Impact of Socialization on Attitude towards Money: A Review

*Rimple Manchanda**

ABSTRACT

Money attitude is an important factor that affects the purchase and spending behavior of individuals. As acknowledged in earlier studies, children adapt their outlook towards money due to their observational behavior. Family peers and friends are the major social agents that work for development of temperament towards money. The current study investigates the role of socialization in development of attitude towards money. This study contributes towards developmental psychology. It underlines and discerns the thoughts that work in dealing with money.

Key Words: Money attitude, Socialization, Peer effect, Purchase behavior, Spending behavior

1. Introduction

Money is something that controls our life. We all differ somewhat on the opinion about money and the way we react in situations involving money. All of us would have some difference in choices we make regarding issues and situations involving money whether we want to spend money or save it for holidays or getting pension at a later date. We all have dissimilar attitude towards money. What is the reason for this dissimilarity or divergence? It is important to put money in perspective because it is something that we all need and it makes world go around. Money attitude is the money related approach that one applies when dealing with money or money related issues. Money attitude is lifelong learning experience. It is dynamic as it keeps shifting at every stage of life. The difference in opinion about money that one holds reflects difference in attitude one has towards money. Money buys happiness as well as health. Purchase and spending behavior exhibited by individuals are the outcome of the attitude that they develop towards money overtime. It keeps on developing with new experiences at every stage of life (Xiao et al., 2007) but the impact of parents in initial years of life play important role and is reflected in money attitudes exhibited throughout life (Shim et al., 2009; Bandura, 1986; Moschis, 1985). This paper studies the impact of socialization in the development of money attitude in individuals. It focuses on (i) how socialization plays an important role in framing the attitude of an individual towards money and money related issues, (ii) how far the attitude of parents, friends and peers towards money influences the behavior and habits of individuals with respect to money, and (iii) What is the effect of this money attitude on spending behavior of individuals. This study makes use of a qualitative approach to disembark and recognize the role of socialization in terms of influence of family, friends and society at different stages of life in framing the money attitude of people. Specifically, we would find out how people learn about dealing with money and how those experiences have influenced their existing money attitude.

2. Literature Review

2.1 Money Attitude

(a) Money is something that we all need and can't do without but attitudes towards money could differ. People from different possible worlds have different attitudes towards money. Preliminary research on money attitude dates back to study of theory of leisure class consumption (Veblen, 1899) but the groundwork actually started with development of money attitude scale (Yamauchi & Templar, 1982). They identified five major dimensions of money attitude (Power and Prestige, Distrust, Retention for Security, Quality, and Anxiety) depending on how people behave in matters involving money or the importance they give to money in their life. The process of acquisition of attitude towards money is not a pre-arranged or orderly arranged. There is, in fact, incidental learning. Money attitude gets developed by teachings of parents, observing money practices being followed by family, and later developed by socialization and connections with other people. Some people believe that money begets respect, power and prestige. Gender is the strong factor that affects money attitudes. Males show better money management skills as compared to females (Wong, 2010). It has been found that the monetary preferences one establishes and monetary decisions that individuals make in their life are dependent on philosophy that they maintain and sustain relating to the substance and significance of money (Bachrach, 2001).

(b) Desired money attitude can be developed by deliberate preparation, encouraging support and watching on

*Assistant Professor, Galgotias University, Greater Noida.

parental money attitude. Although it is not from a very small age that one actually be acquainted with the importance of money in one's life but the attitude towards money start taking shape much early in life. An individual acquires money attitude through interpretation of money attitude depicted by socializing agents, their involvement in money matters and deliberate teaching by socialization agents. Money attitudes are consequent of individual's observation of others as well as own encounters with situations requiring decisions regarding money (Danes & Dunrud, 1993; McNeal, 1987; Moschis, 1987; Rettig & Mortenson, 1986).

2.2 Socialization

Socialization is an unremitting course of action that serves as a means for development of an attitude that is in line with the immediate social setting and is acceptable in the community in which one dwells. Socialization is the process of acquisition of information, understanding and outlook that allow individuals to involve them as relatively effective constituent of society (Brim, 1966; McNeal, 1987; Moschis, 1981). Socialization is “in progress” from early days of life of an individual and persists throughout ones life (Moschis, 1985, 1987; McNeal, 1987). The attitude of parents, friends, relatives, peers and other people we deal with in everyday life influences the behavior and habits of an individual. Socialization takes place in different stages of life. Socialization affects the money attitudes of females and males in different manners. Males have more logic driven outlook and girls have more concerned behavior. This contrast gets reflected in their money related behavior. Thus, males are more self-assured in their capability to sustain a budget and females have lower apparent influence on their financial plan because that is based on sentiments rather than their psychological viewpoint about budgeting (Kidwell and Turrisi, 2004). The family is attributed as a foundation stone of socialization. Children learn by observing how their parents deal with situations involving money (Beutler & Dickson, 2008; Danes, 1994; Pinto et al, 2005). Appropriate socialization is indispensable for developing reasonable and rational attitude towards money, and poor socialization could lead to harmful and irrational attitude towards money (Beutler and Dickson, 2008).

The social elements that form sources of learning are parents and peers. The attitude of parents towards money is the foundation that stimulates the observational attitude of children at home. Parents are the preliminary point from where child's psychology starts nurturing and leads to formation of habit in later stages. Children at initial age have a limited social connect. Money behaviour of people is believed to be acquired from parents (Gasiorowska, 2008). While they are in the process of development, they tend to learn and adapt by imitating their parents (Mead, 1904). The surveys found that parents are perceived as most important socializing mediator as compared to friends and peers. More the knowledge they get from their parents about wise use of money, the least they are prone to debt and liability (Pinto et. al., 2008). The more the involvement of parents more is the positive attitude in money related issues (Shim et. al., 2009). The attitude towards money that one develops depends on the level of child-parent communication on topics involving money, i.e., negligible, pressurized, open or encouraging (Moschis, 1985). After parents, other family members and peers, those who come into contact with children, influence the child's behaviour towards money. A longitudinal study showed that the influence of parents and school is mostly responsible for student's initial years in college. Parent's contribution in money attitude development reduces as one grows older (Danes & Dunrud, 1993). Socialization plays an important role in framing the attitude of an individual towards money. The family of an individual plays very vital role as a means of socialization. Family affects the attitude towards money directly and also as a mediator to other socialization channels (Moschis, 1987; Swanson, 1991). Studies have shown that those individuals are well-informed about the constructive use of money who have seen their parents handling their family income prudently (Marshall & Magruder, 1960; Phelan & Schvaneveldt, 1969) as they get extensive familiarity and knowledge about positive aspects of saving and spending. The correlation would be positive if the same attitude gets conveyed from elders to children. The correlation would be negative if children develop attitude that is just the opposite of what their parents have been doing. The negative correlation would be healthy if children learn from their parent's mistakes or shortcomings in managing funds (Solheim et. al., 2011).

3. Development of Money Attitude in India

The research on development of money attitude has been conducted in profusion in western countries but there is paucity of investigation on this subject in developing countries like India. Money is not much talked about topic among parents and children in a country like India. Parents here emphasize on values rather than money and related dispositions. Still there are certain values like donation and charity that form a philanthropic attitude towards money of people in India and that parents try to pass down to their generations to come. In a country like India, a child is dependent on his parents for financial decisions for a longer time period as compared to western countries. Long term dependence on parents leads to lack of knowledge of money management. For children, it is easy money coming from parents, so they tend to develop casual attitude towards money. Accordingly, it appears that children in India tend to develop a generous but dependent attitude towards money.

4. Money Attitude and Debt

The qualitative study on parents and students showed that people do realize the ill effect of debt but in later stage of life (Dilworth et al., 2000). There is lack of proper guidance about debt and about the ill effects of debt (Silva & Draut, 2004). Thus, if they are communicated about money management in early years of life or if they are trained well for how they need to deal with money and what should be their attitude towards money, it can help a lot in tackling the problem of debt. Lack of money management skills always results in high mounting debt (Wong, 2010). As a matter of fact, the function and importance of money is not generally discussed, thus the main source of development of money attitude is either the observational tendency during childhood and one's own personal experiences relating to money. Lack of understanding of importance of money and how one has to deal with money in different situations poses problems when there is personal encounter with issues, situations and decisions relating to money. Development of positive attitude towards money is important as after a point of time in life one has to deal with money (Wong, 2010). There is a need for early communication about money management. A proper training would help in tackling the problem of debt. Saving is the most common trait that one learns from their parents (Solheim et. al., 2011) which can take care of growing level of debt with young generation (Gutter & Renner, 2007). Those who develop habit of saving money for their future also become more debt averse.

5. Concluding Observations

High income makes one develop snobbish attitude towards money. People with high income try to show off the same and use money as a tool to influence others as a symbol of self-esteem. Such ridiculous behavior of children makes them dependent on others. They do not have trust on the decisions taken by them. Such people also have anxiety when dealing with money.

There is intergenerational correlation of attitude towards money. The correlation could be positive if the same attitude gets conveyed from elders to children and negative if children just do the opposite of what their parents have been doing. The negative correlation is healthy if children learn from their parent's mistakes or shortcomings in managing funds (Solheim et al., 2011). The people who are not guided properly about debt and ill effects of debt tend to be under debt (Silva & Draut, 2004). This behaviour has been called 'premature affluence' (Clarke, Heaton, Israelsen, and Eggett, 2005). Saving is the most common trait that one learns from their parents (Solheim et al., 2011). This can take care of growing level of debt with younger generation (Gutter & Renner, 2007). In India, there is unrepresentative belief in charity due to which individuals generally are influenced by the philanthropic attitude of parents. Children in India tend to depend on someone, in their later years of life, for taking decisions involving money. Family income level and socio-oriented attitude of family also affect the money attitude of individuals to a large extent that affects the spending decision as it involves decisions.

There are theories that suggest that individual's behavior gets crafted by their companionship that is outside the family environment and that behavior of parents has no consequence on their behaviour (Maccoby & Martin, 1983). Further, Plomin & Daniels (1987) argues that behavior of only a small proportion of individuals is influenced by the environment in which they are raised but this is not likely to be applicable to Indian population due to more dependence on parents and interference of parents in decision making for comparatively longer time period. This is supported by the fact that the money attitude of siblings from the same family is not the same (Harris, 1995).

The positive and negative behaviour in money related issues can be connected with the preliminary learning. People themselves can very well recall and connect what they have learnt primarily when they grow up and come in direct contact with bigger social circle. As an educator, it becomes primary responsibility to understand the previous learning of our students. If the learning is in right direction, there is a need to shape it further and increase the understanding and confidence of students. On the other hand, if it is inappropriate and not rightly ingrained at primary level, there is a need to make them unlearn and inculcate the necessary do's and don'ts. At higher education level as well there is a need to impart money management education (Wong, 2010). The money attitude of people around us influences our money attitude over time. There is a direct as well as indirect affect of socialization on money attitude. Direct effect is when we talk to people about money or deal with people directly in money matters. Indirect effect is when we observe people dealing with matters related to money. Thus, the formation of money attitude through social agents can be purposive or non-purposive. There is a sequence of stages of interaction of socialization and attitude towards money. At the investigation/observation stage, a person observes the attitude of his family members towards money and end up forming the same attitude he has been observing. At the initial stage, an individual accepts the family culture and attitude towards money and start behaving in the same manner. There could be situations when family members do not directly involve the person in money matters but eventually the attitude is formed by observation. At the transformation stage, the individuals come in contact with bigger social circle and start comparing their money attitude with that of others. This stage causes a shift in money attitude if the individual finds himself in a inferior position as compared to his peers. Different agents of socialization have different influence on money attitude. Primary influence sets the foundation for all the potential socialization. It is influenced by immediate family. Secondary influence involves learning appropriate and socially desirable behavior. It happens at teenage with alterations in primary socialization. It includes siblings, peers etc. Urge of anticipating, unlearning & re-learning occurs throughout our life. The factors that influence money attitude of an individual include: money attitude of parents and longevity to stay with them, money attitude of siblings and peers, gender, age group, and extent of socialization. Institutional/Organizational influence is when an individual joins any institution, school, college or a corporate. Gender influence matters as there is difference in socializing styles and money attitude of males and females. Age Group influence matters as with age group stage of socialization differs.

Purchase and spending behavior exhibited by individuals are the outcome of the attitude that they develop towards money overtime. Desired money attitude can be developed by deliberate preparation and encouraging support of parents which in turn develop effective spending habits. The impact of this dependant attitude of Indian children becomes a problem when individuals have to start managing their money themselves. As people grow up, they tend to recall and connect their learning in the past. There is a need to impart money management education to develop money attitude in right direction.

References

1. Bachrach, B. (2001). Values-based Financial Planning: The Art of Creating an Inspiring Financial Strategy. San Diego: Aim High Publications.

2. Bandura, A. (1986). Social Foundations of Thought and Action: A Social Cognitive Theory. Englewood Cliffs, NJ: Prentice-Hall.

3. Beutler, I. & Dickson, L. (2008). Consumer Economic Socialization. In J. J. Xiao, (Ed.), Handbook of Consumer Finance Research. NY: Springer

4. Brim, O. G. (1966). Socialization Through the Life Cycle. In O. Brim & S. Wheeler (Eds.), Socialization After Childhood. New York: John Wiley & Sons, Inc.

5. Catherine, A. Solheim, Virginia, S. Zuiker & Polina, Levchenko, D. (2011). Financial Socialization Family Pathways: Reflections from College Students 'Narratives'. Family Science Review, Vol. 16, Issue 2, pp. 97-112.

6. Clarke, M. C., Heaton, M. B., Israelsen, C. L., & Eggett, D. L. (2005). The Acquisition of Family Financial Roles and Responsibilities. Family and Consumer Sciences Research Journal, Vol. 33, pp. 321-340.

7. Danes, S. (1994). Parental Perception of Children's Financial Socialization. Financial Counseling and Planning, Vol. 5, pp. 127-149.

8. Danes, S. M. & Dunrud, T. (1993). Children and Money: Teaching Children Money Habits for Life. Minnesota Extension Service Publication, HE-FO-6116, University of Minnesota.

9. Dilworth, J. L., Chenoweth, L. C., & Engelbrecht, J. (2000). A Qualitative Study of the Money Goals of College Students and their Parents. Financial Counseling and Planning, Vol. 11(2), pp. 33- 42.

10. Gasiorowska, A. (2008). Why We Assess Our Financial Situation As Good Or Bad? Income And Money Attitudes Influence Subjective Financial Situation Assessment. In Economics and Psychology: Methods and Synergies: IAREP/SABE World Meeting 2008, Roma, September 3-6, 2008. Roma: Luiss University Press.

11. George, Herbert Mead (1904). The Basis for a Parents' Association. Elementary School Teacher, Vol. 4, pp. 337- 346.

12. Gutter, M. S. & Renner, C. (2007). Exploring Perceived Norms, Financial Education and College Student Behavior. Proceedings for the Association for Financial Counseling and Planning Education, Vol. 11.

13. Harris, J. R. (1995). Where is the Child's Environment? A Group Socialization Theory of Development. Psychological Review, Vol. 102(3), pp. 458-489.

14. Kidwell, B. & Turrisi, R. (2004). An Examination of College Student Money Management Tendencies. Journal of Economic Psychology, Vol. 25, pp. 601-616.

15. Maccoby, E. E. & Martin, J. A. (1983). Socialization in the Context of the Family: Parent-child Interaction. In P. H. Mussen (Series Ed.) & E. M. Hetherington (Ed.), Handbook of Child Psychology: Socialization,

Personality, and Social Development (4th ed., pp. 1-101). New York: Wiley

16. Marshall, H. & Magruder, L. (1960). Relations between Parent, Money, Education Practices, and Children's Knowledge and Use of Money. Child Development, Vol. 31(June), pp. 253-284.

17. McNeal, J. V. (1987). Children as Consumers: Insights and Implications. Lexington, MA: Lexington Books.

18. Michelman, D. (2008, April 21). Remarks on Global Head of Corporate Relations, ISA Inc. at the Financial Literacy and Education sponsored by the Federal Reserve Bank of Chicago. Retrieved from http://www.practicalmoneyskills.com/summit2008/transcript.php?trans=michelman.

19. Moschis, G. P. (1987). Consumer Socialization: A Life Cycle Perspective. Lexington, MA: Lexington Books.

20. Moschis, G. P. (1985). The Role of Family Communication in Consumer Socialization of Children and Adolescents. Journal of Consumer Research, Vol. 11(4), pp. 898-913.

21. Moschis, G. P. (1981). Socialization Perspectives and Consumer Behavior. In B.M. Enis & K.J. Roering (Eds.), Review of Marketing 1981 (pp. 43-56). Chicago: American Marketing Association.

22. Phelan, G. K. & Schvaneveldt, J. D. (1969). Spending and Saving Patterns of Adolescent Siblings. Journal of Home Economics, Vol. 61(February), pp. 104-109.

23. Pinto, M. B., Parente, D. H., & Mansfield, P. M. (2005). Information Learned from Socialization Agents: Its Relationship to Credit Card Use. Family and Consumer Sciences Research Journal, Vol. 33(4).

24. Plomin, R. & Daniels, D. (1987). Why are Children in the Same Family so Different from One Another? Behavioral and Brain Sciences, Vol. 10, pp. 1-60.

25. Rettig, K. D. & Mortenson, M. (1986). Household Production of Financial Management Competencies. In R. Deacon & W. Huffman (Eds.), Human Resources Research 1887-1987 (pp. 137-145). Ames, IA: Iowa State University.

26. Shim, S., Serido, J., & Xiao, J. (2009, April). Arizona Pathways to Life Success for University Students: Cultivating Positive Financial Attitudes and Behaviors for Healthy Adulthood. University of Arizona: Take Charge Institute for Consumer Financial Education and Research.

27. Silva, J., & Draut, T. (2004, October). Generation Broke: The Growth of Debt Among Young Americans. New York: Demos: Borrowing to make ends meet briefing paper #2.

28. Solheim, C. A., Zuiker, V.S., & Levchenko, P. (2011). Financial Socialization Family Pathways: Reflections from College Student Narratives. Family Science Review, Vol. 16(2).

29. Swanson, J. A. (1991). Interest in the Consuming Interests of Youth: Research, Marketing, Education and Policy Perspectives. In V. Haldemann (Ed.), The Proceedings of the American Council on Consumer Interests (pp. 214-220). Columbia, MO: University of Missouri.

30. Veblen, T. (1899). The Theory of the Leisure Class: An Economic Study in the Evolution of Institutions. New York: Funk and Wagnalls.

31. Wong, J., (2010). An Analysis of Money Attitudes: Their Relationship & Effects on Personal Needs, Social Identity and Emotions. Journal of Leadership, Accountability and Ethics, Vol. 8(1), pp. 57-64.

32. Xiao, J. J., Shim, S., Barber, B., & Lyons, A. C. (2007). Financial Behavior and Quality of Life of College Students: Implications for College Financial Education. Proceedings of the Association for Financial Counseling and Planning Education, pp. 33-43.

33. Yamauchi, K. & Templar, D. (1982). The Development of Money Attitude Scale. Journal of Personality Assessment, Vol. 46, pp. 522-528.