

The Relationship between Educational Background and Parental Involvement in Determining Financial Literacy

Ahmed AlQemzi, Quantitative analysis center, Wesleyan University

Introduction

- ❑ Despite recent increase, the financial well-being reported by individuals in the US. Almost 30% of individuals report that they would not be able to handle an unexpected emergency expense of \$400 (Update on the Economic Well-Being of U.S. Households 2020).
- ❑ Research assessing financial literacy and its association with financial behavior indicate that respondents who showed higher financial literacy knowledge were less likely to use high-cost borrowing and more likely to plan for retirement or to have set aside savings for emergencies (de Bassa Scheresberg, C., 2013)
- ❑ Most research have focused on how financially literate Americans are (Chen & Volpe, 1998; Vitt, Anderson, Kent). However, the financial literacy level of an individual may be related to the involvement of parental and/or institutionalized education in their financial knowledge. The extent of the effect may indicate which of the two sources has a stronger association with higher level of financial literacy.

Research Questions

- ❑ Is there a relationship between level of education in determining the financial literacy level within an individual?
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Results

Univariate:

- ❑ A total of 84.47% of the participant's parents discussed at least one or more topic that is related to financial literacy.
- ❑ The mean financial literacy score was 44.76 and the median was 44. 64.1% of the participants scored more than 39 points (which is the passing level) meaning that 64.1% of the participants passed the financial literacy test.

Bivariate:

- ❑ ANOVA analysis revealed that among the participants, **Parental involvement Score and financial literacy score are significantly related**, ($F = 66.8, P < 2e-16$). Moreover, ANOVA analysis of the association between Educational background and financial score indicate that they are significantly related, ($F = 66.8, P < 2e-16$).
- ❑ Post hoc comparisons of the parental involvement score and financial literacy score indicate that parental involvement score between 0-1 and 3-4 did not have a significant difference in their financial literacy scores. While the rest of the score categories showed significant differences in financial literacy scores.

Figure 1

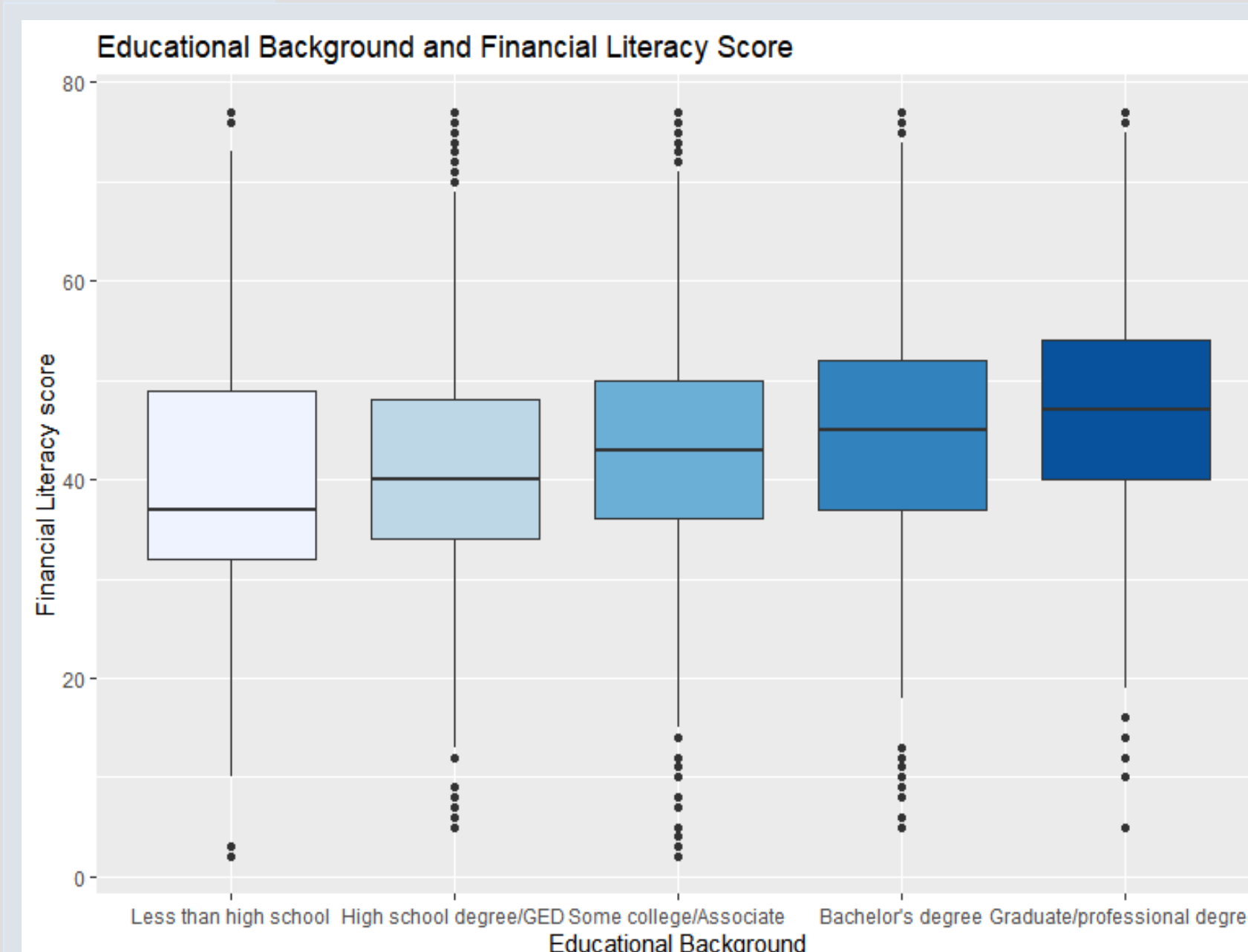
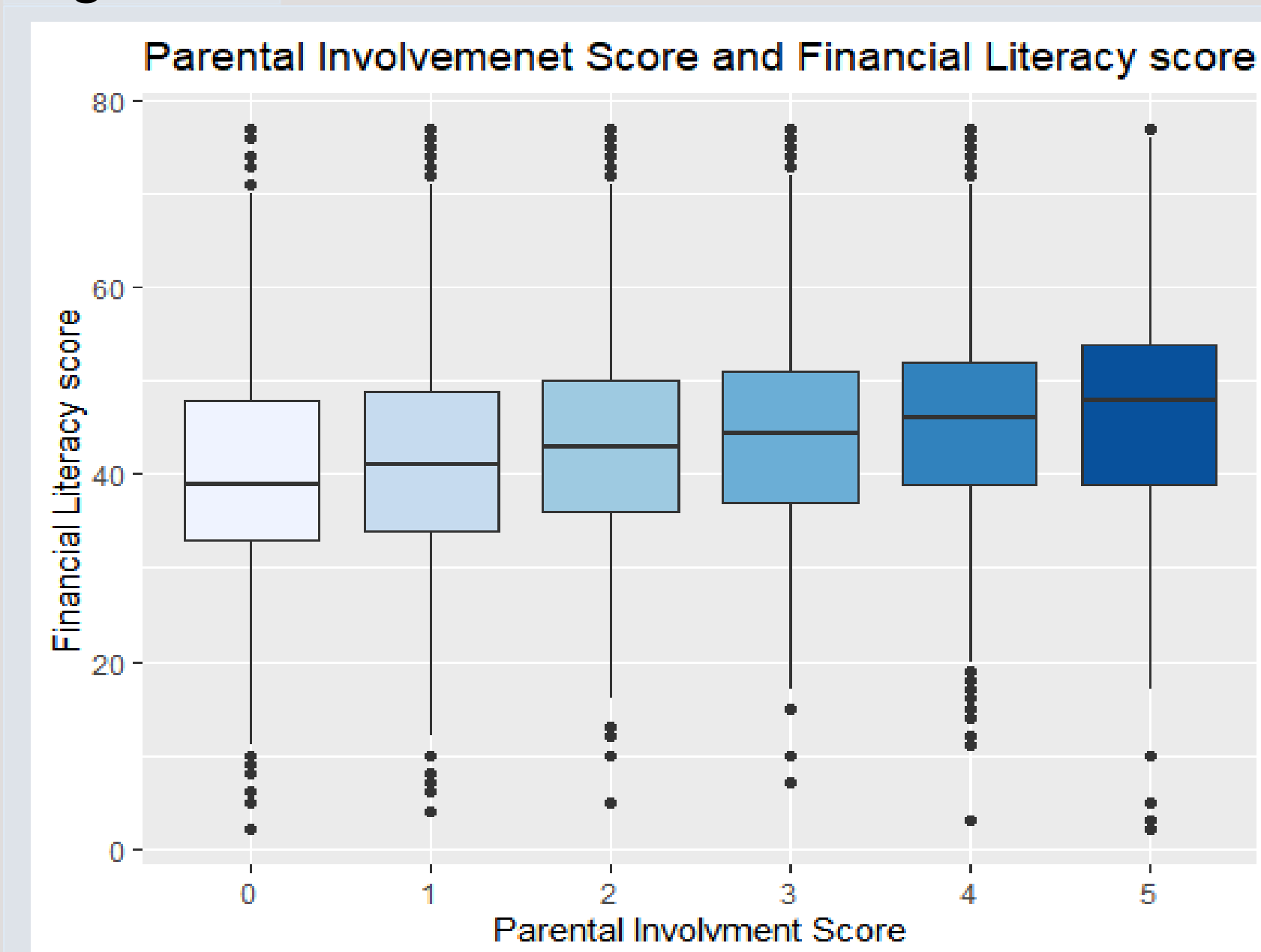


Figure 2

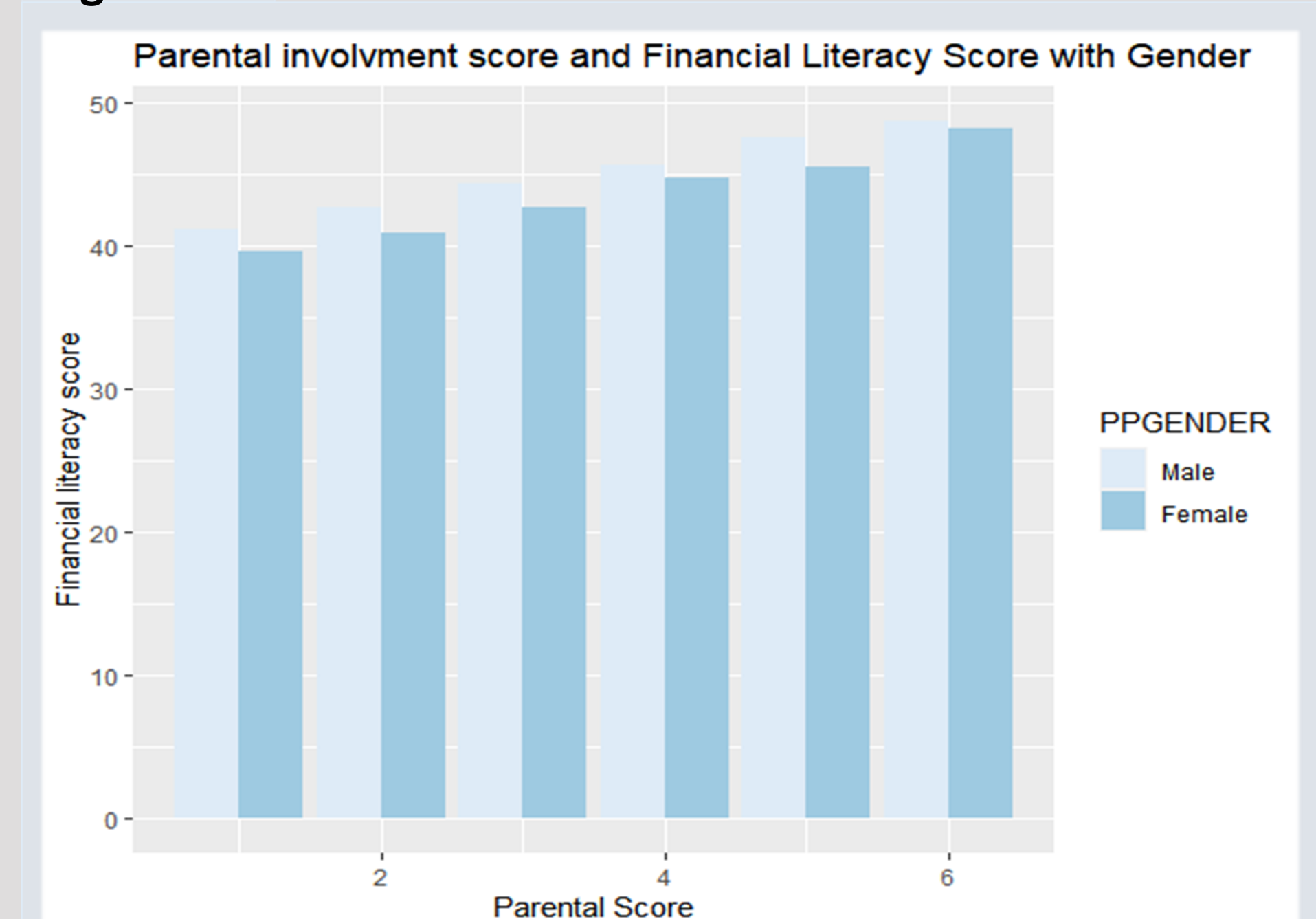


- However, post hoc tests amongst educational level and financial literacy scores indicate that **all education levels reported significantly higher financial literacy scores except for the two lowest levels of categories of education (Less than high school & High school degree)** indicating that

Multivariate:

- Gender appears to moderate the relationship between financial literacy score and parental involvement score. This means that even with higher parental involvement scores female participants tend to get a lower score than male participants (figure 3)

Figure 3



Discussion

- ❑ Participants with higher level of education and higher levels of parental involvement in their financial education tend to score higher on the financial literacy test.
- ❑ This indicates that both parents and institutionalized curriculums are an effective measure to counter financial illiteracy and increase financial awareness.
- ❑ Additional research may be done to further investigate the relationship between specific types of parental teaching methods that may further help increase the financial awareness of an individual. This statement can also be implemented with institutionalized financial curriculums that help aid in the financial awareness of students.

References

- Board of Governors of the Federal Reserve System (Trans.). (2020). Update on the Economic Well-Being of U.S. Households: July 2020 Results.
- de Bassa Scheresberg, C. (2013). Financial literacy and financial behavior among young adults: Evidence and implications. *Numeracy*, 6(2), 5.
- Chen, H., & Volpe, R. (1998). An analysis of personal financial literacy among college students. *Financial Services Review*, 7, 107-128