Role of social comparison orientation on financial management behavior in a developing nation: examining the mediating role of financial self-efficacy and the moderating effect of financial socialization

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Abstract

Purpose – This study aims to explore the impact of social comparison orientation (SCO) on financial management behavior (FMB) in a developing country with a collectivist culture. It examines how SCO is related to FMB directly and through financial self-efficacy (FSE) and how financial socialization (FS) moderates the SCO–FMB relationship.

Design/methodology/approach – Data was collected from 301 adults in Dhaka, Bangladesh, using self-administered survey questionnaires. Mediation and moderation analyses were performed using Smart PLS software.

Findings – The results indicate that SCO was positively associated with FMB. FSE mediates this relationship, enhancing SCO's positive impact on FMB. Additionally, FS moderates the effect of SCO on FMB, with higher levels of FS strengthening this positive relationship.

Research limitations/implications – The primary implication of this research is the revelation that SCO can positively impact FMB, contrary to traditional views, particularly when FSE mediates the relationship and FS moderates it. The findings suggest that interventions aimed at enhancing FSE and promoting FS can improve FMB. These insights are valuable for financial educators, policymakers and individuals in developing countries seeking to improve financial behavior.

Originality/value – This study makes four significant contributions: first, it demonstrates a positive direct relationship between SCO and FMB. Second, it reveals that FSE mediates the relationship between SCO and FMB. Third, it shows that FS moderates the SCO–FMB relationship. Fourth, it focuses on a sample from the emerging middle class in a developing country representing a collectivist culture, providing unique insights into this dynamic segment.

Keywords Social comparison orientation, Financial management behavior, Financial self-efficacy, Financial socialization, Collectivist cultures, Developing countries

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1. Introduction

The social comparison theory (Festinger, 1954) postulates that individuals determine their societal and personal values by contrasting themselves against others (Workman *et al.*, 2020). The way individuals react to social comparisons is influenced by their tendency to evaluate themselves in relation to others (Buunk and Brenninkmeijer, 2022). It is not uncommon for individuals to draw comparisons with others as a means of self-discovery in the field of decision-making; these comparisons impact their decision-making processes (Festinger, 1954; Hu *et al.*, 2021). In collectivist cultures, social comparison plays a pivotal role in shaping individuals' behaviors by influencing how they evaluate their lives relative to others. These cultures often exhibit a higher tendency for upward comparisons, particularly after experiencing failures (White and Lehman, 2005). Research indicates that social comparisons negatively impact social well-being indicators, including self-perception, emotional states, depression, life satisfaction and disordered eating (Fox and Vendemia, 2016; Rajan *et al.*, 2022). In collectivist cultures, particularly in the Indian subcontinent, social comparison is deeply ingrained in daily life. Individuals frequently evaluate themselves against peers, family members and societal norms to gauge their worth and status, a phenomenon that has persisted for centuries (Chung and Mallery, 1999; Pillai and Nair, 2021). This societal mindset often expressed as concern over "what others will say," significantly influences people's behavior. The research context of Bangladesh, with Dhaka as its capital and the nation's economic, cultural and political center, exemplifies this characteristic. Social comparison may not solely result in negative outcomes; it can also serve as a source of positive inspiration and motivation. Therefore, social comparisons have profound implications, perhaps both positive and negative, for the multifaceted dimensions of people's lives and their overall well-being, influencing their behavior in significant ways (Reyes-García *et al.*, 2016).

In the dominion of daily existence, individuals partake in a variety of financial behaviors. It has been well-documented that healthy financial behavior is instrumental in fostering financial well-being (Dew and Xiao, 2011; Stromback *et al.*, 2017), enhancing marital quality (Dew *et al.*, 2021) and promoting overall life satisfaction (Goyal *et al.*, 2021; Gunay *et al.*, 2015). Based on Goyal *et al.* (2021) and Goyal *et al.* (2022), in this study, we define financial management behavior (FMB) as the manner in which individuals manage and make financial decisions. Personal financial behavior encompasses a broad spectrum of activities including financial planning and management, debt management and savings and investment strategies. Despite the identification of numerous predictors, such as socio-economic characteristics, psychological and personality attributes, social dynamics, financial literacy, professional financial consultation, environmental considerations, technological advancements, situational circumstances, cultural influences and financial experience, in comprehensive literature reviews (Goyal *et al.*, 2021; Goyal *et al.*, 2022), there remains a notable gap in research concerning the impact of social comparison on FMB. The relative standards model suggests that individuals evaluate their status by comparing themselves to others, their past and their goals, which leads to a decline in financial satisfaction (Plagnol, 2011). Research has shown that social comparison has a significant impact on satisfaction with one's financial situation (Burchardt, 2005; Hsieh, 2000; Plagnol, 2011). As we age, however, the influence of social comparison fades and financial aspirations diminish (Plagnol, 2011).

Furthermore, existing empirical literature largely remains silent on whether financial socialization (FS) shapes the effect of social comparison orientation (SCO – an individual's tendency to use social comparisons for self-evaluation, Gibbons and Buunk, 1999) on FMB. Specifically, it is unclear whether and how FS tempers the effect of social comparisons on

FMB. According to Danes (1994), FS refers to the process of acquiring the values, attitudes, norms, knowledge and behaviors necessary for achieving and maintaining financial health. Grohmann *et al.* (2015) elaborated on this concept, emphasizing not only acquiring financial knowledge but also developing essential attitudes and values for making informed financial decisions. It is believed that becoming financially literate is a lifelong journey, with its foundations being laid in the early years by primary agents such as families, educational systems and employers.

By elucidating the complex impacts of SCO on diverse aspects of financial life, this research aims to contribute substantively to the domains of consumer finance – an interdisciplinary and emerging academic discipline that examines how individuals and households manage their financial resources, make financial decisions and interact with financial institutions and markets, covering a broad range of topics such as personal budgeting, saving, borrowing, investing, retirement planning and insurance. This study explores how the tendency for social comparison in an Asian developing country related to individuals' financial skills [i.e. financial self-efficacy (FSE)] and behavior, thus enhancing our understanding of the links between social comparison, financial competency and behavior in the context of financial management literature. Financial educators, policymakers and individuals seeking to overcome financial challenges in contemporary society, particularly in developing countries, will benefit from the findings, which provide both scholarly insight and practical insights.

This study provides four specific contributions. First, this study demonstrates that SCO, possibly through downward comparison, can positively relate to FMB, while the traditional view is that it distorts such behavior. Second, through the mediation analysis, this research intends to show that FSE (an individual's confidence in their ability to manage financial tasks and decisions effectively) can serve as a positive intermediary by which SCO is related to FMB. By explaining how such an external comparative assessment affects financial outcomes, this insight will provide avenues for intervention to improve FMB. Third, this investigation will examine if FS moderates the effect of SCO on FMB; the social milieu can mitigate or amplify the influence of social comparison tendencies on FMB based on how individuals assimilate financial information and engage in financial activities. The fourth contribution of this research lies in its focus on a cultural context where social comparison is a significant social concern. Vijaykumar (2022) highlighted that in Indian families, children often live with their parents until or even after marriage, with parents controlling financial decisions. This limits the development of financial autonomy in the youth. While parents want their children to be financially independent, they often expect it to happen on their own terms. In that study, the author found a positive link between FS and autonomy. Similar family and financial dynamics are presumed in Bangladesh, though empirical evidence is lacking. We have meticulously selected a sample that, to the best of our understanding, is well-justified for this type of research. This sample excludes both the super-rich and those struggling for daily sustenance. Instead, we have chosen middle-class city dwellers who are highly educated and enjoy a higher financial status than most of the population. This positioning makes them ideal for discussing their financial decision-making and behavior. The literature suggests that in developing countries, there may be a threshold income level below which individuals focus on improving their absolute income rather than engaging in social comparisons (Linssen *et al.*, 2011). Additionally, the middle class in Bangladesh is a rapidly expanding demographic. It currently comprises about 20%–25% of the population and is projected to grow significantly by 2030. This group of individuals is a major driving force in the economy and has a significant share in economic growth, representing the rising influence of the booming middle class. Who constitutes the middle class in Bangladesh?

There is no universally accepted definition, as economists offer varying standards, with income levels ranging from US$2–US$20 per day (Ahamed, 2022). Beyond its size, the income distribution within the middle class, reflecting its internal diversity, is crucial for economic growth. Research suggests that a more prosperous middle class can play a key role in supporting economic growth (Mujeri, 2024). Our sample represents the emerging middle class from a developing Asian country, offering valuable insights into this dynamic segment of society across Asia, Africa and Latin America. Overall, this research underscores the importance of considering the interdependencies between cognitive beliefs and social influences in understanding and improving FMB. It highlights the potential of behavioral interventions to enhance financial behavior by not only building FSE but also encouraging socialization of financial issues among family and peers, particularly in the face of social comparisons.

2. Literature review

The phenomenon of social comparison, characterized by the evaluation of oneself against others, constitutes a pervasive element in human societal dynamics and significantly influences individual behavior (Coyne *et al.*, 2017). Leon Festinger was seminal in introducing and theoretically structuring the concept of social comparison in 1954 (Festinger, 1954), marking a pivotal moment in the study of social psychology. This evaluative process also conceptualized as self-reflection (Ugwu and Idemudia, 2023), involves individuals assessing their own position in relation to others, a practice deeply embedded in the foundations of social philosophy and science (Tran, 2022). The orientation toward social comparison, alternatively articulated as "self-interest," aligns with economic principles where self-interest is deemed rational and aimed at maximizing individual utility (Hoyer *et al.*, 2022). Social comparison theory (SoCT – Festinger, 1954) asserts that there exists a fundamental human inclination to appraise one's opinions and capabilities, often in comparison to others (Festinger, 1954). In the absence of objective benchmarks, individuals resort to comparing themselves with others as a means to acquire such evaluative information (Gibbons and Buunk, 1999). This comparative mechanism plays a critical role in shaping an individual's self-esteem, emotional responses and motivational drives.

Within the framework of SoCT, Festinger's contributions significantly enhanced our comprehension of the mechanisms through which individuals engage with their social milieus. He underscored the fundamental human impetus to gauge oneself in the context of others, a process integral to the construction of personal identity and the navigation of social landscapes. This evaluative mechanism not only influences self-perception but also extends its ramifications to social interactions and the psychological well-being of individuals. According to this theoretical perspective, individuals innately evaluate their abilities and perspectives to forge a deeper understanding of themselves. In the absence of objective metrics, comparisons with peers – considering variables such as age, education, income and skill level – become instrumental. Festinger articulated a concept known as the "unidirectional drive upward," suggesting that such comparisons inherently motivate individuals to aspire for improvement and superior performance (Chatterjee *et al.*, 2019). Individuals with a high orientation toward social comparison exhibit acute sensitivity to the actions of others, using these observations to mitigate personal uncertainties. This comparative process enables individuals to establish benchmarks, derive inspiration and acquire a nuanced comprehension of their social positioning and competencies (Le, 2020).

Moreover, social comparison acts as a conduit for the calibration of behaviors, thoughts and emotions, drawing upon the experiences of others to inform self-perception, motivation and overall well-being (Tran, 2022; Ugwu and Idemudia, 2023). Cross-cultural research

underscores the ubiquity of this comparison inclination, revealing a more pronounced presence in collectivistic societies, such as those prevalent in Asia, as opposed to individualistic cultures (Cheng *et al.*, 2021).

The dynamics of social comparison are manifested through both upward and downward comparisons, each bearing distinct implications for individual self-concept and social integration (Tran, 2022; Ugwu and Idemudia, 2023). In upward social comparison, individuals compare themselves to others who are perceived to be better off or more skilled, which can motivate self-improvement but may also decrease self-esteem; and downward social comparison, where individuals compare themselves to those who are less proficient or worse off, potentially leading to a temporary boost in self-esteem but also complacency or negative feelings toward those others (Chatterjee *et al.*, 2019). Wood (1989) revised Festinger's theory, arguing that self-assessments are often biased toward boosting self-image and can be influenced by societal pressures, such as from friends and family. Upward comparison often results in feelings of inferiority and a hit to self-esteem (Chatterjee *et al.*, 2019; Ling *et al.*, 2023; Tran, 2022). Previous studies have shown that engaging in upward social comparisons on social media platforms may result in a range of detrimental effects, including feelings of malicious envy, symptoms of depression, guilt and regret, more likely to have unmet cravings and increased social anxiety (Chatterjee *et al.*, 2019; Tran, 2022). In contrast, downward comparison usually leads to positive emotions and, at times, self-improvement goals (Tran, 2022). The impact of these comparisons hinges on whether individuals assimilate, adopting a more positive or negative view toward themselves based on the direction of comparison or contrast, where their self-view diverges further from the comparison target (Ugwu and Idemudia, 2023). Upward comparisons can threaten self-perception and diminish well-being (Ling *et al.*, 2023), while downward comparisons can enhance self-esteem and motivation. The likelihood of engaging in social comparison increases when the comparison is relevant to one's self-concept and the target resembles the individual (Ugwu and Idemudia, 2023).

SoCT has been widely applied in various domains, including psychology, sociology, education and business, to understand how individuals assess their own worth, make decisions and are influenced by their perceptions of others. It underscores the significant role of social context in shaping behavior, attitudes and self-concept.

Prior research indicates that numerous internal and external factors can influence an individual's FMB, including demographics, socioeconomic, psychological, social, cultural, financial experience, financial literacy and technological factors (Goyal *et al.*, 2021). Several studies concluded that financial literacy (the ability to understand and use various financial concepts, including personal financial management, budgeting, saving and investing) can shape FMB. Higher levels of financial literacy were positively associated with FMB (Lusardi *et al.*, 2010). In addition, financial knowledge (awareness and understudying of financial terms and concepts), a dimension of financial literacy, was found to be positively related to FMB (Grable *et al.*, 2009; Grable *et al.*, 2020; Shim *et al.*, 2009; Shim *et al.*, 2010).

Research shows that psychological factors such as attitude, belief, perception, motivation and self-concept can affect one's FMB. For example, financial attitudes (attitudes toward money, risk and financial goals) were significantly related to FMB (Shim *et al.*, 2010; Goyal *et al.*, 2022). Perceived behavioral control (Shim *et al.*, 2010), self-control (Stromback *et al.*, 2017), self-esteem (Tang and Baker, 2016) and *locus* of control (Cobb-Clark *et al.*, 2016) were positively associated with FMB. On the contrary, materialism (Helm *et al.*, 2019) and generalized anxiety (Grable *et al.*, 2020) were negatively associated with FMB. However, Grable *et al.* (2009) did not find a direct effect of *locus* of control on FMB.

Some studies examined how social factors such as parental subjective norms (Shim *et al.*, 2010) and parental FS (Antoni *et al.*, 2019; Bamforth *et al.*, 2018; Shim *et al.*, 2009) influence FMB. Families and peers can shape FMB through observation, guidance and social pressure; individuals may adopt financial habits similar to those of their family or peer group.

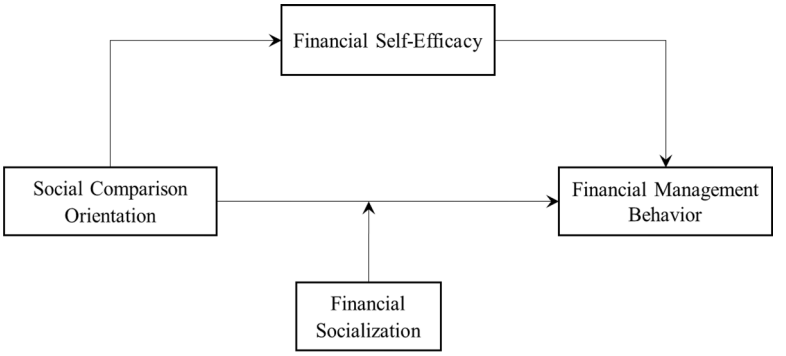
While the role of social comparison on overall financial health has been established, the understanding of how SCO is related to FMB remains limited. Thus, this study aims to fill this crucial gap.

3. Conceptual framework and hypotheses

3.1 Social comparison orientation and financial management behavior

Prior research shows that social factors can affect FMB (Antoni *et al.*, 2019; Bamforth *et al.*, 2018; Shim *et al.*, 2009; Shim *et al.*, 2010). The role of SCO on consumer behavior in different settings has been established in the literature. For example, SCO was positively associated with compulsive buying behavior (Pahlevan Sharif *et al.*, 2022) and materialistic propensities (Ozimek and Forster, 2017). Studies have also revealed that SCO was positively associated with increased social media usage behavior; individuals high in SCO used Facebook more heavily than those low in SCO (Ozimek and Forster, 2017; Vogel *et al.*, 2015). Furthermore, social comparison has been shown to influence financial behaviors such as risk-taking and stock trading behaviors (Andraszewicz *et al.*, 2023).

From a theoretical standpoint, the social comparison theory (Festinger, 1954) suggests that individuals evaluate their own opinions and abilities by comparing themselves to others, leading to changes in self-evaluation, affect and behavior depending on whether the comparison is upward or downward. A recent meta-analysis (Gerber *et al.*, 2018) found that, even under threat, individuals predominantly choose upward comparisons, though the frequency of such choices decreases when a lateral (similar) comparison option is available. The study also finds that contrast, where self-evaluations diverge from the comparison target, is the predominant reaction, with upward comparisons often leading to lower self-evaluations and downward comparisons generally boosting self-esteem. In the case of this research based on the SoCT, we conceptualize, an individual's perceived FMB can be shaped by comparing their financial status with that of their peers or family. Therefore, drawing from the literature and the SoCT framework, the following hypothesis is proposed (Figure 1):



Source: Figure by authors

Figure 1. The conceptual model

H1. SCO exerts a positive effect on FMB.

3.2 Mediating role of financial self-efficacy

Social comparison involves individuals assessing their abilities to those of others, which can serve as a source of motivation and inspiration, nurturing self-improvement (Chatterjee *et al.*, 2019). More specifically, people who are high in social comparison have a strong interest in what others feel and think, which can motivate them to improve themselves, leading to enhanced knowledge, abilities and self-confidence (Gibbons and Buunk, 1999). Research has shown that social comparison can impact an individual's self-efficacy (one's belief in his or her ability to complete a task). For example, research has shown that teachers' social comparison tendency positively affects their sense of instructional self-efficacy (Saber Gigasari and Hassaskhah, 2017).

The concept of FSE in social psychology originates from Bandura's (2012) theory of self-efficacy. FSE is considered crucial in shaping various aspects of financial behavior (Fan and Henager, 2022; Goyal *et al.*, 2022). FSE encapsulates an individual's confidence in their aptitude for navigating financial challenges or achieving a financial goal (Fan and Henager, 2022; Farrell *et al.*, 2016). Thus, FSE can determine how a person demonstrates financial behaviors. Bandura *et al.* (1999) argued for the necessity of self-efficacy alongside the cognizance of savings' significance, underscoring self-efficacy's integral role in financial behavior studies (Gudmunson and Danes, 2011). Existing literature suggests a positive correlation between higher FSE and enhanced financial governance and outcomes (Farrell *et al.*, 2016; Mathew *et al.*, 2024).

Social cognitive theory, also developed by Bandura (2002), suggests that individuals acquire knowledge partly by observing others within social contexts, including interactions, experiences and media influences. This theory highlights the importance of observational learning, social experiences and the concept of reciprocal determinism, where personal factors, environmental influences and behaviors interact and shape each other. While self-efficacy theory centers on the belief in one's abilities, social cognitive theory provides a broader perspective by placing this belief within a social and environmental context. In this integrated framework, self-efficacy theory can be considered a subset of social cognitive theory, particularly in understanding the psychological processes that influence behaviors like financial management. Accordingly, we conceptualize that individuals with higher levels of FSE are more likely to engage in positive FMBs (Qamar *et al.*, 2016). For instance, FSE has been found to positively influence saving behavior (Engelberg, 2007; Lown *et al.*, 2015). Individuals with higher levels of FSE are more likely to have an investment, mortgage or savings account, while less likely to have a credit card or loan (Engelberg, 2007). Building on these theories and the literature discussed above, we propose the following hypothesis:

H2. FSE functions as a positive mediator in the relationship between SCO and FMB.

3.3 Moderating *role* of financial socialization

Danes (1994) conceptualized FS as the acquisition and development of values, attitudes, norms, knowledge and behaviors essential for financial sustainability and individual well-being. FS typically encompasses parental guidance on money management, provision of practical financial experiences and opportunities for children to earn money (Vijaykumar, 2022). Additionally, informal family discussions about finances can be as influential as structured educational interventions in shaping children's financial understanding and behavior (Danes, 1994; Deenanath *et al.*, 2019). The concepts of FS and social cognitive

theory are closely related, as both involve learning through observation, modeling and reinforcement. Social cognitive theory provides a useful framework for understanding how individuals develop financial behaviors and attitudes through their interactions with family and peers and their environment.

Anthony *et al.* (2022) found that parental influence plays a significant role in shaping financial behavior, which in turn affects financial well-being. Vijaykumar (2022) emphasized the unique Indian family structure where financial discussions were traditionally limited but have become more common, providing young people with greater opportunities to learn about financial management from their parents. FS can play a crucial role in the relationship between SCO and FMB. Social comparison alone may not always lead to improved FMB; its impact on FMB can vary depending on other social factors, such as FS. In the context of financial behavior, SCO is an interpersonal process in which individuals may alter their behavior, judgment or attitudes as a result of observing others' behavior, while FS involves acquiring financial knowledge about money and money management from the socialization agents (e.g. family, peers, media and school) that are necessary for their FMB. Thus, FS can increase the influence of SCO on FMB by providing the necessary knowledge, attitudes, behaviors and support systems to interpret and act on social comparisons effectively. In other words, the SCO can be strongly related to FMB among individuals with higher levels of FS than those with lower levels of FS. The following hypothesis is advanced:

H3. FS moderates the positive effect of SCO and FMB.

4. Methods

4.1 Sample and data collection

The present study was conducted by commissioning a market research firm to undertake a comprehensive data collection effort targeting adult residents of Dhaka, Bangladesh's capital and most densely populated city. Situated geographically in the center of the country, Dhaka serves as a vital economic and administrative hub. To facilitate the data-gathering process, a specialized survey and data collection agency was engaged, using a methodology centered around the distribution of self-administered survey questionnaires. This agency deployed a team of youthful data collectors who embarked on a targeted distribution campaign. They visited the offices of potential respondents located within several of Dhaka's key commercial districts. These areas were selected due to their prominence and the high concentration of business activities, making them ideal for reaching a diverse cross-section of the city's adult population. The data collection phase was scheduled between April and May 2023. The methodology adopted for this study was designed to maximize direct engagement with participants, thereby enhancing the quality and reliability of the collected data. The data collectors personally handed out the questionnaires to individuals in the aforementioned areas, requesting their participation by completing and returning the surveys. Of the initial 870 individuals approached during this data collection exercise, 329 completed the survey, resulting in a calculated response rate of 37.82%. This figure reflects the challenges inherent in securing participation in voluntary surveys, particularly in busy commercial settings. Following a thorough review of the returned questionnaires, a final tally of 301 responses was deemed valid for analysis after excluding incomplete submissions.

An analysis of the demographic characteristics of the study population was undertaken, with findings summarized in Table 1. This analysis revealed that the sample comprised 65% males and 35% females, with a significant majority (88%) reporting being married. The median age of the respondents was 36–40 years. The respondents generally fell within a monthly family income bracket of BDT 101,000–120,000 (approximately US$913–US

Table 1. Respondent profile (N =301)

	Frequency
Gender	
Male	197 (65.40%)
Female	104 (34.60%)
Marital status	
Married	264 (87.70%)
Unmarried	35 (11.60%)
Others	2 (0.70%)
Age	
Median	36–40 years
Monthly family income (in Bangladesh Taka)	
Median	101K–120K
Occupation	
Banker	85 (28.20%)
Government service	96 (31.90%)
Businessman/entrepreneur	41 (13.60%)
Private service	38 (12.60%)
Other	41 (13.60%)
Education	
HSC/vocational high school	13 (4.30%)
Bachelor's degree	3 (1.00%)
Master degree or equivalent	268 (89.10%)
PhD	17 (5.60%)

Note: HSC = Higher secondary certificate
Source: Table by authors

$1,084), indicating a middle to upper-middle economic status. The detailed demographic profile presented in Table 1 encompasses a broader range of attributes, including age distribution, occupational sectors and educational attainment, offering comprehensive insights into the study population's demographic landscape.

4.2 Measurement

This study operationalized SCO by using an 11-item instrument adapted from Gibbons and Buunk (1999). These items were designed to capture the extent to which individuals engage in comparison with others regarding life achievements and decision-making in analogous situations (e.g. *I often compare myself with others with respect to what I have accomplished in life; I always like to know what others in a similar situation would do*). Response options were anchored on a seven-point Likert scale, ranging from 1 (strongly disagree) to 7 (strongly agree). FSE was measured using a six-item scale developed by Farrell *et al*. (2016), aimed at assessing concerns about future financial security and confidence in financial management capabilities (e.g. *I worry about running out of money in retirement; I lack confidence in my ability to manage my finances*). Each item was answered on a seven-point Likert scale, ranging from 1 (strongly disagree) to 7 (strongly agree). To assess FMB, a 12-item scale from Dew and Xiao (2011) was used, focusing on practices such as maintaining records of monthly expenses and adherence to a budget or spending plan (e.g. *Kept a written*

or electronic record of your monthly expenses; Stayed within your budget or spending plan). The items were answered on a seven-point Likert scale, ranging from 1 (never) to 7 (always). Family FS was assessed through seven items derived from Manfrè (2017), which explored the frequency and nature of family discussions related to financial matters and the importance of savings (e.g. *Discussed family financial matters with me; Spoke to me about the importance of saving*). Response options for this scale were anchored on a seven-point Likert scale, ranging from 1 (strongly disagree) to 7 (strongly agree). The complete questionnaire used for data collection is presented in Appendix. The selection of these measures was guided by their established reliability and validity in prior research, ensuring a comprehensive assessment of the constructs of interest within the context of this study.

5. Analysis and results

The analysis of construct reliability, convergent validity and discriminant validity was conducted using SmartPLS (version 4.1.0.2), a software tool designed for the execution of partial least squares structural equation modeling (PLS-SEM). PLS-SEM effectively analyzes complex latent variable relationships, optimizing explained variance. It suits prediction-driven and exploratory research, aligning well with this study's goals (Hair *et al.*, 2024). The first step is the examination of factor loadings for each construct under investigation, thereby assessing their reliability. The factor loadings for SCO were observed to vary between 0.61 and 0.76, indicating a satisfactory level of item reliability within this construct. Similarly, the items measured FSE demonstrated factor loadings ranging from 0.70 to 0.87, further affirming the reliability of the items measuring this concept. For the FMB scale, factor loadings were found to span from 0.63 to 0.83, while the construct of FS exhibited loadings between 0.61 and 0.84. Given these findings, it can be concluded that all item loadings surpass the commonly accepted threshold of 0.50 (Guadagnoli and Velicer, 1988). The items below 0.50 factor loadings are removed from further analysis. This result substantiates the reliability of the constructs within our study, ensuring the robustness of the subsequent analyses and interpretations. Convergent validity was assessed through the average variance extracted (AVE), adhering to Fornell and Larcker's (1981) recommendation for an AVE above 0.50 as acceptable. Our model's validity and reliability metrics are detailed in Table 2. For discriminant validity evaluation, we used the Heterotrait-Monotrait ratio (HTMT) of correlations (Table 3). The indices satisfied the established thresholds, signifying robust discriminant validity. This compliance aligns with the guidelines set forth by Hair *et al.* (2014) and Henseler *et al.* (2016), underscoring the distinctiveness of each construct within our model. By surpassing critical thresholds for factor loadings, AVE and ensuring discriminant validity through HTMT, our research model demonstrates a solid foundation for subsequent analyses and interpretations.

Table 2. Construct reliability and validity

Construct	Cronbach's alpha	Composite reliability rho_a	Composite reliability rho_c	Average variance extracted (AVE)
Social comparison orientation	0.78	0.80	0.85	0.53
Financial self-efficacy	0.80	0.80	0.87	0.63
Financial management behavior	0.78	0.80	0.85	0.53
Financial socialization	0.77	0.78	0.84	0.52

Source: Table by authors

Table 3. Discriminant validity

Construct	Heterotrait-Monotrait ratio (HTMT)			
	Social comparison orientation	Financial self-efficacy	Financial management behavior	Financial socialization
Social comparison orientation				
Financial self-efficacy	0.48			
Financial management behavior	0.51	0.57		
Financial socialization	0.67	0.31	0.53	

Source: Table by authors

In this research, we adhered to established methodologies previously endorsed by scholars for the investigation of direct associations and conditional effects (Hair *et al.*, 2014; Preacher *et al.*, 2007). For the purpose of bootstrapping, a conventional technique involving 5,000 subsamples was used. Of particular note is the employment of the most recent iteration of the Smart-PLS software, which facilitates the execution of moderated mediation analyses directly within the software environment. In evaluating the efficacy of our model, the coefficients of determination, both R-squared and adjusted R-squared, for FMB were observed to be 30% ($p < 0.01$) and 29% ($p < 0.01$), respectively, which means that about 30% of its variance is explained by the model constructs. We also used $PLS_{predict}$ (Shmueli *et al.*, 2016) to generate case-level predictions, enabling us to evaluate the out-of-sample predictive power of the PLS-SEM model beyond traditional metrics like R^2 and Q^2. In line with Shmueli *et al.* (2019) and crossvalidated predictive ability test guidelines (Sharma *et al.*, 2022), we assessed the model's accuracy, focusing on the key variable, "financial management behavior." The Q^2 predicted values for FSE (0.148) and FMB (0.224) exceeded zero, confirming the model's predictive relevance. These findings substantiate the model's predictive proficiency. Furthermore, the significance of the direct path coefficients was assessed through the utilization of *t*-statistics and *p*-values, as cataloged in Table 4.

The results indicate a positive and statistically significant direct relationship between SCO and FMB ($\beta = 0.15$, $p = 0.03$), supporting *H1*. This implies that SCO has a modest but significant direct positive impact on FMB. The mediation analysis describes the pathway where SCO is related to FMB indirectly through FSE ($\beta = 0.13$, $p = 0.000$), supporting *H2*. The result indicates that SCO enhances individuals' confidence in their financial abilities (i.e. FSE), which in turn leads to better FMB. Together, these findings highlight that SCO is positively related to FMB both directly and indirectly through the enhancement of FSE, underscoring the importance of considering both direct and mediated pathways when examining the factors related to FMB.

The analysis of the conditional direct effect (moderating effect) revealed that when FS is 1 SD below the mean (lower FS), the effect of SCO on FMB is positive but not statistically significant ($\beta = 0.10$, $p = 0.25$), suggesting that for individuals with lower levels of FS, SCO is not significantly associated with FMB. However, when FS is at the mean level, the effect is positive and statistically significant ($\beta = 0.15$, $p = 0.03$), indicating that, on average, individuals with higher SCO tend to exhibit better FMBs, given a typical level of FS. Furthermore, when FS is 1 SD above the mean (higher FS), the effect is even stronger and statistically significant ($\beta = 0.20$, $p = 0.03$), suggesting that for individuals with higher levels of FS, SCO has a more substantial positive impact on their FMBs. In summary, the effect of SCO on FMB increases

Table 4. Hypothesis testing (*H1–H3*)

Relationships	Path coefficient (β) with *p*-values	Confidence intervals 2.5%	97.5%	F^2
Direct effects				
Social comparison orientation → Financial management behavior (*H1*)	0.15*	0.01	0.29	0.02
Social comparison orientation → self-efficacy	0.39**	0.28	0.49	0.18
Financial self-efficacy → financial management behavior	0.32**	0.21	0.44	0.13
Specific indirect effect (mediation) (H2)				
Social comparison orientation → financial self-efficacy → financial management behavior	0.13**	0.08	0.19	–
Conditional direct effect (Moderating effect) (H3)				–
Social comparison orientation → Financial management behavior conditional on Financial socialization at –1 SD	0.10^{NS}	−0.08	0.25	–
Social comparison orientation → financial management behavior conditional on financial socialization at mean	0.15*	0.01	0.29	–
Social comparison orientation → Financial management behavior conditional on Financial socialization at +1 SD	0.21*	0.02	0.39	–

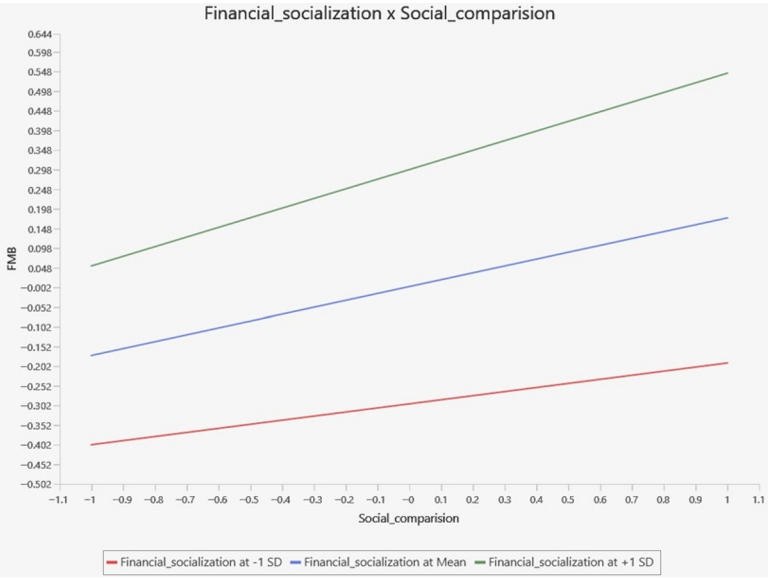
Notes: **p*-value < 0.05; ***p*-value < 0.001
Source: Table by authors

with higher levels of FS, implying that FS enhances the impact of SCO on FMB, thereby supporting *H3*. We further conducted a simple slope analysis, as depicted in Figure 2, which visualizes the moderating effect of FS on the impact of SCO on FMB.

6. Discussion and conclusion

Our study examined the impact of SCO on FMB. This study also contributes to consumer finance literature by demonstrating the mediating role of FSE and the moderating role of FS on the relationship between SCO and FMB. The findings revealed that SCO positively impacts FMB, which may seem counterintuitive given prevailing theories suggesting that social comparison negatively influences psychological well-being (Lee, 2022) or that upward social comparison diminishes self-esteem (Wang *et al.*, 2017). However, in a society where social comparison is prevalent, the impact on complex issues like FMB can be understood through several arguments in favor of our findings.

First, social comparison provides opportunities for benchmarking and learning. There is a saying in the Indian subcontinent region that if one doctor or engineer emerges in a village, there will be more within five to six years. This is because people, especially those educated and studied in this research, continuously compare themselves to others and push themselves to pursue more favorable outcomes. Observing others' performance provides benchmarks that can enhance one's own performance through learning and emulation. Similarly, Buunk and Gibbons (2007) attest that social comparison can motivate individuals by providing standards against which to measure their own abilities and progress. Thus, our finding of the



Source: Figure by authors

Figure 2. Moderating effect of FS on the impact of SCO on FMB

positive effect of SCO on FMB is not a surprise. Rather, it represents a novel finding in the realm of FMB research.

Second, the positive mediating effect of FSE is also intriguing. Bandura's (1986) social cognitive theory underscores the role of observational learning and modeling, where individuals learn by watching others. The findings of this study indicate that FSE can act as a positive buffer in the relationship between SCO and FMB, leading to more effective and regulated decision-making practices. When people are more engaged in social comparison, they strive to gain more skills, which in turn affects their FMB. This is supported by Gibson (2004), who illustrates how social comparison through role modeling can enhance decision-making by providing clear examples of effective behavior to emulate.

Third, the moderating effect of family FS is a novel inclusion in our research model. In collectivist societies, such as those in many Asian, African and Latin American emerging countries, parents play a crucial role in their children's financial education. Financial decisions are often guided by the needs and well-being of the extended family, emphasizing collective financial well-being (Shim *et al.*, 2009; Gudmunson and Danes, 2011; Nanziri and Leibbrandt, 2018). In this context, our research found that family FS moderates the impact of SCO on FMB. This implies that family FS enhances the impact of SCO on FMB by providing the necessary knowledge, attitudes, behaviors and support systems to effectively interpret and act on social comparisons. This moderating effect is strongest among individuals who have received high levels of FS. Therefore, promoting family FS can be a crucial strategy for improving FMBs through social comparison. However, this finding needs further empirical evidence as it refers to the Indian subcontinent's cultures. Vijaykumar (2022) finds that while direct parent-child financial communication significantly boosts FSE,

observing parents' financial behaviors can sometimes negatively affect it, possibly due to confusion or misunderstandings.

This research advances the theoretical understanding of FMB in several ways by integrating the concepts of SCO, FSE and FS in the context of a collectivist culture. First, the study provides a counterintuitive insight into the conventional notion that social comparison predominantly yields negative psychological outcomes. Our results demonstrate that social comparison can also be positively related to FMB under certain contexts. This broadens the scope of SoCT (Festinger, 1954) to include financial behaviors, particularly in cultures where social norms and comparisons are highly influential (White and Lehman, 2005). Second, it highlights the mediating role of FSE in the relationship between SCO and FMB, extending Bandura's (1986) social cognitive theory by showing how external social comparisons can enhance confidence in financial abilities, thereby improving financial practices (Goyal *et al.*, 2022; Fan and Henager, 2022). Third, the study establishes that FS moderates the impact of SCO on FMB, contributing to the literature on FS (Danes, 1994) by demonstrating how family and peer interactions enhance the positive effects of social comparisons on financial behaviors (Grohmann *et al.*, 2015; Shim *et al.*, 2009). Fourth, by focusing on a collectivist culture in a developing economy, it provides a nuanced understanding of how cultural contexts can influence the dynamics of social comparison and financial behavior, expanding the applicability of SoCT beyond Western individualistic societies (Cheng *et al.*, 2021; Ugwu and Idemudia, 2023). Finally, the research integrates SoCT with financial management literature, offering a comprehensive framework that links social and psychological factors with FMB, thereby enriching the theoretical landscape of financial management (Goyal *et al.*, 2021; Farrell *et al.*, 2016). In summary, this study elucidates the complex interplay between social comparison, self-efficacy and socialization in shaping FMB, emphasizing the importance of cultural and social contexts in financial decision-making processes.

The findings of our investigation have several implications for financial educators, policymakers, financial institutions and individuals in developing countries. The study shows that SCO is positively related to FMB, which suggests that integrating social comparison awareness into financial education programs can help individuals enhance FMB while addressing potential negative impacts such as stress and anxiety. Our result also suggests that FSE can mediate the impact of SCO on FMB; the more the people engage in social comparison for self-evaluation, the more they strive to gain financial confidence, which ultimately affects their FMB. Thus, interventions aimed at boosting FSE, such as practical training and real-world financial planning exercises, can lead to enhanced financial behavior. Our finding reveals that FS can play a critical role in influencing the impact of SCO on FMB; the effect of SCO on FMB increases with higher levels of FS. Hence, promoting FS through community workshops, family financial education programs and school curricula involving parents can enhance the positive effects of SCO on FMB. Financial institutions and educators who want to improve the FMB of middle-income individuals in developing countries should incorporate the important role FS agents such as parents, peers and schools play in shaping their FMB. Considering cultural contexts in financial advice is crucial, especially in collectivist cultures where social norms and communal values significantly influence financial behaviors. Extending tailored financial literacy programs to vulnerable groups, such as low-income and less-educated populations, can help mitigate the negative effects of social comparison and promote financial stability. Policymakers can design supportive policies, create environments that foster positive social comparisons and offer incentives for community-based financial education initiatives. In addition, financial institutions also can play a crucial role in enhancing people's FSE and FMBs. They should consider integrating the role of SCO, FS and FSE in their financial counseling services and

inculcating financial literacy programs designed to focus on prudent FMBs. To sum up, a comprehensive approach involving education, cultural sensitivity, community engagement and policy support can effectively enhance FMBs in developing countries.

7. Limitations and future research directions

This study has several limitations that should be addressed in future research. The sample was specific to educated individuals with relatively higher financial status in Dhaka, Bangladesh, limiting the generalizability of the findings to broader populations. The cross-sectional design captures data at a single point in time, restricting the ability to infer causality and observe changes in financial behavior over time. Furthermore, our data was collected at the individual level, so there is a possibility that multiple responses originated from the same company. This may result in some grouping of the responses based on common characteristics of the respondents' workplaces; however, we did not collect sufficient information about the respondents' workplaces to enable meaningful clustering. Future research may address this. Reliance on self-reported data may introduce biases such as social desirability bias. Additionally, while the study emphasizes collectivist cultures, the findings may not be fully applicable to individualistic cultures with different social comparison dynamics. The study also primarily highlights the positive impact of SCO on FMB, potentially overlooking negative psychological effects like anxiety and depression. Future research should adopt longitudinal designs to track changes, establish causal relationships and expand to include diverse samples in terms of geography, socioeconomic status and cultural backgrounds. Investigating specific mechanisms of social comparison, such as the role of social media and exploring the potential negative effects of SCO will provide a more balanced understanding. Research should also examine the effectiveness of interventions and educational programs aimed at enhancing financial literacy and self-efficacy, particularly in the context of social comparison. Cross-cultural comparative studies are needed to understand how different cultural norms influence the relationship between SCO and financial behavior. Additionally, the role of technological advancements and digital financial tools in shaping financial behaviors and the integration of broader psychological constructs, like resilience and coping strategies, should be investigated to understand how individuals manage the effects of social comparison on their financial decisions.

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Appendix. Full questionnaire used for data collection

Financial self-efficacy scale (Source: Farrell *et al.*, 2016)

- It is hard to stick to my spending when unexpected expenses arise.
- It is challenging to make progress toward my financial goals.
- When unexpected expenses occur, I usually have to use credit.
- When faced with a financial challenge, I have a hard time figuring out a solution.
- I lack confidence in my ability to manage my finances.
- I worry about running out of money in retirement.

Financial management behavior scale (Source: Dew and Xiao, 2011)

Please indicate how often you have engaged in the following activities in the past six months:

- Comparison shopped when purchasing a product or service.
- Paid all your bills on time.
- Kept a written or electronic record of your monthly expenses.
- Stayed within your budget or spending plan.
- Paid off credit card balance in full each month.
- Maxed out the limit on one or more credit cards.
- Made only minimum payments on a loan.
- Began or maintained an emergency savings fund.
- Saved money from every paycheck.
- Saved for a long-term goal such as a car, education, home, hajj and marriage.
- Contributed money to a retirement account.
- Bought bonds, stocks or mutual funds.

Social comparison orientation (Source: Gibbons and Buunk, 1999)

- I often comparer how my loved ones (boy or girlfriend, family members, etc.) are doing with how other are doing.
- I always pay a lot of attention to how I do things compared with how others do things.
- If I want to find out how well I have done something, I compare what I have done with how others have done.
- I often compare how I am doing socially (e.g. social skills, popularity) with other people.
- I am not the type of person who compares often with others.
- I often compare myself with others with respect to what I have accomplished in life.
- I often like to talk with others about mutual opinions and experiences.
- I often try to find out what others think who face similar problems as I face.
- I always like to know what others in a similar situation would do.
- If I want to learn more about something, I try to find out what others think about it.
- I never consider my situation in life relative to that of other people.

Financial socialization (Source: Manfrè, 2017)

- Discussed family financial matters with me.
- Spoke to me about the importance of saving.
- Discussed how to establish a good credit rating (borrowing reputation).
- Taught me how to be a smart shopper.
- Taught me that my actions determine my success in life.
- Provided me with a regular allowance (pocket money).
- Provided me with a savings account.

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