



## Spending Model under Financial Literacy

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### Authors' contributions

*This work was carried out in collaboration among all authors. Author MHS designed the study, managed the literature searches. Authors MHS, NBA and LM managed the analyses and findings of the study. All authors read and approved the final manuscript.*

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### ABSTRACT

**Aims:** The study attempted to assess how family background, and peer role affect the spending decisions of working youth in Pakistan. Current study also tested effect of financial literacy as mediator between relationship of peer role and family back ground with spending decisions of working youth.

**Study Design:** Cross sectional survey research (Quantitative)

**Place and Duration of Study:** Different organization in Pakistan, between May- September-2019

**Methodology:** Working youth among different organizations with total of 309 responses were usable out of total sample 574 from Pakistan through stratified random sampling Structural equation modeling was applied through Smart PLS3.

**Results:** The study found that the insignificant effect of peer role on spending, and significant effect on financial literacy. On other side family background shown insignificant effect on spending decisions but significant effect on financial literacy. Furthermore this study also found significant effect of financial literacy on spending decisions. Additionally this research also shown significant mediating effect of family background and peer role on spending decisions through financial literacy.

**Conclusion:** Findings of this study shaded the light that how family background, peer role have influenced spending decisions under umbrella of relative income hypothesis and life cycle hypothesis, directly and indirectly through mediation by financial literacy. Further policy makers could design policies and arranging training workshops for financial literacy awareness among working youth.

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## 1. INTRODUCTION

Developing better financial practice at early age will be helpful in all stages of life, like meeting educational expense, living expense. Managing money saves individuals from overspending, paying touch for purchasing any item, and impulsive buying.

According to [1] spending, debt through credit card, and lack of money management is among youth is as critical factor globally. Media and academicians have highlighted to investigate the key issue of spending in youth class and tracing out the reasons behind poor money management and lack of better financial decisions.

All individuals face different challenges related to financial world, but the youth especially working youth class who have to deal with heavy dependency of others people on their shoulders [2] are facing more issue related to finance, specially managing their spending. Financial behavior of youth is essentially important, any mistake at this life stage may hamper their future [3]. This can also affect their behavior and attitude which will have effect on future life [4]. Managing spending need better self-control in making rational decisions, but unfortunately individuals are making irrational decisions [5] and spend more [6].

Along with this, [7] also found that 80% of youth is found in spending India. While in Pakistan youth is also found as spending oriented and spend on luxury life, having food outside home and spend about on average 42% of their income [8,9] also found youth as spending oriented. Beside this, young working class is found more spending oriented which make difficult for them to live within budget line [10,11]. Due to this over spending working youth may move to credit card borrowing [12] for maintaining living standard.

Among reasons behind high spending are lack of money management and budgeting skills [13]. While in local context of Pakistan there are several issues behind such over or more spending such as lack of budgeting skills [10], heavy inflation of about 20% [14], heavy dependency of family member [2]. Lack of financial literacy has also been observed in

individuals globally [15] and locally in Pakistan youth is found less financially literate [16].

Working youth is important part of the research, as these are the future parents, leaders of future, entrepreneurs, and decision makers. Spending money is one of the key financial decisions which should be addressed properly. One's spending behavior is affected by family background, knowledge of parents [17] sibling effect [18]. As parent and sibling are important role players in spending decisions. Individuals' life style also affects spending behavior [19]. Stress also affect spending behavior of decisions [20] Among social circle peers or friend also affect the spending decisions made by individuals like as peer affects spending decisions [21].

All these stated factors of are key reasons of more spending among youth working class. Keeping in view these issues, current study has focused to investigate the effect of family background, peer role effect on spending decisions taken by working youth. Beside this, as youth is found as less financially literate [16] current study also tried to involve financial literacy as intervening variable that whether by involving financial literacy as mediating factor helps in managing spending or not. So current study has used financial literacy as mediating variable between relationship of family background, and peer role with spending decisions. So based on literature evidences this research has measured following objectives

To investigate the effect of family back ground and peer role on spending decisions.

To determine the relationship of financial literacy with spending decisions.

To analyze the effect of family background and peer role on financial literacy.

To examine the mediating effect of financial literacy on relationship of family background and peer role with spending decisions.

## 2. LITERATURE REVIEW

This part of the research discusses about the relationships of predictors to criterion variables and hypothesis development.

## 2.1 Spending

Spending is key element in financial decisions. Where everyone alter their spending according to life style. Spending can be conceptualized as utilizing portion of earning for acquiring things (Cambridge Academy Content Dictionary). Literature has marked several evidences about spending decisions. Social features have been marked as best predictor of spending [22]. [13; 93] noted different spending patterns in both genders (male and females). Similarly, [23] also found significant variations in spending among both genders identified their main spending categories like as Shopping, transportation, food outside home. Furthermore, male spend money for social status, entertainment and travelling while females spend on appealing [11].

## 2.2 Peer Role

Peers are important part of our social life, they involve wide range of people's groups around us from childhood to older age [24]. These can be close friends, office colleagues. In [25] dictionary peers have been defined as group of same societal person's depending on grade, status, and or age. Peers are famous as easy and economical sources of information [26,27]. Beside this, peers have positive or negative effects on each other's traits [28] risk taking behavior [29]. Peers have greater effect on other peers at starting of the career [30].

Considering their utmost importance in our daily life it is so that they influence our many things even the decision making either of our personal life or financial decisions including purchase decisions [27].

## 2.3 Peer Role and Spending

Peer effect has been recognized as important factor regarding purchase decisions such as life insurance [26]. According to [31] stated that, peers have situational influence on other peers' spending decisions in luxury categorical purchasing, while in necessity category peers have less influence on spending decisions of others peers. While in Pakistan working youth are influenced by their peers specially in spending decisions. Peer members affect the decisions regarding any item purchase by other peers regardless of any cultural difference, or religious differences [32]. According to [33] that peer get influence of other peer members when one in group purchase any item, so by following this,

other peer try to purchase such kind of product or try to purchase even better than that product.

So this shows that peers have positive effect on others spending decisions. On other side peers try to get information from other peers regarding purchasing different product [27;26] this show that by getting information from peers regarding purchase can help them from bearing unnecessary cost of decision in shape of extra price or charges. So this can be judged that, in such a way of sharing information among peers can have negative relations of peers with unnecessary spending decisions by other peer members. From such evidences this can be deduce that peers have different effects based on situation or category of peer members that how these peers match with each other having effect on spending decisions accordingly.

So based on such evidences current study has hypothesized as

H1: *Peer role has significant effect on spending*

## 2.4 Family Background

Determining that what comprise the family is a key issue [34]. According to [35] that family is one of the important influencing group. That has influence on financial decisions especially spending decisions. Family is comprises of parents, siblings, and partner which directly or indirectly affects one's decisions or has influence on others' decisions and learning processes [36-38].

## 2.5 Family Background and Spending

As among family, parents are treated as first teachers of their children [39]. According to research by [40] parents tried children to less use of credit cards. Similarly, [21] also stated that knowledgeable parents' guide children from excessive use of credit card, as use of credit card is treated as high cost borrowing [12,41]. According to [12] parents can guide their children from unnecessary spending. Likewise, communication with parents helps children to control their spending [42]. According [43] have both positive and negative influence on adult children' financial matters. While checking effect of sibling on spending may have positive effect on spending in larger families [44] as in extended families siblings have negative association with saving, which can be predicted in extended

families sibling can have positive effect on spending.

Based on evidences cited in literature shows that parents have both positive and negative effects but could be significant effects and siblings have also have similar effects depends on family size. So keeping in view the evidences current study hypothesized that:

H2: *Family background has significant effects on spending*

## 2.6 Financial Literacy

Financial literacy play key role in one's financial decisions [45]. Increasing literature on financial literacy is associated with better financial decisions. Literature has defined financial literacy as individuals' capabilities to manage money effectively [46-52,10]. According [47] that financially literate individuals have ability to plan retirement effectively, and can manage expenses (spending) [53]. Additionally financially literate people are less indebtedness [54]. Financial literacy create importance of time value of money [55,16] and help in borrowing at lower charges [56]. In local context of Pakistan, [16,57,58] mentioned financial literacy importance and found majority of individuals are financially illiterate.

Term financial literacy has always remained part of discussion [15]. Stated that financial literacy is essential for youth as youth has to live longer life ahead [59]. All mentioned evidences show importance of financial literacy in managing money, or making financial decisions effectively [60].

## 2.7 Financial Literacy and Spending

Involving financial literacy in decision making is very important and helping factor to make decisions effectively especially decisions about finance [60,61]. Literature evident negative association of financial literacy with spending [62,63], as increase financial literacy helps in interest rate calculation [48] so people can assess different choices of available options then can make decision to opt like as financial literacy helps in borrowing at lower cost [56]. So in this way people can manage money effectively [46,49] and save them self from unnecessary spending.

Based on evidences current research has hypothesized that:

H3: *Financial literacy has significant effect on spending.*

## 2.8 Peer Role and Financial Literacy

Financial literacy can be gain through different sources including peers in shape of social agent [64-66,52]. Literature has found positive effect of peers on financial literacy of other peer members [67,68,37]. With increasing age peer involvement is increased [69] so therefore peers have substantial effect on financial literacy. Beside this, [70] found positive significant effect of peers on financial literacy. According to peer influence always increase because youth spend more time with peers as get older [71].

Based on cited evidences show that peers can have significant effect on financial literacy of the other peers, so current research has hypothesized as:

H4: *Peer role significantly influence financial literacy*

## 2.9 Family Background and Financial Literacy

Among family members, parental teaching has greater effect of children's financial literacy [72]. Furthermore parents' educational level is also determinant of financial literacy [50,51]. As parents are known as umbrella for their children and helping them and directing them for towards right direction [73,4], also found the parents in financial knowledge or financial literacy development of the children. Beside this, parents' educational level, and family background is also attached with educational attachment and better life time outcomes leading to rational financial decision making [74]. This shows positive influence of family background on financial literacy. Hence current study has hypothesized as:

H5: *Family Background has significant effect on spending*

## 2.10 Financial Literacy as Mediator

Based on the empirical evidence by [75] that financial knowledge and attitude influence financial behavior. Beside this, according to [76] financial literacy has mediated the relationship between different variables such as financial planning, attitude to money, basic money management, investment know-how, and

financial activities in relationship to financial satisfaction. Based on evidences current study has proposed mediation of financial literacy between relationship of peer role, and family background with spending decision.

H6: *Financial literacy will mediate the relationship of peer role with spending.*

H7: *Financial literacy will mediate the relationship of family background with spending.*

### 3. METHODOLOGY

This part debated on instrument structuring, data collection process, and data analyses techniques employed to achieve current research objectives.

#### 3.1 Instrument

Questionnaire was used as data collection instrument. Measurement scale was based on 5 and 4 point Likert scale Based on two parts, demographic profile of the respondents, and questions about the variables (peer role, family background, financial literacy and spending) in research model. Items for the instrument were chosen carefully from empirical scholarly work by prominent researchers in the field. For measuring the spending 11 items were adapted, eight items from [77] two items were adapted from [78] and one item was adapted from [79].

For measuring financial literacy was measuring through 7 items, three items were adapted from [80] two items were adapted from [81] and one item was adapted from [78] Peer role was measured through 5 items, 4 items were adapted from, [77] and one item was adapted from [72]. Family background was measured through 8 items, 7 items were adapted from [77] and one item was adapted from [78].

#### 3.2 Data Collection

Data were collected from 574 respondents were selected out of total population of 38.88 million, usable responses were 309 individuals working youth respondents from Pakistan, from different parts of the country. Target audiences were selected through stratified random sampling. Survey instrument was used to collect data from the respondents. During descriptive analyses of demographics majority of the respondents were males. Furthermore majority of the respondents were under age bracket of 26 years to 30 years,

with post-graduation as their education. Beside this, respondents' majority was single as marital status and living with more than five family members. In category of employment majority were in full time employees, and majority was having income more than Rs: 50,000. Further detail regarding demographic profile of the respondents is appended in Table 1.

## 4. DATA ANALYSES

In data analyses current study adopted two main recommended approaches, i) assessment of measurement ii) assessment of structural model [82]. At first measurement model was assessed to check validity and reliability of the constructs. Then after successful assessment of measurement model current research assessed structural model to test the hypothesis.

#### 4.1 Assessment of Measurement Model

Construct validity and reliability was assessed by recommended approaches [83]. Construct validity was exist when composite reliability (CR) value is 0.70 or above. And construct has reasonable validity when average variance extract (AVE) score is 0.50 or above. Beside CR and AVE values, rho\_A values is also recommended for assessment of reliability Dillon-Goldstein's rho or Jöreskog's can be used for internal consistency reliability [84] and recommended range of Joreskog's rho above 0.70 [84].

In current study all values, like CR, AVE and rho\_A values were considered. Detailed scores are appended in Table 2.

Based on scores presented in Table 2, shows reasonable scores of CR, however AVE, scores are on lower side, but still constructs are reliable and validity because rho\_A values are well above recommended range. Hence it is supposed that model has adequate reliability and validity.

Beside this, discriminant validity was also assessed through assessing through squire root of AVE [83]. Discriminant validity shows that up to what level, assessed constructs are uniquely dissimilar from one another. All squire root of AVE values have shown higher values as compared to reflective loadings in tables. By observing squire root of AVE showing significant discriminant validity. Squire root of AVE is appended in Table 3.

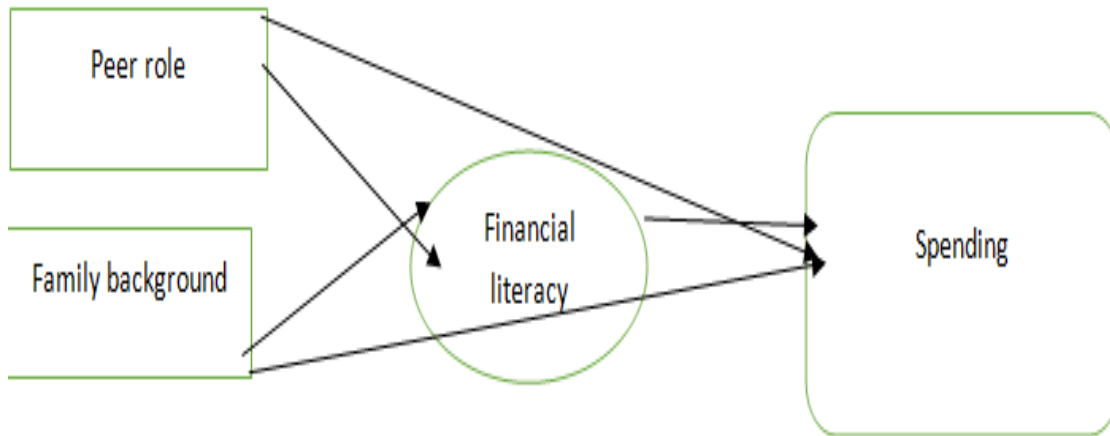


Fig. 1. Framework

Table 1. Demographic profile of respondents (n=309)

Characteristics	Frequency	Percentage
<b>Gender</b>		
• Male	264	85.4%
• Female	45	14.6%
<b>Age</b>		
• 21 years to 25 years	48	15.5%
• 26 years to 30 years	164	53.1%
• 31 years to 35 years	97	31.4%
<b>Education</b>		
• High school	02	0.6%
• College Diploma	05	1.6%
• Bachelor degree	112	36.2%
• Postgraduate degree	190	61.5%
<b>Marital status</b>		
• Single	200	64.7%
• Married	109	35.3%
<b>Family members</b>		
• Two members	18	5.8%
• Three members	07	2.3%
• Four members	40	12.9%
• Five members	00	00%
• More than five members	244	79%
<b>Work status</b>		
• Work full-time for an employer	264	85.4%
• Work part-time for an employer	45	14.6%
<b>Spouse/Partner Work Status</b>		
• Self Employed	53	17.2%
• Work full-time for an employer	77	24.9%
• Work part-time for an employer	34	11%
• Others	145	46.9%
<b>Income level</b>		
• Less than Rs 15,000	10	3.2%
• Rs 16,000 to Rs 25,000	26	8.4%
• Rs 26,000 to Rs 35,000	30	9.7%
• Rs 36,000 to Rs 50,000	81	26.2%
• more than Rs 50,000	162	52.4%

**Table 2. Composite reliability, average variance extract and rho\_A**

Construct	rho_A	CR	AVE
Family Background	0.786	0.588	0.282
Financial literacy	0.806	0.643	0.391
Peer role	0.796	0.757	0.436
Spending	0.700	0.490	0.220

**Table 3. Squire root of AVE (fornell-larcker criterion, n=309)**

Construct	FB	FL	PR	SP
Family background	0.531*			
Financial literacy	-0.538	0.626*		
Peer role	0.391	-0.539	0.660*	
Spending	-0.403	0.565	-0.396	0.469*

*\*Bold values show squire root of AVE*

Beside squire root of AVE, for assessing discriminant validity, HTMT values were also assessed. It is recommended that, HTMT values should be lesser than HTMT<sub>0.85</sub> [85,86] or HTMT<sub>0.90</sub> [87,88]. HTMT is new criteria to assess discriminant validity [89]. All HTMT values were well below recommended range of HTMT<sub>0.85</sub> [85,86]. HTMT values of current study constructs are appended in Table 4.

Based on squire root of AVE, and HTMT values, current study has shown adequate level of discriminant validity. Further assessment of measurement model is append ended in Fig. 2.

**4.2 Assessment of Structural Model**

After successful assessment of measurement model, current study assessed structural model to test the hypothesis, for measuring structural model, current study applied bootstrapping to test proposed relationship. Summary of structural model assessment is presented in Table 5, and Fig. 3.

Research findings shown that peer role insignificantly affect spending (H1:  $\beta = -0.112$ ,  $t = 1.772$ ,  $p = 0.076$ ) and peer role shown variation of 1.3% ( $f^2$ ). Based on results H1 was rejected. Beside this, family background also shown negative insignificant relationship with spending and, brought variation of 1.6 % ( $f^2$ ) (H2:  $\beta = -0.123$ ,  $t = 1.635$ ,  $p = 0.102$ ) in this way H2 was also rejected.

While testing the hypothesis H3 as relationship of financial literacy with spending was found positive significant ( $\beta = 0.439$ ,  $t = 6.175$ ,  $p < 0.000$ ) and financial literacy explained variation of 17%

( $f^2$ ) in spending. Based on finding H3 in current research was not rejected. In H4: peer role also shown significant relationship with financial literacy with negative beta ( $\beta = -0.387$ ,  $t = 8.346$ ,  $p < 0.000$ ) and indicated variation of 21.8% ( $f^2$ ) H4 was not rejected. H5 was prosed to relationship of family background with spending, current study also found significant results in H5 with negative beta ( $\beta = -0.387$ ,  $t = 7.188$ ,  $p < 0.000$ ) and indicated variation of 21.8% ( $f^2$ ) in financial literacy, and by following the results, H5 not rejected.

Beside direct relationships, current study also assessed indirect relationships, as mediating effect of financial literacy between relationship of peer role and family background with spending. During mediation of financial literacy between relationship of peer role with spending in H6, current study found significant results with negative beta ( $\beta = -0.170$ ,  $t = 4.886$ ,  $p < 0.000$ ) hence based on significant results H6 was not rejected and by following changes in t value from 1.772 during direct relationship to t value of 4.886 in mediating relationship, and decrease of p value from 0.076 during direct relationship to 0.000 in mediating effect, financial literacy has mediated the relationship of peer role with spending. Similarly, during mediating role of financial literacy between relationship of family background with spending in H7 also resulted significant findings ( $\beta = -0.170$ ,  $t = 3.932$ ,  $p < 0.000$ ) h7 was not rejected,, based on increase of t value 1.635 during direct relationship to 3.932 in mediating relationship, and p value of 0.102 during direct relationship to 0.000 in mediating relationship shows that financial literacy has significantly mediated the relationship of family background with spending.

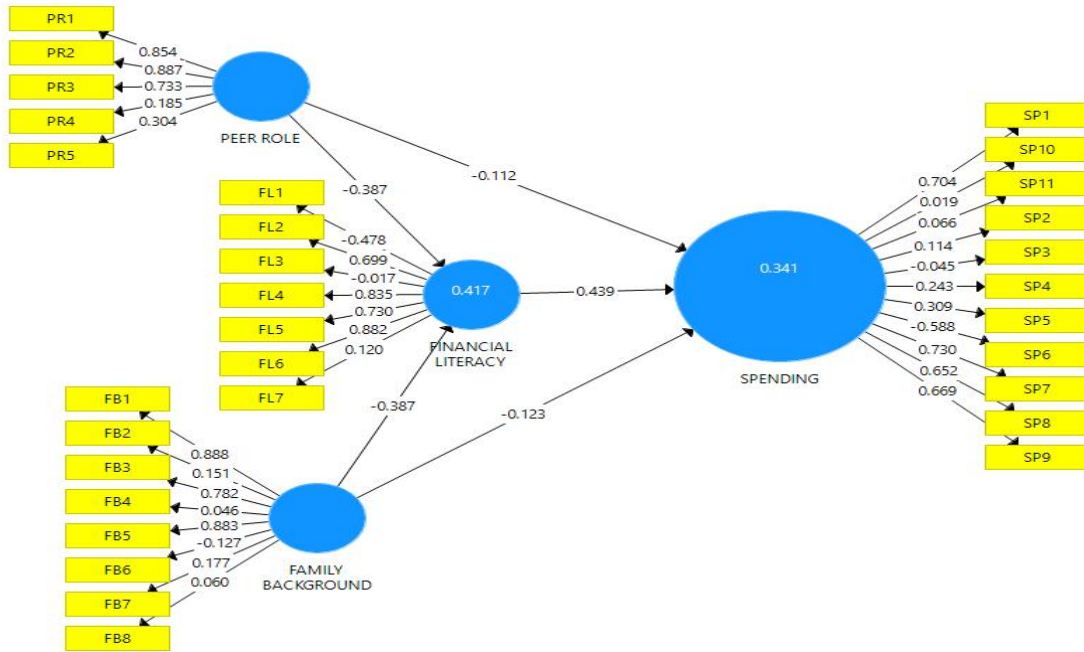


Fig. 2. Assessment of measurement model

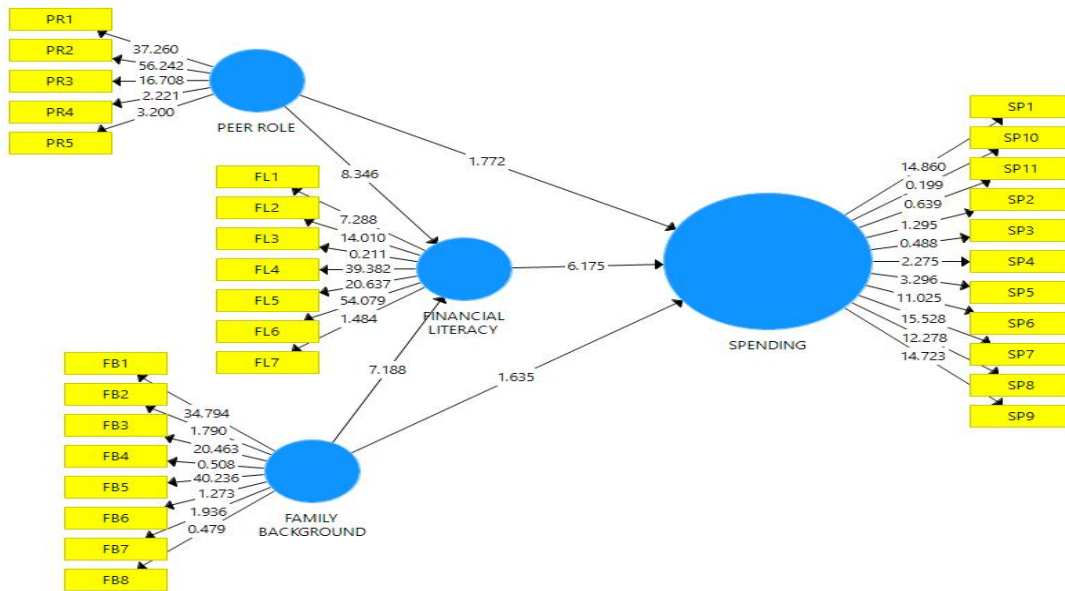


Fig. 3. Assessment of structural model

Table 4. HTMT values

Construct	FB	FL	PR	SP
Family background	--			
Financial literacy	0.666	--		
Peer role	0.557	0.720	---	
Spending	0.469	0.712	0.528	--



**Table 5. Structural model assessment**

Relationship	beta	Stdev	t value	p value	decision
PR→SP	-0.112	0.063	1.772	0.076	insignificant
FB→SP	-0.123	0.075	1.635	0.102	insignificant
FL→SP	0.439	0.071	6.175	0.000	significant
PR→FL	-0.387	0.046	8.346	0.000	significant
FB→FL	-0.387	0.054	7.188	0.000	significant
PR→FL→SP	-0.170	0.035	4.886	0.000	significant
FB→FL→SP	-0.170	0.043	3.932	0.000	significant

Beside this,  $R^2$  of 0.341 shows over all variation of 34.1% in spending due to peer role, family background and financial literacy. Along with this,  $R^2$  of 0.417 shows variation of 41.7% in financial literacy through peer role and family background. Furthermore  $R^2$  and  $f^2$  values are presented in Table 6 and 7.

## 5. RESULTS AND DISCUSSION

This research aimed to measure the effect of peer role, family background, and financial literacy with spending decisions. Results shows that hypothesis H1, peer role has shown in significant effect on spending hypothesis was rejected based on finding. Along with this in H2 family background has also shown insignificant effect on spending this shows that H2 was rejected. Beside this, H3 was proposed to see the effect of financial literacy on spending, current study has shown significant effect of financial literacy on spending and H3 was not rejected. In line with this, H4 was predicted as significant effect of peer role on financial literacy, H5 was predicted as significant effect of family background on spending. Findings of current study have shown significant effect of peer role on financial literacy in H4, and significant effect of family background on spending in H5, so based on finding H4, and H5, were not rejected in current study.

Beside direct relationships, current study has also assessed indirect relationship as mediating effect of financial literacy between relationships of peer role with spending in H6, and mediating effect of financial literacy between relationships of family background with spending in H7. Based on findings in current study shown significant results in both H6 and H7 hypothesis, hence H6 and H7 were not rejected which shown that financial literacy has mediated the relationship of peer role with spending in H6 and relationship of family background with spending in H7.

In current research peer role has insignificant effect on spending decision in H1. Findings of

current research are also in line with pas literature [31] where peers have effects on other peer purchase decisions based on category of spending either in luxury or spending on necessity. In luxury peer role has more effect on spending with positive sign, and in necessity peers have low effect which shows negative sign. Furthermore, it also depends on spending either on public product or private product. So based on such varying situational effects of peers, insignificant effects of peer on spending can be possible.

While in H2, current study findings shown insignificant effect on spending. Current study findings are also in line with literature [90] as parents in family are stated as categorical factor, in one category parents help their children and teach them about finance management and save them from irrational spending, and in second category parents take full responsibility related to finance management and do not guide or teach their children. So based on literature evidences insignificant effects are quite possible. In H3, financial literacy has shown significant effect of financial literacy on spending. Such significant effects of financial literacy are supported by literature [63]. Further positive or negative effect of financial literacy on spending are also supported by literature [91].

While effect of peer role on financial literacy in H4 are supported by literature [67,68,37]. Beside this negative effect of peers on financial literacy is also in line with literature [1]. Where peer negatively affect financial literacy in current period or situation while comparing long term effect of peers on financial literacy. Effect of family background on financial literacy in H5, was found significant with negative beta, literature has supported these results [92].

Beside direct relationships, current study has found significant effect of mediating role played by financial literacy in H6 and H7. As stated earlier regarding potential of financial literacy as

mediator [93,94], in current research again financial literacy has shown potential and has mediated the relationship of peer role and family background with spending.

The relationship of peer role and family background can be noted by relative income hypothesis proposed by [95] stating that spending decisions are not only influenced by their own choice, but are also affected by social agents (family and peers). Beside this spending decisions are in line with life cycle hypothesis developed by Modigliani and Brumberg in 1954 which postulate individuals decisions of consumption or spending are smooth out throughout life [96-98] through long life resources such as financial literacy. In different families spending decisions are affected differently, as in some families parents teach their children and guide them regarding financial matters [90], in such way they save them from costly decisions [12], and help them in increasing their literacy or knowledge [17,21]. Beside family, peer also affect spending decisions [32] and also affecting knowledge gain [99].

Along with this, financial literacy which is known as one's ability to do cost and benefit analyses of any financial decisions and making calculations before making any decisions [48]. Financial literacy help people in borrowing at lower cost which reduce spending in terms of lower interest rate [56] Current research has proved significant effects of financial literacy as mediator between peer role and family background with spending. Such level of financial literacy is very important for working youth to help them in managing their finances as they are future of the economy and have to live long life ahead [59] and their financial future is truly their own responsibility [100]. So there for it is important to focus on financial literacy among working youth which can create ability and make them financially literacy youth, as youth is also facing different issues such as lack of skills, education, and experience [101] beside this people facing lack of knowledge [102] and financial literacy [16,58,57].

## 6. LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

This research present several limitation, at first peer role, family, background, financial literacy and spending have been investigated one time from individuals through one questionnaire. According to [103] this way can have common method variance problem. So to overcome this

common method variance issue current research used Harman test. At second, this research only used peer role, and family background (social class) to see their effect on spending decisions directly, and through mediation of financial literacy, whereas there are several factors which can be considered those may contribute towards significant spending decisions, such as access to finance, single versus multiple bank account balances, current salary, and future demands. All such variables can be great predictors of spending decisions. At third, this research used only simple mediation, while serial mediation, parallel mediation, moderated mediation or mediated moderation can be used to assess the spending decisions.

## 7. CONTRIBUTION OF THE RESEARCH

### 7.1 Theoretical Contribution

Theoretically current research has contributed both significant and insignificant results supported by literature firstly, this research shown insignificant effect of peer role [31] and family background [90] effect on spending decisions. While financial literacy [63,91] has shown significant effect on spending decisions. Beside this, significant effects of peer role [67,1,68,37] and family background with financial literacy [90] were also found in this research. This research findings are under relative income hypothesis proposed by [95] which states that, spending decisions are also dependent of or linked with influence of social class such as peer role and family background. Beside this life cycle hypothesis Modigliani and Brumberg (1954) which postulate people' decisions about spending are supposed to be smooth throughout life under life cycle hypothesis [96,98].

Furthermore current research also assessed mediating relationship of financial literacy between relationship of peer role and family background with spending decisions and found significant results. Hence this research has signified the effect of peer role and family background with spending decisions which shows that financial literacy has been proved as significant mediating variable.

### 7.2 Practical Contribution

This research will have remarkable practical contribution to individuals and governing bodies regarding financial matters and different organizations where working youth is employed.

**Table 6. Variance explained in endogenous variable (R<sup>2</sup> values)**

Endogenous variable	Spending R <sup>2</sup>	Spending adjusted R <sup>2</sup>
Financial literacy	0.417	0.413
Spending	0.341	0.336

**Table 7. Effect size (f<sup>2</sup> values) [84]**

Variable	f <sup>2</sup>		effect size
	FL	SP	
Peer role	0.218	0.013	moderate effect on FL, Weak effect on SP
Peer role	0.218	0.016	moderate effect on FL, Weak effect on SP
Financial literacy		0.170	moderate effect on SP

So that these organizations can encourage individuals and help them in developing their financial literacy, guiding them for proper spending decisions. So such organizations and governing bodies should focus on importance of financial literacy, peer role and family background towards better spending decisions.

Precisely, better role of family background, and peers that can improve or help the working youth individuals in managing their spending by focusing on their current and future gratification. Additionally importance of financial literacy to be highlighted by the financial governing bodies by arranging financial literacy enhancement programs. Results of this research were supposed to be valuable to management of the organizations where youth is working where financial literacy should be focused as important factor that significantly affect spending decisions.

**8. CONCLUSIONS**

Managing money should be learnt at early stage of life, this research has investigated spending decisions of working youth in light of external social factors like peer role, and family background, and internal factor like as own financial literacy. This research has focused the importance of spending in lives of working youth, as they have to live long life a head so they have to manage their spending. This, research has shown the importance of financial literacy that is helpful for managing spending and making well informed decisions about spending which are affected by peer role, and family background. This research findings have contributed to word body of knowledge, and also contributed for policy makers, financial institutions and social factors (peers and family).

**COMPETING INTERESTS**

Authors have declared that no competing interests exist.

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