



## The Relationship of Financial Wisdom and Investment Decision: An Evidence from Pakistan

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*This study will assist the literacy rate financially in the decision to invest in Pakistan. This also brings to mind the connection between financial literacy and the impact of different factors that may affect the decision to invest. The questionnaire was used for the collection of data that is related to demographic factors that may affect the decision of investment. Individuals may have an interest in the Karachi stock exchange, the biggest exchange in Pakistan. The data was collected for 163 respondents, and the outcomes sure showed that the financial literacy of the investors was significant. The difference in financial literacy among the respondents work and merit list was the condition of the respondents. In the end, the results indicated that there was a significant negative impact on the financial literacy, which was at the 20% level. It also shows that most of the factors from financial statements in the state of industry remained.*

## 1. Introduction

On the basis of the labour force It was estimated that financial literacy is always on the list of the basis of the labour force and population in developing economies like Pakistan. The proper share of the labour force is also indicated as having an impact on the financial Tracy's direct manners are indirect manners (Angela 2009; Sriyono et al., 2021). The phenomenon was listed on the basis of investment decisions. Financial literacy plays a very important role in the management of financial resources, which makes them the alternative resources for diversification. It was tried that there is a gap in income expenditure, which may be an investment opportunity by considering the bonds, stock exchanges, shares, and financial instruments, which may have convex channels. It was also decided that financial literacy may complete the gate of investors for the development of any economy like Pakistan; it is a way to utilize proper resources in a proper way (Shaheen, 2022). The financial literacy rate may impact the decision in finance, which may impact the economic crisis of the countries at the national or international level on the basis of debt. It is a trusting change in their current values in commodity prices. The value of foreign debt and inflation impact the purchasing power of individuals. This is also a consistent economic decision that may impact the building of the gap in household resending and the proportion of investment in financial literacy.

It is also the province that they may take decisions for the management of resources, including money and income, which may create fluctuations for the investment decisions. It is a list of diversifications that knowledge about finance is very necessary and may be incorporated into the selection and execution of opportunities that may impact the financial decision. Financial stability is very important for the dynamic forces that may impact the political conditions, demand, supply gap, personal bias, and the instruments that are used in physical policy. It was also necessary to discuss that when there is proper proof of results on the basis of investment decisions, it is also considered that the performance of financial markets on primary and secondary markets impacts the availability of opportunities for bonds, stock shares, and security (Shahbaz et al., 2015). The financial literacy may impact the financial services, which may impact the different sectors of the economy in Pakistan. It is also said that it may impact the balancing of the gap between income and expenditure for various economic circumstances. It is a core objective that financial literacy may impact the quality of financial decisions, which may include knowledge, skill, wisdom, and different factors of the three dicta of economics (Ahmed & Ali, 2020).

It was also confused that the knowledge and understanding of finance and the skills motivation and confidence of knowledge on the basis of understanding me impact economic decisions, which range from financial context to financial well-being for the development of society on the basis of participation in economic freedom and economic life (OECD 2013; Auld et al., 2019). In the current scenario, it was decided that financial stability and financial literacy are important concepts that should be discussed for the complex phenomena of skills. It is also a better understanding of nations for the development of necessities, which may impact directly on

the knowledge of the financial base that will be skilled for the different sectors of supervision. It is also included that in developing countries like Pakistan, the people may have limited resources, so it will be very difficult to invest in the different sectors of the economy (Sharma et al., 2021). The lack of knowledge about financial stability will be a risk for the individual who is investing in the stock exchange, but it is very necessary to discuss that the financial comparative analysis and indicators of saving and investment may have a greater impact on the participation of different funds that are invested positively. The Karachi stock exchange in the security and exchange commission of Pakistan may have the key financial markets for the economy of Pakistan, which are working nationwide and creating awareness for the people. This study may have a certain impact on the influence of decisions by these two stock exchanges, which may have an impact on different markets.

It is stated that financial wisdom and financial markets are complex phenomena on the basis of different choices. The clear objective of financial wisdom is that the financial wisdom of nations in developing countries may have a better impact on the financial knowledge of those who invest and benefit from the financial markets. The financial wisdom is abroad, but in developing economies like Pakistan, the financial wisdom is related to people with low levels of resources, and it is very necessary for individuals to work on the significance of getting management case accordingly and the location of assets for getting benefits from the financial markets.

This research will help people who are interested in financial investment understand the relationship between financial wisdom and investing at Karachi Stock Exchange on the basis of the above-mentioned factors. This study will help the dimensions of education by demonstrating that education is a key factor in investment, and this study will contribute to the investigation of different key factors for the economy of Pakistan in relation to the financial system and investment decisions. In this regard, following are research objectives.

What is the relationship between financial wisdom and the Karachi Stock Exchange?

What is the relationship between financial wisdom and investment decisions?

## **2. Literature Review**

The study supported the financial wisdom and proficiency for rational decision-making on the basis of gathering spending and managing money to enable financial decision-making for effective policy-making, where it was decided that unproductive decision-making should be removed (Zaidi & Ali 2021). The global financial crisis of COVID-19 is having a negative impact on overall financial investment because it has changed the behaviour of people and financial investment has decreased from previous years to current years (Rasool, 2021). The previous studies showed that financial capabilities have a positive influence on financial Western and financial decisions for literacy rate, which included saving, borrowing, investing, insurance, and financial institutions (Bayar 2020). It was told that the financial wisdom and investment have some risk on the investment decisions, but it was decided that the risk on both sides means it can invest

more and get more results and contribute more to the investment of different economies. In the developing economy of Pakistan, people should be encouraged to invest more (Awais, 2017). National investment and financial risk have some positive impact on the decision-making of people because it was decided that self-efficacy and self-wisdom are two important parts of decision-making in financial markets (Elfahmi, 2020). Researchers work on the role of gender and other financial decisions in developing economies, which shows that there is no clear difference in investment between male and female members of society (Montord, 2016). It is a type of gambling where risk-taking is a necessary part for the individuals, which may create the personality of accepting different attitudes and behaviours for the preferences of people on a personality-based and individual basis. It is also expected that the risk-taking and risk-loving are two separate parts that may impact the economy, either positively or negatively (Mishra, 2018). The investment decisions are based on the savings because, from income, there are two parts: consumption and saving. This is also the financial wisdom, which is telling people that they have to invest more because they have savings. (Zakaria, 2017).

When decisions are taken on the basis of ability of judgement it will be very effective decision for the management of finance the current financial conditions have reached some serious questions on the financial management of investors which lack knowledge and resources to support the financial markets the recent financial crisis highlighted the decisions without proper tools (Angela 2009). The individuals' decisions for the stock markets may have certain rotation analysis of factors that may be determine on the basis of different profits and losses of companies on the basis of statement of accounts and residence of industry which may be impacted on the purchase of action in politicians and accommodations (Merikas et al., 2011).

### **3. Research Methodology**

#### **3.1 Research design**

This will be an explanation of financial wisdom for the individuals at Karachi Stock Exchange and an understanding of the relationship between financial wisdom and key factors. The primary data will be collected for the investment decisions, and quantitative analysis will be done on the data.

#### **3.2 Questionnaire Design**

The structure of the question will consist of different parts. The first part will be the profile on demography; the second part will be on the basis of confidence in investment; and the statement will be on the third plus further points will be mainly discussed. It will be based on the image of any company, account information, needs, and financial wisdom.

#### **3.3 Sampling**

The population will be all the individuals who are investing in Karachi stock exchange; the number of investors will be determined on the basis of the 2022 annual report.

## 4. Analysis

### 4.1 Scale reliability

In this analysis the reliability is checked on the basis of structures used by Cronbach Salpha separately the results of coefficients are shown in the table:

**Table No1: Cronbach's Alpha**

Category	Cronbach's Alpha
Firm Image	.616
Account	.812
Neutral Information	.613
Support Information	.728
Financial Needs	.614
Overall Cronbach's value	.813

### 4.2 Descriptive analysis

This was done on the basis of questions for the profile of respondents including age gender education employment and workplace activity that provided the frequency in percentage of the democracy that is shown below:

**Table No2: Frequency in Percentage**

Characteristics	Frequency	Percentage
Age		
18-25	45	35.3
26-35	35	41.3
36-45	36	15.3
46-55	45	4.1
56-65	4	1.2
66 and above	0	0
Gender		
Male	115	55
Female	40	35
Employment Status		
Full time	80	56
Part Time	14	7.5
Self Employed	23	13.5
Student	35	22.5
Working		
Finance	71	45.1
Other	87	55.2
Marital Status		
Single	85	55.2
Married	65	41.2



Education		
Middle	0	0
Matric	0	0
Inter	15	6.6
Bachelor	76	45.3
Master	64	39.4
Above Master	7	3.3

### 4.3 Financial Literacy Level

The better mind on the basis of financial wisdom in the studies most researchers were asked with the simple questions that is studied the previous study by different researchers and different 23 basic questions for ask about the financial wisdom that is given below:

**Table No 3: Financial Literacy Level**

	Value	Percentage
Mean	6.3	43.2
Median	7.2	43.1
Mode	7.2	43.2
Minimum	3	12
Maximum	17	86
SD	3.12	

### 4.5 Financial wisdom decision:

The hypothesis were tested on the basis of positive significant relationship between financial West Dem and investment decisions for the investment in Karachi stock exchange the simple regression was run in the model the dependent variable was investment factors and financial wisdom which were the Independence variables output of linear regression showed that the significant negative impact of wisdom is on the investment factors that is 90% level and it was also estimated that the result was week is compared to the investment factors for them all the irrigation on this impact and negatively for the information best and other key factors:

**Table No 4: Financial wisdom decision**

Category	Mean	SD
Image	3.12	.68
Account	3.32	.59
Neutral	3.23	.68
Advocate	3.13	.69
Financial needs	3.41	.59

## 4.5 Model of Research

Table No 5: Model of Research

Dep Var	R-Sq	Ad-R-Sq	SE est.	B	T	Sig.
<b>Sum</b>	.021	.018	1.9	-.157	-1.7	.061
<b>Image</b>	.020	.014	0.6	-.913	-1.6	.071
<b>Account</b>	.031	.024	0.7	-.016	-2.1	.041
<b>Neutral</b>	.041	-.021	0.6	-.17	-.23	.031
<b>Advocate</b>	.001	-.006	0.5	-.213	-1.9	.812
<b>Fin. Needs</b>	.002	.003	0.6	-.612	-2.3	.027

## 4.6 Discussion

The study of kept on the financial wisdom with greater interest on the basis of financial markets which has served the different problems on the basis of information and choices the ultimate goal of financial wisdom was achieved through the financial is stability in the developments is compared to developing nations in developing country like Pakistan the financial Western is considered as the key factor that my impact on the understanding and may get better results. Dil hai ka financial wisdom maybe it is ability to solve the problems and it is need of the Year that the individuals must be educated for the saving investment in participation of different front for the investment purpose and the financial wisdom on the Karachi stock exchange is relationship between the financial will them and factors which are considered as key factors.

## 5. Conclusion

It was included that the financial wisdom an elevational investors have certain key factors for the investment decision which is under examination the financial wisdom is core was 60% which indicated that the financial wisdom is very important for the full film of targets the Karachi stock exchange is performing below expected level because of the lack of financial wisdom it is a significant difference in financial wisdom and other factors which may conclude that investor must have more finest cell more experienced and we have to think about the people who are not investing but it is suggested for them that they should invest in financial sectors for the better results.

### 5.1 Future Research

It is estimated that like Karachi Stock Exchange there should be proper study in analysis for other stock exchange of Pakistan as money market and financial markets it is extended that to conduct more financial West domestic the Pakistani cities citizens should influence more other factors for the investment wisdom and investment decisions.



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