 687–709. https://doi.org/10.1111/j.1467-8624.2010.01426.xGudmunson, C. G., & Danes, S. M. (2011). Family financial socialization: Theory and critical review. *Journal of Family Economic Issues, 32*(4), 644–667. https://doi.org/10.1007/s10834-011-9275-y

Hani, A. (2019, August 8). Credit cards, personal loans landing Malaysians in debt trap. The Malaysian Reserve. https://themalaysianreserve.com/2019/08/08/credit-cards-personal-loans-landing-malaysians-in-debt-trap/

Hibbert, J. R., Beutler, I. F., & Martin, T. (2004). Financial prudence and next generation financial strain. *Journal of Financial Counseling and Planning, 15*, 51–59.

Hira, T. K. (2012). Promoting sustainable financial behaviour: Implications for education and research. *International Journal of Consumer Studies, 36*(5), 502–507.

Jorgensen, B.L., & Savla, J. (2010). Financial literacy of young adults: The importance of parental socialization. *Family Relations, 59*(4), 465-478. https://doi.org/10.1111/j.1741-3729.2010.00616.x

Kerr, M., Statin, H., & Trost, K. (1999). To know you is to trust you: Parent's trust is rooted in child disclosure of information. *Journal of Adolescence, 22*(6), 737–752.

Kim, J., LaTaillade, J., & Kim, H. (2011). Family processes and adolescents' financial behaviors. *Journal of Family and Economic Issues, 32*, 668–679. http://dx.doi.org/10.1007/s10834-011-9270-3

Kolb, D. A. (2014). *Experiential learning: Experience as the source of learning and development*. FT Press.

Laible, D., & Thompson, R. A. (2007). Early socialization: A relationship perspective. In J. E. Grusec & P. D. Hastings (Eds.), *Handbook of socialization: Theory and research* (p. 181–207). Guilford Press.

LeBaron, A. B., & Kelley, H. H. (2020). Financial socialization: A decade in review. *Journal of Family and Economic Issues, 42*(Suppl 1), 195–206. https://doi.org/10.1007/s10834-020-09736-2

LeBaron, A. B., Hill, E. J., Rosa, C. M., Spencer, T. J., Marks, L. D., & Powell, J. T. (2018a). I wish: Multi-generational regrets and reflections on teaching children about money. *Journal of Family and Economic Issues, 39*(2), 220–232. https://doi.org/10.1007/s10834-017-9556-1

LeBaron, A. B., Hill, E. J., Rosa, C. M., & Marks, L. D. (2018b). Whats and hows family financial socialization: Retrospective reports of Millennials and their parents and grandparents. *Family Relations*, *67*(4), 497–509. https://doi.org/10.1111/fare.12335

LeBaron, A. B., Rosa, C. M., Mork, L. A., Hill, E. J., & Marks, L. D. (2018c). Teaching children about money: Prospective parenting ideas from undergraduate students. *Journal of Financial Counselling and Planning*, *29*(2), 259–271. https://doi.org/10.1891/1052-3073.29.2.259

LeBaron, A. B., Runyan, S. D., Jorgensen, B. L., Marks, L. D., Li, X., & Hill, E. J. (2019). Practice makes perfect: Experiential learning as a method for financial socialization. *Journal of Family Issues*, *40*(4), 435–463. https://doi.org/10.1177%2F0192513X18812917

LeBaron, A. B., Marks, L. D., Rosa, E. J., & Hill, E. J. (2020). Can we talk about money? Financial socialization through parent–child financial discussion. *Emerging Adulthood,* 8(6), 453-463.. https://doi.org/10.1177%2F2167696820902673

Lewis, A., & Scott, A. J. (2000). The economic awareness, knowledge and pocket money practices of a sample of UK adolescents: A study of economic socialisation and economic psychology. *Citizenship, Social and Economic Education, 4*(1), 34–46. https://doi.org/10.2304/csee.2000.4.1.34

Luhr, S. (2018). How social class shapes adolescent financial socialization: Understanding differences in the transition to adulthood. *Journal of Family and Economic Issues, 39*(3), 457–473. https://doi.org/10.1007/s10834-018-9573-8

Marshall, H., & Magruder, L. (1960). Relations between parent, money, education practices, and children's knowledge and use of money. *Child Development, 31*(2), 253–284. https://doi.org/10.2307/1125902

Miller, J., & Yung, S. (1990). The role of allowances in adolescent socialization. *Youth and Society, 22*(2), 137–159. https://psycnet.apa.org/doi/10.1177/0044118X90022002002

Penang Institute. (2018). Penang: Population and Demographics. https://penanginstitute.org/resources/key-penang-statistics/visualisations-of-key-indicators/penang-population-and-demographics/

Pliner, P., Freedman, J., Abramovitch, R., & Darke, P. (1996). Children as consumers: In the laboratory and beyond. In P. K. Lunt & A. Furnham (Eds.), *Economic socialisation: The economic beliefs and behaviours of young people* (pp35-46) Edward Elgar.

Rea, J., Danes, S., Serido, J., Borden, L., & Shim, S. (2019). Being able to support yourself: Young adults' meaning of financial well-being through family financial socialization. *Journal of Family and Economic Issues*, *40*(2), 250–268. https://doi.org/10.1007/s10834-018-9602-7

RinggitPlus. (2020). *Malaysian financial literacy survey 2020*. Accessed from https://www.fenetwork.my/wp-content/uploads/2020/11/RinggitPlus-Financial-Literacy-Survey-Full-Report.pdf

Serido, J., LeBaron, A., Li, L., Parrott, E., & Shim, S. (2020). The lengthening transition to adulthood: Financial parenting and recentering during college-to-career transition. *Journal of Family Issues*, *41*(9), 1626–1648. https://doi.org/10.1177%2F0192513X19894662

Serido, J., & Deenanath, V. (2016). Financial parenting: Promoting financial self-reliance of young consumers. In J. J. Xiao (Ed.), *Handbook of consumer finance research* (2nd ed.), (pp. 291–301). Springer.

Sherraden, M. S., Johnson, L., Guo, B., & Elliott, W. (2011). Financial capability in children: Effects of participation in a school-based financial education and savings program. *Journal of Family & Economic Issues*, *32*(3), 385–399. https:/doi.org/10.1007/s10834-010-9220-5

Tang, N., & Peter, P. (2015). Financial knowledge acquisition among the young: The role of financial education, financial experience, and parents' financial experience. *Financial Services Review*, *24*(2), 119–137. https://link.gale.com/apps/doc/A418341732/AONE?u=anon~8269ed6b&sid=googleScholar&xid=c212b808

Vosylis, R., & Erentaite, R. (2020). Linking family financial socialization with its proximal and distal outcomes: Which socialization dimensions matter most for emerging adults' financial identity, financial behaviours, and financial anxiety? Emerging Adulthood, 8(6), 464-475. https://doi.org/10.1177%2F2167696819856763

Xiao, J. J., Ford, M. W., & Kim, J. (2011). Consumer financial behavior: An interdisciplinary review of selected theories and research. *Family and Consumer Sciences Research Journal, 39*(4), 399–414. https://doi.org/10.1111/j.1552-3934.2011.02078.x

Whitebread, D., & Bingham, S. (2013). *Habit formation and learning in young children*. The Money Advice Service. from www.moneyadviceservice.org.uk/en/static/habit-formation-and-learning-in-young-children

Zhao, H., & Zhang, L. (2020). Talking money at home: The value of family financial socialization. International Journal of Bank Marketing, *38*(7), 1617–1634. https://doi.org/10.1108/IJBM-04-2020-0174