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Self Deception in Financial Perception: The Illusion of Wealth

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Abstract

This study explores self-deception in financial perception, specifically the illusion of being wealthier than one's actual economic condition among college students in Pakistan. Exploratory qualitative research design was adopted. Non-probability sampling technique was adopted. Purposive sampling was preferred to collect information rich data. Semi-structured interviews were used as data collection tool with students from diverse socioeconomic backgrounds. Thematic analysis adapted. The findings reveal that perceived wealth is influenced by social comparison, cultural expectations, debt-financed consumption, and social media exposure rather than objective financial indicators. The study highlights the implications of self-deception for financial decision-making, savings behavior, and economic well-being. Financial misperception can explicitly affect academic engagement and repercussions. The research contributes to behavioral economics literature by providing context-specific perspectives from a developing economy.

Keywords: Self-Deception, Perceived Wealth, Financial Behavior, Behavioral Economics

Introduction

Authentic financial self-assessment is vital for rational economic decision-making (Ebner, Pehlivanoglu & Shoenfelt, 2023). However, people often misperceive their economic position due to psychological and societal expectations. This trend, mentioned to as self-deception in financial perception, leads people to assume they are wealthier than their actual position (Lin, Zhong & Zhao, 2025).

In Pakistan, where social status and lavishness play a significant role in societal interactions, this illusion of wealth is particularly relevant (Parvin & Malik, 2024). Factors such as increasing consumerism, access to informal credit, and the influence of social media had contributed to this misperception. (Pirinsky, 2026; Dew, Saxey & Mettmann, 2022). Despite its importance, limited empirical research has examined this issue in the Pakistani context.

Problem Statement

In contemporary society, especially among young adults and students, financial perception is tremendously shaped by social comparison, digital media impact, and consumer culture. Many people establish fantasy of wealth, where they perceive themselves financially secure.

Such malformed financial perceptions can steer to poor financial decision-making, psychological stress, increased debt and compromised educational or career achievements. In contexts like developing countries (e.g., Pakistan), where financial literacy levels are different and social pressures are vigorous, the consequences can be even more evident. Despite its relevance, limited research has explored how self-deception in financial perception evolved, what factors nurture it, and how it influences individuals' academic and economic well-being.

Therefore, this study adopts an exploratory qualitative approach to justify how people construct perceptions of wealth and the implications of these perceptions on their achievements.

Research Objectives

Below mentioned research objectives navigated the study.

1. To study the notion of self-deception in financial perception among college students.
2. To scrutinize the key factors assisting to the illusion of wealth.
3. To analyze the association between perceived wealth and actual financial status.
4. To examine the impact of financial deception on students' educational achievements.

Research Questions

The study pursues to answer the following research questions:

1. How do college students construct their perceptions of financial position?
2. What factors promote to the illusion of wealth among students?
3. How do financial perception influence behavior of students?
 - i. Is there any social pressure to present oneself as wealthy?
 - ii. Do individuals justify their behavior to satisfy their ego by portraying themselves as wealthier than they are?
4. How does financial self-deception affect students’ educational engagement and performance?

Literature Review

Self-deception is a cognitive bias in which human being grasp overly favorable or inaccurate beliefs about themselves (Nawani, 2025). In financial contexts, it manifests as overestimation of wealth or financial stability (Moldoeanu & Visu-Petra, 2025).

Behavioral economics literature highlighted that persons depend on heuristics and social comparisons rather than objective financial indicators (Hogh-Olesen, 2024). Relative income theory assumes that people appraise their economic position grounded on comparisons with peers rather than total income (Fowler, 2023).

In collectivist societies, including Pakistan, social norms and expectations significantly contribute consumption behavior (Gunderson & Brinke, 2022). Studies indicate that obvious consumption and reputation informing often direct people to maintain lifestyles beyond their means (Lee, 2026). However, research specifically addressing self-deception in financial perception within Pakistan remains scarce, highlighting the need for exploratory inquiry (Blank, 2022).

Conceptual Framework of the Study

Conceptual framework supports to understand the association of theories, hopes and beliefs within a context. It is a provisional plan that escort our research (Antoneko, 2015). It is an important element of the research design that escorts not only researcher to what is happening, but also mentor to grasp the concept without difficulty (Imenda, 2014). It widens our perception about phenomena (Tamene, 2016). It is further explained that framework offered groundwork for comprehension of informal or correlational themes of relationship across matters, ideas, observations, knowledge, interpretations and other components of experience (Al-Jerjawi, Dadich & Samad, 2026).

The proposed Illusion of Wealth Framework explains financial self-deception as a progressive socio-cognitive process through which individuals develop distorted perceptions of financial adequacy despite objectively limited resources. The framework conceptualizes financial misperception not as an isolated budgeting problem, but as a psychologically reinforced and socially conditioned behavioral pattern.

The framework is organized into two interrelated explanatory blocks: drivers and resulting consequences with certain moderating and background factors

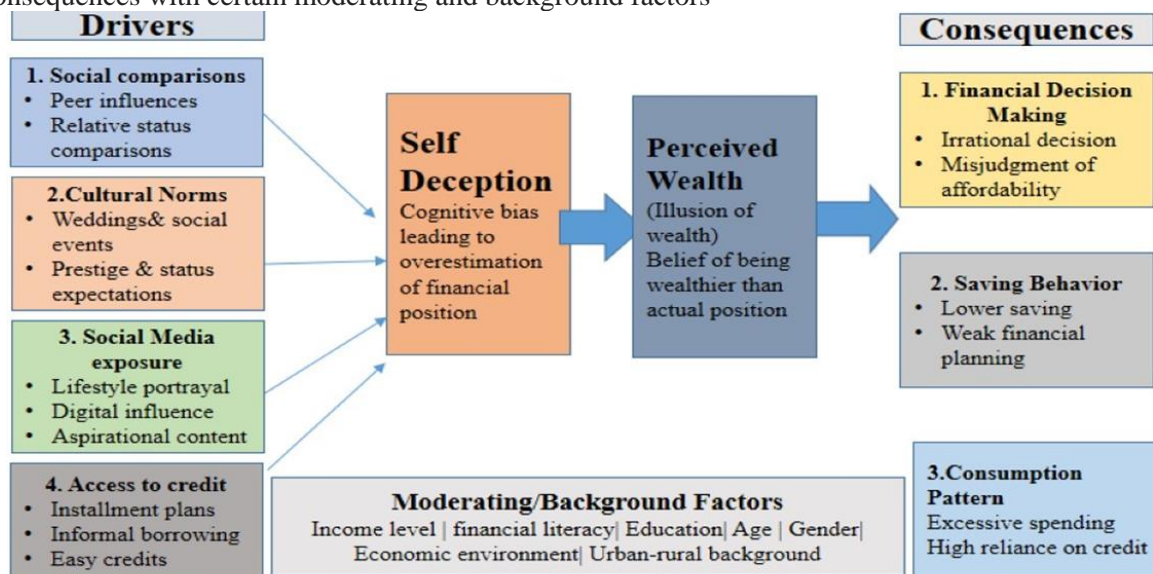


Figure1: Conceptual Framework
Self Deception in Financial Perception: Illusion of Wealth

This framework suggests that financial self-deception is a process influenced by external drivers and internal cognitive biases leading to overestimation of financial positions which creates an illusion of wealth and leads to multiple negative consequences including irrational decision making, weak financial planning and excessive spending living in a fantasy world.

Methodology

It highlights planning of the research design utilized to gather information, assess evidences, and find the relevant solutions for the research questions constituted in the study. It is an outline for research work (Noble & Smith, 2025). It decided the research strategy that what is to be intentioned and how it is measured. Therefore, the researchers had debated their choice of scientific investigations, approach and strategy tailoring research questions, procedures of data collection, and the techniques used to follow the data. Major challenges of vetting, validity, reliability, and ethics are also elaborated and interpreted to show clear picture of how to generate final answers to the research questions. The research under study was an exploratory and qualitative in nature. Such paradigm provides an essential skill for understanding complex and sensitive topics to explore into proficiency and insights of participants. This strategy also helps to collect data-rich information which quantitative method often ignored. By using these techniques such as interviews, field notes, informal discussions to reveal deep wisdom that unearth why individuals behave or think in particular way. It was employed to examine circumstances in which analyzed conclusions yield no definitive outcomes. (Fahy, 2013). The exploratory aspect of qualitative research provides a valuable opportunity to gain a deeper understanding in the realm of education (Abbas & Yaqoob, 2009; Creswell & Clark, 2023).

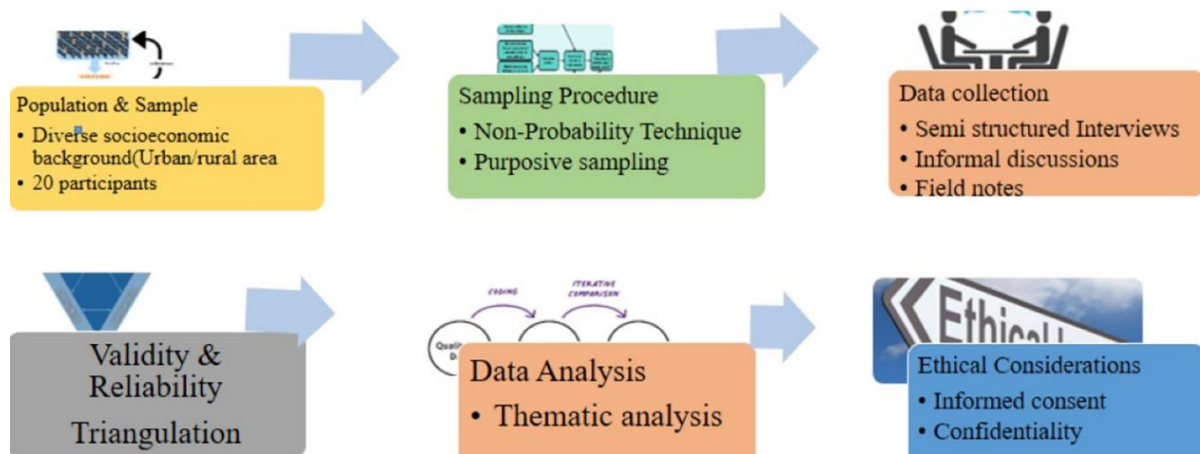


Figure 2: Research Methodology

Assessing accuracy and worth in qualitative research is difficult but these are epistemologically diverse. This diversity serves as a strength because it provides the theoretical and methodological flexibility necessary to comprehensively understand a particular topic from various viewpoints. However, it is also crucial that researchers do not depend entirely on a unified set of evidentiary rules. Therefore, researchers can ensure the excellence of their studies by utilizing various or even fundamentally contrasting benchmarks.

Sampling

One of the primary challenges associated with employing a sampling approach is the abundance of information pertinent to our specific topic, settings, communication strategies, and experiences. Nevertheless, this method compels researchers to achieve a suitable equilibrium between the quality of the analysis and the diversity of settings and populations within our decided scope. Our sampling framework allowed to choose manageable and related to our objectives.

Non-Probability sampling technique was adopted. A purposive sample of 30 participants was selected from male and female colleges in Punjab (15 girls + 15 boys) representing diverse socioeconomic backgrounds. It assisted researchers in incorporating qualitative evidence synthesis by highlighting its strengths and weaknesses. It facilitated achieving a sufficiently broad geographic distribution of primary studies while restricting the number of studies included in the synthesis. It enabled the inclusion of studies with comprehensive data that most closely aligned with the synthesis objectives.

Data Collection Tools

An interview protocol was developed, and semi-structured interviews were created. Additionally, informal discussions were conducted, supported by field notes (Startup & Whittaker, 2021). Comprehensive and organized interviews have been employed as an additional method of data collection for this research. Interviews serve as the most effective and efficient means of acquiring precise information in a brief timeframe. Interviews permit the researcher to observe using all senses: verbal, non-verbal, spoken, and heard (Mutlu, Kara, Demir, Erim & Özkaraalp, 2026).

One pilot interview was conducted to examine the clarity of the questions. Based on the preferences expressed by the interviewees, individual meetings were arranged utilizing web conferencing platforms such as Zoom, Google Meet, and Microsoft Teams. Following this interview, additional questions were incorporated into the guidelines to facilitate a more in-depth examination of collaboration. The final guideline consisted of questions about understanding concept of self-deception, illusion of wealth, key factors contributing to it and its impacts on behavior and psychological implications. Prior to the commencement of the interview, all participants completed the informed consent forms.

The interviews lasted about 20 to 55 minutes (40 min). In order to enhance the authenticity and validity of the data, the transcribed interviews were distributed to the participants. Any inconsistencies between the spoken dialogue and the written material were eliminated. Consequently, detailed descriptions were gathered regarding the phenomenon: self-deception in financial perception: the illusion of wealth.

Reliability & Validity

The research phenomenon was established within a naturalistic framework; therefore, ensuring reliability posed a significant challenge, as anticipated by (Li & Graham, 2026; Zhang, 2026). This challenge was tackled through the implementation of a mixed-methods strategy and a pragmatic approach in the development of the research (Langston, Charness & Boot, 2026; Zhang, Wang, Li, Ma, Bhandari & Peng, 2023). Christou (2025) has characterized reliability as the trustworthiness of the research. Mechanisms are in place to guarantee that the data align with the findings and provide audit trails for validating results. Consequently, specific and clear procedures were selected to ensure that the research approach remained aligned with the research questions. At the same time, information was collected within an appropriate range of times and settings.

Triangulation has the strongest point in addressing validity, especially in qualitative research (Langston et al., 2026). As discussed in previous sections, multiple data collection sources were used in the research under study. Various methods of data collection were essential to provide a wider foundation of evidence and to reduce misrepresentation and misunderstanding. Nevertheless, this type of triangulation does not guarantee that the researcher’s perspective can be enhanced through data gathered from multiple methods. Rather, a constructivist perspective on knowledge and reality was reflected, allowing different sources to be regarded as a means of obtaining the most comprehensive array of explanations and viewpoints (Noble & Smith, 2025).

Data Analysis

Thematic Analysis of Data

Thematic analysis serves as a method employed in qualitative research to illustrate themes and classifications. It enriches the data through detailed interpretations, as noted by Kushnir (2025). This approach offers components to systematically link the frequency of themes to the research questions posed. The primary aim of qualitative research is to uncover various perspectives from different individuals across diverse contexts. Thematic analysis provides an opportunity to gain a thorough understanding of any issue in detail, as highlighted by Butterworth, Trivers, and von Hippel (2022).

Thematic analysis is acknowledged as a flexible and efficient research approach that adeptly tackles the complex characteristics of data, as noted by Lochmiller (2021).

Thematic analysis (Sun, Hsieh & Gao, 2025) was employed to uncover patterns and recurring themes associated with perceived wealth and self-deception.

Table 1: Following themes emerged.

Themes	Explanation
Social Comparison and Status Signaling	Participants frequently mentioned their financial positions relative to peers. Ownership of visible assets such as cars, branded clothing, and smartphones supported as indicators of perceived

	wealth.
Debt-Financed Consumption	Many respondents reported trusting on credit, installment plans, informal borrowing to endure a desired lifestyle, assisting to an inflated sense of financial stability.
Influence of Social Media	Social media platforms were detected as a main factor modelling financial perceptions. Exposure to selected modus headed participants to normalize high levels of consumption.
Cultural Expectations	Cultural practices, particularly weddings ,social gatherings (<i>Basant/Urs</i>), birthday parties, concerts, <i>Qawali</i> nights, welcome and farewell parties and color days in institutions encouraged excessive spending, strengthening the illusion of wealth.
Mismatch Between Perceived and Actual Wealth	A consistent gap was observed between participants’ perceived financial status and their actual income and savings, indicating self-deceptive tendencies.
Psychological Comfort through Self-Deception	The findings reveal that social comparison, digital media exposure, and easy access to credit contribute to the illusion of wealth, which in turn affects students’ academic priorities, financial decision-making, and psychological well-being. The study signifies the necessity for financial literacy education and institutional support to lessen the negative consequences of financial self-deception.
Behavioral Consequences	The illusion of wealth led to: Overspending, neglect of academic responsibilities, increased stress when financial reality revealed.
Educational Impact	Students reported reduced focus on studies, time mismanagement, and prioritization of social activities over academic commitments.

Findings and Discussion

The findings align with existing theories of cognitive dissonance and social comparison, suggesting that people regulate their perceptions to diminish psychological annoyance. The illusion of wealth can be grasped as a socially reinforced cognitive deformation. Socially and emotionally depressed students are often unable to foster leadership qualities as already discussed by Batool, Arif & Nadeem, (2021).

The study also highlights the role of modern technological and cultural environments in amplifying self-deception as discussed by several researchers (Piven, 2024; Dew, Trujillo & Saxey, 2022; Siering, Clapham, Engel & Gomber, 2017). Unlike previous generations, today’s students are constantly revealed to tailored representations of accomplishment, making it more difficult to maintain realistic financial perceptions which in turn produces difficulties in leadership and management skills as pronounced by Batool, Arif, Ali & Jabeen (2022).

The results are consistent with theories of behavioral economics, which highlight the significance of cognitive biases and social influences in the process of economic decision-making (Tkemaladze, 2025; Wehofsits, 2023; Warner, 2022). In the Pakistani context, social comparison and cultural pressures amplify self-deception in financial perception.

The study extends existing literature by demonstrating how informal credit systems and social media ignites to perceived wealth. These results indicate that financial behavior is influenced not only by income but also by psychological and social elements.

Conclusion

Study explored the phenomenon of self-deception in financial perception among college students. The study demonstrates that the illusion of wealth is not merely an individual bias but a socially constructed reality influenced by multiple factors. The implications for education are significant, as financial misperception can directly affect academic engagement and hinder learning capabilities while also creating false perceptions of the real world.

Recommendations

Following are the recommendations based on conclusions:

1. There should be an integration of financial literacy education into college curricula
2. Awareness programs should be launched on regular basis addressing social media influence

3. In every institution there should counseling services focusing on financial behavior and stress management keeping an eye on activities of all students.
4. Budgeting and financial planning should also be part of our curricula.

Future Implications

Multiple conclusions can be inferred concerning the study's objective to enhance understanding in order to tackle genuine challenges faced by college students. A quantitative study is needed to measure the extent of the phenomenon. Moreover, comparative studies across different cultural contexts may inform policymakers. For long-term impacts, longitudinal research can examine it in a much better way.

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