The Influence of Early Childhood Consumer Experience [ECCE] and Parental Financial Socialization among Students in UiTM Seremban 3

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ABSTRACT
University students, as a younger generation, are said to have low financial literacy. They tend to waste money because they have no idea how to manage their finances. A significant percentage of the monetary learning individual obtain comes from their parents' demonstration of financial understanding. This paper explores the role of parental financial socialization in the development of financial literacy. This study aims to investigate the influence of early childhood consumer experience [ECCE] and parental financial socialization. This study utilizes Social Learning Theory as its underlying theory. This study is a quantitative study using survey questionnaires as its primary data collection method. There are 380 respondents from Universiti Teknologi Mara (UiTM) Seremban 3, Negeri Sembilan who participated in the study. The data were analyzed using SPSS software. The findings of the correlation analysis revealed that ECCE is found to have a significant relationship with parental financial socialization. In conclusion, the results imply that financial literacy among students at UiTM Seremban 3 is associated with parental financial socialization. Future research is recommended to widen the sample area and include other variables of financial literacy.

Key Words: early childhood consumer experience [ECCE], parental financial socialization, students, financial literacy.

1. INTRODUCTION

Financial literacy and responsibility are essential aspects in managing everyday life. In the 21st century, when an economic ecosystem is more accessible and vulnerable, the understanding of the basic of financial skills become more potent and necessary. Financial literacy is known as *"the ability to understand the various financial skills and concepts, including personal and domestic financial management, budgeting and investing"* (Kimiyaghalam & Safari, 1985). In the broader context, financial knowledge includes *'one's understanding of important financial concepts such as long-term returns of investments, stocks, bonds, savings volatility, the benefit of diversification, and the relationship between bond prices and interest rate'* (Engels et al., 2019). Financial literacy must be taught in the education syllabus as preparation for young adults to be more financially independent and self-sufficient. To measure financial literacy, there are three universal concepts. First, [1] understanding interest rate calculation and compounding, second [2] understanding the inflation and three [3] understanding the risk of diversification (Lusardi, 2019). This concept must be incorporated in financial education as fundamental content. Individuals that possess a high level of financial knowledge have a higher ability to detect financial fraud (Engels et al., 2019). Their ability to access the risk to understand how the economic system operates gives them the advantage to detect fraudulent financial attempts.

The implications of failure to manage finances lead to bankruptcy and financial mismanagement. As an evident, Lim Guan Eng, the former Minister of Finance of Malaysia, stated that 60 per cent of 100,610 Malaysians aged between 18 to 44 years old were declared bankrupt between 2013 and 2017 (The Star, 2019). In the financial management context, Bank Negara Malaysia (BNM) literacies survey indicates that three out of four Malaysian finds it challenging to save RM 1,000 in case of emergency (Mokhtar et al., 2018). The non-understanding of financial knowledge led to a flawed decision-making process. Spending without reasonable control, access to credit and inability to pay debt seem to be never-ending problems to the individual financial portfolio. In the social context, personal financial mismanagement can contribute to social issues such as increased crimes rate, domestic violence, and other related social problems. Apart from that, those who lack financial literacy is vulnerable to becoming the victim of financial fraud.

Young adults must equip themselves with the necessary financial skills. This includes the responsibilities of managing the financial budget, expenses, assets and liabilities. Young adults consider a vulnerable group in relation to financial spending (Autio et al., 2009). Excessive and lavish spending and non-repayment of loans such as credit cards and education-related loans implicate young adults' future financial planning. Apart from that, economic uncertainty caused a further financial burden to young adults. The rising cost of living, education expenses and rental issues escalate young adult financial burden. In 2010, the Malaysia growth rate average was 5.7%, which can positively affect ASEAN countries. However, due to pandemic covid-19, economic growth is expected to decline, particularly in 2019 – 2022. Due to this, the employment rate is expected to increase, and the job market likely to be affected (*The Impact of the COVID-19 Pandemic on Jobs and Incomes in G20 Economies*, n.d.). This unprecedented event requires personal financial management to be resilient and sustainable. Having to say that education in financial management amongst young adults can reduce the risk of financial mismanagement. Whilst the economic performance was declining, the young-adult spending behaviour is quite alarming. The usage of loans to cover expenses and the unnecessary utilization of credit cards is dangerous financial behaviour. This debt-friendly culture will deter individuals' financial freedom because of the obligation to pay the interest rate. Ultimately, young adult finds it difficult to save money and manage spending and debt properly.

Apart from financial literacy, the young adult should possess basic knowledge of legal matters relating to finance. The knowledge of the law of contract is necessary for the purpose of understanding the legal liabilities, responsibilities, and obligations. Under the law of contract, the explanation on hire purchase, sale of goods and bankruptcy can assist the young adult in the decision-making process in related financial matters. The understanding of basic economic laws will help young adults to understand the implication of financial mismanagement. For example, the non-repayment of an education loan under Perbadanan Tabung Pendidikan Tinggi Nasional (PTPTN) not only cause personal financial problem but effect government effort to provide education funds to future students.

From the discussions above, it is fair to conclude that financial literacy is a significant topic that requires greater research, particularly among younger generations. In addition, only a few studies have concentrated on the formation of financial attitudes in children, which is a new field for research (Ullah & Yusheng, 2020). Thus, the purpose of this study is to investigate the role of parental financial socialization in the development of financial literacy. This study will only focus on one variable that influences parental financial socialization, which is the early childhood consumer experience [ECCE]. Hence, the research objective is to identify the relationship between ECCE and parental financial socialization. The research question is, does ECCE have a significant relationship with parental financial socialization? While the hypotheses are: [1] Ho: There is no significant relationship between ECCE and parental financial socialization. [2] Ha: There is a significant relationship between ECCE and parental financial socialization.

2. LITERATURE REVIEW

2.1. Social Learning Theory

Social Learning Theory explains how an individual learns new behaviour. It is considered the most influential learning and growth theory, and it is based on the concept of formal learning (Melanie & Jeffrey, 2008). According to Bandura, all types of learning could not be explained by direct reinforcement alone because individuals learnt social behaviour from their surroundings. Hence, Social Learning Theory emphasizes the necessity of observing, modelling, and mimicking others' behaviours, attitudes and emotional reactions, according to Bandura (1971). Corresponding to Melanie & Jeffrey (2008), it encompasses attention, memory, and motivation. In addition, Bandura (1969) explain that differences in behaviour can occur without knowledge, and knowledge may or may not affect different behaviour.

Consumer socialization depends largely on social learning theory to explain the growth of consumer behaviour. McNeal (1987) that popular with his idea of children consumer socialization, explains that the behaviour of the children refers to a process by which individuals acquire knowledge, skills and value dispositions that enable them to become community members. According to Social Learning Theory, the process of human development is viewed from the perspective of children's socialization experiences and the acquisition of self-regulation (Zimmerman, 2001). Children, for example, learn by studying and imitating the behaviours of the people surrounding them. In the real world, social learning theories are predicted to behave similarly. Observational learning can happen to anyone at any age. In terms of fresh schoolings through the modelling process, new exposure to new influential, powerful models who control resources may develop at any stage of life (Newman & Newman, 2015)

2.2. The influence of early childhood consumer experience [ECCE] and parental financial socialization.

Children try to continue the financial behaviour pattern they learnt as children when they became adults and start their own families (Danes & Yang, 2014). Similarly, Drever et al. (2015) explain that adults learn about consumer knowledge and behaviour as children through interactions with socialization agents such as parents, siblings, classmates, religion and put this information and behaviour into practice as adults. The development of standards, norms, values, and attitudes that will limit or assist the development of financial capability among individuals as well as increase financial well-being are all part of financial socialization. In other words, financial socialization not only talks about managing money (Ullah & Yusheng, 2020). Parents are seen as the key socialization agents in the process of children learning how to act as consumers and money managers in the marketplace (Webley & Nyhus, 2006). Parental financial socialization means that the parents communicate with their children while they grow up about the topics related to finance, such as the importance of savings, family spending, private spending, and the use of credit cards (Shim et al., 2009).

3. METHODOLOGY

The focus of the study is to explore the influence of ECCE and parental financial socialization among students in UiTM Seremban 3. A survey questionnaire was developed based on past studies. The questionnaire form was adopted from Jorgensen & Savla (2010) College Student Financial Literacy Survey (CSFLS) to measure financial skills and family financial socialization. The items asked in measure ECCE are [1] discussing financial matters with parents, [2] having savings account from a young age, [3] having the freedom to spend money, [4] receiving allowances from parents since childhood and [5] planning finance since a kid. There are also five items asked to measure parental financial socialization. Among the questions are looking for information on personal finance, receiving financial advice and making goals of spending. Due to the impact of the Covid-19 pandemic, the data was collected using an online survey. Google Form was utilized to collect the data from the respondents. The respondents of this study are the students of UiTM Seremban 3 Campus. This study occupied multistage sampling technique where simple random sampling and convenience sampling techniques were used. This study only reached 380 respondents out of 420 survey questionnaires distributed. The data was analyzed using Statistical Package for Social Sciences (SPSS). Pearson Product Moment Correlation was used to analyze the relationship between an independent variable and a dependent variable.

4. RESULTS AND DISCUSSION

The descriptive analysis points out that 70.8 per cent are female while 29.2 per cent are male, with most of the respondents being between 23 to 24 years old (57.9 per cent). In addition, regarding the financial aid received, 63.4 per cent were taking education loans under PTPTN, 30 per cent are depending on the other financial aids, while 4.7 per cent received zakat and 8 per cent received the scholarship. For the main finding, the Pearson correlation test showed that the relationship between ECCE and parental financial socialization is moderate correlation and significant at $r=0.605$, $p=0.000$. Therefore, Ho is rejected, and Ha is accepted, where all the items asked in the questionnaire shows there is a positive relationship between ECCE and parental financial socialization among university students.

This study indicates that parents must improve their children's consumer experiences by involving them in financial literacy from a young age. These students will make good and wise financial decisions as they grow older, particularly when attending university. It demonstrate\that a person's involvement in financial activities as a child makes them more inclined to engage in financial practises as an adult. This study is consistent with the idea of Shim et al. (2009), that mentioned the important roles played by parents in influencing their children attitudes with regards to money matters. Thus, dual roles that parents might play in their children's lives is [1] as financial educators and [2] advocates of fiscal responsibility. The concept of the more parents discussed financial matters with their children, the more knowledgeable the children felt about personal finance should be utilized by all parents.

In addition, this study is somewhat inconsistent with the study by Jorgensen & Savla (2010), where they found out that the students regarded their parents to have a direct, somewhat significant influence on outcomes such as financial attitude, but not necessarily on their financial knowledge or activities. They also discovered a nonsignificant link between students' view that their parents influenced their financial knowledge and actual financial knowledge, supporting the idea that parents are not really teaching their children financial knowledge.

5. CONCLUSION AND RECCOMENDATION

In recent decades where all countries around the world have been facing the covid-19 crisis; many people are struggling to manage their finance because some are losing their job, and some still struggle to recover their business. Therefore, having financial knowledge, understanding financial management and being financial literate is very important. Thus, this study explores the role of parental financial socialization in the development of financial literacy with the objective to investigate the influence of early childhood consumer experience [ECCE] and parental financial socialization.

This study found that there is a significant relationship between early childhood consumer experience [ECCE] and parental financial socialization. Hence, this research suggests that financial knowledge gained through financial socialization would be likely to enhance the development of the financial capability of young adults. Shaping financial behaviour and obtaining positive financial well-being is a complicated process in which parents play a critical role. Since this study is conducted in UiTM Seremban 3, which involves only Bumiputera's respondents, therefore, it is recommended that future research could compare between races, Bumiputera and Non-Bumiputera students and comparing between public and private universities.

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