

The Price of Pocket Money

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Abstract

Adolescent consumption lies at the intersection of behavioural economics, developmental psychology and consumer research. Although conventional economic models explain consumer choice through preferences, prices and budget constraints, actual purchasing decisions may also be shaped by cognitive biases, emotional responses, peer influence and the perceived origin of money. This study examines the relationship between adolescents' income sources and impulsive spending, with attention to parental allowances, monetary gifts, family transfers and personal earnings. Its theoretical framework draws on mental accounting, the house-money effect, psychological ownership and the pain of paying, while also considering parental financial practices, digital payments, social commerce and targeted advertising.

The research uses a quantitative primary-research approach based on survey responses collected from more than 500 teenagers. The survey provides first-hand material for examining adolescents' money sources and spending behaviour; published research is used to contextualise the topic and interpret the possible mechanisms behind consumer decisions. The paper does not assume that earned income necessarily leads to responsible spending or that unearned income inevitably produces impulsive purchases. Instead, it considers how income origin may interact with financial responsibility, perceived scarcity, budgeting practices and the contemporary consumption environment. The study's conclusions and recommendations are framed with due regard to the limits of survey-based evidence and the need to distinguish observed associations from causal explanations.

Keywords: Adolescent consumption; impulsive buying; behavioural economics; mental accounting; earned income; unearned income; financial socialisation; digital payments; consumer psychology

1 Introduction

The acquisition and allocation of financial resources are fundamental components of economic decision-making. Yet the manner in which individuals spend money often departs from the assumptions of complete rationality associated with conventional economic models. Consumers may prioritise immediate gratification over long-term utility, respond disproportionately to promotional incentives, or assign different subjective values to financially equivalent sums depending upon how those sums were obtained. Such departures from strictly rational decision-making constitute a central concern of behavioural economics.

Adolescence provides a particularly instructive context in which to examine these processes. During this developmental stage, individuals acquire increasing autonomy over discretionary expenditure while continuing to develop financial knowledge, decision-making capacity and an understanding of opportunity cost. Their consumption choices are shaped not only by personal preferences but also by peer groups, social expectations, advertising, digital platforms and family financial practices.

Impulse buying—commonly understood as an unplanned purchase accompanied by a sudden and relatively immediate urge to buy—is especially relevant to this discussion. Rook (1987) conceptualised the buying impulse as a distinctive consumer experience characterised by limited deliberation

and a strong desire for immediate acquisition. Later research has demonstrated that impulsive purchasing arises from an interaction between psychological characteristics and external market stimuli, rather than from any single dispositional trait (Iyer et al., 2020).❖

Among adolescents, these influences may become particularly pronounced when discretionary money is readily accessible. A purchase that might otherwise require saving, prioritisation or parental approval can become immediately feasible when funds are available through an allowance, a monetary gift or personal earnings. Nevertheless, access to money does not automatically translate into impulsive consumption. The significance attached to those funds, the perceived consequences of spending them and the individual's financial responsibilities may substantially alter the outcome.

A particularly important distinction concerns the source of income. Adolescents may receive money through unconditional parental allowances, monetary gifts, occasional family transfers, task-based compensation, formal employment or informal earning activities. Although these sources all confer purchasing power, they may generate different psychological associations. Money earned through personal effort may be evaluated in relation to the time and labour required to obtain it, whereas gifted or regularly replenished money may sometimes be perceived as less costly to spend.

However, this distinction should not be interpreted as evidence that earned income invariably produces responsible behaviour, or that unearned income necessarily encourages extravagance. An adolescent who earns money but has few essential financial obligations may possess greater capacity for discretionary consumption than an adolescent managing a limited allowance. Conversely, a young person receiving parental transfers may demonstrate considerable financial discipline when required to plan expenditure over a fixed period.

The relationship between income source and impulsive spending must therefore be understood through the interaction of psychological valuation, financial constraints, social influences and payment environments. This paper investigates these relationships and considers their implications for adolescent financial socialisation.

2 Research problem and questions

2.1 Research problem

Financial education frequently emphasises budgeting, saving and the acquisition of financial knowledge. While these competencies are important, they do not fully explain why individuals with comparable purchasing power may display markedly different spending patterns.

The source of income may influence the subjective value assigned to money, the perceived cost of expenditure and the extent to which individuals anticipate future financial consequences. At the same time, the structure through which money is received may determine whether adolescents encounter meaningful budget constraints or expect additional funds to become available whenever required.

The central research problem is therefore to establish how income origin interacts with psychological and structural factors to influence impulsive consumption among adolescents. Particular attention is given to the possibility that earned income may encourage cost-consciousness under certain circumstances while increasing discretionary expenditure under others.

2.2 Primary research question

How does the source of income influence impulsive spending behaviour among adolescents, and to what extent is this relationship moderated by financial responsibility, parental financial practices and digital payment environments?

2.3 Secondary research questions

The investigation is guided by five supplementary questions:

1. How do adolescents perceive and allocate money received through parental allowances, monetary gifts and personal earnings?
2. How can mental accounting, psychological ownership and the pain of paying explain differences in purchasing decisions across income sources?
3. Under what circumstances might earned income encourage financial discipline, and when might it contribute to excessive discretionary consumption?
4. How do cashless payments, social commerce and digital advertising potentially influence the relationship between income availability and impulsive buying?
5. What forms of financial socialisation and educational intervention may encourage more deliberate spending behaviour among adolescents?

3 Research objectives

The principal objective of this study is to develop a theoretically grounded understanding of the relationship between adolescent income sources and impulsive consumption.

More specifically, the paper seeks to:

- Examine the psychological mechanisms through which the origin of money may influence purchasing decisions.
- Distinguish between the effects of earned and unearned income without assuming a universal behavioural outcome.
- Evaluate the role of financial responsibility and parental allowance structures.
- Analyse the potential influence of digital payment systems and commercial persuasion.
- Formulate recommendations for financial education that address both cognitive and structural dimensions of spending behaviour.

A further objective is to identify limitations in the existing conceptual approach and establish directions for future empirical investigation, particularly research examining adolescent consumers in the Indian context.

4 Research methodology

4.1 Research design

This study adopts a quantitative primary-research design, using survey responses collected from more than 500 teenagers. The survey was undertaken to gather first-hand information relevant to adolescents' income sources and spending behaviour, particularly the relationship between the way money is received and the tendency to make unplanned or impulsive purchases. The research is

supported by published literature in behavioural economics and consumer psychology, which provides the conceptual basis for interpreting the topic.

The survey constitutes the primary evidence base of the study, while the literature review supplies a theoretical framework for understanding the responses. The inquiry focuses on patterns and relationships reported by teenage respondents rather than treating any one income source as a universal explanation for impulsive consumption. Where numerical analysis is presented, it should be based on the collected response dataset; no unverified percentages or statistical associations are assumed in this paper.

4.2 Sources and analytical approach

The theoretical foundation is informed by research on mental accounting and consumer choice (Thaler, 1985, 1999), the psychology of impulsive purchasing (Rook, 1987), and the relationship between payment mechanisms and spending behaviour (Soman, 2001). Soman's research demonstrates that past payments exert a stronger restraining effect on future purchase intentions when consumers must actively record the amount paid and when wealth is depleted immediately rather than with delay.❖

Empirical investigations into adolescent impulse buying and social influence (Lin & Chen, 2012; Teens as Impulsive Buyers, 2016) are also incorporated. Broader literature reviews on impulse buying are used to situate the phenomenon within the wider consumer-behaviour literature (Iyer et al., 2020; Redine et al., 2023). Iyer et al.'s meta-analysis, which synthesised evidence from 231 samples and more than 75,000 consumers, emphasises that impulse buying is shaped by both internal psychological factors and external market-related stimuli.❖

The analytical framework considers income origin alongside perceived financial ownership, spending constraints, family financial practices and digital consumption environments. These dimensions are discussed together because a respondent's spending behaviour may reflect several overlapping influences. The survey should therefore be interpreted as evidence about reported behaviour and associations within the respondent group, not as proof that income source alone causes a particular purchasing outcome.

4.3 Scope and limitations of the method

The study is based on primary survey responses from more than 500 teenagers; however, the respondent count by itself does not establish that the sample is representative of all adolescents. Any detailed statistical claims must be supported by the original response dataset and transparent calculations. The survey is observational and self-reported, so it can identify reported patterns and possible associations but cannot, on its own, establish causation.

As with other self-reported surveys, responses may be affected by recall, interpretation of questions or a tendency to report socially desirable behaviour. The precise age distribution, geographic spread and recruitment process should be reported alongside the findings where these details are available. In addition, some theoretical mechanisms discussed in the literature were initially examined among adult consumers; their application to teenagers should be treated cautiously unless supported by adolescent-focused evidence.

The findings should not be generalised to all teenagers without information about the sample design and respondent characteristics. The paper therefore treats the survey as a useful primary investiga-

tion while recognising the need for further studies with clearly documented sampling procedures and comparable measures.

5 Literature review and theoretical framework

5.1 Behavioural economics and departures from rational consumption

Conventional economic analysis frequently models consumers as individuals who allocate scarce resources according to preferences, prices and budget constraints. Although this framework provides an essential foundation for understanding consumer choice, it does not fully capture the psychological processes underlying real-world purchasing decisions.

Behavioural economics addresses this limitation by examining how cognitive shortcuts, reference points, emotional responses and contextual influences shape economic decisions. In the context of consumption, a purchase may be influenced not only by a product's objective utility but also by its perceived desirability, the circumstances in which it is encountered and the subjective attractiveness of the transaction. A discount may appear advantageous even when the item was unnecessary, while an immediately available purchase may be preferred over a more carefully evaluated alternative.

Iyer et al. (2020) demonstrate the importance of examining multiple psychological and market-related determinants of impulse buying rather than treating it as an isolated behavioural trait. Redine et al. (2023) similarly identify the need for a broader and more integrated understanding of impulse buying and its determinants.❖

These perspectives are relevant to adolescent consumption because purchasing decisions occur within social and commercial environments that may reward immediacy, novelty and conformity. The availability of discretionary funds may make such purchases possible, but behavioural mechanisms help explain why an individual chooses to act upon an immediate desire rather than defer expenditure.

5.2 Mental accounting and the subjective valuation of money

Mental accounting is one of the principal theoretical frameworks for understanding why individuals do not always treat money as perfectly interchangeable.

Thaler (1985) introduced a model of consumer behaviour incorporating cognitive psychology, transaction utility and household budgeting. He subsequently developed the concept further, describing mental accounting as the set of cognitive operations through which individuals organise, evaluate and monitor financial activities (Thaler, 1999).

From a strictly fungible-money perspective, a given monetary amount should possess the same purchasing power irrespective of its source. In practice, however, individuals may categorise money into separate mental accounts according to how it was obtained or how it is intended to be used.

For example, an adolescent may mentally designate birthday money for entertainment, reserve employment earnings for a future purchase, and treat a regular allowance as the budget for routine discretionary expenses. Although the monetary value of these funds may be identical, their perceived purposes can differ.

These mental categories may influence the threshold at which a purchase is considered acceptable. Money assigned to a discretionary account may be spent more readily than money associated with a

long-term objective. Similarly, funds perceived as unexpected may be treated differently from those already incorporated into a budget.

The importance of mental accounting lies not in the assumption that individuals invariably mismanage money, but in the recognition that financial decisions depend partly upon how resources are psychologically represented. Consequently, the origin of adolescent income may matter because it influences the mental categories through which that income is evaluated.

Nevertheless, mental accounting can also promote responsible behaviour. An adolescent who deliberately allocates a portion of gifted money to savings may use mental categories to protect long-term goals from immediate spending impulses. Its behavioural implications therefore depend upon the categories individuals establish and the constraints associated with them.

5.3 The house-money effect and windfall income

The house-money effect describes a tendency, examined in behavioural decision-making research, for individuals to respond differently to gains perceived as additional or recently acquired resources. In particular, prior gains may influence subsequent risk-taking decisions.

Applied to adolescent consumption, this concept offers a possible explanation for why certain monetary gifts or unexpected transfers may be directed towards discretionary purchases. If money is perceived as a bonus rather than part of an existing budget, the individual may attach less importance to preserving it for future needs.

For example, an adolescent who receives an unexpected monetary gift may regard the amount as an opportunity to purchase a desired item that would otherwise have been postponed. This decision may reflect the psychological categorisation of the funds rather than any fundamental difference in their purchasing power.

A related mechanism may arise when regular allowances are supplemented by additional parental transfers. If adolescents anticipate that insufficient funds can be replaced upon request, they may perceive the consequences of spending their existing balance as relatively limited.

However, the house-money effect should be applied cautiously. It does not establish that every recipient of gifted money will spend more impulsively, nor does it directly demonstrate that adolescents are more susceptible than adults. It offers a theoretical mechanism that may be investigated in relation to consumer spending, rather than a universal law governing the use of unearned income.

5.4 Psychological ownership and the perceived value of earned income

Psychological ownership refers to the subjective sense that a resource belongs to an individual and is connected to that individual's effort, decisions or experiences.

In the context of earned income, the labour required to obtain money may render its value more salient. An adolescent who earns money through employment or an informal service may associate a particular sum with time, effort and foregone leisure. As a result, the cost of a purchase may be evaluated in terms of both its monetary price and the labour necessary to obtain that amount.

Consider an adolescent who has saved earnings from several weeks of work to purchase a discretionary item. Before making the purchase, the individual may consider whether the item justifies the time spent earning the money and whether the expenditure would delay another objective.

This process can make opportunity cost more tangible. Rather than evaluating a product solely in relation to its immediate appeal, the individual may consider what alternative uses of the same resources would be sacrificed.

Nevertheless, the relationship between effort and spending should not be overstated. Personal earnings may strengthen the perceived value of money, but this does not necessarily produce a consistent reduction in impulsive purchasing. Individuals may also derive satisfaction from spending money they have earned, viewing consumption as a reward for their labour.

Accordingly, psychological ownership should be understood as a potential influence upon financial evaluation rather than an automatic source of restraint.

5.5 The pain of paying and transaction utility

The pain of paying describes the psychological discomfort associated with surrendering money during a transaction. It provides a useful framework for understanding why the method of payment may influence consumption independently of the amount spent.

Soman (2001) examined the relationship between payment mechanisms and spending behaviour, highlighting the relevance of payment-related memory, timing and the experience of expenditure. His findings indicate that past payments more strongly reduce subsequent purchase intentions when the payment process requires active rehearsal and when the depletion of wealth is immediate.❖

Physical cash can make the transfer of money tangible. The consumer observes the reduction in available notes and may therefore become more conscious of the resources being surrendered. By contrast, a digital transaction can be completed with minimal physical interaction, potentially weakening the immediate connection between consumption and the reduction in available funds.

This distinction may be particularly important for adolescents who use digital wallets, debit cards or online payment systems. When the financial consequence of a purchase is less salient, an individual may pay less attention to cumulative discretionary expenditure.

However, the pain of paying is not determined solely by whether money was earned or received as a gift. Payment method, spending habits, transaction visibility and individual differences can all influence the experience. The relationship between income source and payment friction should therefore be investigated as an interaction between multiple factors rather than as a direct causal chain.

5.6 Adolescent consumer behaviour and social influence

Adolescent purchasing decisions are also shaped by the social meanings attached to goods and brands. Clothing, technology, entertainment and other consumer products may serve practical functions while simultaneously communicating identity, group membership or social status.

Lin and Chen (2012), in a study involving 453 adolescents, examined impulse buying in relation to susceptibility to interpersonal influence and fear of negative evaluation. Their findings indicated associations between these social factors and adolescents' tendency to buy on impulse.

Research examining teenage consumers has also investigated the role of price perception, prestige sensitivity and promotional responsiveness in impulsive buying (Muratore, 2016). Such work suggests that the attractiveness of a purchase cannot be understood exclusively through its price or the consumer's available income.

For adolescents, a purchase may be motivated by the desire to participate in a social activity, align with peer preferences or avoid feelings of exclusion. These motivations may increase the subjective value of a product even when its practical utility is limited.

The source of income may influence whether such desires can be acted upon. However, social influence and income origin remain distinct explanatory factors. Greater access to money increases purchasing capacity, whereas social pressures may affect the products an individual desires and the urgency with which they wish to acquire them.

6 Income sources and impulsive spending

6.1 Parental allowances and predictable liquidity

Parental allowances represent an important source of discretionary money for adolescents. Their influence on spending behaviour depends not only upon the amount provided but also upon the regularity, conditions and expectations attached to the transfer.

A fixed weekly or monthly allowance establishes a relatively predictable flow of funds. When adolescents are expected to manage this amount until the next payment period, they encounter a finite budget constraint. Expenditure on one item reduces the amount available for subsequent purchases, thereby creating an opportunity to learn prioritisation and delayed gratification.

Such an arrangement may encourage planning by making the relationship between current consumption and future purchasing capacity more visible. Adolescents must decide whether to satisfy an immediate preference or preserve money for an anticipated expense.

Nevertheless, the educational effect of a fixed allowance depends upon how it is administered. If additional money is routinely provided whenever the initial amount is exhausted, the budget constraint may become less meaningful. In contrast, a predictable allowance accompanied by reasonable expectations can provide a practical environment in which adolescents learn to evaluate trade-offs.

Because these funds are not necessarily connected to personal labour, the psychological cost of spending may differ from that associated with earned income. However, this distinction does not imply that allowances are inherently less valuable or that their recipients are less financially responsible.

The central issue is whether the allowance arrangement encourages adolescents to make and evaluate independent financial decisions.

6.2 Ad hoc parental transfers and perceived financial security

Ad hoc transfers differ from fixed allowances because money is provided in response to specific requests or changing circumstances. Such transfers may be necessary and appropriate within many families, particularly where expenses are unpredictable.

However, when discretionary requests are regularly met without requiring adolescents to consider their existing balance or future needs, the immediate consequences of overspending may become less apparent.

This arrangement can weaken the practical significance of a personal budget. If additional funds are expected to become available whenever necessary, an adolescent may have less incentive to delay a purchase or prioritise expenditure across a defined period.

From a behavioural perspective, the relevant mechanism is not parental generosity itself but the perceived relationship between current spending and future financial security. A reliable safety net may reduce the perceived cost of a poor purchasing decision, particularly where the adolescent is not responsible for replacing the money.

At the same time, parental transfers may provide essential support and should not automatically be interpreted as a source of financial irresponsibility. Their influence depends upon household circumstances, parental communication and the degree to which adolescents are involved in financial planning.

6.3 Monetary gifts and the perception of windfall income

Monetary gifts received during birthdays, festivals or other occasions may be treated differently from funds allocated for routine expenses. Because they are often irregular, they may be perceived as additional purchasing power rather than as part of an established budget.

Mental accounting offers a possible explanation for this distinction. An adolescent may allocate a gift to entertainment or a desired purchase because the money is mentally separated from the allowance intended for ordinary discretionary expenditure.

This separation can produce different outcomes. A gift may be spent quickly on an unplanned purchase, but it may equally be saved for a significant goal. The outcome depends upon how the recipient interprets the funds and whether saving intentions have been established.

The relevant research question is therefore not whether gifts cause impulsive spending, but whether money perceived as a windfall is associated with different allocation decisions from money integrated into a regular budget.

Future empirical research could investigate this question by comparing the proportion of gifted and regularly received funds allocated to planned savings, necessary expenditure and unplanned discretionary purchases.

6.4 Earned income and the labour–consumption relationship

Earned income may introduce a more direct relationship between personal effort and purchasing power. Adolescents who receive wages or compensation for informal work may develop an awareness of the time required to obtain a particular amount of money.

This awareness can influence consumption by rendering opportunity costs more concrete. A purchase may be evaluated not only in terms of its price but also in relation to the time required to earn the money and the alternative objectives that could be funded instead.

For instance, an adolescent considering an expensive discretionary purchase may compare the immediate satisfaction associated with the item against the possibility of saving for education-related expenses, a future purchase or another personal objective.

This form of evaluation may encourage deliberate spending, particularly where the adolescent has established financial goals. It may also strengthen the connection between budgeting and personal responsibility.

However, earned income does not eliminate the influence of immediate gratification, peer pressure or promotional incentives. An adolescent who has worked to obtain money may still regard a purchase as a deserved reward. In some circumstances, the emotional satisfaction of spending self-earned funds may even justify expenditure that would otherwise have been postponed.

The relationship between earned income and impulsive buying is therefore likely to depend upon the interaction between labour awareness, savings objectives, financial supervision and the amount of discretionary money available.

6.5 The premature affluence paradox

One of the most important qualifications to the assumption that earned income encourages responsible consumption is the possibility of premature affluence.

In this paper, premature affluence refers to a structural situation in which adolescents obtain income but continue to rely upon their families for most essential living expenses. Their earnings may therefore remain largely available for discretionary expenditure rather than being allocated to housing, food, utilities or other recurring obligations.

This situation differs from the financial position of many independent adult workers, whose earnings must support both discretionary consumption and essential living costs.

An adolescent earning a regular income may consequently possess substantial purchasing power relative to their immediate financial responsibilities. Although the individual understands the effort required to earn money, the absence of essential expenditure may reduce the practical need to prioritise competing financial commitments.

This distinction separates the psychological experience of earning money from the structural experience of managing a budget. An adolescent may understand the cost of a purchase in terms of labour hours while still having limited experience of allocating income between necessary expenses, emergency reserves and long-term obligations.

Consequently, greater earnings may expand discretionary consumption without producing a corresponding improvement in budgeting skills. This possibility should not be interpreted as evidence that youth employment inevitably produces excessive spending. Rather, it highlights the importance of considering disposable income and financial obligations alongside income source.

A more comprehensive analysis should therefore distinguish between the amount earned, the proportion of income available for discretionary expenditure, the presence of savings goals and the extent of financial responsibility assumed by the adolescent.

7 Digital payments and the contemporary consumption environment

7.1 Payment decoupling and cashless expenditure

The growing use of digital payment systems has transformed the way consumers experience transactions. Physical cash makes the transfer of resources visible, whereas digital payments may reduce the immediate sensory experience associated with expenditure.

When payment becomes less noticeable, consumers may find it more difficult to connect the immediate satisfaction of acquiring a product with the reduction in their available financial

resources. This phenomenon is relevant to the concept of payment decoupling, whereby consumption and payment become psychologically less connected.

Soman (2001) provides a theoretical and empirical foundation for examining how payment mechanisms influence spending-related decisions. His work indicates that the extent to which consumers recall and experience past payments affects subsequent spending intentions.❖

For adolescents, digital transactions may facilitate immediate purchases through online marketplaces, mobile applications and stored payment information. Several individually small transactions may also accumulate into substantial expenditure without being fully recognised at the time they occur.

Digital systems can nevertheless support financial discipline when they provide clear transaction records, balance notifications and spending summaries. The same technology that reduces transaction friction can also improve financial monitoring.

The effect of digital payments should therefore be understood as conditional upon the design and use of the payment system, rather than as an inevitable consequence of cashless transactions.

7.2 Social commerce and algorithmic persuasion

Digital platforms increasingly integrate entertainment, social interaction and commercial activity. Product recommendations, influencer promotions, affiliate links and live-shopping features may expose consumers to purchasing opportunities within environments primarily used for social engagement.

This integration can reduce the distinction between discovering a product and deciding to purchase it. A consumer may encounter a desirable item while browsing social content, observe favourable endorsements and complete a transaction without undertaking a separate search for alternatives.

Limited-time discounts, countdown displays and claims of restricted availability may further create a sense of urgency. These techniques can encourage consumers to act before evaluating whether a purchase aligns with their needs or financial priorities.

The effects may be particularly relevant where adolescents have immediate access to discretionary funds. Income availability establishes the capacity to purchase, while persuasive design may influence the perceived desirability and urgency of a transaction.

However, the presence of these features does not establish that every exposed adolescent will make an impulsive purchase. Their effects depend upon prior preferences, awareness of marketing techniques, individual self-regulation and the financial consequences associated with spending.

Accordingly, digital commercial environments should be treated as potential moderators of the relationship between income source and impulsive consumption.

7.3 Emotional consumption and social comparison

Purchasing decisions may also serve emotional or social purposes. Some consumers acquire products in response to boredom, stress or a desire for immediate gratification, while others may purchase goods to communicate status or maintain social acceptance.

Adolescents may encounter these motivations through online trends, peer recommendations and visible displays of consumption. The repeated presentation of desirable products can influence perceptions of what is normal, fashionable or socially valued.

Where such purchases are easily affordable, the gap between desire and action may narrow. Nevertheless, emotional motivations should not be treated as universal characteristics of adolescence. Their influence varies across individuals and circumstances.

The interaction between emotional states, social comparison and income availability provides a useful direction for future research. In particular, studies could investigate whether the source of available money affects the likelihood that adolescents use discretionary spending to respond to social pressure or short-term emotional preferences.

8 Discussion: Why income source alone is insufficient

The preceding analysis demonstrates that the relationship between income source and impulsive spending cannot be adequately explained through a simple comparison between earned and unearned money.

First, the psychological meaning of money varies across individuals. Mental accounting suggests that funds may be assigned different purposes according to their origin, while the house-money effect offers a possible explanation for why certain gains may be treated as more readily available for discretionary use (Thaler, 1985, 1999).

Second, the structure of financial access determines how spending decisions affect future purchasing capacity. An adolescent operating within a fixed allowance may encounter a clear budget constraint, whereas an adolescent whose funds are regularly replenished may perceive fewer immediate consequences of overspending.

Third, earned income can create awareness of labour and opportunity cost without necessarily producing comprehensive financial responsibility. Where earnings remain largely discretionary, the increased capacity to consume may counteract any restraint associated with the effort required to obtain the money.

Fourth, the purchasing environment can alter the relationship between available funds and actual expenditure. Digital payment convenience, promotional urgency and social influence may affect whether a consumer acts immediately upon a purchasing desire.

These mechanisms are not mutually exclusive. An adolescent may receive a monetary gift, mentally categorise it as additional spending money, encounter a time-limited promotion and complete the transaction through a digital payment system. The resulting purchase cannot be convincingly attributed to any one factor in isolation.

Similarly, an adolescent receiving a fixed allowance may exercise restraint because of a savings objective, parental guidance or awareness of future expenses, even where the money has not been personally earned.

The more defensible interpretation is that income source represents one component of a broader financial decision-making environment. Its influence depends upon how money is perceived, how much remains available after obligations, what alternatives compete for the same resources and how easily a transaction can be completed.

This framework also suggests that financial literacy and financial behaviour should not be treated as identical. An adolescent may understand budgeting principles yet still make unplanned purchases when immediate incentives are sufficiently attractive. Conversely, an individual with limited formal financial education may develop disciplined spending habits through repeated experience of managing a constrained budget.

A complete explanation of adolescent consumption must therefore consider knowledge, motivation, financial structure and environmental influences together.

9 Implications and recommendations

9.1 Developing structured financial socialisation practices

Parents and guardians can support financial development by establishing predictable arrangements for discretionary money and involving adolescents in decisions concerning expenditure and savings.

A fixed allowance may provide a practical opportunity to learn budgeting where its amount and payment schedule are clear. Adolescents can be encouraged to identify future expenses, allocate funds between competing priorities and review whether their decisions correspond with their stated goals.

The purpose of such arrangements should be educational rather than punitive. Reasonable opportunities to make mistakes and reflect upon their consequences can contribute to financial learning without requiring excessive parental control.

9.2 Linking income with opportunity-cost awareness

For adolescents who earn money, financial education should extend beyond the relationship between labour and wages. Young earners can be encouraged to evaluate purchases in relation to the time required to earn the money, alternative uses of the funds and the implications for longer-term objectives.

This approach can render opportunity cost more tangible. It should, however, be presented as one decision-making aid rather than as a rule requiring all discretionary purchases to be justified exclusively through labour hours.

The objective is to strengthen deliberate evaluation rather than discourage reasonable enjoyment of earned income.

9.3 Encouraging deliberate digital spending

Financial education should address the distinctive characteristics of digital transactions, including transaction convenience, saved payment information and the cumulative effect of small purchases.

Adolescents can be encouraged to review transaction histories, establish discretionary spending limits and distinguish planned purchases from unplanned ones. A cooling-off period before non-essential purchases may also provide time to reconsider the necessity and affordability of an item.

Such practices are consistent with evidence that spending awareness is strengthened when payment is more immediate and more actively registered. ♦

9.4 Integrating behavioural economics into financial education

Traditional financial education frequently emphasises budgeting, saving and the responsible management of money. Although these competencies remain essential, behavioural economics offers an additional perspective by examining why individuals may make financially inconsistent decisions despite possessing relevant knowledge.

Incorporating behavioural principles into financial education can help adolescents recognise the psychological mechanisms that influence their purchasing behaviour. Educational programmes could introduce concepts such as mental accounting, opportunity cost, the pain of paying and the influence of immediate gratification through practical, real-world scenarios.

For instance, students could examine how the perceived value of money changes depending upon whether it is received as a parental allowance, a monetary gift or personal earnings. Similarly, comparing cash and digital transactions could help students understand how payment methods influence spending awareness.

Such programmes should encourage critical reflection rather than assume that a particular income source inevitably produces responsible or irresponsible behaviour. By connecting economic theory with everyday financial decisions, behavioural economics can help adolescents develop a more informed understanding of their consumption patterns and make decisions that reflect both immediate preferences and long-term objectives.

10 Conclusion

Adolescent consumption provides a valuable setting for examining how psychological processes and financial structures interact to shape economic behaviour. Although income determines the resources available for expenditure, the source of those resources may influence how they are valued, allocated and spent.

Mental accounting offers a framework for understanding why individuals may assign different meanings to financially equivalent amounts. The house-money effect suggests that gains perceived as additional resources may sometimes encourage different spending decisions, while psychological ownership and the pain of paying provide possible explanations for the role of effort and transaction visibility in financial evaluation.

However, these mechanisms do not establish a universal distinction between responsible earned income and irresponsible unearned income. The effects of income origin depend upon how funds are received, whether spending is constrained, what financial responsibilities the individual faces and how strongly immediate purchasing incentives influence the decision.

The possibility of premature affluence is particularly significant because it demonstrates that earning money does not necessarily provide experience in managing a comprehensive budget. Adolescents may develop an appreciation of labour while continuing to possess substantial discretionary purchasing power and limited financial obligations.

Digital payment systems and social commerce further complicate this relationship by influencing transaction visibility, purchasing convenience and exposure to commercial persuasion. Their effects are best understood as part of a wider decision-making environment rather than as independent explanations of impulsive spending.

Ultimately, the development of responsible financial behaviour requires more than access to income or knowledge of basic economic principles. It involves the ability to evaluate opportunity costs, recognise the influence of immediate incentives, manage discretionary resources and make purchasing decisions consistent with longer-term objectives.

The central contribution of this paper is therefore its emphasis on the interaction between income origin, psychological valuation, financial responsibility and the consumption environment. By examining these factors together, future research can develop a more nuanced understanding of adolescent spending behaviour and inform financial education that reflects the complexities of contemporary consumer decision-making.

Conflicts of interest

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