THE ROLE OF POCKET MONEY IN THE FINANCIAL SOCIALIZATION OF YOUNG PEOPLE

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ABSTRACT

The paper examines the role of pocket money in relation to both financial socialisation and financial literacy. The results based on academic and grey literature and on primary research shows that pocket money has a significant impact on the development of financial awareness. The main conclusion of our research is that financial socialisation can be understood along an eight-stage, pocket money-centred development model in which theoretical knowledge is complemented by practice according to the receptive capacity of children and young adults. The development model can also serve as a starting point for programmes to improve financial literacy and increase their effectiveness. However, for the completion of financial socialisation and financial inclusion, it is also necessary that the fees and costs applied in the financial system should not distort the socialisation process outlined in the developmental model - all financial services should be available free of charge to individuals up to the age of 24, without excessive risk-taking. This can be interpreted as an investment by financial system actors in financially aware customers.

Keywords: pocket money, financial literacy, development model

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1. INTRODUCTION

It is often stated in the Hungarian academic and grey literature, that the financial literacy of Hungarians is low and inadequate and in certain aspects, despite the programmes aimed at improving financial literacy, it is still deteriorating.

The OECD regularly measures the evolution of the financial literacy of its member countries, including the individual components of attitude and behavior. The OECD's latest international comparative analysis for 2022 proves that the results of practices aimed at increasing financial literacy and awareness are already visible, since Hungary achieved an outstanding result in the category of financial knowledge (4th place out of 39 countries). In addition to the improving results, a conscious and goal-oriented approach is still needed in order to achieve a similar result in the application of practical knowledge (OECD/INFE, 2022). The financial and economic education of teachers has proven to be effective. Németh et al. (2022) have shown, that the financial literacy of teachers who have received training in finance and economics is significantly higher than those teachers without financial trainings.

The question of financial literacy is, therefore, what time horizon we need to think about when we can make a real and possibly positive change in a development programme or series of programmes. The question is crucial because the majority of financial literacy programmes are not aimed at the adult population but at younger age groups (Németh et al., 2016). This is beneficial in the sense that young people are more likely to be successful in shaping their attitudes but the practical application of theory among youngsters is often delayed in time. This delay does not contribute to the deepening of financial literacy, nor does it allow the acquired knowledge to become a skill - in the worst case, the practices seen from the older generation, which are not always the most appropriate (or even inappropriate), prevail.

The instrument that may be able to bridge, at least partially, the delay between theory and practice is pocket money. This study aims to present the results of different researches on pocket money and to formulate recommendations that can increase the stability of the financial system in the long run by raising the financial literacy and financial awareness of the individuals.

A research by Németh et. al. (2022) assessed the financial literacy level of the Hungarian teachers. Questions regarding the pocket money were also asked from the teachers: their perceptions about pocket money and the appropriate level of the pocket money is going to introduced.

The study explores the following questions by reviewing the literature:

- the role of pocket money in terms of socialization and financial awareness,
- the positive effects and pitfalls of giving pocket money to young people,
- social perception of pocket money.

In addition, the study shows how Hungarian teachers think about:

- the effects of pocket money,
- the application of pocket money, and
- the optimal level of pocket money.

2. LITERATURE REVIEW

The concept of pocket money is complex: it may have a different meaning based on the applied approaches of the research. Besides, in our everyday lives, the approach to pocket money varies from family to family (Zsótér, 2017). In the first half of the paper, the findings of Hungarian and international papers regarding pocket money are presented and the effects that are attributed to pocket money. In the second part of the study, it is introduced what Hungarian teachers, who spend the most time with children, think about pocket money. Finally, the practices of giving pocket money to the children is analysed in order to maximize the positive impact on financial literacy.

2.1 The Role of Pocket Money in Developing Financial Awareness

According to Vekerdy (2013), pocket money develops the child in several ways. On the one hand, it provides freedom to the child what is an important tool for learning the basics of financial management. In these terms, the parents need to respect the very first financial decisions of the child (how to use/spend the pocket money). This does not mean that the parents cannot discuss with their child before or after of any financial decisions about the decision, but financial decisions should be left to the child and should not prevent even those decisions that are not in line with adult evaluation of appropriateness. In other words, children should be allowed to make mistakes and to learn from their mistakes. Pocket money helps children of all ages to learn the principles of spending money and to take responsibility for their financial decisions. On the other hand, pocket money helps children learn the value of money (i.e. that money does not grow on trees). All things considered, by applying pocket money, children learn the value of money, how to spend, allocate and save it, and parents can even teach children about the possibility and dangers of borrowing. Vekerdy (2013) claims that pocket money can be understood as the childhood equivalent of a future regular salary.

Sansone et al. (2018) simplify the role of pocket money as preparing children for the future and helping them to become financially aware adults. This is also a proper definition, but it obscures the complexity of the role of pocket money.

Foucault et al. (2021) in their study based on qualitative survey identifies the role of pocket money as the learning of the value and scarcity of the money. Lewis and Scott (2000) found that better economic competences were associated with students aged 16-18 who received pocket money. According to Bonke (2013) the consumption pattern is different between Danish youth aged 7-17 who receive pocket money and those who do not.

Overall, it can be said that pocket money helps to understand the three basic concepts of economics: decision, scarcity, and opportunity cost. As Vekerdy (2013) explained, this means that the child has to give up a product in favour of a more useful one.

2.2 Pattern Following as The First Stage of Financial Socialisation

According to Palla (2016), children need information about the functions and use of money before they start using it, in order to be able to consider and decide between different options independently. In this context, Vekerdy (2013) argues that children can learn to buy small things and expect change from a very young age.

The approach of Vekerdy (2013) and Palla (2016) should be re-shaped in a way that in 2024 (at the time of writing this paper), classic cash payments are most likely to take place if a temporary technical barrier arises of cashless payment methods (e.g.: POS machine is out of order), or, as a research by Végső et al. (2018) shows, a lack of trust in cashless devices occurs, or if cash is seen as a tool of household budgeting . In addition to the above, the COVID-19 pandemic has not strengthened the role of cash either [1]. However, regardless of the method of payment, it can be accepted as an axiom that it is necessary for a child to know the basic rules of spending money by the time he or she reaches the age of receiving pocket money.

Based on the above, the financial socialisation of the child starts with observing a following the pattern. The argument of Retting (1983) is that children living in families observe their parents and have an insight into the family's finances, therefore, the family is the primary financial socialisation environment of a child. It should be noted, however, that in most cases, the first step of financial socialisation cannot be evaluated as a conscious activity.

2.3 The Long-Term Impact of Pocket Money

Researches showed that parents' perceptions about pocket money and the way these perceptions appear in practices determined the children's spending habits. (Zsótér-Nagy, 2012; Kirkcaldy et al., 2003; Kooreman, 2007).

McNeal (2007) found that adult consumer behaviour can be largely derived from childhood economic experiences. This argument is underpinned by a study by Neal and Wood (2006), who found that 45% of our daily decisions are not based on conscious choices but on habits. From this perspective, the pocket money is fundamental, given that Wood and Neal (2016) argue that habits are learned, reflex-like behaviours, meaning that pocket money determines our future financial habits. Habits cannot be changed in a fast way.

In their study of young adults (392 person, aged 18-32) in the Netherlands, Webley and Nyhus (2012) concluded that those who received pocket money are better able to control their spending, preferring saving over spending, and are more conscious.

According to ING's international survey of nearly 12.5 thousand people in 13 European countries[2], adults who received pocket money as a child are more likely to save money, including for retirement savings, and have better financial literacy. In addition, those who received pocket money were also less likely to make impulse purchases.

In addition to the academic literature, the long-term positive impact of pocket money can be found in a wide range of financial information leaflets and materials. The common point is that the long-term positive impact of pocket money is derived from financial awareness. In other words, pocket money is primarily seen as a tool for financial education. To highlight one of these, for example, a well-developed publication by the Italian Risparmio museum (2017) argues that people who receive pocket money are less likely to fall into debt traps later (which follows logically from being financially aware).

Summing up what has been said, pocket money determines our adult attitudes towards money fundamentally, that can have a positive impact on the financial literacy of the individual and the community in the long term.

2.4 Stages of Financial Socialisation

Studies about the pocket money are generally exploratory in nature, showing from what age it is worth to start education employing pocket money, and also from what age and in what amount it is worth to give pocket money to the child. One of the most prominent of these studies is a comprehensive analysis conducted by Hermann et al. (2017) which examined the financial socialisation of children aged 5 to 14 years in a sample of 7,200. The Swiss study found that most parents introduce children to the world of money from the age of 6 (starting primary school) when they become mature enough to understand the functions of money and they also learn the numbers and basic mathematic tools needed at school. A year later (age 7), children have enough knowledge to be able to make small purchases on their own. From the age of 8, children are given pocket money to spend as they wish. At around the age of 10, children start to receive money as gifts, which also increases their personal responsibility[3]. However, the majority of young people in Switzerland do not have a bank account (debit card) until they are 16. The study also shows that, by language use, German-speaking regions start financial socialisation earlier while French and Italian-speaking regions start this process later than the German ones.

Like children in Switzerland, Bonke (2013) found that two thirds of young people in Denmark in the 7-11 age group already receive pocket money. The 2015 PISA survey found that 56 percent of 15-year-olds have a bank account while the 2018 survey found that this figure is almost the same (54 percent).

According to the Italian museum Risparmio (2017), age-specific characteristics can be matched with the levels of the education system, so the financial education can be implemented through three stages:

- the first stage of financial socialisation is the kindergarten, where the children learn the concepts of much and little, and the fact that things can be bought using money,
- the second stage is the primary school where children already have pocket money and make their first financial decisions,
- the third stage is the secondary school when children are under considerable social pressure from peers and companies (they are now seen as consumers) - in these circumstances they must learn to make conscious choices on their own.

In their research, Palotás and Zsótér (2017) examined the situation of children aged 6-15 and it was found that it is a major turning point for children when they start receiving pocket money from their parents on a regular basis, and another turning point when they can spend it all on their own. Their research has also shown that the 'official' pocket money received from parents at specified intervals, free of conditions (housework, good academic results), is often supplemented by money received as gifts, or money-to-spend from a certain age, and that children consider this multi-source money as their pocket money.

2.5 Giving Pocket Money and Social Attitude

In the literature, several information can be found about the amount of pocket money, however, these data mainly refer to countries that are economically developed, so comparisons regarding the monthly pocket money amount to average net monthly salary may not the best approach. However, for the sake of comparison, it can be said that the amount of pocket money increases along the age of the children. (CEIC, 2021).

A recurring motif in research on pocket money is, based on the sample (ideally a representative one), the attitude of people towards pocket money, i.e. whether children benefit from it or not. Based on a sample of 50 Irish parents (and grandparents), Flinn et al. (2019) found that only 19 of them give pocket money to their children regularly.

In a survey conducted by an Australian bank (Teachers Mutual Bank, 2016), 1,364 adults were asked about their childhood memories of pocket money and their current opinion on pocket money. 87% of those surveyed think that children should be given pocket money.

According to the 2015 PISA survey, on average 64% of children in the OECD countries receive pocket money. Of these, Australia [4], the Flemish Community of Belgium, Canada, Italy, Lithuania, the Netherlands, Poland, Russia, and the United States have more than 80 per cent of children receiving pocket money. In the UK, 62 per cent of parents regularly give their child pocket money compared to just 56 per cent in the US (Roostermoney.com, 2021).

An extensive survey (7,500 people) by Hermann et al. (2017) found that more than 75 percent of children aged 13-14 receive pocket money regularly in Switzerland while another 10 percent receive it less regularly.

Citing a 2020 study, Foucault et al claim that around 92% of French students regularly receive pocket money from the age of 10-11.

In an analysis of 1,203 parents by Hong Kong-based IFEC[5] (2021), 81% of respondents give some pocket money to their children. Interestingly, 19% of parents give pocket money in kindergarten already. Last but not least, the NRC's 2017 nationwide survey found that 86% of 10–14-year-olds in Hungary received pocket money.

All things considered, pocket money exists in many countries, including Hungary. This could be a good basis for the development of financial literacy.

2.6 The Other Side of The Coin

Up to now, the positive side of pocket money has been introduced. However, the negative side of the pocket money can appear if is not employed properly. The pitfalls of pocket money are summarised in the table below (Table 1).

Table 1: Pitfalls of Pocket Money

Pitfall	Effect
Parents decide how to spend the pocket money instead of the child	The financial socialisation process is not completed, the child (and later the adult) will not be able to make conscious financial decisions. Alienation from financial matters.
Non-regular pocket money or non-fixed amount	Regularity (both in time and in amount) is an important criterion for predictability, foreseeability and building up savings. Failure to do so can have a negative impact on savings behaviour.
Large amount of pocket money	It doesn't place limits on the child where he or she has to make financial decisions and is not forced to consider different the options. Developing habits that are also harmful to health.
Bail-out	If a child spends irresponsibly and is regularly "rewarded" by the parents or other relatives by providing additional resources, the effect is similar to that of a large amount of pocket money.
Parental support / lack of communication	The child receives guidance from someone else, which coincides with the child's interests only in a fortunate case.

Source: Vekerdy (2013), Himer (2021), Starling Bank (2020), Museo Del Risparmio (2017)

If a child does not receive his/her regular weekly or monthly pocket money as a punishment, this also falls under the category of non-regular pocket money (not meaning the performance-based pocket money for good results or voluntary activities). As for financial literacy, it is more optimal to limit the access to digital world instead of denying pocket money as a sanction.

The amount of pocket money for different achievements should be set in such a way that the child does not fall into the trap of the large amount of pocket money.

In their study, Zsótér and Nagy (2012) argue that young people need a sense of independence and specialness, and that money can help them become part of the groups and societies they want to join. In this process, the role of peers and parents is paramount as they can actively influence the younger generation's consumer behaviour and attitudes towards money (Littlefield & Ozanne, 2011). At the same time, the influential role of teachers should also be important to keep in mind.

Teachers' views on pocket money are fundamental as they spend a lot of time with our children, so they influence the way our children think, both consciously and in other ways as well.

3. HUNGARIAN TEACHERS AND POCKET MONEY

The aim of our primary research is to reveal how teachers think about the pocket money by analyzing the data of the 2021 research aimed at assessing the financial literacy of teachers in more detail.

3.1 Method

In the 2021 survey, which aimed to assess teachers' financial literacy, we asked them what they thought about the institution of pocket money. Although the survey cannot be considered representative, the number of respondents (705) suggests that the findings expressed along the same lines of responses can be considered as valid. The survey was concluded using an online questionnaire via the website www.penzugyikultura.hu, between 15 March 2021 and 17 May 2021. The sample size is 705 people, of which two thirds (68.4 %) are women and one third (31.6%) are men. The age of respondents ranged from 24 to 74 years, with an average age of 50.5 years. 18.2% of respondents teach in primary schools, the majority (75.6%) in secondary schools, while 6.2% in higher education or other institutions.

The FL index (Financial Literacy Index – FLI) was employed to measure the general financial literacy level of the Hungarian teachers who responded to the survey. The index calculated from questions aiming to test theoretical and practical preparedness of the respondents. The practical questions were developed the way that without any calculation proper answers could be provided if the sense of reality (financial experience) was proper of the respondents. The value of FLI was calculated by the system based on answers to 21 questions considering the proportion of correct answers. The value of FLI is between 0 and 1 (the higher the value, the more informed the teacher is).

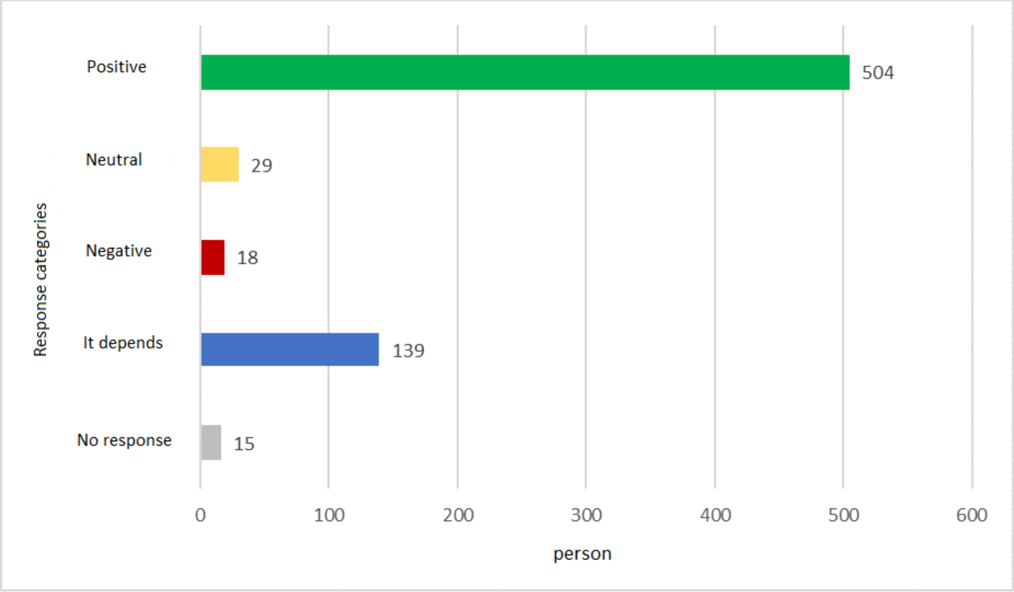
Besides the FLI, it was also asked from the teachers what they thought about the pocket money. For processing the questionnaires, we used cross-tabulation analysis and variance analysis, in addition to methods of descriptive statistics. Calculations and charts were made using Microsoft Excel and SPSS software applications.

3.2 Results

3.2.1 The Effect of Pocket Money

The research question was open-ended so that teachers could express their views on the impact of pocket money on children. Responses were first grouped into four categories: (1) positive, (2) neutral, (3) negative and (4) 'it depends'. The distribution of responses is shown in Figure 1.

Figure 1: Impact of Pocket Money on Children According To Teachers



Source: *own editing based on the "Teachers' Financial Literacy Survey Database" (n=705)*

Figure 1 shows that only 2.6% of respondents thought that pocket money had a clear negative impact on children which is a very positive result. At the same time, 71.5 percent of respondents thought that pocket money has a clear positive impact, and nearly 20 percent (19.7) thought that the impact of pocket money is either positive or negative along some condition. The response of teachers in the "it depends..." category can be interpreted in the light of the literature by indicating that avoiding the pitfalls of pocket money could tip the scales in their favour.

It was examined how teachers judge the impact of pocket money, considering factors like the subject and age group they teach, their level of financial literacy (FLI), as well as whether they have participated in any form of post-graduate education on financial and economic topics.

We found no significant difference in the taught subject (real, humanities, financial, economic, other) (Pearson $\chi 2$ (12) = 17.06, p = 0.15), the taught age group (general school grades 1-4, primary school 5-8 grades, first two years of secondary education, second two years of secondary education) (Pearson $\chi 2$ (6) = 5.60, p = 0.47), nor in the case of the financial literacy index (F (4, 49.48) = 2.12, p = 0.09, $\eta^2 = 0.01$). In other words, teachers who teach different subjects and age groups, as well as those who have a higher level of financial knowledge, judge the impact of pocket money in almost the same way as those who have a lower level of financial knowledge.

However, a significant difference was found in the case of participation in post-graduate education (Pearson $\chi 2$ (3) = 8.40, p = 0.38). Significantly more of the teachers receiving further training stated that pocket money has a positive effect in terms of children's financial awareness (see Table 2).

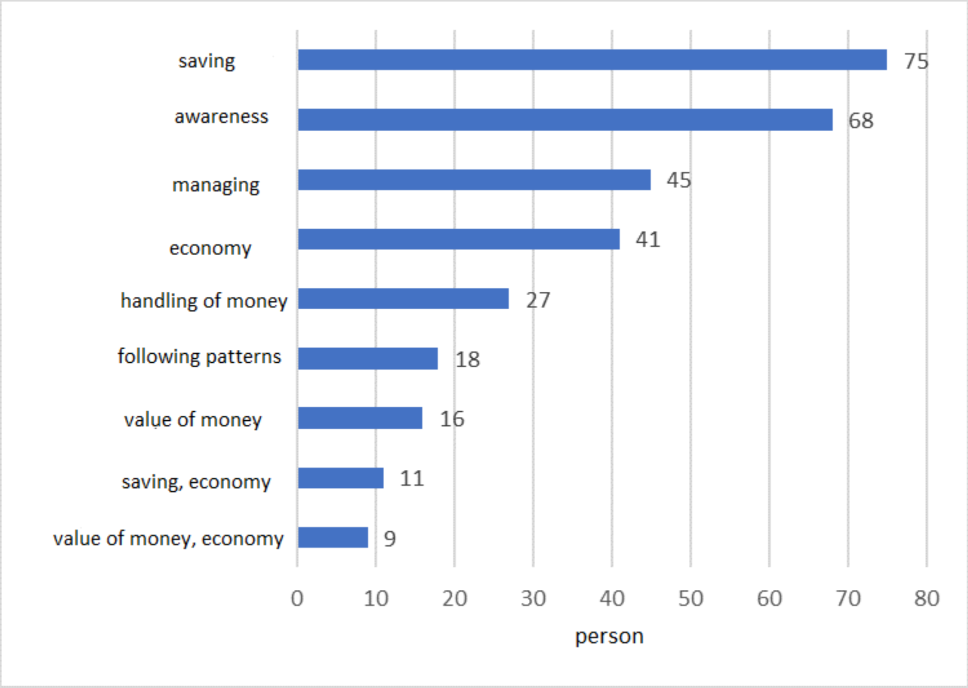
Table 2: Assessing the Impact of Pocket Money According to Participation in Further Training

	The impact of pocket money				**Altogether**
	Negative	Neutral	It depends	Pozitive	
Participated in further training	1	4	40	152	197
Did not participate in further training	17	25	99	352	493
Altogether	18	29	139	504	690

Note**:** the values in the table represent item numbers.

It was also examined what areas the pocket money has a positive impact according to the responses of the teachers. Considering the open-ended questions and the different approaches of the interviewed teachers, a total of 46 key terms or sets of key terms were identified, which are more or less overlapped with each other. The most frequently mentioned terms are shown in the figure below (Figure 2).

Figure 2: Key Expressions for The Positive Impact of Pocket Money



Source: *own editing based on the "Teachers' Financial Literacy Survey Database" (n=474; 310 displayed)*

As shown in Figure 2, teachers most often associated pocket money with saving, awareness, managing and economy which is what they believe it teaches for the children the most.

For those who think that the giving of pocket money depends on some criterion ("it depends on..." category), the two most used terms were "education" and "measure" (75 and 23 people). It is important to mention that both terms are consistent with Vekerdy's pocket money utility formulation.

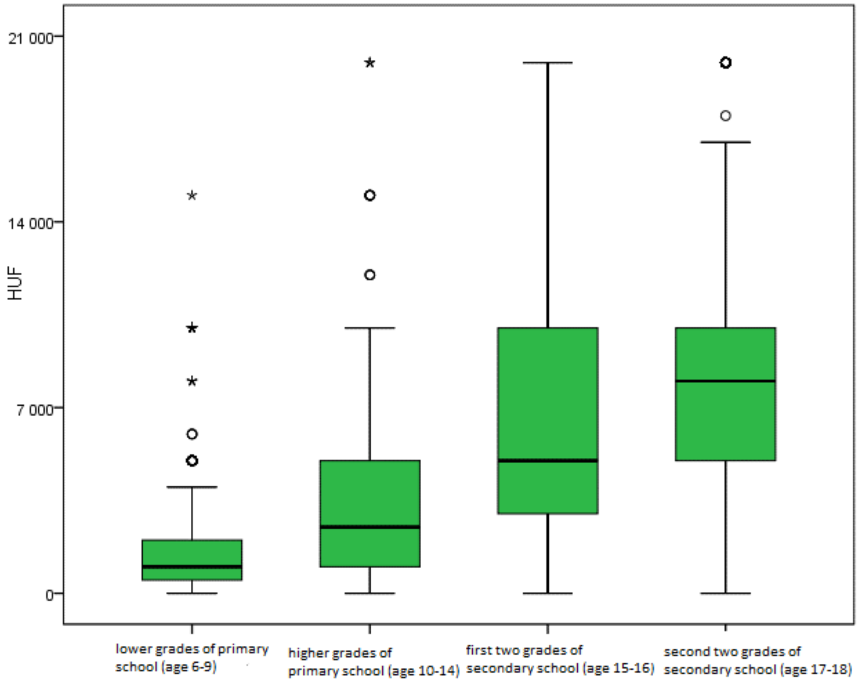
Overall, it can be said that the vast majority of teachers agree with the benefits of pocket money, that it can potentially have a positive impact on children's financial education both directly and indirectly (via parents).

3.2.2 The Amount of Pocket Money

Hungarian teachers were also asked how much they think is the optimal pocket money amount for different age groups. Age groups are divided into four groups according to the level of education: (1) primary school grades 1-4, (2) primary school grades 5-8, (3) first two years of secondary education, (4) second two years of secondary education. Teachers were asked to indicate the amount of monthly (non-performance-related) pocket money they thought would be ideal for the children. Teachers' responses are shown in Figure 3.

Based on the analyzes performed, there was a significant difference in the amount of pocket money between the groups ($F(1.66, 1166.28) = 594.74$, $p < 0.001$, $\eta^2 = 0.46$). According to the performed post-test, each group differed from each other (see Table 3).

Figure 3: Monthly Pocket Money Suggested by Teachers by Age Group



Source: *own editing based on the "Teachers' Financial Literacy Survey Database" (n=705)*

Table 3: The Results of The Difference Analysis on The Amount of Pocket Money According to The Age Group Taught

		Difference in average (Ft)	SE	t	Cohen delta	p_{holm}
lower grades of primary school grades 1-4	primary school grades 5-8	-4965,31	209,22	-23,73	-0,9	< 0,001
	first two grades of secondary school	-1819,45	209,22	-8,7	-0,33	< 0,001
	second two grades of secondary school	-8197,81	209,22	-39,18	-1,48	< 0,001
primary school grades 5-8	first two grades of secondary school	3145,86	209,22	15,04	0,57	< 0,001
	second two grades of secondary school	-3232,51	209,22	-15,45	-0,58	< 0,001
first two grades of secondary school	second two grades of secondary school	-6378,37	209,22	-30,49	-1,15	< 0,001

According to Figure 3, in case of children in lower primary school, 50 percent of the teachers said that the monthly pocket money should be between 500 and 2 000 HUF (1,4 and 5,6 $). For upper primary school children, it is between 1000 and 8000 HUF (2,8 and 22,4 $), for those in the first two years of secondary education it is between 3000 and 10000 HUF (4,2 and 27,9 $), while for those in the final year of secondary education it is between 5000 and 10500 HUF (14 and 30 $). Data and Figure 3 show that the older the child, the higher the amount that teachers would allocate to him/her. The averages for each category are, in order, HUF 1312, HUF 3181, HUF 6145 and finally HUF 9120 (3,68, 8,87, 17,14 and 25,44). If we look at the literature, the amounts indicated by teachers fulfil the criteria of teaching saving, economy, and awareness.

According to the Hungarian Central Statistical Office, the average salary in Hungary in the third quarter of 2021 was HUF 285,047 net for full-time employees. From this perspective, the average monthly pocket money suggested by teachers for a single adult in lower primary education is 0.46 per cent of net pay. At the upper primary level, it is 1.12 per cent, and for secondary school students, it is 2.12 per cent and 3.2 per cent respectively.

According to a 2017 survey in Hungary by the market research company NRC, the average pocket money for 10–14-year-olds was HUF 1,100 per week (4,400 HUF per month) which is above the level suggested by teachers for children in upper primary school in 2021.

Decree 15/1998 (IV.30) NM establishes a minimum pocket money for children in state care, the amount of which is linked to the amount of the minimum pension. On this basis, in 2021, the pocket money for children aged 6-10 could not be less than 1,425 HUF, for children aged 10-14: 3,705 HUF and for children aged 14 and over: 5,130 HUF.

4. CONCLUSIONS

Based on the information presented above, a development model can be introduced along which the child's financial socialisation process may optimally take place. In addition, some policy-related recommendations are presented that could contribute to the development of financial literacy in the medium and long run.

4.1 Financial Literacy Development Model

An eight-stage development model can be drawn along which children's financial literacy can be developed.

Stage 1: Following patterns

> As the child imitates the parent's pattern, (s)he needs to be consciously shown situations in which some activities directly related to money are being done. This could include carrying some cash and going shopping with the child. Another possible way to follow the pattern is to make the child encounter tales about money (i.e. fables) or to play developmental games with the parents.

Stage 2: Counting

> Knowing numbers and being able to count with the help of basic operations is an essential step in developing financial literacy. It is also useful to learn numbers and calculations through financial examples.

Stage 3: Practice

> In line with the Swiss model, it is useful to deepen numeracy skills and the function of money as a medium of exchange during the exercise so that the child can be given the task of making small purchases independently.

Stage 4: Introducing pocket money

At this stage, the child receives pocket money he or she decides how to spend. When introducing pocket money, it is a good idea to follow a weekly pattern as this is the timeframe that the child can manage more easily. It is important that the parents initiate discussions about pocket money but they should not interfere with the child's decision. The most popular pocket money day is Saturday[6].

Stage 5: Monthly pocket money

Once the child has established enough routine (i.e. has made a number of "mistakes"), it is worth changing the timeframe of the pocket money from weekly to monthly. The larger amount opens up the space for building up savings and the child should be able to allocate the larger amount over a longer period of time. Money as a gift can already contribute to the development of savings habits at this stage of financial socialisation (even if the child has no savings left after the larger savings goal has been reached).

Stage 6: Complex financial transactions

If a child has a sufficiently big goal, he or she can learn about complex financial transactions with the active involvement of parents. For example, placing a deposit with parents with interest or even compound interest and learning about the benefits and pitfalls of a loan.

Stage 7: Awareness

At this stage, the child (young consumer) is exposed to a number of stimuli that do not lead to a conscious financial behaviour (peer pressure, corporate marketing tools, etc.) Among these stimuli, if the child already has established financial habits that help (or even guide) him/her in making decisions (e.g. creating a budget plan), he/she is able to make appropriate decisions independently. The role of the parents is also of paramount importance at this stage as they can stabilise good practices by providing guidance (not by deciding for the child) and by reinforcing good decisions.

Stage 8: Goals and complex financial instruments

In the final stage, the young adult (no longer a child) begins to learn and use complex financial tools that fit his or her target system.

There is not a distinction between the different stages and some stages may overlap to a considerable extent. Given that everyone is different, the start and end of each stage may also vary considerably.

In the context of the financial literacy development model introduced above, the success of projects, programmes and series of programmes aimed at developing financial literacy also depends primarily on how well they fit the child's financial socialisation status.

4.2. Policy Recommendations

The 2021 financial literacy survey assessed the financial literacy of teachers. Among other things, questions were also asked about teachers' attitudes towards pocket money. It is a very positive signal that a significant proportion of the teachers involved in the research were basically positive about the impact of pocket money on children's financial education and socialisation. This is a foundation that can and should be built upon. Taking into account the medium and long-term benefits of pocket money in the financial socialisation process and the fact that a significant proportion of children receive pocket money, it is advisable to provide pocket money-focused trainings which could serve as a framework for teachers. By this, at different stages of financial socialisation, there are different ways to relate finance theory to practice, so that knowledge (or good example) is retained by the children, and there is also a need to bridge the socio-demographic differences between children. In this respect, example situations adapted to financially disadvantaged children should not be avoided. In short, our suggestion is that financial education tailored to the relevant stage of life and organised around pocket money can make an effective contribution to the development of financial literacy.

Our second recommendation concerns the costs of financial socialisation. Considering that a higher financial culture also leads to a more stable financial system and a more profitable banking system, we believe that the banking system also needs to invest in the future. We suggest that credit institutions should offer completely free banking services to students from the age of 14 until the age of 24[7] (excluding not only account management fees but also other fees such as credit card [8] and all other charges), so that they can be part of the financial socialisation process and to foster financial inclusion, which is ultimately the interest of the banking system. Since most of the credit institutions has already provide allowances to the targeted age group, this is not a cost to the banking sector that cannot be taken. in other way, the cost of developing financial socialisation should also be borne by those who will later benefit directly from it.

5. SUMMARY

In this study the role of pocket money was examined in financial socialisation and, in a broader sense, in financial culture. The results of the studies reviewed and of the primary research on teachers' financial literacy suggest that the institution of pocket money is of paramount importance for the development of financial awareness. A financial literacy development model was introduced for the use of pocket money along which the content (education, knowledge, and practice) can be formulated which can significantly increase the effectiveness of the programmes aimed at developing financial literacy. Financial education tailored to the stage of life organised around pocket money can make an effective contribution to the development of financial literacy. Pocket money is one of the best tools for developing financial awareness and based on the findings of this study, one of the most effective one as well.

The other side of the coin, however, should not be forgotten either. Therefore, in this study we have also identified the factors to avoid when giving pocket money. On this basis, you should not decide for the child when spending money, but you should talk to the him or her about it instead. Pocket money should not be given irregularly, but at the same time, giving a large amount of regular pocket money, or "rewarding" the child's irresponsible spending by giving him extra pocket money ("bail- out") also has a negative impact on the child's financial socialisation.

If we can avoid the pitfalls of pocket money then such responses can be developed during financial socialisation in children and later in young adults (positive habits in terms of financial literacy) that can significantly reduce the development of financial vulnerability and, from another perspective, can help making conscious financial decisions. This also contributes to financial stability at the macroeconomic level and to the development of economic growth potential.

Last but not least, in order for financial socialisation to be fully effective, it is necessary for individuals to be able to use financial instruments and solutions without transaction costs, thus freeing them from the distortions and barriers that the various fees impose on them. Therefore, young people should be able to benefit from a completely free range of financial services up to the age of 24 without excessive risk-taking. This is also justified in terms of social justice as the positive results of the financial socialisation of individuals will eventually be reflected in the financial system in the form of (substantial) profits.

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End Notes

[1] We mean actual cash use here, not the amount of cash in the economy.
[2] Spain, France, Italy, Austria, Belgium, United Kingdom, Netherlands, Germany, Czech Republic, Poland, Romania, Turkey, Luxembourg
[3] According to the 2015 PISA survey, 15-year-old students who receive money as a gift have higher financial literacy.
[4] According to research on Roostermoney.com (2021), the figure is only 61%.
[5] Investor and Financial Education Council
[6] According to a survey published on Roostermoney.com (2021).
[7] Range of services that do not involve excessive risk-taking for either the young person or the credit institution (e.g. bank account, securities account, basic money and capital market transaction facilities, etc.)
[8] annual fee