



Asritha Raj

Research Scholar



Dr. Vidhya Ravindranadan

Academician

Introduction

In today's fast-paced, consumer-focused society, financial literacy is essential, not optional. As people handle both physical and digital forms of money from a very young age, the basics of financial attitudes, problem-solving skills, financial behaviours, and decision-making skills are often established well before they undergo formal financial education. Such initial financial teaching and learning happens at home, with parents being the teachers in the financial attitude and growth of their children. However, the idea of financial parenting has gained importance in recent years. Financial parenting primarily

Financial Parenting: How Early Money Lessons Shape Future Financial Behaviour

This article explores the concept of financial parenting, emphasising its crucial role in shaping children's long-term financial behaviours and well-being. It highlights how parenting styles, behaviour modelling, and early financial lessons influence attitudes towards saving, spending, and managing risk. The article offers age-appropriate practical strategies for parents that help inculcate financial discipline in children. It concludes by emphasising the importance of intentional financial parenting as both a personal and professional responsibility, promoting value-based money education to nurture financially competent and ethically responsible adults.

includes the practices, strategies, and communication styles used by parents to impart values, habits, attitudes, and knowledge about money to children. Financial parenting is not the traditional financial education that is normally introduced in late adolescence or early adulthood. It begins very early at home through everyday conversations between children and parents about needs and wants, choices made while shopping, and by watching how parents handle their own money, their savings, loans, debts, etc. Children usually learn these basic lessons on money through observations, and these basics influence their financial behaviours, discipline and attitudes later in their adolescence and adulthood. Financial parenting is important and relevant in a consumer-driven economy where material achievements are associated with individual value and where poor financial decisions can lead to debts and subpar credit ratings. Since the online shopping platforms, digital transactions, and credit systems are wider and more common, and

children are exposed to all of these at a very young age, having good financial knowledge at an early age has become a necessity. Thus, the importance and relevance of financial parenting and financial socialisation have also increased. Parents, being the first teachers of children, should always adopt a proactive role as mentors as well as financial educators for children. Considering these factors, this article delves into the importance of financial parenting, its different aspects, and the effects of early financial socialisation on long-term financial skills.

Financial Parenting

Parents' financial attitudes and approaches significantly influence the financial habits and well-being of children as well. Financial parenting incorporates both the intentional and unintentional ways in which a parent shapes their children's attitudes, perspectives, beliefs, and behaviour regarding finance. It also incorporates a parent's approaches towards educating children about financial matters such as saving, spending, budgeting, debt

management, etc. There should be effective communication between parents and children regarding finances, as it can also influence the overall well-being of children. Parenting plays an important role in teaching financial principles to children. Teaching children to save and use money wisely from early years can influence their financial decision-making and independence throughout their lives. Financial parenting includes another important psychological concept related to finance called financial socialisation. Individuals gain and nurture financial knowledge, skills, values, attitudes, and behaviours essential for effectively navigating the economic landscape through financial socialisation. Financial socialisation starts in early childhood and progresses into adulthood, with parents acting as the primary influencers during the crucial developmental years of a child. It is a learning process about finances and includes three major psychological pathways, which are observation, conversation, and experience. These are interconnected, and children acquire both financial abilities and psychological qualities through these.

Children learn by observing parents' savings attitude, financial challenges and how they handle their debts, how and when they pay bills, how they invest, how they make a monthly budget, etc. These need not be told or taught explicitly, but children observe these behaviours directly or



indirectly and may act similarly when a similar situation comes in their lives. Observation also influences their views, attitude and behaviour not only in childhood but throughout their lives. Similarly, observation can help in avoiding threats. In some cases, children might have observed the consequences of wrong financial decisions or debts and avoid them in their adult lives. Learning through observing the consequences is called vicarious learning in psychology and is also a part of observation.

Conversations involve direct exchange of verbal information between children and parents, where parents can discuss family budget, financial decisions, clarify financial doubts of the child, establish money usage rules, etc. If the child demands anything and the parents are not able to buy it for them, then it should be explained to the child. Every child should have an age-appropriate idea of the financial status of their parents. Children who often participate and children of parents who include them in financial discussions are more likely to develop confidence in managing money and making informed and effective financial decisions.

Experience incorporates the practical opportunities where children manage money, such as preparing a shopping list for themselves, making purchases, saving for a desired item, etc. This can even include taking the child for monthly shopping and making the child check the price of items, talking about the value of money and helping them to identify their wants and needs and explaining the expenditure to them, but this has to be done age appropriately. Discussions and conversations will be fruitful only when they lead to experiences, so providing such opportunities from a young age itself influences the financial decision-making and well-being throughout life.

Psychological Foundations

Understanding how financial discipline, attitude and behaviours are passed down from one generation

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to another necessitates an analysis of psychological theories that explain parent-child relationships and development. Three core frameworks that provide insights into how financial parenting shapes a child's lifelong relationship with money are Social Learning Theory, Attachment Theory and Money scripts.

Social Learning Theory

Albert Bandura proposed the Social Learning Theory in 1977, positing that individuals learn through observation and imitation, particularly when the behaviour is shown by someone with authority or emotional significance, such as parents in the case of children. Children absorb many financial habits not only through direct teaching but also by observing how their parents manage money. So, children who observe the financial planning, cost comparisons, monthly budgeting, savings, etc. of parents are more inclined to adopt responsible financial decisions and behaviours later in their lives. On the other hand, children who witness impulsive spending, secrecy surrounding finances, or consistent financial strain may develop unhealthy financial habits and poor financial discipline later in

their lives. Modelling or observational learning works at a subconscious level, and so it is especially influential too. Thus, children construct beliefs about money based on their observations, even if those behaviours are not explicitly taught or discussed. This highlights the necessity for alignment between what parents communicate and what they practice.

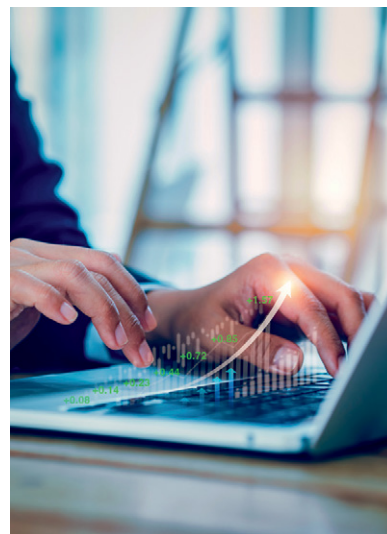
Attachment Theory

The Attachment theory, formulated by John Bowlby, focuses on the role of early emotional connections in developing long-term trust and self-regulation patterns in children. When it comes to financial parenting, the nature of the attachment between parents and children significantly impacts how children manage money later in their lives. Secure attachment styles include consistent emotional support, trust and security from parents, and such children appear to have healthy financial management skills and more confidence in money management. They take risks, practice delayed gratification, and seek assistance whenever necessary. Conversely, children with insecure attachment styles are those who experience parental neglect or anxiety, and might either become overly reliant on others for financial decisions or develop a strong sense of independence and distrust regarding finances later in their lives. In this way, financial behaviours are not merely cognitive or skill-based; they are deeply connected

with emotional regulation, self-esteem, and feelings of security, all of which are shaped by early attachment experiences, mainly parenting.

Parental Money Scripts

Money scripts are the fundamental beliefs about money that are formed during early childhood. It is the unconscious frameworks of an individual's feelings, thoughts and actions related to money. The tone, non-verbal cues including facial expressions, body language and actions that parents exhibit during financial discussions influence the money scripts of children. Money scripts basically include Scarcity, Abundance, Shame-based, and Avoidant scripts. Scarcity scripts arise when children receive ongoing messages about a lack of money. For example, when parents tell "we can't afford that," "we can buy it when we have money," etc., children get a feeling of fear, anxiety, or hoarding tendencies. When children continuously hear such scarcity scripts, there is a chance of being stingy and anxious in adulthood too. Usually, Abundance scripts in children develop when money is perceived as unlimited or when they are encouraged to spend without consideration for budgeting, potentially resulting in impulsivity or excessive financial confidence. When parents buy everything for the child, the child feels that money is abundant. Such children, when in adulthood, may become impulsive buyers with low financial discipline. Shame-based scripts originate in families where money is linked to guilt, secrecy, or moral judgment, often leading to avoidance of financial conversations or a fear of failing financially. Some families lack conversations about finances; maybe one parent handles everything, or sometimes both parents together, without the involvement of children. Children from such families see money as a secret thing and avoid discussions or being open later, also. Avoidant scripts are established in homes where financial topics are completely off-limits, resulting in a lack of financial



knowledge and an unwillingness to engage in financial planning. Once ingrained, these beliefs can even outweigh formal financial education and become strong predictors of financial decisions in adulthood.

Common Parenting Styles and Their Financial Implications

Parenting affects the emotional development, learning and self-esteem, which are necessary for financial socialisation. The pioneer in parenting studies, Diana Baumrind, identified four types of parenting styles in the 1960s. They are authoritarian, authoritative, permissive, and neglectful parenting styles. Parenting can predict a child's financial behaviours, beliefs, values, and their overall ability to manage money in the long run.

Authoritarian Parenting

Authoritarian parents show high levels of control and low levels of emotional responsiveness. They are restrictive and punitive in nature. When in Financial education, they are strict, rule-oriented, and fear-driven, leaving little room for discussion. Children are expected to adhere to financial rules without comprehending their underlying reasons. Therefore, children may experience guilt or anxiety related to financial choices, which can lead to avoidance



behaviour, lack of confidence, or an over-reliance on others. They might also become impulsive and show risky behaviours in adolescence and adulthood.

Authoritative Parenting

Authoritative parents show high levels of responsiveness and expectations. They show warmth with structure, provide clear guidelines and promote independence.

Authoritative parents often involve their children in conversations about budgeting, saving, and making financial choices and decisions. They allow their children to make financial decisions appropriate for their age and use mistakes as opportunities for teaching. This parenting style promotes economic independence and competence in children. Children raised by authoritative parents tend to be more likely to adopt strong financial values, show financial discipline, and gain confidence in handling money throughout their lives. Such children, when in adulthood, are also more likely to pursue financial knowledge and plan for their future, showcasing improved financial literacy and responsible behaviours throughout their lives.

Permissive Parenting

Permissive parents provide a lot of nurturing while establishing only a few rules or expectations for children. In terms of finances, they might not set limits for spending, frequently give money without expecting accountability, and avoid clear financial conversations. Children brought up in permissive environments often become impulsive and develop inadequate saving habits and lack financial discipline. Due to vague or inconsistently applied financial boundaries, these children may prioritise immediate satisfaction over learning about delayed rewards. As adults, this can result in overspending, poor budgeting abilities, and relying on credit without fully grasping the financial implications.

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Neglectful Parenting

Neglectful parents exhibit low involvement and guidance. Thus, children do not receive guidance or exposure regarding money. Financial discussions may be absent from family interactions, making the child navigate financial challenges independently. As a result, they often develop poor financial literacy and financial discipline, confusion about financial standards, and a lack of readiness for real-world financial responsibilities. Thus, children of neglectful parents may face financial instability, lack effective budgeting and saving techniques, and poor financial decision-making and planning in their adulthood.

In conclusion, parenting styles greatly affect how children manage money throughout their lives. Among the four parenting styles, Authoritative parenting is the most effective in fostering lifelong financial well-being. Conversely, permissive, authoritarian, and neglectful parenting styles pose distinct challenges that can hinder a child's ability to handle finances effectively.

Practical Strategies for Parents

Parents who have deep financial knowledge often face the difficulty of having financial expertise and translating that knowledge into relevant, age-appropriate educational experiences for their own children. The evidence-based strategies outlined below can provide a valuable framework for promoting positive financial attitudes and behaviours within the home environment, establishing a strong base for adult financial wellbeing. The capacity to postpone immediate gratification is a significant indicator of future financial stability. Parents can foster this skill by assisting children in establishing both short-term and long-term saving objectives, such as saving money for a toy, and identifying their needs and wants. Tools like reward charts and goal charts motivate and assist children in grasping the connection between effort and reward. This approach promotes qualities like patience, discipline, and intrinsic motivation, which are vital for effective financial management.

Age-Specific Financial Tasks

Providing age-appropriate financial responsibilities will gradually enhance their financial decision-making skills and self-assurance, and thereby



their financial well-being. This is an important part of financial parenting, too. Age-appropriate tasks that improve financial skills are as follows;

In Early Childhood (ages 5 - 8), fundamental concepts related to money can be introduced to the child. Activities can include encouraging children to make needs and wants charts and differentiating between the two, and basic saving methods using clear jars or piggy banks.

In the Middle Childhood (ages 9 - 12), using interactive resources such as budgeting games or family-oriented financial challenges can make the learning process enjoyable and practical. Activities can include teaching children to give money and check balances from shopkeepers, providing a modest, regular allowance and promoting budgeting by categorising spending.

In Adolescence (ages 13 - 18), parents should explain basic financial ideas like compound interest or credit with real-life examples. Urge engagement in more complex activities such as managing a savings account, keeping track of personal expenses, etc.

Some other effective approaches are engaging children in everyday family financial decisions, such as shopping for groceries within a budget,



comparing prices, or organising a vacation while considering financial limitations. This involvement improves practical numeracy and decision-making abilities and emphasises the importance of money and financial planning.

Discussing Mistakes and Financial Values

Fostering an environment where financial errors are openly discussed instead of being met with punishment encourages a positive attitude towards learning and self-improvement. When children spend beyond their means or make unwise financial decisions, parents should use such instances as opportunities to teach, discussing what went wrong, what alternatives could have been considered, and how to improve future decisions. By incorporating these practical approaches into their daily routines, parents can significantly influence the development of financially savvy, ethically aware, and emotionally intelligent future adults. Such initiatives enhance individual financial health and support larger societal objectives of economic accountability and engaged citizenship.

Conclusion

Financial parenting should be considered as a deliberate and value-based responsibility in today's consumer-driven economy. Beyond managing personal finances well, all parents can exemplify and teach effective financial practices, influencing their children's lifelong relationship with money. Intentional financial parenting blends technical knowledge with emotional intelligence, turning abstract financial concepts into practical lessons in discipline, responsibility, and ethics. Parents can enhance financial literacy and character development by engaging children in age-appropriate financial activities. The financial experiences that children encounter, including their financial independence, risks, scarcity and their responsibilities,

can shape their attitudes toward money in adulthood. These initial financial learnings are not just standalone occurrences; they are intertwined into the child's evolving sense of self and shape their financial choices throughout their life.

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Author may be reached
at eboard@icai.in